

SOUTH AUSTRALIA

Report
of the
Auditor-General
for the
Year ended 30 June 2005

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Report of the Auditor-General 2004-05

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

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DEPARTMENT OF EDUCATION AND CHILDREN'S SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*, and is responsible to the Minister for Education and Children's Services.

Functions

The functions of the Department are to:

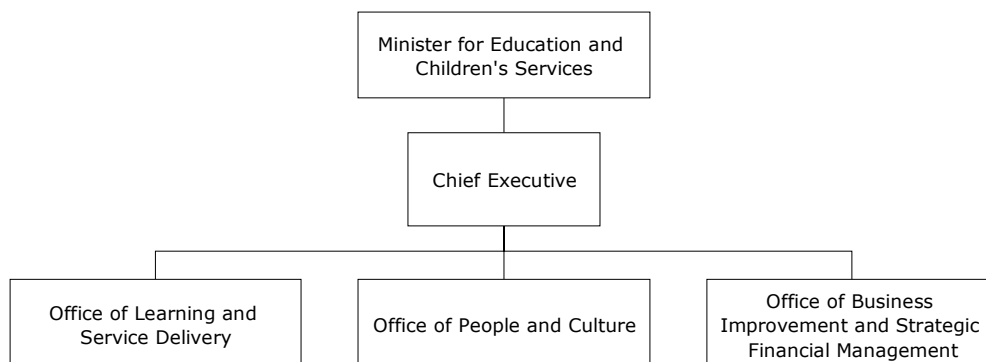
- ensure the best possible foundation for the development of all children's physical, emotional, social and intellectual needs that will give them the best opportunity for a successful future;
- ensure that every learner obtains the support necessary to maximise their potential within the State's public education system;
- ensure that service delivery, curriculum and administrative processes further the goal of achieving a socially inclusive society where all people feel valued, their differences are respected, and their basic needs, both physical and emotional, are met so that as members of society they are empowered in their participation and contribution;
- create safe, supportive and stimulating care and learning environments for all children, students and educators that encourage and foster participation, innovation and creativity;
- create a culture that demonstrates leadership in governance and is collaborative, innovative and accountable to all its stakeholders;
- enhance the skills and capacity of the educational workforce in recognition of the importance of the value all employees have in building a strong and viable public education system for South Australia.

The Department is also responsible for some administrative items. Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the direction of the Minister. The principal activities include payments to:

- the Office of Public Transport for the purposes of student travel;
- SSABSA (the Senior Secondary Assessment Board of South Australia) as a contribution to operating expenses;
- the State Government contribution to the operations of non-Government schools, organisations and services to students with disabilities;
- the Commonwealth Government contribution to the operations of non-Government schools, organisations and services to students with disabilities.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* 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 *Public Finance and Audit Act 1987* 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 Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- risk management and internal audit processes
- accounts payable
- payroll
- procurement
- general ledger
- 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.

The work done by the internal auditor 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 the:

- 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;
- verification of the accuracy and completeness of the transfer of data from the decommissioned payroll systems to the new Valeo Human Resources Management System;
- verification of the accuracy and completeness of the algorithms in the Valeo Human Resources Management System that are used to calculate pays and leave entitlements.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2004-05 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification

As disclosed in Note 2.2 to the Financial Statements, the Consolidated Financial Statements incorporates the activities of the Corporate Department and Government Schools.

While I am not required to act as the independent auditor of Government Schools, their financial statements are subject to audit by private sector auditors in accordance with the Education Act 1972.

The Consolidated Financial Statements have been prepared from the financial accounts of the Corporate Department and the financial statements of Government Schools.

I was unable to obtain sufficient appropriate audit evidence that fund raising activities of Government Schools other than student enrolment fees were completely and accurately recognised in the Consolidated Financial Statements for the year ended 30 June 2004.

As such I am unable to form an opinion over the comparative figure presented for 'Student and Other Fees and Charges' and 'Other Revenue' as reported in the financial statements for the year ended 2005.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Education and Children's Services and of the economic entity as at 30 June 2005, the results of their operations and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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, except for the matters raised in relation to Employee Attendance Records and State Grants to non-Government Schools and Preschools, as outlined under 'Matters raised with the Department', are sufficient to provide reasonable assurance that the financial transactions of the Department have been conducted properly and in accordance with law.

Audit Communications to Management

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.

Matters Raised with the Department

The following is a summary of the headings in this section that contain audit comments relating to the major matters raised with the Department:

- Employee attendance records
- State grants to non-Government schools (excluding preschools)
- State grants to non-Government preschools
- Bank reconciliations
- General ledger reconciliations
- Financial policies and procedures
- Procurement
- Payroll
- Acquittal of Commonwealth grants
- Contract audits of Government schools
- Financial reporting by Government schools
- Computer information systems and environment - management and control
- Governance and risk management.

Employee Attendance Records

The Department employs approximately 20 200 full time equivalents who are paid approximately \$1.1 billion a year.

Audit considers that accurate attendance records are essential for identifying employee absences for recording in the leave management system to reduce the risk of overpayments.

Last year, Audit reported that the Department had not:

- established policies and procedures for recording employee attendance, including whether every employee must maintain an attendance record and the type of attendance record to be used. Some worksites had established their own policies and procedures resulting in the use of a variety of attendance records;

Education and Children's Services

- established a process that ensures every employee is listed on either a monthly leave return or flexi sheet which are used by the Payroll Branch to confirm that all leave taken has been recorded in the leave management system.

Last year, the Department advised that:

- establishment of policies and procedures for recording employee attendance has been referred to the Department's Industrial Relations and Policy Unit for consideration and determination;
- a certificate will be included on the bona fide report that a monthly leave return or flexi sheet has been submitted to the Payroll Branch for all employees appearing on the report.

A follow-up audit revealed these matters have not been adequately addressed.

The audit did reveal that review by worksite managers of the improved bona fide report produced from the new Valeo Human Resources Management System has helped to ensure that leave processed in advance of the pay period, such as long service leave, is recorded in the leave management system, however, the bona fide report does not record unscheduled leave processed after the pay period, such as sick leave.

The Department advised that:

- the implementation of the new Valeo Human Resources Management System placed considerable pressure on the Human Resources and Payroll resources during 2004-05;
- the matter relating to the recording of employee attendance has been referred to the Manager, Industrial Relations for investigation and to establish a policy;
- a full review of monthly leave return procedures will be undertaken in the latter half of 2005 and any revised procedures will be developed in conjunction with the investigation and establishment of an employee attendance policy.

State Grants to Non-Government Schools (excluding preschools)

The Minister for Education and Children's Services provides State grants to non-Government schools from monies appropriated by Parliament. The appropriation is increased each year according to the growth in student enrolments, salaries and inflation. Both the appropriation and grants are recognised as Administered Items in the Department's Financial Statements.

In 2004-05 the Minister provided State grants of approximately \$103 million to 201 non-Government schools. Each school's grant is calculated in accordance with a methodology established by the Advisory Committee on Non-Government Schools and takes into account student enrolments and the needs of each school. Approximately \$49 million of the \$103 million in grants is based on student enrolments.

Audit identified deficiencies in the controls that are designed to provide reasonable assurance of the accuracy and validity of the enrolment census figures provided by schools which are used to calculate the value of State grants to non-Government schools. Specifically, the audits of the census figures by auditors appointed by the schools were deficient.

Audit interviewed a sample of persons who audited the census figures for non-Government schools and found that many had not checked the enrolment census figures to student attendance records or roll books to confirm the existence of the students. This was despite instructions on the census returns requiring the auditors to examine the school records (enrolment/admissions register and roll book).

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;
- the Advisory Committee should then establish a process for checking that the persons appointed by schools to certify the census figures have adequately audited the figures.

The Department advised that:

- more explicit audit instructions have now been included on the census returns;
- the Advisory Committee on Non-Government Schools will review the policy on appropriate persons to certify the census returns and determine what additional strategies should be in place to ensure those certifying the census returns have adequately audited the figures.;
- the Advisory Committee on Non-Government Schools will continue to compare current enrolment data to previous data and will refer any obvious deviations back to the school and the certifying officer;
- the Commonwealth Department of Education, Science and Training also collects census data from non-Government schools on the same day as the State and has advised that it audits approximately five percent of the census returns.

State Grants to Non-Government Preschools

The Department controls the provision of State grants to Non-Government preschools of approximately \$1 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. The Department has been investigating better ways to verify the validity of the attendance data. To assist in the process, Audit suggested 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 a review of service and funding agreements for non-Government preschools is planned for 2006 and that Audit's suggestion will be included in the review.

Other Issues Raised with the Department

Bank Reconciliations

Bank Reconciliations are one of the key controls in detecting processing errors and providing assurance that interfaces are operating between the general ledger and its subsidiary systems. Accordingly they need to be completed on a timely basis.

Given the importance of bank reconciliations, the Treasurer issued an instruction (Treasurer's Instruction 7) that specifies that 'It is the responsibility of each Chief Executive to prepare bank reconciliations for all bank accounts maintained by the public authority at the end of each month and to ensure that the reconciliations are independently checked.'

The review of the Department's bank reconciliations revealed that the Salaries Bank Account had not been reconciled during 2004-05. Some parts of the reconciliation were kept up-to-date while other parts of the reconciliation were not performed. The Salaries Bank Account is used to disburse the payroll of approximately \$1.1 billion a year.

The Department advised that the organisational and operational factors that contributed to delays in the reconciliation process have now been addressed. The Department also advised that the status of reconciliations will be submitted on a monthly basis to a higher management level.

General Ledger Reconciliations

The prescribed elements of the Treasurer's Financial Management Framework for Internal Controls requires that the Chief Executive must prepare reconciliations and establish other administrative controls where necessary to ensure the integrity of data and information.

To comply with this requirement the Department keeps a register of monthly performance management certificates that have been completed by officers advising that certain reconciliations between the general ledger and its subsidiary systems have been performed and balances in certain general ledger clearing accounts have been reviewed and actioned.

Audit's review of the register in late June 2005 indicated that many monthly performance certificates had not been completed for six months. Audit also understood that, although the certificates had not been completed, some reconciliations and clearing account reviews were up-to-date while others were in varying stages of completion.

The Department advised that it normally ensures that the performance management certificates are completed on time. The Department also advised that the status of performance management certificates will be submitted on a monthly basis to a higher management level.

Financial Policies and Procedures

Last year, Audit reported that, although the Department has a framework for the development, review, update and approval of financial policies and procedures for schools, a similar framework had not been established for the Corporate Office.

Follow-up by Audit revealed the Department has developed a draft Financial Management Framework for the Corporate Office and is progressively reviewing its current financial policies and procedures.

Procurement

Security Contracts

Last year, Audit reported that its review of procurement practices of the Corporate Office indicated compliance with the procurement requirements of the Treasurer's Instructions and State Supply Board apart from the acquisition of security services. In this instance:

- written contracts had not been established with private sector suppliers of security services that cost approximately \$3.3 million a year;
- the informal contractual arrangements with the suppliers of security services had resulted in the contracts not being publicly disclosed in accordance with Treasurer's Instruction 27 'Disclosure of Government Contracts';
- service level agreements had not been established with the Police Security Services Branch of the Police Department which provides security services to the Department at a cost of approximately \$2.2 million a year.

The Department recently advised that:

- it plans to obtain security services through a facilities management contract administered by the Department for Administrative and Information Services. At this stage, the Department considers it not commercially viable or appropriate to enter into formal contracts with its existing private sector suppliers of security services and will continue to engage them on a monthly basis through an exchange of letters. The Department also advised that it is reviewing its future requirements for security patrol services across the State in the context of current research, which may result in different security arrangements;
- service level agreements with the Police Security Services Branch of the Police Department are expected to be in place by the end of September 2005.

Waste Disposal Services

This year's audit revealed that contracts have not been established with private sector suppliers of waste disposal services who were paid \$1.5 million in 2004-05.

The Department advised that it will develop an acquisition strategy for these services which will be completed by the end of September 2005.

Cleaning Contracts

In 2004-05 contract cleaners were paid \$25 million. Separate cleaning contracts are established for each school. The contracts are usually for two years with two extension options of two years each. These contracts are referred to as 'outcome contracts'. If a contractor ceases to provide the cleaning service before the end of the contract then an 'emergency contractor' is appointed for either twelve months or shorter periods until it is convenient to call the tender. Emergency contractors are appointed based on their availability and past performance.

An audit of cleaning contracts revealed:

- the policies and procedures for procuring and appointing cleaners under outcome contracts were transparent and fair;
- the policies and procedures for procuring and appointing cleaners under emergency contracts are less transparent and fair than outcome contracts.

This would normally not pose a high risk as emergency contracts are only meant to be for short periods. However, some emergency contracts have not been re-tendered for many years. Some have been in place since December 1999 without being re-tendered. This can result in cheaper and better suppliers not being identified and used.

The Department had already identified this issue and since January 2005 has gradually reduced the number of emergency contracts. The Department also changed its procurement procedures in June 2004 to enable contracts to be awarded to the next best tenderer provided they are cheaper and better than the proposed emergency contractor. This will probably result in less emergency contracts being entered into;

- processes for identifying and managing possible delays in re-tendering emergency contracts would be improved through the provision of a monthly report to Senior Management that records the start date of each emergency contract and the action planned for its re-tender.

The Department advised that it will continue to focus on decreasing the number of emergency contracts.

Telecommunications Contracts

The Minister for Education and Children's Services established contracts in 2004 with various external providers of telecommunications services at a cost of \$22.5 million over two years. The contracts include a provision that permits the Minister or her nominee to conduct an audit of the accuracy of the service providers' invoices, fees, charges and reports in relation to the services rendered. Audit requested advice of whether the Department intends to undertake such audits.

The Department advised that:

- regular account review meetings are being held with each of the contracted parties;
- it is currently undertaking an EDP audit of the worksite billing systems. The audit is planned to be completed by 31 December 2005.

Purchasing System

Last year, Audit reported that approximately 2500 purchase orders a year are manually matched to goods received notes and noted the Department was considering the acquisition of a new purchasing system.

Audit suggested consideration be given to implementing a more efficient purchasing system that automates the matching of purchase orders, goods received notes and invoices to enable the:

- value of purchase commitments to be readily determined;
- identification of suppliers who do not deliver goods or services in a timely manner.

Last year, the Department advised a business case was being developed for an automated purchasing system with these features. Follow-up by Audit confirmed that the business case has been prepared and options identified in the business case are currently being considered.

Payroll

The payroll of the Department is approximately \$1.1 billion a year.

Input of Payroll and Leave Data

The Department was operating two payroll systems called Austpay and EDMIS. During 2004-05 the Department progressively replaced these two systems with a new system called Valeo. The replacement occurred as follows:

- *Children's Services Act 1985* employees were transferred from Austpay to Valeo in July 2004;
- *Public Sector Management Act 1995* employees were transferred from EDMIS to Valeo in March 2005;
- *Education Act 1972* employees were transferred from EDMIS to Valeo in July 2005.

The implementation of Valeo resulted in the design of some controls being changed.

In the past, pay clerks were required to check another pay clerk's EDMIS output reports to verify that each change made to the payroll and leave files was accurate, complete and valid. There are no similar output reports being produced and reviewed for Valeo. Instead, pay clerks process authorised input forms and give the forms to another pay clerk who verifies the changes visually on screen. Unlike the checking of the EDMIS output reports this control does not provide assurance that the checking pay clerk has been given all processed input forms.

Audit acknowledged that review by worksite managers of the improved bona fide report produced from the new Valeo Human Resources Management System has helped to verify the accuracy, completeness and validity of certain changes to payroll and leave files, however, the bona fide report does not record some types of changes to payroll and leave files.

Audit identified opportunities to improve controls to provide greater assurance that all changes made by pay clerks are checked by either:

- producing an output report, similar to the EDMIS output reports, of all changes processed by each pay clerk for verification by another pay clerk against the authorised input documents. Audit is aware that the Department is developing an output report for this purpose; or
- establishing a computer system control 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. Audit acknowledged that this checking process could cause unacceptable delays in processing the payroll.

The Department advised that:

- pay clerks record on each input form a sequential reference number comprising the input date, time and screen reference number;
- the output report being developed to record all changes processed by each pay clerk will record the sequential reference number but will not have the same level of detail as the EDMIS output reports;
- it recognises that in comparison with EDMIS, the controls in Valeo do not provide the same degree of assurance. However, it considers the controls that have been implemented provide adequate control on the integrity of data and the new arrangements do not provide a significant degree of risk;
- an assessment of the opportunities identified by Audit to improve controls will be made.

Audit also identified that greater assurance over the accuracy, completeness and authorisation of overtime and allowances processed by pay clerks that are not currently recorded on bona fide reports could be obtained by recording this information on another report for certification by worksite managers.

The Department advised that inclusion of overtime and allowances on the bona fide reports will be raised as an enhancement for future inclusion in Valeo. The Department also advised that in the interim, the risk of inaccurate or unauthorised payments is minimal as the payments currently appear on the monthly project expenditure reports which are monitored by Project Managers against their unit's budgets.

Bona Fide Certificates and Monthly Leave Returns

Audit regards the certification of the bona fide report to be an efficient and effective control for preventing salary over payments by ensuring that:

- employees are bona fide;
- terminated employees are made inactive on the payroll system;
- employees are paid at the correct classification;
- employees are paid at the correct fraction of time;
- pay is suppressed when employees are on leave without pay;
- higher duties and additional duties paid to employees are authorised.

The Department has established a number of policy and procedure manuals that explain payroll related tasks that need to be performed by pay clerks, pay supervisors and worksite managers. These tasks include requirements for:

- worksite managers to provide the Payroll Branch with certified bona fide reports for specific pay periods and leave returns for every month;
- pay clerks to follow-up outstanding bona fide certificates and monthly leave returns.

Consistent with last year, Audit identified that some supervisors do not ensure pay clerks comply with the manuals and some pay clerks do not:

- follow-up outstanding bona fide certificates in a timely manner;
- take timely action on exceptions identified on bona fide reports;
- follow-up outstanding monthly leave returns and flexi sheets.

Although some worksites had not submitted their bona fide reports to the Payroll Branch, follow-up by Audit of a relatively small sample of these worksites revealed the bona fide reports had been reviewed by worksite managers and the pay clerks advised of errors.

The Department advised that:

- the implementation of the new Valeo Human Resources Management System placed considerable pressure on Payroll resources during 2004-05;
- a full review of bona fide certificate procedures and monthly leave return procedures will be undertaken in the latter half of 2005.

Acquittal of Commonwealth Grants

The Commonwealth Government provides the Department with recurrent grants of approximately \$186 million a year and capital grants of approximately \$27 million a year.

Most grants are received in accordance with an agreement with the Commonwealth that was established under the *States Grants (Primary and Secondary Education Assistance) Act 2000*. There are also other grants received in accordance with separate grant agreements with the Commonwealth.

Last year, Audit reported that:

- copies of signed grant agreements were not provided to officers responsible for preparing and providing grant acquittals to the Commonwealth increasing the risk of those officers not complying with specified acquittance requirements;
- checks were not performed centrally to ensure provision of all grant acquittals to the Commonwealth within specified timeframes.

A follow-up audit revealed these matters had been satisfactorily addressed.

This year's audit also confirmed that the largest grant acquittals were provided to the Commonwealth within the timeframes specified in the grant agreements.

Contract Audits of Government Schools

Financial data collected from Government schools is included in the consolidated financial statements of the Department. The data is audited by contract auditors that are appointed, managed, monitored and paid for by the Department.

The audit opinion on the consolidated financial statements of the Department for 2003-04 was qualified on the basis that the contract audits did not provide sufficient appropriate audit evidence to provide reasonable assurance that revenues from fund raising activities of schools (other than student enrolment fees) were completely and accurately raised and included in the school financial data. The completeness and accuracy of student enrolment fees included in the school financial data was checked by central office rather than through contract audits.

This year the Department:

- required school councils and finance committees to record all decisions about revenue raising activities in their minutes;
- included in its model audit programs a requirement that the contract auditors must review the school council and finance committee minutes for any significant revenue raising activities that need to be included in the school financial data. Requirements for the audit of school fees were also added to the model audit program.

The improved quality of the contract audits in 2004-05 provided reasonable assurance of the completeness and accuracy of those parts of the school financial data for the 2004 school year that had a material affect on the consolidated financial statements for 2004-05.

Financial Reporting by Government Schools

Last Year, Audit reported opportunities to clarify the financial reporting and auditing frameworks of Government schools by:

- specifying the purpose of the school financial statements;

Education and Children's Services

- including notes in the school financial statements that explain the financial reporting framework and accounting policies including a statement that the financial statements are a special purpose financial report;
- changing the model audit opinion issued to contract auditors of schools to be consistent with the requirements of Auditing Standard AUS 802 The Audit Report on Financial Information Other than a General Purpose Financial Report.

Follow-up by Audit confirmed that these matters had been satisfactorily addressed.

Computer Information Systems and Environment - Management and Control

Previous Reports have included comment on important matters of an information technology governance and control nature. The matters have related to strategic plan development, IT security policy and procedure formulation, and a number of matters concerning two significant business systems of the Department. The systems relate to the human resource management and schools administration and finance areas of the Department's operations.

The commentary below presents a further update on developments in progress by the Department.

ICT Governance

Audit raised with the Department in 2002-03 the matter of importance of up to date Information and Communications Technology (ICT) strategic planning and policy documentation to evidence diligence in planning and to provide firm support for information, technology, investment decisions and approvals.

The Department is undertaking a number of initiatives to be implemented and applied that are directed at enhancing governance and project control associated with ICT operations. The initiatives are as follows:

- Development of an ICT Strategic Plan, namely the DECS Strategic Plan for Learning Technologies 2005-2008 has been endorsed and has been published as a Draft for Consultation.
- ICT policies are being progressively developed. Certain policies that have been developed and endorsed include such matters as Custodian and Ownership, Privacy and Confidentiality and ICT Security and Change Management.
- An analysis of the Department's compliance with the Government's Information Security Management Framework has been undertaken, including a risk assessment which has identified priority areas to be addressed over the next two years.

Valeo Human Resources Management System

Comments regarding the audit undertaken of the Valeo Human Resources Management System are under the heading 'Payroll' in this section of the Report.

Education Department School Administration System (EDSAS)

This system is used to manage school staff and student records and financials within individual schools and also provides a reporting capability for the Department's Head Office. Management of the system with respect to its development and overall support is coordinated through the Head Office.

In 2003, Audit formally communicated to the Department the findings and recommendations of a comprehensive review of the system. The review covered 10 schools, as well as the Department's Head Office operations as they relate to EDSAS.

Overall the audit identified many matters requiring attention. The matters, in a broad sense, covered training and support, policies and procedures, control of system changes and, physical and system access security and control.

Due to the many issues and opportunities for improvement identified with regard to EDSAS operations, the Department updates Audit on actions in progress to satisfactorily address the issues. In 2005, Audit received a further update detailing the matters that have been resolved and other matters that are in the process of being addressed.

Governance and Risk Management

A review of the Governance and Risk Management practices of the Department was undertaken in 2003-04 as part of a wider review of these practices across Government agencies.

The review was directed to those areas that are currently accepted as essential elements of good governance and which provide the basis for a strong control environment with particular emphasis on:

- organisational structure and responsibilities;
- policy and planning;
- monitoring and reporting;
- risk management policy and practice.

Governance

Last year, Audit noted that the Department was implementing a new governance framework that makes each tier of management responsible for preparing their own business plans that align with the Department's strategic plan. To progress the implementation of the new framework some business plans were being prepared before finalisation of the new strategic plan. To minimise the risk of business plans not being aligned with the strategic plan a strategic directions document was distributed.

Audit also reported opportunities to improve internal reporting within the new governance framework including the provision each month of workforce statistics to the executive. Provision of this information would help the executive identify and address unfavourable trends in the workforce to minimise possible interruptions to services delivered by the Department.

The Department recently advised that it has developed and is currently implementing the DECS Corporate Strategic Management Cycle. Its purpose is to provide a formal structure and process to link planning, budgeting, performance analysis and reporting activities in order to generate a consistent flow of quality information for improved accountability and decision making. The Cycle also articulates the responsibilities of each level of the organisation for establishing strategies to achieve the Government's and Department's strategic objectives, with associated timeframes.

The Department also recently advised that it has developed a report of actual workforce numbers against budget at the project level which is then aggregated upwards to Service Group and Executive Director level. The report is intended to assist managers to monitor and control their budget.

Risk Management

The Department established a Risk Management Framework in May 2002 to assist officers in identifying, assessing and managing risk. Training was provided to managers on the practical application of the framework in the nine months following its release.

The Department also requires that business cases for new strategic initiatives or projects include details of risks, likelihood, consequence and mitigation strategies.

Last year, Audit reported that risk management would be improved by establishing a process that ensures officers apply the Risk Management Framework to their recurrent operations by appointing a person to oversee the Framework, 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 recently advised that two officers will be appointed to:

- establish and update risk management policies;
- disseminate the risk management policies;
- establish a risk management plan to underpin the Department's Statement of Directions;
- implement a process to monitor progress against the Department's Statement of Directions, including the identification of risks associated with achieving the objectives of the Statement;
- ensure officers apply the Risk Management Framework to their worksites.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

A comparative analysis with periods prior to 2002-03 has not been performed due to restructuring arrangements effective from 1 July 2002. In addition the following commentary relates to the Department only, and not schools.

Highlights of Financial Statements (DECS)

	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Revenues from State Government	1 495	1 411	6
Commonwealth revenue	213	207	3
Other	87	69	26
Total Operating Revenue	1 795	1 687	6
OPERATING EXPENDITURE			
Employment expenses	1 320	1 289	2
Other expenses	463	441	5
Total Operating Expenses	1 783	1 730	3
Surplus (Deficit) *	12	(43)	
Net Cash Flows from Operations	60	50	20
ASSETS			
Current assets	149	154	(3)
Non-current assets	2 045	1 804	13
Total Assets	2 194	1 958	12
LIABILITIES			
Current liabilities	199	214	(7)
Non-current liabilities	370	341	9
Total Liabilities	569	555	3
EQUITY	1 625	1 403	16

* The surplus (deficit) includes some non-operating items.

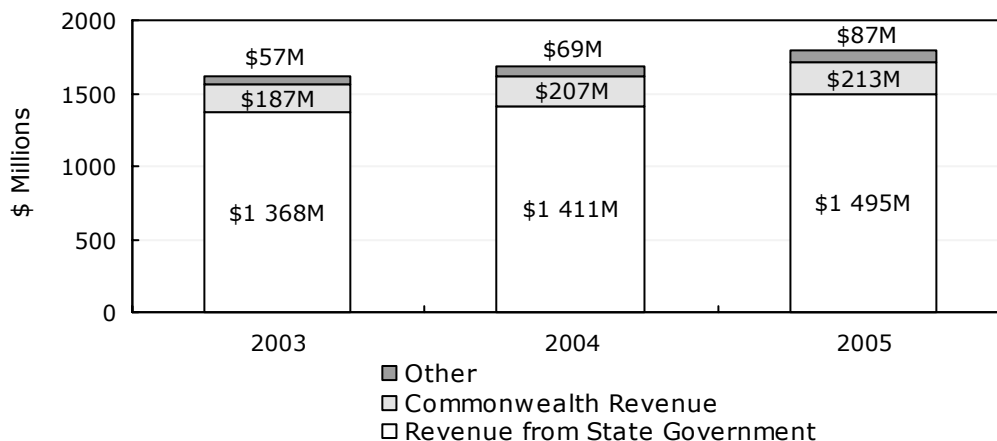
Statement of Financial Performance (DECS)

Operating Revenues

Revenues from the State Government rose by \$84 million to \$1.5 billion principally to fund salary and wages increases and capital works.

Commonwealth grants for the current year comprised recurrent grants of \$186 million (\$186 million) and capital grants of \$27 million (\$21 million).

A structural analysis of operating revenues for the Department for the last three years is presented in the following chart.



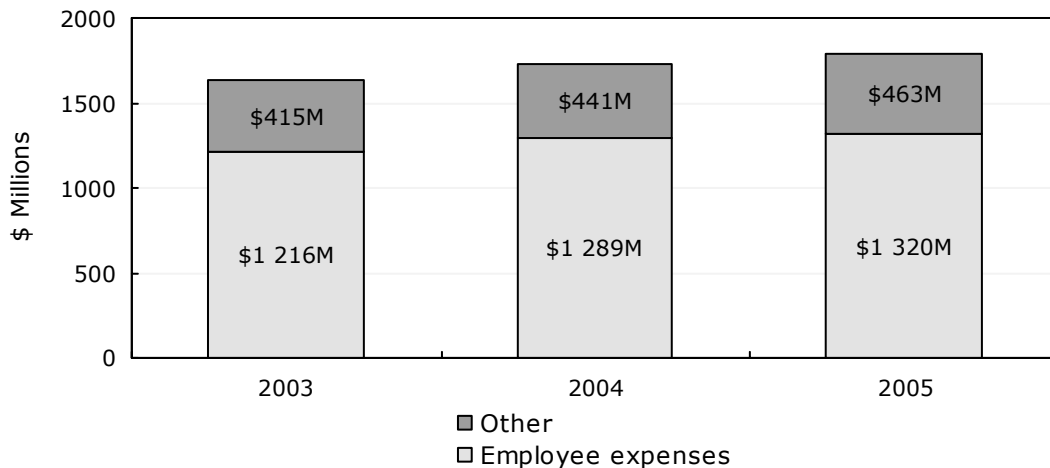
Operating Expenses

Employee expenses rose by \$31 million to \$1.3 billion due mainly to a:

- rise in salaries and wages expense as a result of enterprise bargaining pay increases for most employees from October 2004;
- rise in salaries and wages expense as a result of employment of additional staff.

Other expenses rose by \$22 million to \$463 million due mainly to an increase in minor works, maintenance and equipment purchases of \$16 million and an increase in assets written off of \$7 million.

For the three years to 2005, a structural analysis of the main operating expense items for the Department is shown in the following chart.

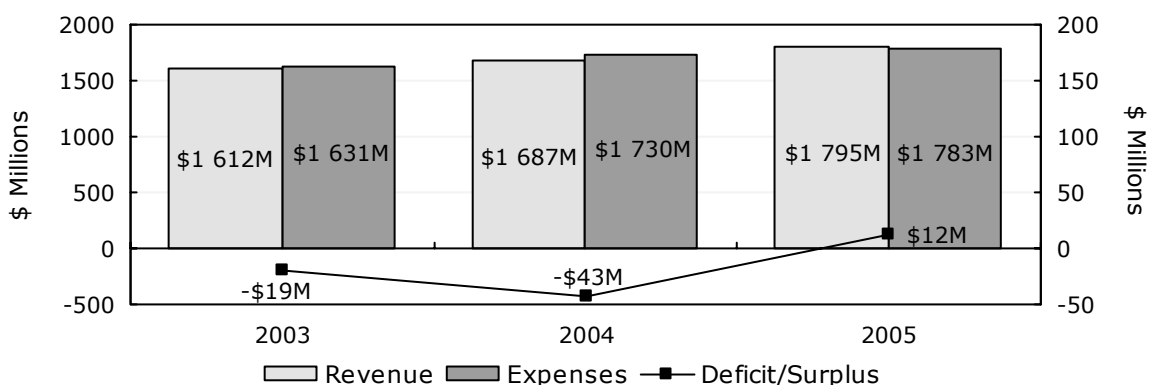


Operating Result

Revenues exceeded expenses in 2004-05 resulting in a surplus.

Revenues were less than expenses for the two preceding years resulting in deficits.

The following chart shows the operating revenues, operating expenses, surpluses and deficits for the last three years.

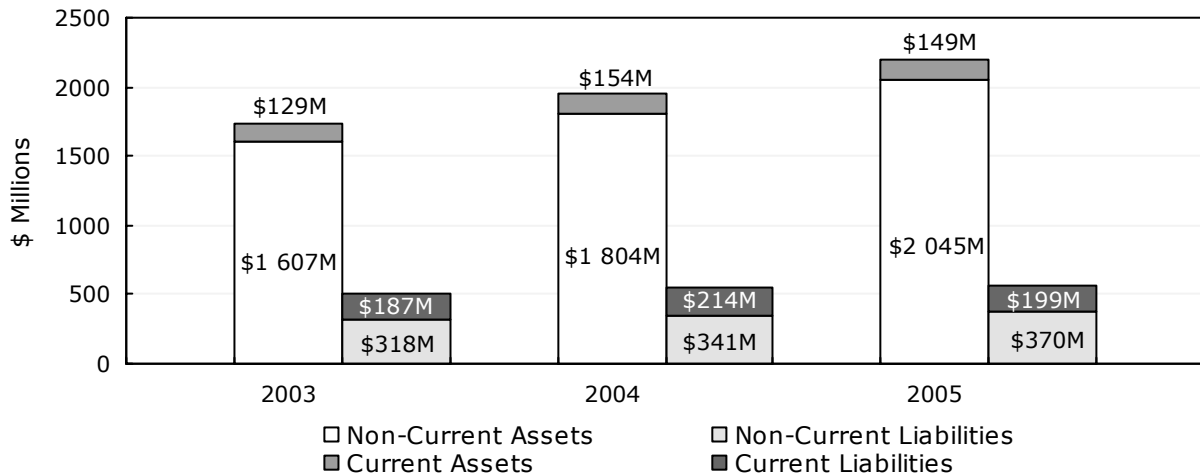


Statement of Financial Position (DECS)

Non-current assets increased significantly due mainly to the revaluation of land and buildings.

The total of current and non-current liabilities increased due mainly to a \$14 million increase in the provision for long service leave, \$21 million increase in the provision for workers compensation and \$18 million increase in payroll tax payable and employee PAYG tax payable, which was offset by a \$38 million decrease in accrued salaries.

A structural analysis of assets and liabilities for the last three years is shown in the following chart.



At 30 June 2005 the employee benefit and related on-cost liability of \$396 million (\$422 million) comprised 70 percent (76 percent) of total liabilities and was for the following full time equivalent employees (FTEs) by category:

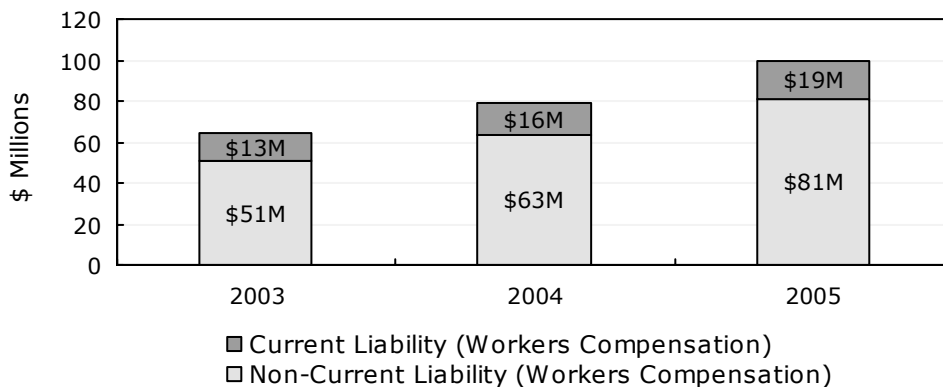
Department	2005	2004	Change
	FTE	FTE	
<i>Education Act 1972</i>	13 520	13 229	291
Schools Services Officers Award	3 554	3 436	118
<i>Children's Services Act 1985</i>	1 196	971	225
<i>Public Sector Management Act 1995</i>	1 191	1 133	58
Weekly paid	356	364	(8)
Other	401	446	(45)
Total	20 218	19 579	639

Administered Activities	2005	2004	Change
	FTE	FTE	
<i>Public Sector Management Act 1995</i>	11	11	-
<i>Education Act</i>	6	5	1
Other	1	-	1
Total	18	16	2

Workers Compensation

The Department is self insured for workers compensation.

The following chart shows the increase in the provision for workers compensation based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services. The provision increased by 27 percent in 2005 compared to 23 percent in 2004. The increase was due mainly to the long term nature of psychological health claims and their associated income maintenance and medical costs.



Statement of Cash Flows (DECS)

The following table summarises the net cash flows for the two years to 2005.

	2005	2004
	\$'million	\$'million
Net Cash Flows		
Cash at 1 July	128.7	106.4
Operations	59.6	50.3
Investing	(70.9)	(26.8)
Financing	(1.2)	(1.2)
Change in Cash	(12.5)	22.3
Cash at 30 June	116.2	128.7

As disclosed in Note 16, Cash of \$116 million includes \$77 million held with the Department of Treasury and Finance in the Accrual Appropriation account.

Note 16 also shows the funds held in the SA School Investment Fund (SASIF) on behalf of Government primary and secondary schools. The funds held in SASIF were \$184 million at 30 June 2005, \$156 million at 31 December 2004 and \$144 million at 31 December 2003. The increase in funds in the first six months of the 2005 calendar year reflects the effect of student and other fees being received at the start of the year and progressively spent during the whole year.

Administered Items

The Department administers specific 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 \$492.8 million (\$439.3 million);
- subsidies of \$10.5 million (\$15.6 million) to the Office of Public Transport 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 \$10.5 million (\$8.9 million).

Administered Grants to Non-Government Schools

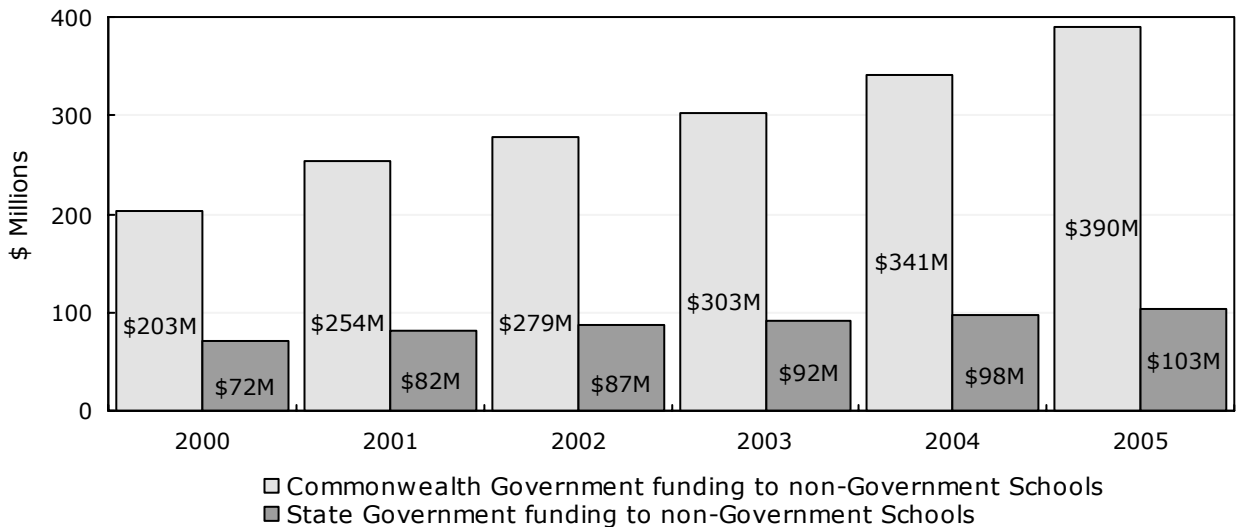
State grants to non-Government schools (excluding special schools) is based on two components. These are the 'needs' of the school and their students and the average annual enrolment (per capita).

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

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

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

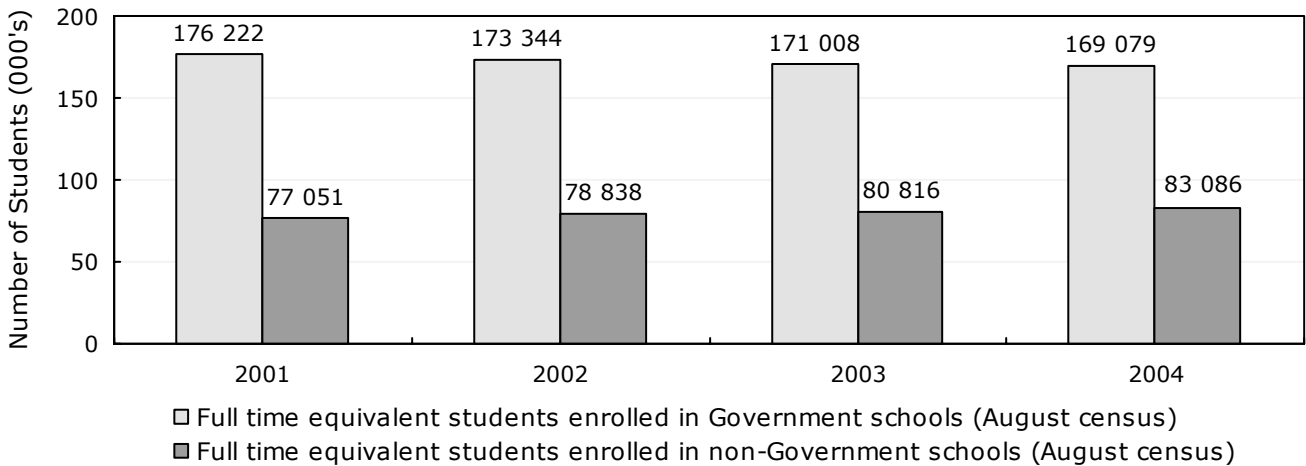
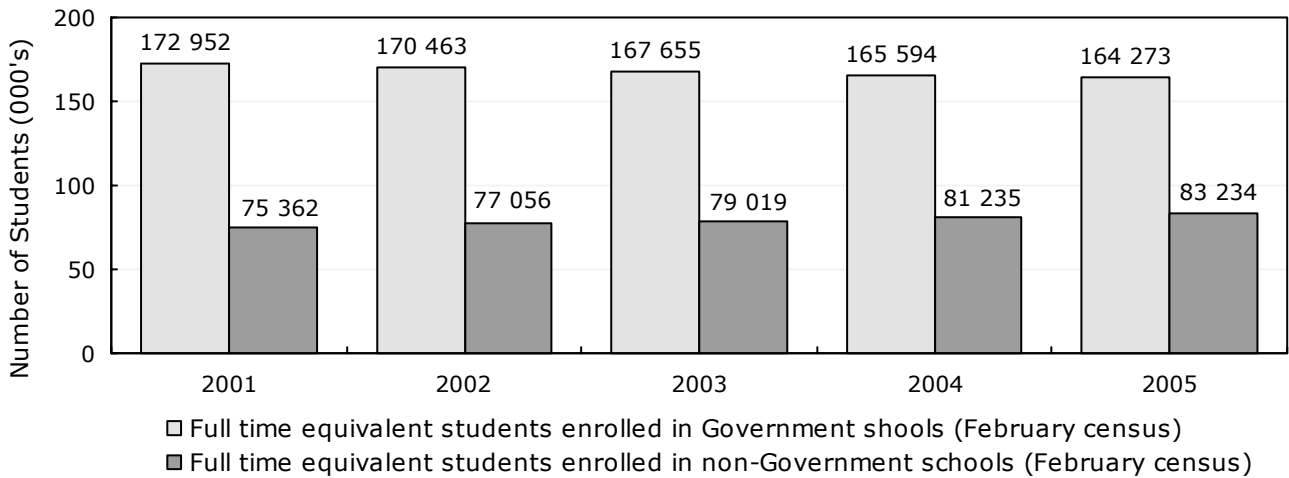
The following chart shows State and Commonwealth Government grants to non-Government schools (excluding special schools) inclusive of goods and services tax.



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.



Capital Works

Capital works projects involve mainly the construction or upgrading of school buildings and facilities. The cost of projects in 2004-05 was \$51.5 million (\$31.2 million) and includes amounts that may be expensed on completion of the projects. Some of the more significant capital works are shown in the following table.

	Cost 2004-05 \$'million	Cost Capitalised on Completion \$'million
Major Capital Works Projects Completed in 2004-05:		
Kilparrin Teaching and Assessment Unit	5.0	6.4
Modbury Special School	2.2	3.0
Hewett Primary School	2.0	2.2
Booleroo Centre District School	1.8	2.1
Sturt Street Primary School	1.5	3.9
McLaren Vale Primary School	1.1	2.1
Stirling East Primary School	0.5	2.8
Marryatville High School	0.4	2.4
	Cost 2004-05 \$'million	Total Cost to 30 June 2005 \$'million
Major Capital Works Projects Carried Forward into 2005-06:		
Angaston Primary School	2.8	4.0
Christie Downs Primary School	1.9	2.1
Education Centre	1.8	1.8
Mannum High School	1.5	1.9
Woodville Special School	1.5	1.6
Colonel Light Gardens Primary School	1.4	1.6

Statement of Financial Performance for the year ended 30 June 2005

	Note	Consolidated		DECS	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses	5	1 332 414	1 301 081	1 320 220	1 288 762
Supplies and services	6	474 725	456 751	290 431	278 812
Grants and subsidies	7	11 111	11 913	102 301	104 470
Depreciation and amortisation	8	56 291	53 253	53 539	50 762
Borrowing costs		679	474	410	432
Other expenses	9	22 642	93 539	16 063	6 709
Total Expenses from Ordinary Activities		1 897 862	1 917 011	1 782 964	1 729 947
REVENUES FROM ORDINARY ACTIVITIES:					
Commonwealth revenue	10	213 003	207 485	213 003	207 485
Student and other fees and charges	11	82 582	72 506	20 023	20 387
Other grants and contributions		16 295	13 015	15 577	12 718
Interest and investment income	12	17 456	14 366	8 314	6 852
Net gain (loss) from disposal of assets	13	(1 152)	1 872	(1 756)	1 637
Other revenue	14	77 752	64 053	44 236	26 868
Total Revenue from Ordinary Activities		405 936	373 297	299 397	275 947
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		1 491 926	1 543 714	1 483 567	1 454 000
REVENUES FROM SA GOVERNMENT:					
Revenues from SA Government	15	1 495 484	1 410 591	1 495 484	1 410 591
NET RESULT FROM ORDINARY ACTIVITIES		3 558	(133 123)	11 917	(43 409)
Net increase in the asset revaluation reserve	27	209 560	215 059	209 595	215 024
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		209 560	215 059	209 595	215 024
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		213 118	81 936	221 512	171 615

Statement of Financial Position as at 30 June 2005

		Consolidated		DECS	
		2005	2004	2005	2004
CURRENT ASSETS:	Note	\$'000	\$'000	\$'000	\$'000
Cash	16	284 589	281 200	116 217	128 670
Receivables	17	18 178	20 536	32 107	21 645
Inventories	18	1 150	890	176	158
Investments/Financial assets	19	3 927	8 595	-	-
Other	21	948	4 404	416	3 921
Total Current Assets		308 792	315 625	148 916	154 394
NON-CURRENT ASSETS:					
Receivables	17	1 185	1 149	3 331	3 392
Investments/Financial assets	19	905	861	-	-
Property, plant and equipment	20	2 053 991	1 809 039	2 041 484	1 800 039
Total Non-Current Assets		2 056 081	1 811 049	2 044 815	1 803 431
Total Assets		2 364 873	2 126 674	2 193 731	1 957 825
CURRENT LIABILITIES:					
Payables	22	70 759	57 389	72 907	59 569
Borrowings	23	1 439	1 216	1 200	1 200
Employee benefits	24	96 709	128 455	96 468	128 290
Provisions	25	19 562	16 243	20 850	17 750
Other	26	15 007	11 871	7 964	7 216
Total Current Liabilities		203 476	215 174	199 389	214 025
NON-CURRENT LIABILITIES:					
Payables	22	27 540	27 358	27 140	26 365
Borrowings	23	3 508	4 716	2 818	4 018
Employee benefits	24	258 558	247 389	257 672	246 620
Provisions	25	82 042	64 133	82 042	64 133
Other	26	3 560	3 237	-	-
Total Non-Current Liabilities		375 208	346 833	369 672	341 136
Total Liabilities		578 684	562 007	569 061	555 161
NET ASSETS		1 786 189	1 564 667	1 624 670	1 402 664
EQUITY:					
Accumulated surplus	27	1 153 663	1 141 701	992 144	979 733
Asset revaluation reserve	27	628 063	418 503	628 063	418 468
Contributed capital	27	4 463	4 463	4 463	4 463
TOTAL EQUITY		1 786 189	1 564 667	1 624 670	1 402 664
Commitments for Expenditure	29				
Contingent Assets and Liabilities	30				

Statement of Cash Flows for the year ended 30 June 2005

		Consolidated		DECS	
		2005	2004	2005	2004
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH OUTFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Employee payments		(1 322 027)	(1 253 436)	(1 310 026)	(1 246 331)
Supplies and services		(464 135)	(461 676)	(286 059)	(273 013)
Grants and subsidies		(12 343)	(11 913)	(109 307)	(104 470)
Borrowing costs		(679)	(1 220)	(410)	(1 178)
GST payments on purchases		(49 386)	(40 445)	(32 402)	(25 940)
Other		(1 059)	(522)	(1 919)	(328)
Total Outflows from Operating Activities		(1 849 629)	(1 769 212)	(1 740 123)	(1 651 260)
CASH INFLOWS:					
Receipts from State Government		1 495 484	1 410 591	1 495 484	1 410 591
Receipts from Commonwealth		213 003	207 485	213 003	207 485
Student and other fees and charges		81 020	71 952	16 068	20 737
Interest received		17 506	14 365	8 319	6 979
Other grants and contributions received		16 295	13 015	15 575	12 718
GST receipts on receivables		5 823	5 335	2 832	3 398
GST input tax credits		42 356	33 386	27 939	21 189
Other		54 773	58 524	20 542	18 421
Total Inflows from Operating Activities		1 926 260	1 814 653	1 799 762	1 701 518
Net Cash Inflows from Operating Activities	31	76 631	45 441	59 639	50 258
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Purchase of property, plant and equipment		(79 264)	(36 991)	(72 789)	(37 204)
Purchase of investments		(44)	(1 527)	-	-
Loans advanced		-	-	(258)	(109)
Overdraft repayment		-	-	-	(29)
Total Outflows from Investing Activities		(79 308)	(38 518)	(73 047)	(37 342)
CASH INFLOWS:					
Sales of non-current assets		2 383	10 107	1 564	9 767
Maturing term deposits		4 668	-	-	-
Repayment of loans		1 422	168	591	802
Total Inflows from Investing Activities		8 473	10 275	2 155	10 569
Net Cash Outflows from Investing Activities		(70 835)	(28 243)	(70 892)	(26 773)
CASH FLOWS FROM FINANCING ACTIVITIES:					
CASH OUTFLOWS:					
Repayments of borrowings		(2 407)	(1 284)	(1 200)	(1 206)
Total Outflows from Financing Activities		(2 407)	(1 284)	(1 200)	(1 206)
Net Cash Outflows from Financing Activities		(2 407)	(1 284)	(1 200)	(1 206)
NET INCREASE (DECREASE) IN CASH HELD		3 389	15 914	(12 453)	22 279
CASH AT 1 JULY		281 200	265 286	128 670	106 391
CASH AT 30 JUNE		284 589	281 200	116 217	128 670

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

	Consolidated - Education					
	Pre-School Education		Reception to Year 2 Education		Year 3 to Year 7 Education	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	77 742	80 555	293 906	277 835	428 686	423 771
Supplies and services	12 217	11 610	103 064	95 304	150 327	145 364
Grants and subsidies	6 701	7 978	711	530	1 038	809
Depreciation	504	64	13 193	12 211	19 242	18 623
Borrowing costs	-	-	161	109	234	166
Other	2 611	1 201	4 657	21 144	6 793	32 251
Total Expenses from Ordinary Activities	99 775	101 408	415 692	407 133	606 320	620 984
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	137	1 051	42 924	39 642	62 610	60 463
Student and other fees and charges	67	125	19 215	16 312	28 025	24 881
Other grants and contributions	35	1 079	3 843	2 740	5 606	4 180
Interest and investment income	1 297	1 067	3 823	3 054	5 577	4 657
Net gain (loss) from disposal of assets	194	-	(318)	430	(465)	655
Other	4 681	2 055	17 270	14 190	25 189	21 644
Total Revenues from Ordinary Activities	6 411	5 377	86 757	76 368	126 542	116 480
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	93 364	96 031	328 935	330 765	479 778	504 504
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	94 358	93 322	330 237	301 399	481 677	459 711
NET RESULT FROM ORDINARY ACTIVITIES	994	(2 709)	1 302	(29 366)	1 899	(44 793)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

	Consolidated - Education					
	Year 8 to Year 10		Year 11 to Year 12+		Total	
	Education		Education		Education	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	315 645	304 820	203 970	203 657	1 319 949	1 290 638
Supplies and services	110 687	104 560	71 526	69 859	447 821	426 697
Grants and subsidies	764	581	494	388	9 708	10 286
Depreciation	14 169	13 397	9 156	8 951	56 264	53 246
Borrowing costs	173	119	111	80	679	474
Other	5 001	23 198	3 232	15 499	22 294	93 293
Total Expenses from Ordinary Activities	446 439	446 675	288 489	298 434	1 856 715	1 874 634
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	46 099	43 492	29 789	29 058	181 559	173 706
Student and other fees and charges	20 636	17 897	13 335	11 957	81 278	71 172
Other grants and contributions	4 127	3 006	2 667	2 008	16 278	13 013
Interest and investment income	4 106	3 350	2 653	2 238	17 456	14 366
Net gain (loss) from disposal of assets	(342)	472	(221)	315	(1 152)	1 872
Other	18 547	15 568	11 985	10 402	77 672	63 859
Total Revenues from Ordinary Activities	93 173	83 785	60 208	55 978	373 091	337 988
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	353 266	362 890	228 281	242 456	1 483 624	1 536 646
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	354 663	330 672	229 184	220 929	1 490 119	1 406 033
NET RESULT FROM ORDINARY ACTIVITIES	1 397	(32 218)	903	(21 527)	6 495	(130 613)

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

	Consolidated - Child Care					
	Planning and Support for		Family Day Care		Out of School	
	Child Care Centres		Administration and		Hours Care	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	485	428	8 709	7 082	709	539
Supplies and services	188	113	26 066	29 396	248	179
Grants and subsidies	780	736	11	30	462	683
Depreciation	1	-	23	7	1	-
Borrowing costs	-	-	-	-	-	-
Other	-	-	174	123	174	123
Total Expenses from Ordinary Activities	1 454	1 277	34 983	36 638	1 594	1 524
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	85	86	31 051	33 146	-	-
Student and other fees and charges	37	4	894	967	41	8
Other grants and contributions	3	-	11	2	3	-
Interest and investment income	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other	8	6	31	142	10	16
Total Revenues from Ordinary Activities	133	96	31 987	34 257	54	24
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	1 321	1 181	2 996	2 381	1 540	1 500
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	1 336	1 148	-	-	1 557	1 459
NET RESULT FROM ORDINARY ACTIVITIES	15	(33)	(2 996)	(2 381)	17	(41)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

	Consolidated - Child Care					
	Occasional Care		Regulatory and Licensing Services for Child Care		Total	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	1 463	1 427	1 099	967	12 465	10 443
Supplies and services	161	133	241	233	26 904	30 054
Grants and subsidies	131	131	19	47	1 403	1 627
Depreciation	1	-	1	-	27	7
Borrowing costs	-	-	-	-	-	-
Other	-	-	-	-	348	246
Total Expenses from Ordinary Activities	1 756	1 691	1 360	1 247	41 147	42 377
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	308	303	-	244	31 444	33 779
Student and other fees and charges	331	352	1	3	1 304	1 334
Other grants and contributions	-	-	-	-	17	2
Interest and investment income	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other	8	16	23	14	80	194
Total Revenues from Ordinary Activities	647	671	24	261	32 845	35 309
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	1 109	1 020	1 336	986	8 302	7 068
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	1 121	992	1 351	959	5 365	4 558
NET RESULT FROM ORDINARY ACTIVITIES	12	(28)	15	(27)	(2 937)	(2 510)

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

	DECS - Education					
	Pre-School Education		Reception to Year 2 Education		Year 3 to Year 7 Education	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	77 742	80 555	291 021	275 006	424 478	419 458
Supplies and services	12 217	11 610	59 460	54 449	86 727	83 049
Grants and subsidies	6 701	7 978	22 287	21 781	32 508	33 222
Depreciation	504	64	12 542	11 639	18 293	17 752
Borrowing costs	-	-	97	99	142	151
Other	2 611	1 201	3 100	1 208	4 523	1 843
Total Expenses from Ordinary Activities	99 775	101 408	388 507	364 182	566 671	555 475
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	137	1 051	42 924	39 642	62 610	60 463
Student and other fees and charges	67	125	4 413	4 346	6 437	6 628
Other grants and contributions	35	1 079	3 673	2 672	5 357	4 075
Interest and investment income	1 297	1 067	1 660	1 328	2 422	2 026
Net gain (loss) from disposal of assets	194	-	(461)	376	(674)	573
Other	4 681	2 055	9 340	5 653	13 622	8 621
Total Revenues from Ordinary Activities	6 411	5 377	61 549	54 017	89 774	82 386
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	93 364	96 031	326 958	310 165	476 897	473 089
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	94 358	93 322	330 237	301 399	481 677	459 711
NET RESULT FROM ORDINARY ACTIVITIES	994	(2 709)	3 279	(8 766)	4 780	(13 378)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

	DECS - Education					
	Year 8 to Year 10		Year 11 to Year 12+		Total	
	Education		Education		Education	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	312 546	301 716	201 968	201 584	1 307 755	1 278 319
Supplies and services	63 858	59 738	41 265	39 912	263 527	248 758
Grants and subsidies	23 935	23 896	15 467	15 966	100 898	102 843
Depreciation	13 469	12 769	8 704	8 531	53 512	50 755
Borrowing costs	104	109	67	73	410	432
Other	3 329	1 325	2 152	886	15 715	6 463
Total Expenses from Ordinary Activities	417 241	399 553	269 623	266 952	1 741 817	1 687 570
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	46 099	43 492	29 789	29 058	181 559	173 706
Student and other fees and charges	4 739	4 768	3 063	3 186	18 719	19 053
Other grants and contributions	3 944	2 931	2 551	1 959	15 560	12 716
Interest and investment income	1 783	1 457	1 152	974	8 314	6 852
Net gain (loss) from disposal of assets	(495)	412	(320)	276	(1 756)	1 637
Other	10 031	6 202	6 482	4 143	44 156	26 674
Total Revenues from Ordinary Activities	66 101	59 262	42 717	39 596	266 552	240 638
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	357 140	340 291	226 906	227 356	1 475 265	1 446 932
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	354 663	330 672	229 184	220 929	1 490 119	1 406 033
NET RESULT FROM ORDINARY ACTIVITIES	3 523	(9 619)	2 278	(6 427)	14 854	(40 899)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005

	DECS - Child Care					
	Family Day Care					
	Planning and Support for Child Care Centres		Administration and Monitoring		Out of School Hours Care	
	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee expenses	485	428	8 709	7 082	709	539
Supplies and services	188	113	26 066	29 396	248	179
Grants and subsidies	780	736	11	30	462	683
Depreciation	1	-	23	7	1	-
Borrowing costs	-	-	-	-	-	-
Other	-	-	174	123	174	123
Total Expenses from Ordinary Activities	1 454	1 277	34 983	36 638	1 594	1 524
REVENUES FROM ORDINARY ACTIVITIES:						
Commonwealth revenue	85	86	31 051	33 146	-	-
Student and other fees and charges	37	4	894	967	41	8
Other grants and contributions	3	-	11	2	3	-
Interest and investment income	-	-	-	-	-	-
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Other	8	6	31	142	10	16
Total Revenues from Ordinary Activities	133	96	31 987	34 257	54	24
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	1 321	1 181	2 996	2 381	1 540	1 500
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	1 336	1 148	-	-	1 557	1 459
NET RESULT FROM ORDINARY ACTIVITIES	15	(33)	(2 996)	(2 381)	17	(41)

Program Schedule of Revenues and Expenses for the year ended 30 June 2005 (continued)

	Occasional Care		DECS - Child Care Regulatory and Licensing Services for Child Care		Total	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:						
Employee expenses	1 463	1 427	1 099	967	12 465	10 443
Supplies and services	161	133	241	233	26 904	30 054
Grants and subsidies	131	131	19	47	1 403	1 627
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Other	-	-	-	-	348	246
Total Expenses from Ordinary Activities	1 756	1 691	1 360	1 247	41 147	42 377
REVENUES FROM ORDINARY ACTIVITIES:						
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Other grants and contributions	-	-	-	-	17	2
Interest and investment income	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other	8	16	23	14	80	194
Total Revenues from Ordinary Activities	647	671	24	261	32 845	35 309
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	1 109	1 020	1 336	986	8 302	7 068
REVENUES FROM SA GOVERNMENT:						
Revenues from SA Government	1 121	992	1 351	959	5 365	4 558
NET RESULT FROM ORDINARY ACTIVITIES	12	(28)	15	(27)	(2 937)	(2 510)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Department of Education and Children's Services

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;*
- *Public Sector Management Act 1995.*

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.

The Department's 8 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.

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:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia

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

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 outputs.

2.2 Reporting Entity

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

The Department of Education and Children's Services 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 Consolidated values 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 Australian Accounting Standards.

The DECS values 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).

2.2 Reporting Entity (continued)

Financial data was collected from Government schools for the school year ended 31 December 2004 for the purpose of consolidating it with data from State Office. The results from using the school year are not considered to differ materially from the results that would be reported if data for the July to June period were used. It is not intended that data for other non-corporate operational units be included in the financial statements, as it is not considered material.

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 revenues, 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 Office of Public Transport for the purposes of student travel;
- the State Government contribution to the operations of non-Government schools, organisations and services to students with disabilities;
- the Commonwealth Government contribution to the operations of non-Government schools, organisations and services to students with disabilities.

Minister's Salary and Allowances

The Minister's salary and allowances are funded by 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.

2.3 Comparative Figures

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

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, fringe benefits tax, goods and services tax, and emergency services levies.

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

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

2.6 Revenues and Expenses

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

Revenues and Expenses have been classified according to their nature in accordance with Accounting Policy Statement (APS) 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenue from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is driven by consumer demand.

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

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value. Goods and services received free of charge are recorded as such with the revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

2.6 Revenues and Expenses (continued)

Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.7 Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and is accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

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 is recorded as contributed equity.

Payments include the return of surplus cash pursuant to the cash alignment policy (refer to Note 2.9).

2.8 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.

2.9 Cash

For the purposes of the Statement of Cash Flows, 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. The definition of cash in relation to the Statement of Financial Position differs slightly as it does not take into account bank overdrafts.

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 nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During the financial year the Department was not required to transfer any of its cash balance to the Consolidated Account.

2.10 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.

Receivables are recognised and carried at the original 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.

2.11 Inventories

Inventories are stated at the lower of cost or their net realisable value. Inventory is measured at cost, with cost being 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.

2.12 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 Statement of Financial Position. 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.

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

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

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.

Land

Land valuations are based on the highest and best potential use of the property. The valuations were obtained from the South Australian Valuer-General as at 30 June 2005.

Building Improvements

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and updated through the application of relevant building index. The valuations for buildings are current as at 31 March 2005, asphalt paved areas are current as at 31 March 2004 and swimming pools are current as at 31 March 2003. 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 under construction are reported as work in progress and are valued at cost.

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

Buses

Buses are recorded at current replacement cost as at 30 June 2002 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 less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation. Only individual items costing \$5 000 or more are capitalised and recorded in the Statement of Financial Position. Items under \$5 000 are recorded in the Statement of Financial Performance as an expense in the accounting period in which they are acquired.

2.13 Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets':

- all non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation)
- 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 physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

2.14 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:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight line	40 to 60
Paving	Straight line	25 to 40
Swimming pools	Straight line	50 to 60
Leasehold improvements	Straight line	life of lease
Buses/Motor vehicles	Straight line	12 to 20
Furniture and equipment	Straight line	10 to 15
Computers and software	Straight line	3 to 5
Intangibles	Straight line	5
Other plant and equipment	Straight line	7 to 10

2.15 Intangible Assets

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 expenditure is greater than or equal to \$5 000, in accordance with Accounting Policy Statement 2 'Asset Recognition' paragraph 23.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit for amortisation of five years.

2.16 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 amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 11 'Payment of Accounts' after the Department receives an invoice.

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.

2.17 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. 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.

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

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

2.18 Provisions

A liability has been reported to reflect unsettled worker's compensation claims. The worker's compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

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 Accounting Standard AASB 1044 'Provisions, Contingent Liabilities and Contingent Assets'. This provision is between the corporate department and Government schools, therefore is eliminated on consolidation.

2.19 Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

3. Changes in Accounting Policies**3.1 Government/Non-Government Disclosures**

In accordance with Accounting Policy Statement 13, the department has included details of revenue, expenses, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in a Note to the accounts.

3.2 Accounting for Corporate Libraries (Monographs and Toys)

The recent consolidation of schools financial data in the financial statements resulted in the Department having an inconsistent application of accounting policy in the areas of accounting for Library Collections and Toys.

As a result of this, a change in accounting policy was approved for Corporate Libraries and Toys to be expensed, effective from 1 July 2004. This change resulted in a change in accounting policy expense of \$952 548 for Libraries and \$114 416 for Toys.

3.3 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

Impact of adopting AIFRS

The following standard will have some impact on the financial statements, although it is expected that the impact will not be significant.

AASB 119 Employee Benefits

The Department will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value.

4. 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: Education – Preschool to Year 12

Provision of preschool education and Reception to Year 12 Education.

Sub-program 1.1 Delivery of Preschool Education

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

Sub-program 1.2 Reception to Year 2

Delivery of R-2 educational programs at the local level.

Sub-program 1.3 Year 3 to Year 7

Delivery of Year 3 to Year 7 educational programs at the local level.

Sub-program 1.4 Year 8 to Year 10

Delivery of Year 8 to Year 10 educational programs at the local level.

Sub-program 1.5 Year 11 to Year 12+

Delivery of Year 11 to Year 12+ educational programs at the local level.

Program 2: Children's Services

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, family day care, out of school-hours care and occasional care.

Sub-program 2.1 Planning and Support for Child Care Centres

Provision of statewide policy and planning in order to influence the development of appropriate levels of service, curriculum materials, industry development, support and information to parents and staff working in child care centres.

Sub-program 2.2 Family Day Care Administration and Monitoring

Provision of support for care providers of approved child care in their homes, and the planning and coordination of home-based care as sponsor; involves the recruitment and training of care providers, payment of care providers, matching families with care providers, and monitoring quality of care against national standards.

Sub-program 2.3 Out of School Hours Care

Provision of policy support and training for school councils and other sponsor organisations in delivering out of school hours and vacation care to children from 5 to 15 years of age.

Sub-program 2.4 Occasional Care

Provision of policy, resource allocation, planning and development for new services, and staff and facilities to support occasional care (the majority provided through DECS preschools).

Sub-program 2.5 Regulatory and Licensing Service for Child Care

Provision of a licensing, standards development, inspection, investigation and advisory service for child care to meet the requirements of the *Children's Services Act 1985* and regulations.

5. Employee Expenses

	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Salaries and wages (including annual leave)	1 047 722	1 023 526	1 040 169	1 015 097
Superannuation	123 703	119 008	122 338	117 872
Payroll tax	70 423	69 258	67 565	66 835
Long service leave	46 186	45 389	45 958	45 211
Workers compensation	40 501	34 316	40 488	34 289
TVSP (refer below)	20	7 131	20	7 131
Other employee related costs	3 859	2 453	3 682	2 327
Total Employee Expenses	1 332 414	1 301 081	1 320 220	1 288 762

Targeted Voluntary Separation Packages (TVSP)

TVSPs paid to employees during the reporting period	20	7 131	20	7 131
Annual leave and long service leave paid during the period	-	2 627	-	2 627
	20	9 758	20	9 758

Recovery from the Department of the Premier and Cabinet	256	6 557	256	6 557
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	2005 Number of Employees	2004 Number of Employees	2005 Number of Employees	2004 Number of Employees
Number of employees who were paid TVSPs during the reporting period	-	82	-	82

Remuneration of Employees

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

	2005 Number of Executives*	2005 Number of Employees	2004 Number of Executives*	2004 Number of Employees
\$100 000 - \$109 999	2	207	6	107
\$110 000 - \$119 999	1	80	6	59
\$120 000 - \$129 999	6	47	6	14
\$130 000 - \$139 999	4	37	3	4
\$140 000 - \$149 999	4	13	2	6
\$150 000 - \$159 999	4	12	4	4
\$160 000 - \$169 999	4	7	-	-
\$170 000 - \$179 999	1	1	1	3
\$180 000 - \$189 999	-	1	-	-
\$190 000 - \$199 999	1	1	-	-
\$200 000 - \$209 999	-	-	1	1
\$210 000 - \$219 999	-	-	1	1
\$220 000 - \$229 999	-	-	-	-
\$230 000 - \$239 999	1	1	-	-
\$240 000 - \$249 999	-	-	-	-
\$250 000 - \$259 999	-	1	-	-
\$260 000 - \$269 999	-	-	-	-
\$270 000 - \$279 999	-	-	1	1
\$290 000 - \$299 999	1	1	-	-
Total Number of Executives/Employees	29	409	31	200

* Based on the Department's Executive Organisation Structure.

Total remuneration received or due and receivable by the above employees was \$47.9 million (\$22.9 million), which is included in employee expenses. This number of employees includes 35 (13) who received country incentive payments. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP) Scheme. There were nil (3) persons who received an amount under the TVSP Scheme that retired at the over \$100 000 remuneration level and an additional 28 (6) persons who did not receive an amount under the TVSP Scheme that retired at the over \$100 000 remuneration level. These 28 (9) persons are included in the above employee numbers. Average salary rates have increased by 2.5 percent for *Education Act* employees, Public Servants and for Executives due to enterprise agreement arrangements.

The Department normally has 26 pays in a financial year, however, in 2004-05 there were 27 pays which has caused some employees to move into a higher remuneration band and 99 (1 Executive) to be included for the first time in the \$100 000 to \$109 999 remuneration band.

Number of Employees as at the Reporting Date

The number of full time equivalent employees as at the reporting date was 20 218 (19 579).

6. Supplies and Services	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Supplies and Services provided by entities within the SA Government:				
Minor works and maintenance	100 070	82 302	101 436	83 958
Rentals and leases	12 496	12 796	12 524	12 811
Management fees, fees and charges	11 120	8 324	11 123	8 324
Computer communications	5 184	7 357	5 187	7 357
Utilities	6 545	6 113	6 703	6 199
Vehicle and travelling expenses	4 510	4 890	5 432	5 688
Insurance (including self insurance)	3 463	3 528	4 017	3 907
Telecommunications	2 275	2 916	2 280	3 143
Security	2 166	2 377	2 171	2 380
Legal	889	628	892	629
Fees - Contractors and other outsourced services	953	998	3 287	2 354
Other	720	633	1 979	2 846
Total Supplies and Services - SA Government Entities	150 391	132 862	157 031	139 596
Supplies and Services provided by entities external to the SA Government:				
Printing, postage and consumables	55 828	51 933	6 330	6 437
Minor works, maintenance and equipment	32 906	38 412	8 373	9 954
Child care assistance, school card and other allowances	28 095	30 814	28 095	30 971
Cleaning	24 609	24 442	3 962	5 456
Student learning materials	20 212	16 871	-	-
Utilities	16 726	16 369	15 336	15 007
Cost of goods sold	17 768	15 721	-	-
Vehicle and travelling expenses	18 750	15 253	16 545	14 238
Bus contractors	15 305	14 577	15 305	14 576
Telecommunications	9 567	13 016	8 396	11 924
Fees - Consultants, contractors and other outsourced services	15 110	13 910	14 696	13 612
Excursions and camps	13 556	12 388	-	-
Security	3 703	3 350	3 327	3 045
Computer communications	5 431	2 649	4 440	1 741
Training and development	4 722	3 938	2 250	1 668
Rentals and leases	3 755	3 211	2 307	1 774
Other	38 291	47 035	4 038	8 813
Total Supplies and Services - Non-SA Government Entities	324 334	323 889	133 400	139 216
Total Supplies and Services	474 725	456 751	290 431	278 812
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) during the period:	2005 Number 1	2005 \$'000 38	2004 Number -	2004 \$'000 -
7. Grants and Subsidies	Consolidated		DECS	
Grants and Subsidies paid/payable to entities within the SA Government:	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Recurrent grants paid to schools and units	-	-	91 190	92 557
Recurrent grants paid to preschools	3 502	5 128	3 502	5 128
Recurrent grants paid to other organisations	1 628	629	1 628	629
Total Grants and Subsidies - SA Government Entities	5 130	5 750	96 320	98 314
Grants and Subsidies paid/payable to entities external to the SA Government:				
Recurrent grants paid to other organisations	5 981	6 156	5 981	6 156
Total Grants and Subsidies - Non-SA Government Entities	5 981	6 156	5 981	6 156
Total Grants	11 111	11 913	102 301	104 470

8. Depreciation and Amortisation	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Depreciation:				
Buildings and improvements	47 518	47 850	47 399	47 847
Computing, communication equipment, furniture and equipment	3 081	2 491	1 050	502
Buses/motor vehicles	3 842	2 329	3 517	2 022
Other	579	565	302	373
Total Depreciation	55 020	53 235	52 268	50 744
Amortisation:				
Leasehold improvements	1 198	18	1 198	18
Intangible assets	73	-	73	-
Total Amortisation	1 271	18	1 271	18
Total Depreciation and Amortisation	56 291	53 253	53 539	50 762

Change in Depreciation due to a Revaluation

The department has revalued its buildings upwards during 2005. As a result of the revaluation, depreciation on these assets has increased in the current reporting period. Depreciation expense increased by \$2.837 million as a result of the revaluation.

Revision in Accounting Estimates

Depreciation on pools differed between 2005 and 2004 because of a reassessment of the useful lives of these assets. This has resulted in a decrease of \$3.514 million in the amount of depreciation calculated on these assets in the 2005 financial year.

9. (a) Other Expenses	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Other Expenses paid/payable to entities within the SA Government:				
Auditor's Remuneration - Auditor General's Department	423	489	423	489
Other expenses	2	-	876	-
Total Other Expenses - SA Government Entities	425	489	1 299	489
Other Expenses paid/payable to entities external to the SA Government:				
Auditor's Remuneration - School Auditors	634	253	620	247
Allowance for doubtful debts and debt write offs	9 230	4 132	1 791	816
Non-current assets written off	12 353	5 157	12 353	5 157
School assets written off *	-	83 508	-	-
Total Other Expenses - Non-SA Government Entities	22 217	93 050	14 764	6 220
Total Other Expenses	22 642	93 539	16 063	6 709

* Prior to the school financial year ending 31 December 2003, individual items of property, plant and equipment costing \$500 or more were capitalised and recorded in the Statement of Financial Position.

The policy was revised in 2003-04 to bring Government Schools into line with the Corporate Department's asset recognition policy of only capitalising individual items costing \$5 000 or more. Items that did not meet this policy were expensed. The effect of the implementation of this policy in 2003-04 was an increase in other expenses of \$83.5 million for the consolidated entity.

(b) Auditor's Remuneration	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Audit fees paid/payable to the Auditor- General's Department excluding GST	423	489	423	489
Audit fees paid/payable to school auditors (for non-corporate work) excluding GST	634	253	620	247
Total Audit Fees	1 057	742	1 043	736

Other Services

The Auditor-General's Department provided no other services and received no other benefits.

10. (a) Commonwealth Revenue	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Recurrent Revenue:				
General purpose	124 668	115 493	124 668	115 493
Specific purpose	61 175	70 837	61 175	70 837
Total Recurrent Revenue	185 843	186 330	185 843	186 330

10. (a) Commonwealth Revenue (continued)	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Capital Revenue:				
General purpose	27 160	21 155	27 160	21 155
Total Capital Revenue	27 160	21 155	27 160	21 155
Total Commonwealth Revenue	213 003	207 485	213 003	207 485

(b) Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2005 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2005:

	Opening Balance 01.07.04 \$'000	Revenue for 2004-05 \$'000	*Expenses for 2004-05 \$'000	Closing Balance 30.06.05 \$'000
Commonwealth Revenue for:				
Primary and secondary education	1 584	29 620	(30 896)	308
Child care services	1 867	31 555	(32 748)	674
Total Recurrent Revenue	3 451	61 175	(63 644)	982

* Included in expenses is an amount of \$23 million transferred to schools and providers of child care services to be applied for the purposes required under the funding agreements.

11. Student and Other Fees and Charges	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Fees and Charges received/receivable from entities within the SA Government:				
Sales/fee for service revenue	519	122	625	777
Other user fees and charges	1 513	6 737	6 751	8 504
Total Fees and Charges - SA Government Entities	2 032	6 859	7 376	9 281
Fees and Charges received/receivable from entities external to the SA Government:				
Sales/fee for service revenue	3 539	3 359	3 292	2 618
Student enrolment fees and charges	69 898	60 453	2 242	1 631
Other user fees and charges	7 113	1 835	7 113	6 857
Total Fees and Charges - Non-SA Government Entities	80 550	65 647	12 647	11 106
Total Student and Other Fees and Charges	82 582	72 506	20 023	20 387
12. Interest and Investment Income				
Interest from entities within the SA Government	16 975	13 635	8 311	6 852
Other	481	731	3	-
Total Interest Received	17 456	14 366	8 314	6 852
13. Net Gain (Loss) from Disposal of Assets				
Land and Buildings:				
Proceeds from disposal	1 385	9 575	1 385	9 575
Net book value of assets disposed	2 834	7 532	2 834	7 532
Net gain from disposal of land and building	(1 449)	2 043	(1 449)	2 043
Plant and Equipment:				
Proceeds from disposal	998	512	179	172
Net book value of assets disposed	701	673	486	568
Net loss from disposal of plant and equipment	297	(161)	(307)	(396)
Investments/Financial Assets:				
Proceeds from disposal	-	20	-	20
Net book value of assets disposed	-	30	-	30
Net loss from disposal of investment/financial assets	-	(10)	-	(10)
Total Assets:				
Total Proceeds from disposal	2 383	10 107	1 564	9 767
Total Net book value of assets disposed	3 535	8 235	3 320	8 130
Total Net Gain (Loss) from Disposal of Assets	(1 152)	1 872	(1 756)	1 637

14. Other Revenue	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Targeted Voluntary Separation Package recoveries	256	6 557	256	6 557
Recoveries-other	2 321	2 204	6 651	2 283
Assets recognised for the first time	25 462	8 836	25 462	8 836
Canteen revenue	20 324	18 064	-	-
Other revenue	29 389	28 392	11 867	9 192
Total Other Revenue	77 752	64 053	44 236	26 868

15. Revenue from SA Government <i>Revenues from SA Government</i>	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i> :				
Recurrent appropriation	1 410 021	1 314 702	1 410 021	1 314 702
Capital appropriation	84 003	63 876	84 003	63 876
Accrual appropriation	-	32 013	-	32 013
Transfers from contingencies	1 460	-	1 460	-
Total Revenues from SA Government	1 495 484	1 410 591	1 495 484	1 410 591

16. Cash	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deposits at call - Westpac	38 893	11 370	38 893	11 370
Deposits with the Treasurer	76 679	116 127	76 679	116 127
Cash at bank - SA School Investment Fund (SASIF) *	156 388	144 444	-	696
Cash at bank and on hand	12 312	8 948	328	166
Section 21 Deposit Accounts	317	311	317	311
Total Cash	284 589	281 200	116 217	128 670

Deposits with the Treasurer
Comprises Accrual Appropriation Account balance that can only be used for capital works purposes and payment of long service leave entitlements.

* The amount held in schools and units SASIF accounts as at 30 June 2005 was \$183.5 million.

17. Receivables	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Fees, charges and other receivables	16 595	16 908	27 076	17 277
Less: Provision for doubtful debts	(7 876)	(4 098)	(3 296)	(1 992)
GST recoverable from the ATO	8 660	7 453	7 335	5 704
Accrued revenues	734	209	780	209
Lease receivables	-	-	-	144
Loan receivables	65	64	212	303
Total Current Receivables	18 178	20 536	32 107	21 645
Non-Current:				
Workers compensation receivable	1 144	1 108	1 144	1 108
Loan receivables	41	41	2 187	2 284
Total Non-Current Receivables	1 185	1 149	3 331	3 392
Total Receivables	19 363	21 685	35 438	25 037

Government/Non Government Receivables

Receivables from SA Government entities:				
Fees, charges and other receivables	1 717	1 673	19 575	9 981
Less provision for doubtful debts	(167)	(405)	(2 442)	(1 409)
Loan receivables	-	-	2 293	2 479
Lease receivables	-	-	-	144
Accrued revenues	399	202	445	209
Total Receivables from SA Government Entities	1 949	1 470	19 871	11 404
Receivables from Non-SA Government entities:				
Fees, charges and other receivables	14 878	15 235	7 501	7 296
Less provision for doubtful debts	(7 709)	(3 693)	(854)	(583)
GST recoverable from the ATO	8 660	7 453	7 335	5 704
Workers compensation receivable	1 144	1 108	1 144	1 108
Accrued revenues	335	7	335	-
Loan receivables	106	105	106	108
Total Receivables from Non-SA Government Entities	17 414	20 215	15 567	13 633
Total Receivables	19 363	21 685	35 438	25 037

18. Inventories	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Supplies	1 150	890	176	158
Total Current Inventories	1 150	890	176	158
Total Inventories	1 150	890	176	158
19. Investments/Financial Assets				
Current:				
Term deposits	3 927	8 595	-	-
Total Current Investments	3 927	8 595	-	-
Non-Current:				
Term deposits	905	861	-	-
Total Non-Current Investments	905	861	-	-
Total Investments	4 832	9 456	-	-
20. Property, Plant and Equipment				
	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Land:				
Land at valuation	763 010	667 659	763 010	667 659
Land at cost	1 194	1 471	979	1 345
Total Land	764 204	669 130	763 989	669 004
Buildings and Improvements:				
Buildings and improvements at valuation	3 095 288	2 688 277	3 095 288	2 688 277
Accumulated depreciation	(1 938 464)	(1 673 127)	(1 938 464)	(1 673 127)
Buildings and improvements at cost	48 170	74 044	45 799	73 862
Accumulated depreciation	(114)	(2 011)	(107)	(2 006)
Total Buildings and Improvements	1 204 880	1 087 183	1 202 516	1 087 006
Leasehold Improvements:				
Leasehold improvements at cost	13 331	388	13 331	388
Accumulated amortisation	(1 243)	(46)	(1 243)	(46)
Total Leasehold Improvements	12 088	342	12 088	342
Construction Work in Progress:				
Construction work in progress at cost	32 074	24 898	32 074	24 898
Total Construction Work in Progress	32 074	24 898	32 074	24 898
Buses/Motor Vehicles:				
Buses/motor vehicles at valuation	41 802	44 803	41 802	44 803
Accumulated depreciation	(33 290)	(32 363)	(33 290)	(32 363)
Buses/motor vehicles at cost	9 554	7 313	3 817	1 633
Accumulated depreciation	(3 208)	(3 008)	(136)	(72)
Total Buses/Motor Vehicles	14 858	16 745	12 193	14 001
Computing, Communication Equipment, Furniture and Equipment:				
Computing, communication equipment, furniture and equipment at valuation	7 468	3 639	7 468	3 639
Accumulated depreciation	(3 766)	(3 134)	(3 766)	(3 134)
Computing, communication equipment, furniture and equipment at cost	31 306	18 286	16 151	4 630
Accumulated depreciation	(11 200)	(10 802)	(2 566)	(2 548)
Total Computing, Communication Equipment, Furniture and Equipment	23 808	7 989	17 287	2 587
Other Assets:				
Other assets at valuation	-	2 195	-	2 195
Accumulated depreciation	-	(1 263)	-	(1 263)
Other assets at cost	5 479	5 022	3 426	3 125
Accumulated depreciation	(3 400)	(3 202)	(2 089)	(1 856)
Total Other Assets	2 079	2 752	1 337	2 201
Total Property Plant and Equipment	2 053 991	1 809 039	2 041 484	1 800 039

Valuation of Non-Current Assets*DECS*

Valuations of land were performed at 30 June 2005 by the Valuer-General, and buildings and improvements by the Department for Administrative and Information Services at 31 March 2005. 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' non-current assets are recorded at cost.

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment:

	DECS 2004-05			
	Land \$'000	Buildings \$'000	Leasehold Improve- ments \$'000	Computing, Communication Equipment, Furniture and Equipment \$'000
Carrying amount at 1 July	669 004	1 087 006	342	2 587
Additions	1 805	16 078	12 624	15 835
Disposals	(1 226)	(1 608)	-	(12)
Transfer to (from) WIP	-	44 042	320	-
Revaluation increment (decrement)	95 450	114 639	-	-
Depreciation	-	(47 399)	(1 198)	(1 123)
Other movements	(1 044)	(10 242)	-	-
Carrying Amount at 30 June	763 989	1 202 516	12 088	17 287

	DECS 2004-05			
	Buses/ Motor Vehicles \$'000	Construction Work in Progress \$'000	Other Assets \$'000	Total \$'000
Carrying amount at 1 July	14 001	24 898	2 201	1 800 039
Additions	2 183	51 538	505	100 568
Disposals	(474)	-	-	(3 320)
Transfer to (from) WIP	-	(44 362)	-	-
Revaluation increment (decrement)	-	-	-	210 089
Depreciation	(3 517)	-	(302)	(53 539)
Other movements	-	-	(1 067)	(12 353)
Carrying Amount at 30 June	12 193	32 074	1 337	2 041 484

	DECS 2003-04			
	Land \$'000	Buildings \$'000	Leasehold Improve- ments \$'000	Computing, Communication Equipment, Furniture and Equipment \$'000
Carrying amount at 1 July	459 195	1 109 980	360	1 893
Additions	3 240	9 535	-	1 196
Disposals	(7 525)	(7)	-	(1)
Transfer to (from) WIP	-	19 480	-	-
Revaluation increment (decrement)	214 651	373	-	-
Depreciation	-	(47 847)	(18)	(502)
Other movements	(557)	(4 508)	-	1
Carrying Amount at 30 June	669 004	1 087 006	342	2 587

	DECS 2003-04			
	Buses/ Motor Vehicles \$'000	Construction Work in Progress \$'000	Other Assets \$'000	Total \$'000
Carrying amount at 1 July	15 976	13 174	2 503	1 603 081
Additions	707	31 204	71	45 953
Disposals	(567)	-	-	(8 100)
Transfer to (from) WIP	-	(19 480)	-	-
Revaluation increment (decrement)	-	-	-	215 024
Depreciation	(2 022)	-	(373)	(50 762)
Other movements	(93)	-	-	(5 157)
Carrying Amount at 30 June	14 001	24 898	2 201	1 800 039

21. Other Assets	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Assets:				
Prepayments	770	4 378	310	3 921
Other	178	26	106	-
Total Current Other Assets	948	4 404	416	3 921
Total Other Assets	948	4 404	416	3 921
22. Payables				
Current:				
Creditors	51 824	25 353	54 999	29 811
Accrued expenses	4 415	11 055	3 550	9 308
Employment on-costs	14 358	20 450	14 358	20 450
Lease payables	162	531	-	-
Total Current Payables	70 759	57 389	72 907	59 569
Non-Current:				
Employment on-costs	27 140	26 365	27 140	26 365
Lease payables	400	993	-	-
Total Non-Current Payables	27 540	27 358	27 140	26 365
Total Payables	98 299	84 747	100 047	85 934
Government/Non Government Payables				
Payables to SA Government Entities:				
Creditors	23 706	14 148	28 541	19 107
Accrued expenses	1 489	950	1 489	950
Total Payables to SA Government Entities	25 195	15 098	30 030	20 057
Payables to Non-SA Government Entities:				
Creditors	28 118	11 205	26 458	10 704
Accrued expenses	2 926	10 105	2 061	8 358
Employment on-costs	41 498	46 815	41 498	46 815
Lease payables	562	1 524	-	-
Total Payables to Non-SA Government Entities	73 104	69 649	70 017	65 877
Total Payables	98 299	84 747	100 047	85 934
23. Borrowings				
Current:				
Loans	1 439	1 216	1 200	1 200
Total Current Borrowings	1 439	1 216	1 200	1 200
Non-Current:				
Loans	3 387	4 595	2 697	3 897
Advances	121	121	121	121
Total Non-Current Borrowings	3 508	4 716	2 818	4 018
Total Borrowings	4 947	5 932	4 018	5 218
24. (a) Employee Benefits				
Current:				
Annual leave	60 793	57 309	60 781	57 295
Accrued salaries and wages	2 224	40 149	2 140	40 097
Long service leave	33 692	30 997	33 547	30 898
Total Current Employee Benefits	96 709	128 455	96 468	128 290
Non-Current:				
Long service leave	258 558	247 389	257 672	246 620
Total Non-Current Employee Benefits	258 558	247 389	257 672	246 620
Total Employee Benefits	355 267	375 844	354 140	374 910

In the 2005 financial year, the guideline for Treasurer's Accounting Policy Statement 9 'Employee Benefits' has been amended based on an actuarial assessment and the benchmark for the measurement of the long service leave liability has been revised from 10 years to 9 years.

(b) Employee Benefits and Related On-Costs	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accrued Salaries:				
On-costs included in payables - Current (Note 22)	368	7 080	368	7 080
Provision for employee benefits - Current (Note 24(a))	2 224	40 149	2 140	40 097
	2 592	47 229	2 508	47 177
Annual Leave:				
On-costs included in payables - Current (Note 22)	10 457	10 067	10 457	10 067
Provision for employee benefits - Current (Note 24(a))	60 793	57 309	60 781	57 295
	71 250	67 376	71 238	67 362
Long Service Leave:				
On-costs included in payables - Current (Note 22)	3 533	3 303	3 533	3 303
Provision for employee benefits - Current (Note 24(a))	33 692	30 997	33 547	30 898
	37 225	34 300	37 080	34 201
On-costs included in payables - Non-current (Note 22)	27 140	26 365	27 140	26 365
Provision for employee benefits - Non-current (Note 24(a))	258 558	247 389	257 672	246 620
	285 698	273 754	284 812	272 985
Aggregate Employee Benefit and Related On-Costs	396 765	422 659	395 638	421 725
25. Provisions				
Current:				
Provision for workers compensation	18 809	15 563	18 809	15 563
Provision for vicarious liability claims	753	680	753	680
Provision for fire claims	-	-	1 288	1 507
Total Current Provisions	19 562	16 243	20 850	17 750
Non-Current:				
Provision for workers compensation	81 280	63 030	81 280	63 030
Provision for vicarious liability claims	762	1 103	762	1 103
Total Non-Current Provisions	82 042	64 133	82 042	64 133
Total Provisions	101 604	80 376	102 892	81 883
Movements in Provisions				
Provision for Workers Compensation:				
Carrying amount at 1 July	78 593	63 713	78 593	63 713
Increase in the provision	21 496	14 880	21 496	14 880
Carrying Amount at 30 June	100 089	78 593	100 089	78 593
Provision for Vicarious Liability Claims:				
Carrying amount at 1 July	1 783	2 159	1 783	2 159
Decrease in the provision	268	376	268	376
Carrying Amount at 30 June	1 515	1 783	1 515	1 783
Provision for Fire Claims:				
Carrying amount at 1 July	-	-	1 507	384
Increase in the provision	-	-	-	1 123
Decrease in the provision	-	-	219	-
Carrying Amount at 30 June	-	-	1 288	1 507
26. Other Liabilities				
Current:				
Deposits	6 427	5 757	5 767	4 193
Unearned revenue	4 978	2 603	1 584	2 603
Other liabilities	3 602	3 511	613	420
Total Current Other Liabilities	15 007	11 871	7 964	7 216
Non-Current:				
Deposits	3 390	3 152	-	-
Other liabilities	170	85	-	-
Total Non-Current Other Liabilities	3 560	3 237	-	-
Total Other Liabilities	18 567	15 108	7 964	7 216

27. Equity	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accumulated surplus	1 153 663	1 141 701	992 144	979 733
Asset revaluation reserve	628 063	418 503	628 063	418 468
Contributed capital	4 463	4 463	4 463	4 463
Total Equity	1 786 189	1 564 667	1 624 670	1 402 664
Accumulated Surplus:				
Balance at 1 July	1 141 701	1 274 824	979 733	1 023 142
Prior period adjustment	7 875	-	-	-
Net surplus (deficit) from Ordinary Activities	3 558	(133 123)	11 917	(43 409)
Transfer from reserves	529	-	494	-
Balance at 30 June	1 153 663	1 141 701	992 144	979 733
Asset Revaluation Reserve:				
Balance at 1 July	418 503	203 444	418 468	203 444
Increase (Decrease) in asset revaluation reserve:				
Transfer from reserve (Libraries)	(529)	-	(494)	-
Land	95 450	214 686	95 450	214 651
Buildings - Pavings component	-	373	-	373
Building and improvements	114 639	-	114 639	-
Balance at 30 June	628 063	418 503	628 063	418 468
Contributed Capital:				
Balance at 1 July	4 463	4 463	4 463	4 463
Balance at 30 June	4 463	4 463	4 463	4 463

28. Financial Instruments

(a) Terms, Conditions and Accounting Policies

(i) Financial Assets

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

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

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

(ii) Financial Liabilities

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

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

All Assets and Liabilities are unsecured.

(b) Credit Risk Exposures

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

(c) Interest Rate Exposures

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

(c) Interest Rate Exposures (continued)

	Weighted Average Interest Rate Percent	Consolidated 2005				Non- Interest Bearing \$'000	Total Carrying Amount \$'000
		Floating Interest Rate \$'000	Fixed Interest Maturing in		More than 5 years \$'000		
			1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:							
Cash and deposits	4.69	272 336	-	-	12 253	284 589	
Receivables	-	-	-	-	19 257	19 257	
Other assets	-	-	-	-	948	948	
Loan and lease receivables	6.64	-	1	-	105	106	
		272 336	1	-	32 563	304 900	
Financial Liabilities:							
Trade and other creditors	-	-	-	-	56 801	56 801	
Loans	13.16	4 827	-	-	-	4 827	
Other liabilities	-	-	-	-	20 081	20 081	
		4 827	-	-	76 882	81 709	
Net Financial Assets (Liabilities)		267 509	1	-	(44 319)	223 191	

	Weighted Average Interest Rate Percent	Consolidated 2004				Non- Interest Bearing \$'000	Total Carrying Amount \$'000
		Floating Interest Rate \$'000	Fixed Interest Maturing in		More than 5 years \$'000		
			1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:							
Cash and deposits	4.86	290 212	-	-	444	290 656	
Receivables	-	-	-	-	21 580	21 580	
Other assets	-	-	-	-	4 404	4 404	
Loan and lease receivables	-	-	-	-	105	105	
		290 212	-	-	26 533	316 745	
Financial Liabilities:							
Trade and other creditors	-	-	-	-	37 932	37 932	
Loans	8.85	5 811	-	-	121	5 932	
Other liabilities	-	-	-	-	16 891	16 891	
		5 811	-	-	54 944	60 755	
Net Financial Assets (Liabilities)		284 401	-	-	(28 411)	255 990	

	Weighted Average Interest Rate Percent	DECS 2005				Non- Interest Bearing \$'000	Total Carrying Amount \$'000
		Floating Interest Rate \$'000	Fixed Interest Maturing in		More than 5 years \$'000		
			1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:							
Cash and deposits	4.24	115 907	-	-	310	116 217	
Receivables	-	-	-	-	33 039	33 039	
Other assets	-	-	-	-	416	416	
Loan and lease receivables	6.44	-	28	2 266	105	2 399	
		115 907	28	2 266	33 870	152 071	
Financial Liabilities:							
Trade and other creditors	-	-	-	-	58 549	58 549	
Loans	10.53	3 897	-	-	121	4 018	
Other liabilities	-	-	-	-	10 767	10 767	
		3 897	-	-	69 437	73 334	
Net Financial Assets (Liabilities)		112 010	28	2 266	(35 567)	78 737	

	Weighted Average Interest Rate Percent	DECS 2004				Non- Interest Bearing \$'000	Total Carrying Amount \$'000
		Floating Interest Rate \$'000	Fixed Interest Maturing in		More than 5 years \$'000		
			1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:							
Cash and deposits	5.11	128 351	-	-	319	128 670	
Receivables	-	-	-	-	22 306	22 306	
Other assets	-	-	-	-	3 921	3 921	
Loan and lease receivables	7.09	-	37	2 373	321	2 731	
		128 351	37	2 373	26 867	157 628	

(c) Interest Rate Exposures (continued)

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	DECS 2004 Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years \$'000	More than 5 years \$'000		
Financial Liabilities:						
Trade and other creditors	-	-	-	-	39 117	39 117
Loans	6.86	5 097	-	-	121	5 218
Other liabilities	-	-	-	-	10 506	10 506
		5 097	-	-	49 744	54 841
Net Financial Assets (Liabilities)						
		123 254	37	2 373	(22 877)	102 787

(d) Net Fair Values

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

29. Commitments for Expenditure**Capital Commitments**

At the end of the reporting period the Department had the following capital commitments payable as follows:

	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Not later than one year	36 470	45 969	36 470	45 969
Later than one year but not later than five years	25 923	22 269	25 923	22 269
Total Capital Commitments	62 393	68 238	62 393	68 238

Operating Lease Commitments for Motor Vehicles

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.

	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Not later than one year	2 915	2 640	2 915	2 640
Later than one year but not later than five years	1 467	1 486	1 467	1 486
Total Motor Vehicle Operating Lease Commitments	4 382	4 126	4 382	4 126

Operating Lease Commitments for Accommodation and Facilities

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Statement of Financial Position and are payable as follows:

	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Not later than one year	5 388	5 250	5 388	5 250
Later than one year but not later than five years	6 992	10 486	6 992	10 486
Later than five years	114	219	114	219
Total Accommodation and Facilities Operating Lease Commitments	12 494	15 955	12 494	15 955

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 Real Estate Management unit of the Department for Administrative and Information Services. The leases are non-cancellable and for varied terms. 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.

30. Contingent Assets and Liabilities

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

The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs), Bus Drivers and other casual employees are eligible for long service leave pursuant to section 71(2) of the *Public Sector Management Act 1995*. The effect of this has not been quantified, however the Department recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978 and for Bus Drivers applicable from 1 January 1994. Payments for long service leave to these employees in 2003-04 totalled \$236 900 and \$192 640 in 2004-05.

31. Cash Flow Reconciliation

	Consolidated		DECS	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Reconciliation of Cash - Cash at year end as per:				
Statement of Cash Flows	284 589	281 200	116 217	128 670
Statement of Financial Position	284 589	281 200	116 217	128 670
<hr/>				
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services:				
Net cash provided by operating activities	76 631	45 441	59 639	50 258
Less: Revenues from Government	(1 495 484)	(1 410 591)	(1 495 484)	(1 410 591)
Add/Less Non-Cash Items:				
Depreciation of property, plant and equipment	(56 291)	(53 253)	(53 539)	(50 762)
Bad and doubtful debts	(9 230)	(4 132)	(1 791)	(816)
Non-current assets written off	(12 353)	(5 157)	(12 353)	(5 157)
Net assets recognised for the first time	25 462	8 836	25 462	8 836
(Loss) Gain on sale of assets	(1 152)	1 872	(1 756)	1 637
Change in Assets/Liabilities:				
Increase in receivables	5 088	2 649	10 998	1 227
Increase in GST receivable	1 207	1 724	1 631	1 353
(Decrease) Increase in other assets	(3 383)	977	(3 628)	1 045
Decrease (Increase) in employee entitlements	20 577	(28 909)	20 770	(28 729)
(Increase) in provisions	(21 228)	(14 120)	(21 009)	(15 628)
(Increase) in payables	(19 395)	(7 838)	(13 527)	(4 578)
(Increase) Decrease in other liabilities	(2 375)	(2 095)	1 020	(2 095)
Other movements in non-current assets	-	(79 118)	-	-
Net Cost of Services from Ordinary Activities	(1 491 926)	(1 543 714)	(1 483 567)	(1 454 000)

**Statement of Administered Revenue and Expenses
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Revenues from SA Government	A3	131 096	129 737
Commonwealth revenue	A4	402 704	352 523
Interest	A5	519	497
Other revenues		3	12
Total Revenue from Ordinary Activities		534 322	482 769
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	A6	1 499	1 566
Supplies and services	A7	900	264
Transfer payments	A8	531 679	479 788
Interest on borrowings		441	490
Depreciation	A9	5	5
Other expenses		2	-
Total Expenses from Ordinary Activities		534 526	482 113
OPERATING (DEFICIT) SURPLUS		(204)	656
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(204)	656

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	A10	297	2 982
Receivables	A11	1 844	1 390
Other	A11	2 092	-
Total Current Assets		4 233	4 372
NON-CURRENT ASSETS:			
Receivables	A11	3 049	4 381
Plant and equipment	A12	24	19
Total Non-Current Assets		3 073	4 400
Total Assets		7 306	8 772
CURRENT LIABILITIES:			
Payables	A13	764	121
Employee benefits	A14	81	95
Borrowings	A15	1 500	3 000
Total Current Liabilities		2 345	3 216
NON-CURRENT LIABILITIES:			
Payables	A13	30	20
Employee benefits	A14	280	181
Borrowings	A15	3 960	4 460
Total Non-Current Liabilities		4 270	4 661
Total Liabilities		6 615	7 877
NET ASSETS		691	895
EQUITY:			
Accumulated surplus	A16	691	895
TOTAL EQUITY		691	895
Contingent Asset and Liabilities	A18		

Administered Statement of Cash Flows for the year ended 30 June 2005

	2005	2004
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
	Note	
CASH INFLOWS:		
Receipts from SA Government	131 096	129 737
Receipts from Commonwealth	402 704	352 523
Interest received	519	1 034
GST input tax credits	11 341	10 451
Other	-	12
Total Cash Inflows from Operating Activities	545 660	493 757
CASH OUTFLOWS:		
Employee payments	(1 410)	(1 252)
Supplies and services	(240)	(272)
Transfer payments	(533 771)	(480 089)
Borrowing costs	(452)	(489)
GST remitted to ATO	(11 793)	(10 430)
Total Cash Outflows from Operating Activities	(547 666)	(492 532)
Net Cash (Outflows) Inflows from Operating Activities	(2 006)	1 225
	A19	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH INFLOWS:		
Loans repaid	1 331	1 350
Total Cash Inflows from Investing Activities	1 331	1 350
CASH OUTFLOWS:		
Payments for plant and equipment	(10)	-
Total Cash Outflows from Investing Activities	(10)	-
Net Cash Inflows from Investing Activities	1 321	1 350
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowing	(2 000)	-
Total Cash Outflows from Financing Activities	(2 000)	-
Net Cash Outflows from Financing Activities	(2 000)	-
NET (DECREASE) INCREASE IN CASH HELD	(2 685)	2 575
CASH AT 1 JULY	2 982	407
CASH AT 30 JUNE	297	2 982

Program Schedule of Administered Revenues and Expenses for the year ended 30 June 2005

	Minister's Other Payments		Minister's Borrowings		Minister's Salary and Allowances		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
ADMINISTERED REVENUE FROM ORDINARY ACTIVITIES:								
REVENUE:								
Revenue from SA Government	130 891	129 534	-	-	205	203	131 096	129 737
Commonwealth revenue	402 704	352 523	-	-	-	-	402 704	352 523
Interest and investment income	255	-	264	497	-	-	519	497
Other revenues	3	12	-	-	-	-	3	12
Total Administered Revenue	533 853	482 069	264	497	205	203	534 322	482 769
ADMINISTERED EXPENSES FROM ORDINARY ACTIVITIES:								
EXPENSES:								
Employees expenses	1 294	1 363	-	-	205	203	1 499	1 566
Supplies and services	900	264	-	-	-	-	900	264
Transfer payments	531 679	479 788	-	-	-	-	531 679	479 788
Interest on borrowings	441	-	-	490	-	-	441	490
Depreciation	5	5	-	-	-	-	5	5
Other expenses	2	-	-	-	-	-	2	-
Total Administered Expenses	534 321	481 420	-	490	205	203	534 526	482 113
OPERATING (DEFICIT) SURPLUS	(468)	649	264	7	-	-	(204)	656

NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

A1. Summary of Significant Accounting Policies

All the Department of Education and Children's Services 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 the Department of Education and Children's Services changes in accounting policies are contained in Note 3 'Changes in Accounting Policies'. The changes outlined in Note 3 apply to both the Department and Administered Financial Statements.

A3. Revenue from SA Government

Revenues from SA Government:	2005	2004
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	130 831	129 534
Appropriations under other Acts	205	203
Transfers from contingencies	60	-
Total Revenues from SA Government	131 096	129 737

A4. (a) Commonwealth Revenue

Commonwealth Revenue:		
Recurrent	394 617	344 602
Capital	8 087	7 921
Total Commonwealth Revenue	402 704	352 523

(b) Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2005 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2005:

	Opening Balance 01.07.04 \$'000	Revenue for 2004-05 \$'000	Expenses for 2004-05 \$'000	Closing Balance 30.06.05 \$'000
Commonwealth Revenue for:				
Special Education	525	13 323	13 567	281
School Language and Literacy	412	704	640	476
Total Recurrent Revenue	937	14 027	14 207	757

A5. Interest			2005	2004
			\$'000	\$'000
Interest from entities within the SA Government			519	497
Total Interest Received			519	497
A6. Employee Expenses				
Wages and salaries (including annual leave)			1 214	1 156
Superannuation			123	119
Payroll tax			68	77
Long service leave			94	214
Total Employee Expenses			1 499	1 566
Targeted Voluntary Separation Packages			2005	2004
			Number of	Number of
			Employees	Employees
Number of employees that were paid TVSPs during the reporting period			-	-
Remuneration 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 to \$109 999		2005	2005	2004
		Number of	Number of	Number of
		Executives*	Employees	Executives*
				Number of
				Employees
\$100 000 to \$109 999		-	1	-
Total Number of Executives/Employees		-	1	-
* Based on the Department's Executive Organisation Structure.				
The Department normally has 26 pays in a financial year, however, in 2004-05 there were 27 pays which has caused 1 employee to be included for the first-time in the \$100 000 to \$109 999 remuneration band.				
A7. Supplies and Services			2005	2004
Supplies and Services provided by entities within SA Government:			\$'000	\$'000
Fees- Consultants, contractors and other outsourced services			1	3
Printing, postage and consumables			6	2
Vehicle and travelling expenses			9	10
Conference expenses			7	-
Computer communications			1	2
Other			1	1
Total Supplies and Services to SA Government Entities			25	18
Supplies and Services provided by entities external to SA Government:				
Fees- Consultants, contractors and other outsourced services			765	111
Printing, postage and consumables			31	58
Minor works, maintenance and equipment			8	17
Vehicle and travelling expenses			19	24
Conference expenses			7	10
Advertising, publicity, promotions			1	3
Rentals and leases			1	3
Computer communications			1	-
Telecommunications			2	3
Other			40	17
Total Supplies and Services to Non-SA Government Entities			875	246
Total Supplies and Services			900	264
		2005		2004
The number and dollar amount of consultancies paid/payable during the period	Number	\$'000	Number	\$'000
	-	-	-	-
A8. Transfer Payments			2005	2004
Transfer Payments paid/payable to entities within SA Government:			\$'000	\$'000
Multicultural grants			29	35
Special schools			2 689	3 139
Other organisations			99	99
SSABSA			10 504	8 907
Transport concessions			10 479	15 564
Other			135	30
Total Transfer Payments to SA Government Entities			23 935	27 774

A8. Transfer Payments (continued)	2005	2004
Transfer Payments paid/payable to entities external SA Government:	\$'000	\$'000
Multicultural grants	685	1 032
non-Government schools	492 770	439 275
Special schools	13 361	11 070
Other organisations	573	547
Other	355	90
Total Transfer Payments to Non-SA Government Entities	507 744	452 014
Total Transfer Payments	531 679	479 788
A9. Depreciation		
Depreciation expense for the reporting period was charged in respect of:		
Computing, communication, furniture and equipment	5	5
Total Depreciation	5	5
A10. Cash		
Special Deposit Accounts with Department of Treasury and Finance:		
Deposits at call - Westpac	297	2 982
Total Cash	297	2 982
A11. Receivables		
Current:		
Loan receivables	1 333	1 331
Interest receivable	2	2
GST recoverable from the ATO	509	57
Other receivables	2 092	-
Total Current Receivables	3 936	1 390
Non-Current:		
Loan receivables	3 049	4 381
Total Non-Current Receivables	3 049	4 381
Total Receivables	6 985	5 771
Government/Non-Government Receivables		
Receivables from SA Government Entities:		
Loan receivables	4 382	5 712
Interest receivable	2	2
Total Current Receivables to SA Government Entities	4 384	5 714
Receivables from Non-SA Government Entities:		
GST recoverable from the ATO	509	57
Loan receivables	2 092	-
Total Non-Current Receivables to Non-SA Government Entities	2 601	57
Total Receivables	6 985	5 771
A12. Plant and Equipment		
Computing, Furniture and Equipment:		
Computing, furniture and equipment at cost	62	52
Accumulated depreciation	(38)	(33)
Total Computing, Furniture and Equipment	24	19
Total Plant and Equipment	24	19
Valuation of Non-Current Assets		
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.		
Reconciliation of Plant and Equipment		Computing, Furniture and Equipment
The following table shows the movement of plant and equipment:	2005	2004
	\$'000	\$'000
Carrying amount at 1 July	19	24
Additions	10	-
Depreciation	(5)	(5)
Carrying Amount at 30 June	24	19

A13. Payables	2005	2004
Current:	\$'000	\$'000
Creditors	711	61
Accrued expenses	41	47
Employee on-costs	12	13
Total Current Payables	764	121
Non-Current:		
Employee on-costs	30	20
Total Non-Current Payables	30	20
Total Payables	794	141
Government/Non-Government Payables		
Payables to SA Government Entities:		
Creditors	1	3
Accrued expenses	37	41
Total Payables to SA Government Entities	38	44
Payables to Non-SA Government Entities:		
Creditors	710	58
Accrued expenses	4	6
Employee on-costs	42	33
Total Non-Current Payables to Non-SA Government Entities	756	97
Total Payables	794	141
A14. (a) Employee Benefits		
Current:		
Accrued salaries and wages	1	29
Annual leave	51	33
Long service leave	29	33
Total Current Employee Benefits	81	95
Non-Current:		
Long service leave	280	181
Total Non-Current Employee Benefits	280	181
Total Employee Benefits	361	276
(b) Employee Benefits and Related On-Costs		
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note A13)	-	3
Provision for employee benefits - Current (Note A14(a))	1	29
	1	32
Annual Leave:		
On-costs included in payables - Current (Note A13)	9	6
Provision for employee benefits - Current (Note A14(a))	51	33
	60	39
Long Service Leave:		
On-costs included in payables - Current (Note A13)	3	4
Provision for employee benefits - Current (Note A14(a))	29	33
	32	37
On-costs included in payables - Non-current (Note A13)	30	20
Provision for employee benefits - Non-current (Note A14(a))	280	181
	310	201
Aggregate Employee Benefits and Related On-Costs	403	309
A15. Borrowings		
Current:		
Loans	1 500	3 000
Total Current Borrowings	1 500	3 000
Non-Current:		
Loans	3 960	4 460
Total Non-Current Borrowings	3 960	4 460
Total Borrowings	5 460	7 460

A16. Equity	2005	2004
	\$'000	\$'000
Accumulated Surplus	691	895
Total Equity	691	895
Accumulated Surplus:		
Balance at 1 July	895	239
Operating (deficit) surplus	(204)	656
Balance at 30 June	691	895

A17. Financial Instruments**(a) Terms, Conditions and Accounting Policies***(i) Financial Assets*

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

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

(ii) Financial Liabilities

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

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

All Assets and Liabilities are unsecured.

(b) Credit Risk Exposures

The credit risk on financial assets of the Department, which have been recognised on the Statement of Financial Position, is generally the carrying amount.

(c) Interest Rate Exposures

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

<i>Financial Instrument</i>	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2005 Fixed Interest Maturing in:		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 Years	More than 5 Years		
			\$'000	\$'000		
Financial Assets:						
Cash and deposits	6.67	1 442	-	-	(1 145)	297
Receivables	-	-	-	-	2 603	2 603
Loans receivables	0.92	3 897	244	176	65	4 382
		<u>5 339</u>	<u>244</u>	<u>176</u>	<u>1 523</u>	<u>7 282</u>
Financial Liabilities:						
Trade and other creditors	-	-	-	-	752	752
Loans	8.08	5 460	-	-	-	5 460
		<u>5 460</u>	<u>-</u>	<u>-</u>	<u>752</u>	<u>6 212</u>
Net Financial Assets (Liabilities)		(121)	244	176	771	1 070

<i>Financial Instrument</i>	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2004 Fixed Interest Maturing in:		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 Years	More than 5 Years		
			\$'000	\$'000		
Financial Assets:						
Cash and deposits	6.68	2 048	-	-	934	2 982
Receivables	-	-	-	-	59	59
Loans receivables	7.02	5 097	263	279	73	5 712
		<u>7 145</u>	<u>263</u>	<u>279</u>	<u>1 066</u>	<u>8 753</u>
Financial Liabilities:						
Trade and other creditors	-	-	-	-	108	108
Loans	6.57	7 460	-	-	-	7 460
		<u>7 460</u>	<u>-</u>	<u>-</u>	<u>108</u>	<u>7 568</u>
Net Financial Assets (Liabilities)		(315)	263	279	958	1 185

(d) Net Fair Values

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

A18. 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.

A19. Cash Flow Reconciliation

	2005	2004
	\$'000	\$'000
Reconciliation of Cash - Cash at year end as per:		
Statement of Cash Flows	297	2 982
Statement of Financial Position	297	2 982
<hr/>		
Reconciliation of Net Cash (Outflows) Inflows from Operating Activities to Operating (Deficit) Surplus:		
Net cash (outflows) inflows from operating activities	(2 006)	1 225
Add/Less Non-Cash Items:		
Depreciation of property plant and equipment	(5)	(5)
Bad and doubtful debts	(5)	-
Changes in Assets/Liabilities:		
Increase (Decrease) GST receivable	452	(21)
Increase (Decrease) in receivables	2 092	(537)
(Increase) in Employee Entitlements	(85)	(276)
(Increase) Decrease in Payables	(653)	270
	<hr/>	<hr/>
Operating (Deficit) Surplus	(204)	656
	<hr/>	<hr/>

EMERGENCY SERVICES ADMINISTRATIVE UNIT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

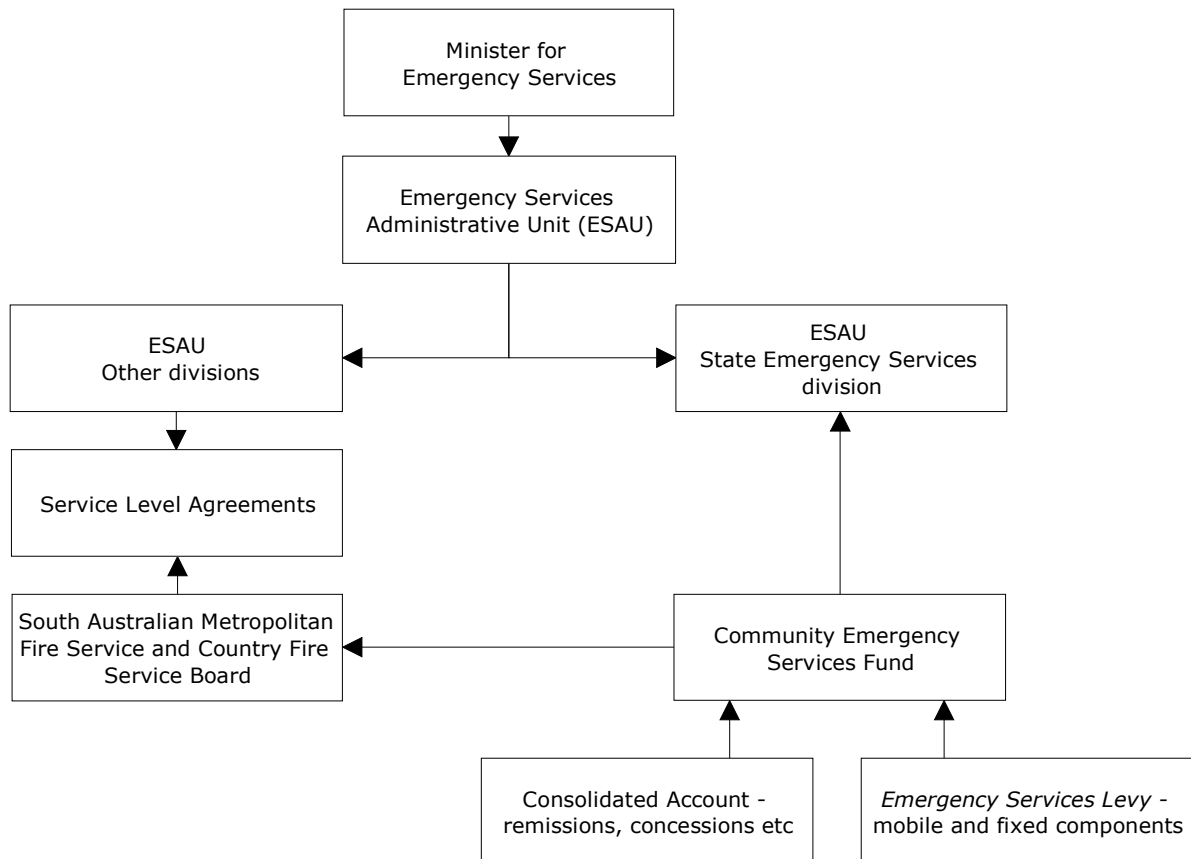
The Emergency Services Administrative Unit (ESAU) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*. ESAU is responsible to the Minister for Emergency Services.

Functions

The functions of the ESAU are as follows:

- To provide strategic, corporate and support services to the South Australian emergency services, namely the South Australian Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES).
- Through the SES, to provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training.

The structure of the Emergency Services Administrative Unit is illustrated in the following organisation chart.



The operations of ESAU are partly financed through recharges to SAMFS and CFS for services rendered. The Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*, provides funding direct to those organisations.

The SES is directly financed by the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funding from the same source for the cost of strategic and administrative services delivered to it by ESAU.

Changes to Functions and Structure

Following the review of emergency service arrangements in South Australia, the *Fire and Emergency Services Act 2005* was passed by Parliament on 14 July 2005. The Act provides for the establishment of the South Australian Fire and Emergency Services Commission (SAFECOM), the continuation of a metropolitan fire service and emergency service, a country fire and emergency service, and a State emergency service to provide for the prevention, control and suppression of fires and for the handling of emergency situations.

As a result of this legislation the Emergency Services Administrative Unit will be dissolved and replaced by SAFECOM and the State Emergency Service will be constituted as a separate corporate body.

At the time of preparing this Report it was anticipated that the legislation would be proclaimed on 1 October 2005.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Emergency Services Administrative Unit for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Emergency Services Administrative Unit in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- expenditure, including accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- revenue, debtors, receipting and banking and
- general ledger.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Emergency Services Administrative Unit as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Emergency Services Administrative Unit in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised under Credit Cards, Accounts Payable and Purchasing, Assets and Payroll as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Emergency Services Administrative Unit have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive. The response to the management letter was considered to be satisfactory. Major matters raised with ESAU and the related responses are considered herein.

Overall Comment on the Results of the Audit

For a number of years Audit has raised issues with ESAU in relation to various accounting processes where improvement in controls could be achieved. Indeed, in each of the matters outlined below Audit has raised similar concerns with ESAU on previous occasions. ESAU has always agreed with the need to implement action to address the issues but little progress has been made in affecting improvement. The standard of accounting processes in place can have an impact on the operations of the other emergency services agencies which rely on ESAU for accounting services.

In Audit's opinion it is extremely unsatisfactory that these matters have gone uncorrected for so long and this reflects poorly on the management of ESAU.

With the proposed establishment of the South Australian Fire and Emergency Services Commission early in the 2005-06 financial year it is essential that the issues regarding accounting and financial matters be addressed so that the Commission is not burdened by control weaknesses from previous administrative arrangements.

Credit Cards

Audit observed a need to ensure that the monthly statements are returned on a timely basis and that appropriate supporting documentation is provided to support purchases.

ESAU indicated it will review and monitor procedures to ensure that monthly statements are returned and supporting documentation is provided.

Accounts Payable and Purchasing

The audit of accounts payable and purchasing revealed room for improvement in the documentation of and compliance with policies and procedures related to purchasing activities. Audit also noted that changes to the supplier masterfile were not always supported by appropriate documentation and that checking of changes could be improved.

ESAU indicated that procedures will be reviewed and complied with to address these issues.

Assets

Audit observed that assets are transferred from work in progress once the total project has been completed instead of when they are ready for use resulting in assets not being accounted for in accordance with Accounting Standards. In addition, work in progress reconciliations are not being performed on a timely basis or reviewed by an independent officer.

In addition, Audit noted that the process for deciding whether an expense should be capitalised was not clearly documented.

ESAU advised that they would review the accounting processes in relation to capital projects, and they would ensure that reconciliations of work in progress were performed on a timely basis and reviewed.

Payroll

The audit of payroll revealed a need for improvement in the documentation of payroll policies and procedures, the establishment of an appropriate segregation of duties and the active monitoring and management of excessive annual leave balances. Audit also noted that bona fide reports had not been issued for the majority of the financial year and that there was inadequate follow up of outstanding reports.

In response, ESAU advised that the payroll policies and procedures would be improved and segregation of duties would be reviewed. ESAU also advised that action would be taken to ensure bona fide reports were distributed and returned in a timely manner and that active management of excessive leave balances would be undertaken.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

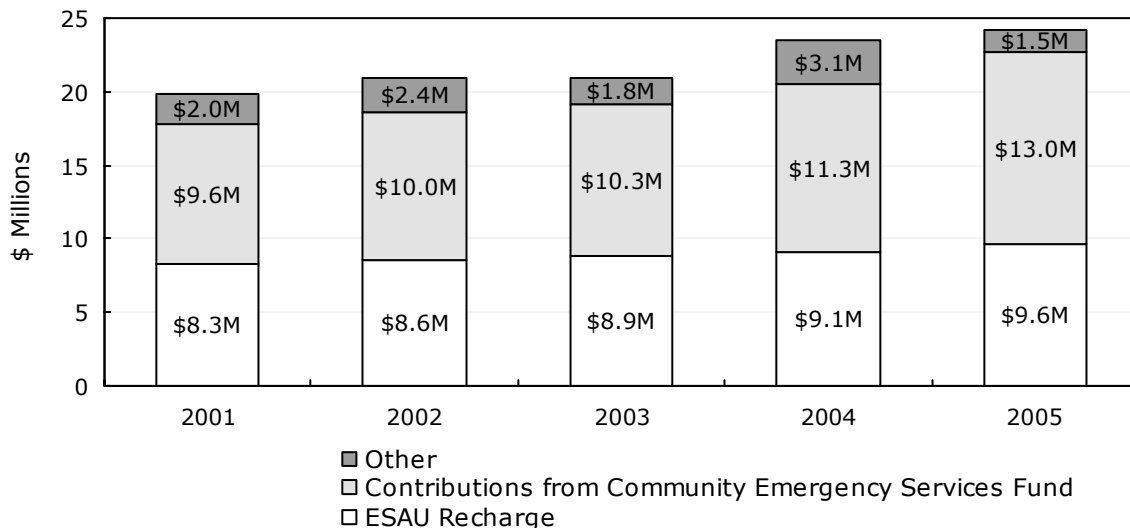
	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	13	11	18
Other	11	12	(8)
Total Operating Revenue	24	23	4
OPERATING EXPENDITURE			
Employee expenses	12	10	20
Government Radio Network costs	2	2	-
Supplies and Services	8	6	33
Total Operating Expenses	22	20	10
Surplus from Ordinary Activities	2	3	(33)
 Net Cash Flows from Operations	 3	 4	 (25)
ASSETS			
Current assets	4	5	(20)
Non-current assets	17	14	21
Total Assets	21	19	11
LIABILITIES			
Current liabilities	2	3	(33)
Non-current liabilities	4	3	33
Total Liabilities	6	6	-
EQUITY	15	13	15

Statement of Financial Performance

Operating Revenues

ESAU's major sources of funds are contributions from the Community Emergency Services Fund (the Fund) and the recharge received from other emergency services agencies which are essentially also funded from the Fund. These two sources of revenue account for over 93 percent of ESAU's revenue. In 2005 Contributions from the Fund increased by \$1.7 million to \$13 million. All other sources of revenue remained relatively stable.

A structural analysis of operating revenues for ESAU for the five years to 2005 is presented in the following chart.



Operating Expenses

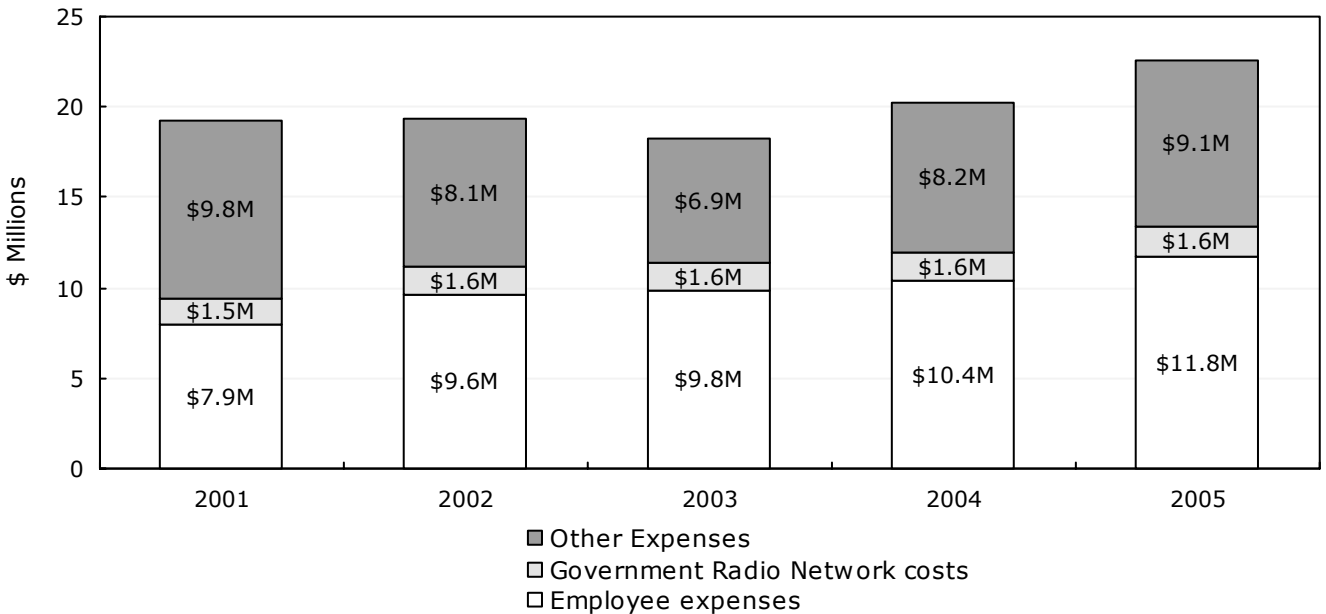
Operating expenses increased by \$2.3 million to \$22.5 million. This increase was primarily the result of an increase in employee expenses of \$1.4 million and supplies and services of \$1.6 million offset by a decrease in the loss on revaluation of buildings of \$761 000.

Employee expenses increased due mainly to increased salaries and wages, up \$621 000 and other employee related costs, up \$640 000 on account of increased workers compensation costs as a result of a change in responsibility for workers compensation arrangements for SES Volunteers.

The increase in supplies and services costs related primarily to increased travel and training costs, up \$395 000, consumables and minor purchases, up \$434 000, communication expenses up \$212 000, and accommodation, up \$184 000.

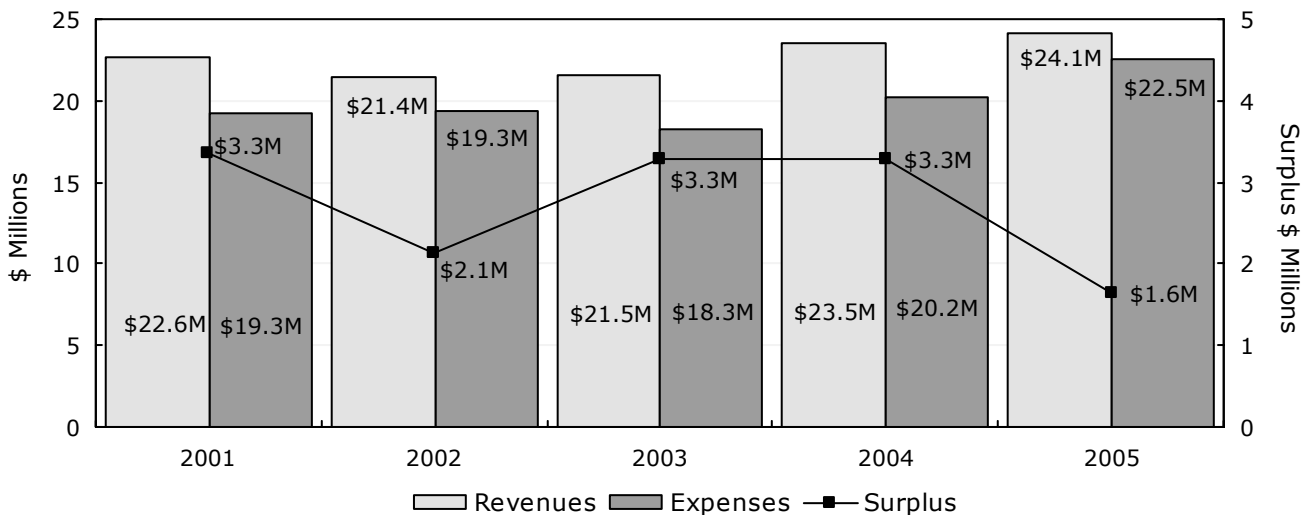
All other expenses have remained relatively constant over the period under review.

A structural analysis of the main operating expense items for ESAU is shown in the following chart.



Operating Result

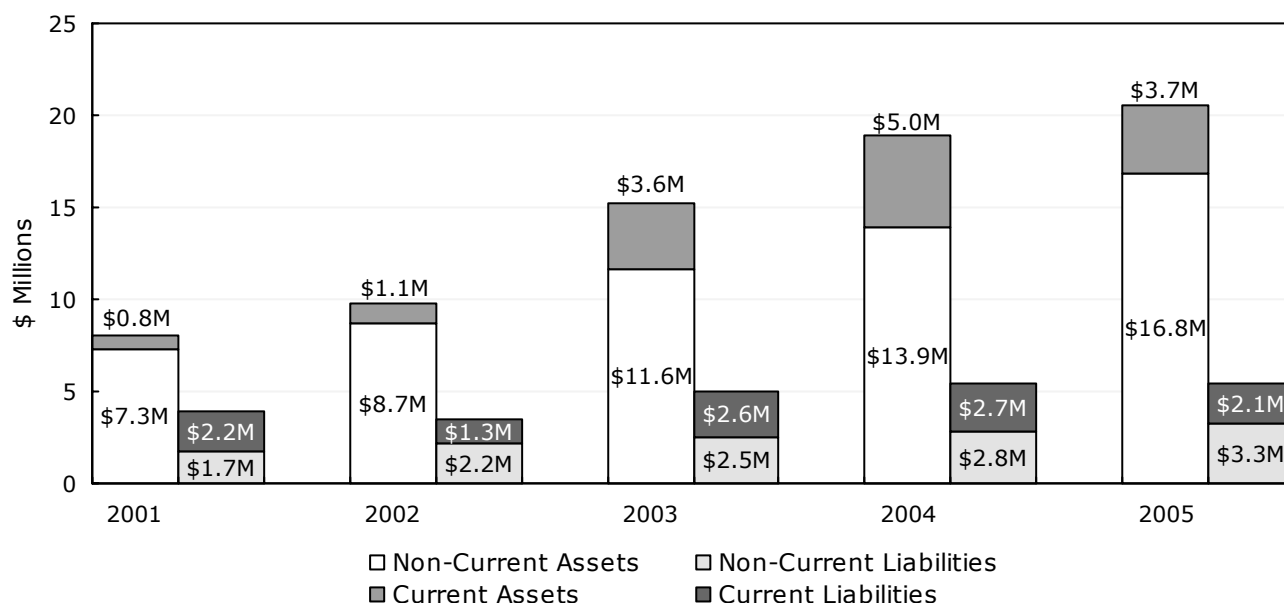
The following chart shows the operating revenues, operating expenses and surpluses for the five years to 2005. Over the period under review ESAU has generally maintained the surplus notwithstanding small fluctuations in the level of activity in each particular year.



Statement of Financial Position

Over the five years to 2005, there has been a significant increase in assets, and in particular non-current assets as a result of the transfer of assets from Local Government and the revaluation of some classes of non-current assets. In 2005 non-current assets increased by \$2.9 million to \$16.8 million as a result of additions totalling \$4.5 million offset by depreciation expense of \$1.5 million. Current assets decreased in 2005 as a result of a decrease in cash of \$1.4 million. Liabilities have remained relatively steady over the period under review.

For the five years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2005.

	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000	2001 \$'000
Net Cash Flows					
Operations	3 007	4 272	5 045	1 950	(929)
Investing	(4 421)	(2 826)	(2 311)	(1 595)	(1 491)
Change in Cash	(1 414)	1 446	2 734	355	(2 420)
Cash at 30 June	3 170	4 584	3 138	404	49

The analysis of cash flows shows that ESAU has steadily increased cash holdings since 2001 until 2005 when a decrease was experienced. Cash significantly increased in 2003 as a result of the recognition of SES fundraising monies in the accounts for the first time and the impact of decreasing cash outlays for operating activities.

Net cash inflow from operations for 2005 was \$3 million, down \$1.3 million from the previous year. This decrease was because cash outflows from operations increased by \$4 million due mainly to increased supplies and services payments compared to 2004, while cash inflows increased by \$2.8 million due mainly to increased funding from the Community Emergency Services Fund (up \$1.7 million).

Cash flows from investing activities have continued to increase as a result of the purchase of property, plant and equipment (up \$1.6 million in 2005). Funding is received through the Community Emergency Services Fund for these purchases and is shown under cash inflow from operations.

In 2005 cash flows from investing activities exceeded cash flows from operating activities with a result that cash holdings have decreased.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4	11 762	10 375
Supplies and services	5	7 562	5 949
Government Radio Network costs	6	1 642	1 621
Depreciation	7	1 548	1 522
Net loss on revaluation of buildings		18	779
Total Expenses		22 532	20 246
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	9	604	256
Net gain from disposal of assets	10	43	32
Emergency Services Administrative Unit recharge		9 641	9 123
Interest		80	92
Other revenue	11	801	912
Assets received from Local Government and other sources	12	-	1 787
Total Revenues		11 169	12 202
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		11 363	8 044
REVENUES FROM SA GOVERNMENT:			
Contributions from Community Emergency Services Fund		13 011	11 336
Total Revenues from Government		13 011	11 336
SURPLUS FROM ORDINARY ACTIVITIES		1 648	3 292
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Decrease in the asset revaluation reserve		-	(37)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		1 648	3 255

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	13	3 170	4 584
Receivables	14	511	397
Total Current Assets		3 681	4 981
NON-CURRENT ASSETS:			
Property, plant and equipment	15	16 832	13 933
Total Non-Current Assets		16 832	13 933
Total Assets		20 513	18 914
CURRENT LIABILITIES:			
Payables	16	938	1 856
Provision for employee benefits	17	1 190	818
Total Current Liabilities		2 128	2 674
NON-CURRENT LIABILITIES:			
Payables	16	267	245
Provision for employee benefits	17	3 031	2 556
Total Non-Current Liabilities		3 298	2 801
Total Liabilities		5 426	5 475
NET ASSETS		15 087	13 439
EQUITY:	18		
Accumulated surplus		14 519	12 871
Asset revaluation reserve		568	568
TOTAL EQUITY		15 087	13 439
Commitments	20		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee payments		(10 817)	(10 141)
Supplies and services		(8 556)	(5 730)
Government Radio Network costs		(1 643)	(1 618)
GST payments on purchases		(1 580)	(1 069)
Total Outflows from Operating Activities		(22 596)	(18 558)
CASH INFLOWS:			
Contributions from Community Emergency Services Fund		13 011	11 336
Fees and charges		650	256
Emergency Services Administrative Unit recharges		9 641	9 123
Interest		84	85
GST receipts on receivables		1 231	72
GST input tax credits		280	949
Other		706	1 009
Total Inflows from Operating Activities		25 603	22 830
Net Cash Inflows from Operating Activities	21	3 007	4 272
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(4 472)	(2 913)
Total Outflows from Investing Activities		(4 472)	(2 913)
CASH INFLOWS:			
Proceeds from the sale of property, plant and equipment		51	87
Total Inflows from Investing Activities		51	87
Net Cash Outflows from Investing Activities		(4 421)	(2 826)
NET (DECREASE) INCREASE IN CASH HELD		(1 414)	1 446
CASH AT 1 JULY		4 584	3 138
CASH AT 30 JUNE	13	3 170	4 584

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Objectives

The Emergency Services Administrative Unit (ESAU) was established on 1 July 1999 with the following objectives:

- To provide strategic, corporate and support services to the South Australian emergency services, namely the SA Metropolitan Fire Service (SAMFS), the Country Fire Service (CFS) and the State Emergency Service (SES).
- To provide a local incident emergency response service, and significant participation in State Disaster emergency management, planning and training to the SES.

(b) Funding and Administrative Arrangements

The funding of ESAU is derived from the Community Emergency Services Fund (the Fund), which was established by the *Emergency Services Funding Act 1998*.

The SES is directly funded from the Fund for the cost of its operational services in the protection of South Australian citizens and their property. The SES also receives funds from the same source for the cost of strategic and administrative services delivered to it by ESAU. Fundraising revenue by the SES units has also been recognised in the Financial Statements.

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:

- Treasurer's Instructions (TI) and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards (AAS)
- Other mandatory professional reporting requirements in Australia

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

(b) Comparative Figures

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

(c) Rounding

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

(d) Taxation

ESAU is not subject to income tax. ESAU is liable for payroll tax, fringe benefits tax and goods and services tax.

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

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

(e) Revenues and Expenses

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

(f) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and cash at bank.

(g) Receivables

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

Other debtors arise outside the normal course of selling services to other agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with debtor, ESAU is able to charge interest at commercial rates until the whole amount of the debt is paid.

ESAU determines an allowance for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

(h) 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 Statement of Financial Position.

In accordance with APS 2 'Asset Recognition', ESAU capitalises all non-current assets with a value of \$10 000 or greater.

(i) Valuation of Non-Current Assets

In accordance with APS 3 'Valuation of Non-Current Assets', property, plant and equipment have been brought to account at fair value.

- (i) Independent valuations for new and updated land and buildings were obtained in 2003-04 and in 2004-05 from Liquid Pacific Holdings Pty Ltd and all properties in 2002-03 from Valcorp Australia Pty Ltd and were determined on the basis of open market values for existing use.
- (ii) An independent valuation of vehicles was obtained in 2002-03 for current operational response vehicles from Valcorp Australia Pty Ltd and represents the written down current cost of vehicles.
- (iii) Capital work in progress represent costs accumulated during the construction or development of an asset and is valued at cost.
- (iv) Plant and equipment, computer equipment and communications equipment are at historical cost.

(j) Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life.

<i>Asset Class</i>	<i>Useful Lives Years</i>
Communications equipment	3-10
Vehicles	5-15
Plant and equipment	5-15
Computer equipment	3
Buildings	25

(k) 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 ESAU.

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 amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after ESAU receives an invoice.

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

(l) Employee Benefits**(i) Wages and Salaries and Annual Leave**

Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that ESAU expects to pay at the time the liability is settled. Relevant accrued salaries and wages and employment on-costs are shown under the item 'Payables'.

(ii) Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by ESAU employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of ten years as advised by the Department of Treasury and Finance. Previously a benchmark of 12 years was used and the change in the benchmark has resulted in an increase in the Long Service Leave provision of \$77 000. Relevant employment on-costs are shown under the item 'Payables'.

(iii) Sick Leave

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

(iv) Superannuation

Contributions are made by ESAU to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. ESAU has no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

(v) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. ESAU's liability is an allocation of the Justice Portfolio's total assessment.

From 1 July 2004 the Government Workers Compensation Fund was closed to all new claims. From this date new claims for SES Volunteers are the administrative and financial responsibility of ESAU. Liability with respect to SES Volunteer claims prior to 1 July 2004 is held and managed by the Office for the Commissioner for Public Employment.

(m) Revenue Recognition**Interest**

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Fees and Charges

Revenues are recognised when services are provided, at fair value of the consideration received.

Revenues from the Fund

Funding for programs are recognised as revenues when ESAU obtains control over the assets. Control over funding is normally obtained upon their receipt.

(n) State Government Funding

The financial report is prepared under the assumption of ongoing financial support being provided to ESAU by the State Government.

(o) Leases

ESAU has entered into a number of operating leases as at 30 June 2005. In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

3. Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (IFRS) for reporting periods commencing on or after 1 January 2005. ESAU will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

Key Potential Implications

Set out below are the key areas where accounting policies will change and where they may have an impact on the financial statements. From investigations undertaken to date it is unlikely that the impact on the financial statements from these changes will be material.

Changes in Accounting Policies

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Impairment of Assets

In accordance with Accounting Standard AASB 136 'Impairment of Assets' all assets have been subjected to impairment testing and no impairments were found.

4. Employee Expenses

	2005	2004
Employee expenses for the reporting period comprised:	\$'000	\$'000
Salaries and wages	8 917	8 296
Payroll tax and superannuation	1 490	1 433
Long service leave expenses	507	438
Other employee related costs	848	208
	11 762	10 375

Average Number of Employees during the Reporting Period

On average, ESAU employed 146.4 (140.6) people throughout the reporting period.

Remuneration of Employees

	2005	2004
The number of employees whose remuneration received or receivable fell within the following bands were:	Number of Employees	Number of Employees
\$100 000 - \$109 999	3	2
\$110 000 - \$119 999	1	1
\$120 000 - \$129 999	2	2
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	1	1

The aggregate remuneration for all employees referred to above was \$995 000 (\$882 000).

5. Supplies and Services

	2005	2004
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Computing expenses	387	335
Consumables and minor purchases	127	5
Repairs and maintenance	59	59
Accommodation	419	424
Communication expenses	182	97
Energy	13	-
Light vehicle expenses	40	41
Travel and training	17	12
Consultancy fees, legal fees and other expenses	387	240
Leases	441	503
Total Supplies and Services - SA Government Entities	2 072	1 716

5. Supplies and Services (continued)	2005	2004
Supplies and services provided by entities external to the SA Government:	\$'000	\$'000
Computing expenses	151	261
Consumables and minor purchases	1 289	977
Repairs and maintenance	442	415
Accommodation	355	166
Uniforms and protective clothing	356	109
Communication expenses	492	365
Energy	50	62
Light vehicle expenses	28	1
Travel and training	988	598
Consultancy fees, legal fees and other expenses	1 335	1 259
Leases	4	20
Total Supplies and Services - Non-SA Government Entities	5 490	4 233
Total Supplies and Services	7 562	5 949
Consultancies	2005	2004
The number and dollar amount of consultancies paid/payable that fell within the following bands were:	Number of	Number of
Less than \$10 000	Consultants	Consultants
\$10 000 - \$50 000	9	13
	4	1
	13	14
	2005	2004
Less than \$10 000	\$'000	\$'000
\$10 000 - \$50 000	33	48
	78	11
	111	59
6. Government Radio Network (GRN) Costs		
ESAU has been charged by the Department for Administrative and Information Services for costs associated with the provision to SES of emergency communication services, including voice, paging and data transmission using the GRN.		
	2005	2004
	\$'000	\$'000
Contribution towards GRN - Voice	1 460	1 462
Contribution towards GRN - Paging	174	159
Other GRN costs	8	-
	1 642	1 621
7. Depreciation		
Depreciation expenses for the reporting period were charged in respect of:		
Communications equipment	201	201
Vehicles	689	781
Plant and equipment	115	87
Buildings	333	278
Computer equipment	210	175
	1 548	1 522
8. Remuneration of Auditors		
Audit fees paid/payable to the Auditor-General's Department	82	84
The auditors provided no other services.		
9. Fees and Charges		
Fees and charges received/receivable from entities within the SA Government comprised:		
Administrative services provided	603	253
Total Fees and Charges - SA Government Entities	603	253
Fees and charges received/receivable from entities external to the SA Government:		
Administrative services provided	1	1
Other	-	2
Total Fees and Charges - Non-SA Government Entities	1	3
Total Fees and Charges	604	256
10. Net Gain from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	50	87
Less: Written down value of non-current assets	7	55
	43	32

17. Employee Benefits	2005	2004
Employee benefits consists of the following:	\$'000	\$'000
Current:		
Annual leave	805	643
Long service leave	171	66
Workers compensation	214	109
	1 190	818
Accrued salaries and wages (included in payables)	41	6
Employment on-costs (included in payables)	165	124
	1 396	948
Non-Current:		
Long service leave	2 296	2 104
Workers compensation	735	452
	3 031	2 556
Employment on-costs (included in payables)	267	245
	3 298	2 801

18. Equity		
Accumulated Surplus		
Balance at 1 July	12 871	9 579
Surplus from ordinary activities	1 648	3 292
Balance at 30 June	14 519	12 871

Asset Revaluation Reserve

The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.

Balance at 1 July	568	605
Revaluation of land and buildings	-	(37)
Balance at 30 June	568	568

19. Financial Instruments
(a) Interest Rate Risk

Financial Instrument	2005				2004			
	Effective Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000	Effective Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:								
Cash on hand		-	3	3		-	4	4
Cash at bank	5.35	3 167	-	3 167	4.91	4 580	-	4 580
Receivables		-	511	511		-	397	397
Total Financial Assets		3 167	514	3 681		4 580	401	4 981
Financial Liabilities:								
Payables		-	1 205	1 205		-	2 101	2 101
Total Financial Liabilities		-	1 205	1 205		-	2 101	2 101

(b) Net Fair Values

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

20. Commitments

(a) Commitments for Capital Expenditure

As at the reporting date ESAU had entered into contracts for the following capital expenditures which are not included in the financial statements.

These amounts are due for payment within one year:	2005	2004
	\$'000	\$'000
Vehicles	-	385
Buildings and other equipment	397	28
	397	413

(b) Operating Leases	2005	2004
Commitments under non-cancellable operating leases at the reporting date are payable as follows:	\$'000	\$'000
Payable not later than one year	952	853
Payable later than one year and not later than five years	2 140	2 433
Payable later than five years	118	328
	3 210	3 614

These operating leases are not recognised in the Statement of Financial Position as liabilities. The non-cancellable leases are property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

(c) Contractual Commitments	2005	2004
At the end of the reporting period ESAU had the following commitments on contracts:	\$'000	\$'000
Payable not later than one year	131	154
Payable later than one year and not later than five years	9	2
	140	156

Contractual commitments relate to a range of services and supplies including human resource and skills development for volunteer and paid staff.

21. Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services from Ordinary Activities

Net cash inflows from operating activities	3 007	4 272
Less: Contributions from Community Emergency Services Fund	(13 011)	(11 336)
Add (Less) Non-Cash Items:		
Depreciation of property, plant and equipment	(1 548)	(1 522)
Net gain from disposal of non-current assets	43	32
Assets received from Local Government and other sources	-	1 787
Net loss on revaluation of buildings	(18)	(779)
Change in Assets/Liabilities:		
Increase (Decrease) in receivables	114	(42)
Decrease (Increase) in payables	896	(45)
Increase in provision for employee benefits	(846)	(411)
Net Cost of Services from Ordinary Activities	(11 363)	(8 044)

22. Events After Balance Date

Fire and Emergency Services Act 2005

The *Fire and Emergency Services Act 2005* was assented to on 14 July 2005. The Act provides for the continuation of the Metropolitan Fire Service, the Country Fire Service, the State Emergency Service and provides for the prevention, control and suppression of fires and for the handling of certain emergency service situations. The *Country Fires Act 1989*, the *South Australian Metropolitan Fire Service Act 1936* and the *State Emergency Service Act 1987* will be repealed at proclamation of the new Act. The establishment of the South Australian Fire and Emergency Services Commission is expected to come into operation on 1 October 2005 to replace the Emergency Services Administrative Unit which will be dissolved from that date.

DEPARTMENT FOR ENVIRONMENT AND HERITAGE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department for Environment and Heritage (DEH) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

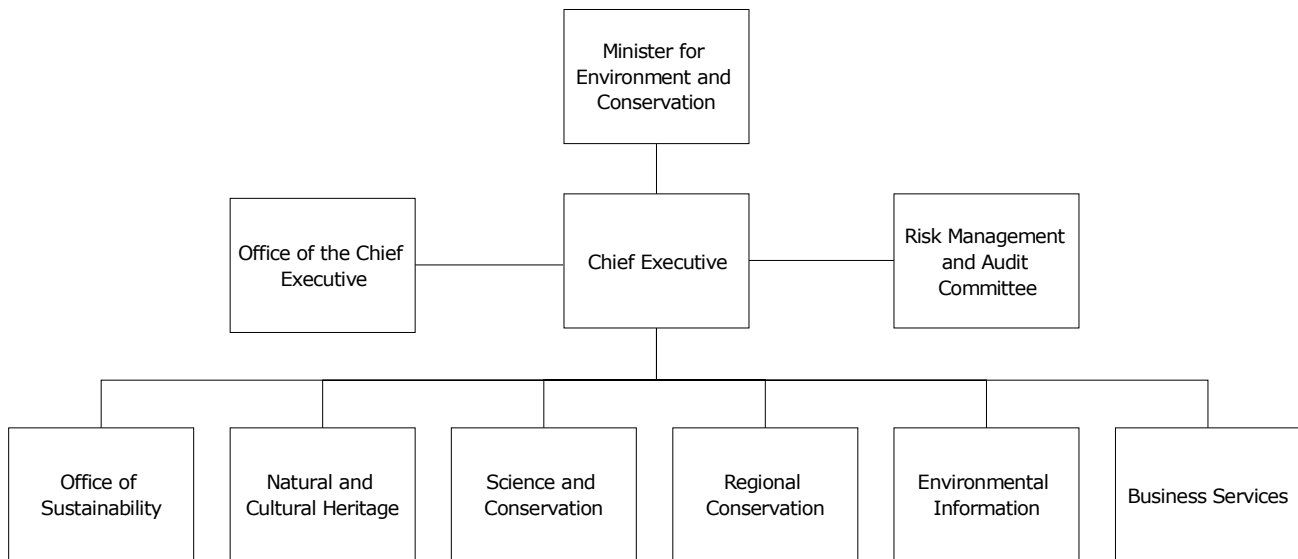
Functions

DEH's functions are conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation, environmental sustainability and animal welfare;
- managing the State's public land held in the conservation reserve system and as Crown Lands; and
- being a custodian of information and knowledge about the State's environment.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the DEH 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 Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- revenue, receipts and receivables
- purchases, payments and payables
- employee expenses and related benefits
- fixed assets
- procurement
- financial management framework
- computer information systems.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2004-05 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification

As disclosed in Note 1(A)(c) to the Administered Items Financial Statements, the Statement of Administered Assets and Liabilities 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.

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 - Crown Lands, brought to account in the Statement of Administered Assets and Liabilities.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Environment and Heritage as at 30 June 2005, the results of its operation and its cash flows for the year then ended.

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: procurement practices; fixed assets; and computer processing environments as outlined under 'Audit Communications to Management', 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.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were considered to be satisfactory.

Procurement Practices

Previous year's Reports have included a number of observations on DEH's procurement practices.

A follow up review in 2004-05 identified that:

- policies and procedures for procurement were yet to be formalised. An updated policy was under development;
- although contract registers have been established, an associated Contract Register Policy and Contract Management Policy, Procedure and Standard were yet to be finalised and the Accredited Purchasing Unit was yet to undertake a review to ensure the comprehensive nature of the registers;
- as procurement delegates are also financial delegates the same person is able to incur the expenditure and authorise the goods and services to be paid.

DEH responded that a number of policies and procedures are under development, some of which have been presented to the Chief Executive for approval while it is anticipated that others will be finalised early in 2005-06.

Accounting for Crown Land

Over the past six years, Audit has commented on action taken in relation to the treatment of Crown lands for accounting purposes and the completeness and accuracy of information available on Crown lands.

DEH has advised that it anticipates being able to address this issue progressively where resources allow over a number of years. The Department further commented that it was anticipated that its initial focus will be on assessing all coastal unallotted Crown land during 2004-05. It indicated that this may involve the determination of parcels of Crown land that may more appropriately be formally incorporated within the reserve system.

As a result of the aforementioned matters, the Independent Audit Reports on the Department's financial statements for past years were qualified on administered property, plant and equipment.

Due to there being no resolution of the valuation of Crown lands, the Independent Audit Report to the financial statements has again been qualified with respect to the completeness and valuation of property, plant and equipment included in the Schedule of Administered Items relating to Crown lands.

Accounting for Fixed Assets

Although activities associated with the creation and management of Capital Work in Progress (CWIP) were generally satisfactory, some control improvements were identified:

- Annual budgets were not supported by sufficient information to enable the allocation of budgeted costs between investing and operating activities to be properly reviewed by independent finance staff in Head Office. This contravened checking processes required by promulgated Departmental procedures.
- Insufficient explanations were provided to support the proportions of expenditure on individual projects that were capitalised and expensed as at 30 June 2004.

In response the Department indicated that processes in place for 2005-06 would address the issues.

Financial Management Framework

Previous years' Reports included commentary on DEH's progress toward meeting the principles outlined in the Financial Management Framework (FMF). During the 2004-05 financial year, Audit has followed up implementation progress. Audit observations and comments arising from an understanding of the status of the application of some of the key elements of the FMF are outlined below.

Financial Management Framework Implementation

In previous years, Audit reported on delays in the establishment of processes to facilitate the progressive implementation and monitoring of the FMF.

DEH undertook a review in 2004-05 and the results were communicated to the DEH Risk and Audit Committee in July 2005.

Risk Management

In 2003-04 DEH undertook a review of its risk management practices and developed a risk management procedure document. In 2004-05 DEH updated its risk management strategy. This included the endorsement at the April 2005 Risk Management and Audit Committee of:

- a 'Risk Aware' strategy to improve awareness and understanding of risk management;
- an implementation plan for communication, training and development;
- a revised structure and content of the Risk Profile for 2005;
- the implementation of a program of business process improvement.

Governance Framework

A framework has been developed which details the governance arrangements in DEH and links together organisational context, whole of government and agency planning frameworks, roles and relationships, responsibilities and legislative compliance.

The framework is currently being finalised prior to distribution to all staff.

Corporate Plan, Monitoring and Reporting

In April 2004, the DEH Strategic Plan was replaced by a Corporate Plan with a three to five year rolling timeframe and is expected to be reviewed for relevance on an annual basis. The Corporate Plan is supported by three year Program Plans, and annual Directorate Plans which are in turn supported by Sub-Program and Branch Business Plans respectively.

Revisions to the DEH Corporate Plan will soon be finalised including linkages to SA's Strategic Plan.

DEH advised Audit that it has established reporting on the achievements of these plans to the Chief Executive on a quarterly and annual basis.

Commentary on Computer Information Systems (CIS) Environment

Complete Human Resource Information System (CHRIS).

Last year's Report included commentary on information systems audit reviews that were undertaken in 2004 of key aspects of the Department for Environment and Heritage CHRIS.

The Department for Administrative and Information Services (DAIS) contracted with an external service bureau provider for the provision of a Human Resource Management System (HRMS) and associated services. DAIS acts as the lead agency for the Shared HRMS sector agencies, which includes DEH. The day to day operation of the CHRIS payroll/personnel system is the responsibility of DEH while the DAIS Central Support Unit (CSU) is responsible for monitoring aspects of the performance of the bureau provider.

The previous review addressed controls in place on the agency computer processing environment (CPE) and included coverage of information access security and integrity and applications systems implementation and maintenance arrangements.

The results of a 2004-05 follow-up audit were:

- DEH had indicated in 2004 that it strongly supported the development of Service Level Agreements (SLAs). The follow-up review revealed that final sign off and endorsement of the SLA between the Department and the DAIS CSU occurred in December 2004;
- commencement of the development of disaster recovery requirements had started. The follow-up review revealed significant progress had been made on the business continuity plan in conjunction with DAIS CSU and was expected to be operational by mid 2005;
- DEH responded that user access procedures had been developed and this was confirmed in Audit's 2005 follow-up review. DEH had requested EDS to invoke changes to user password policies in 2004. Audit's follow-up review indicated that this had occurred. Finally, DEH indicated that change control procedures for the DEH CHRIS system were being developed. The follow-up audit revealed that this had occurred.

Other CIS Findings

Audit conducted a follow up of matters outstanding from an earlier audit review of certain DEH computer processing environments.

A 2003-04 Audit review noted that:

- the Draft IT Strategic Plan for the period 2002-2005 was not finalised. Audit noted that the Information Planning and Strategy Branch was in the process of updating and finalising the Plan;
- the development of a Business Continuity Plan (BCP) was currently underway. Audit was advised that the funding for the project had been approved and external consultants had been appointed to develop the BCP;
- the Service Level Agreement (SLA) between IT and the other corporate business units had not been updated. A draft SLA had been issued for comment for services provided by IT to the Environment Protection Authority (EPA);
- the DEH IT Security Policies were currently being reviewed and updated. External consultants had been appointed to assist DEH with this task. The policies would be provided to the Department Information Technology Advisory Committee (DITAC) for comment and approval once they had been completed;
- there was no segregation of access authorisation and user creation tasks in the ARAMIS environment.

In 2004-05 it was noted that the following matters remained outstanding:

- A review of the DEH critical business systems commenced in May 2005 to ensure the Business Continuity plan progress is aligned with the strategic directions of DEH.
- The SLA between IT and the other corporate business units had not been updated. DEH responded that it does not have a policy of employing SLAs between corporate support and business units. However, an IT Services Catalogue is under construction which will specify performance criteria for each of the IT services.
- Impacts of the draft IT security policies were discussed at DITAC. External consultants have delivered a plan for the implementation of the revised security policies once they are endorsed by management.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	\$'million	\$'million	Change
REVENUE			
Revenues from Government	116.5	100.3	16
Fees and charges	17.3	21.5	(20)
Grants and contributions	15.1	16.0	(6)
Other revenue	11.1	9.5	17
Total Revenue	160.0	147.3	9
EXPENSES			
Employment expenses	66.7	63.4	5
Supplies and services	47.7	43.1	11
Depreciation and amortisation	27.3	22.2	23
Other expenses	13.8	15.6	(12)
Total Expenses	155.5	144.3	8
Net Result After Restructuring	4.5	3.0	50
Net Cash Flows from Operations	36.2	35.4	2

	2005	2004	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	115.8	93.5	24
Non-current assets	181.4	196.1	(7)
Total Assets	297.2	289.6	3
LIABILITIES			
Current liabilities	17.8	15.4	16
Non-current liabilities	53.1	51.9	2
Total Liabilities	70.9	67.3	5
EQUITY	226.3	222.3	2

Statement of Financial Performance

Revenues

Revenues from all activities increased by \$12.7 million. Major items effecting the movement were:

- revenues from Government increased by \$16.2 million (16 percent) offset by a return of surplus cash of \$1.9 million. The increase represents in the main, an increase in budgeted recurrent appropriation in 2004-05 of \$15.4 million, due primarily to funding arrangements associated with the transfer of the LOTS system to DAIS along with a number of Cabinet approved funding decisions;
- fees and charges decreased by \$4.2 million. This movement is due mainly to the following items:
 - Decrease of \$2.3 million in property and section 7 inquiry revenue as a result of the transfer of the land administration functions to DAIS as at 1 September 2003,
 - Decrease of \$1.7 million in fees, levies and licences predominantly due to a decrease in application fees for the Perpetual Lease Accelerated Freeholding Project which commenced in 2003-04,
 - Decrease of \$1.5 million in support service revenue due to transfer of activities, which were previously recharged, to another Government Department.

Expenses

Employment expenses increased by \$3.3 million due mainly to an Enterprise Bargaining Agreement salary rate increase of 3.5 percent in October 2004 and an increase of 71 employees between the two reporting periods.

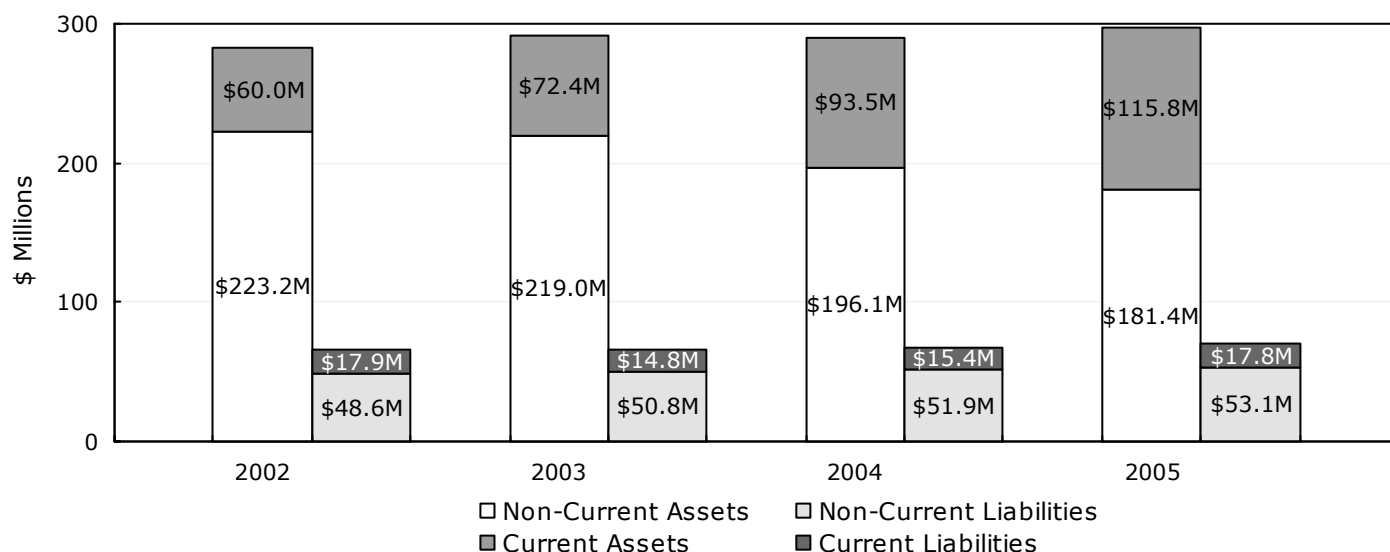
Supplies and services increased by \$4.6 million due to:

- an increase of \$2.4 million in costs relating to the Sand Replenishment Project which commenced in 2003-04;
- an increase in fee for service costs of \$1.1 million due to a reallocation of expenses in 2004-05;
- an increase in legal fees and payments of \$1.2 million. In 2004-05 an amount of \$1.3 million was paid to lessee's for foregoing grazing rights over nominated and agreed areas;
- a decrease in computing expenses of \$1.5 million due mainly to the transfer of the Land Services Group to DAIS in 2003-04 and associated computing equipment and credits received during 2004-05 due to overpayments to EDS in prior years.

Depreciation expense increase is due mainly to a correction of prior year's errors offset by a decrease in depreciation due to a revision of useful life estimates.

Statement of Financial Position

For the four years to 2005, 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.

Property, Plant and Equipment

In 2005 this item makes up 99 percent (99 percent) of total non-current assets and 61 percent (68 percent) of total assets. Land, buildings and improvements is the dominant item of property, plant and equipment. Note 23 provides further details of items and amounts.

Property, plant and equipment decreased from \$193.6 million to \$180.3 million due mainly to depreciation and amortisation amounting to \$27.3 million, net asset write offs, revaluations and disposals of \$5.0 million which were offset by additions of \$14.8 million and net assets received free of charge of \$4.6 million.

Cash

This item, \$108 million (\$86 million) represents 93 percent (91 percent) of total current assets and 36 percent (30 percent) of total assets.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	36.2	35.4	22.8	(5.0)
Investing	(13.9)	(13.6)	(9.6)	(19.0)
Financing	-	0.2	1.0	(0.1)
Change in Cash	22.3	22.0	14.1	(24.1)
Cash at 30 June	107.8	85.5	63.5	49.4

In 2004-05 the Department generated \$36.2 million cash flow from operations. \$13.9 million of this was used to finance investing activities (acquisition of property, plant and equipment).

Cash increased by \$22.3 million. Of this increase, \$17.8 million was in accrual appropriation for 2004-05 which is credited to the Treasury and Finance Special Deposit Account 'Accrual Appropriation Excess Funds - DEH'. Access to these funds is subject to the Treasurer's approval.

The balance of the Department's cash at 30 June 2005 comprises operating deposit accounts, \$15.4 million; accrual appropriation account, \$92.1 million; and other cash items, \$0.3 million.

FURTHER COMMENTARY ON OPERATIONS

Fire Management Program

The 2003-04 State Budget made available \$10 million to DEH over four years to support fire management programs. DEH developed a comprehensive fire management policy and planning framework for the conservation of biodiversity and to minimise a fire's impact on life and property.

As a result of the funding, DEH has purchased additional resources to increase the operational capabilities in the event of a fire. Also, in conjunction with other Government agencies, DEH has significantly increased the prescribed burning program throughout the state and developed guidelines through the Government Agencies Fire Liaison Committee for the construction and maintenance of firebreaks and fire tracks.

The 2004-05 operating and investing expenditure is \$2.6 million. The total project costs to 30 June 2005 are \$5.2 million.

Administered Items

Crown Lands

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

The joint project between DEH and the Department for Administrative and Information Services, 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.

Total costs for the project are estimated at \$13.9 million over 6 years. Total freeholding and application revenue is estimated as \$20.5 million generating a net return of \$6 million to the Consolidated Account.

The 2004-05 freeholding and application revenue is \$4.5 million and 2004-05 expenditure is \$2.9 million. The total project freeholding and application revenue to 30 June 2005 is \$7.8 million and the total project expenditure to 30 June 2005 is \$5.7 million. In 2004-05, a transfer of \$3.9 million was made to the Consolidated Account.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	66 675	63 382
Supplies and services	5	47 676	43 048
Grants and contributions	6	4 557	5 375
Depreciation and amortisation	7	27 293	22 183
Borrowing costs	8	2 856	2 764
Net loss from disposal of non-current assets	9	2 166	566
Other	10	2 088	5 196
Total Expenses from Ordinary Activities		153 311	142 514
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	11	17 296	21 453
Grants and contributions	12	15 149	16 015
Interest and dividends	13	5 385	4 849
Assets received free of charge	14	4 631	1 214
Other	15	1 086	3 423
Total Revenues from Ordinary Activities		43 547	46 954
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		109 764	95 560
SA GOVERNMENT REVENUES AND EXPENSES:			
Revenues	16	116 477	100 331
Expenses	16	1 851	-
Total SA Government Revenues and Expenses		114 626	100 331
NET RESULT BEFORE RESTRUCTURING		4 862	4 771
Net Loss from administrative restructure	17	(328)	(1 752)
NET RESULT AFTER RESTRUCTURING		4 534	3 019
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS			
Net decrease in asset revaluation reserve	29	(582)	(6 132)
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity		(582)	(6 132)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 952	(3 113)

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	18	107 812	85 456
Receivables	19	5 477	6 296
Inventories	20	1 591	1 291
Other	22	887	422
Total Current Assets		115 767	93 465
NON-CURRENT ASSETS:			
Receivables	19	81	622
Inventories	20	956	1 929
Financial assets	21	8	8
Property, plant and equipment	23	180 339	193 610
Total Non-Current Assets		181 384	196 169
Total Assets		297 151	289 634
CURRENT LIABILITIES:			
Payables	24	11 467	10 263
Provisions for employee benefits	25	6 012	4 847
Finance leases	27	1	15
Other	28	290	249
Total Current Liabilities		17 770	15 374
NON-CURRENT LIABILITIES:			
Payables	24	1 667	1 546
Provisions for employee benefits	25	13 361	12 235
Borrowings	26	38 054	38 054
Finance leases	27	-	1
Other	28	12	89
Total Non-Current Liabilities		53 094	51 925
Total Liabilities		70 864	67 299
NET ASSETS		226 287	222 335
EQUITY:			
Asset revaluation reserve	29	22 876	23 458
Accumulated funds	29	203 411	198 877
TOTAL EQUITY		226 287	222 335
Restrictions on Contributions	31		
Expenditure Commitments	32		
Contingent Assets and Liabilities	33		

Statement of Cash Flows for the year ended 30 June 2005

	2005	2004
	Inflows	Inflows
	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:	Note	\$'000
Employee benefits	(64 776)	(61 065)
Supplies and services	(46 543)	(41 804)
Grants and contributions	(4 557)	(5 375)
Interest on loans	(2 856)	(2 740)
GST payments on purchases	(7 975)	(7 916)
GST remitted to the ATO	(2 801)	(3 551)
Total Outflows from Ordinary Activities	(129 508)	(122 451)
RECEIPTS:		
Fees and charges	18 922	22 162
Grants and contributions	15 149	16 015
Interest and dividends	5 348	4 861
GST received from customers	2 986	3 223
GST received from ATO	7 611	7 301
Loan repayments	19	12
Other	1 072	3 925
Total Inflows from Ordinary Activities	51 107	57 499
SOUTH AUSTRALIAN GOVERNMENT CASH FLOWS:		
RECEIPTS:		
Recurrent appropriation	102 091	86 697
Contingency funds	689	346
Accrual appropriation	13 697	13 288
Total Inflows from SA Government	116 477	100 331
PAYMENTS:		
Return of surplus cash	(1 851)	-
Total Outflows from SA Government	(1 851)	-
Net Cash Inflows from Operating Activities	36 225	35 379
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(13 952)	(13 940)
Proceeds from sale of property, plant and equipment	98	300
Net Cash Outflows from Investing Activities	(13 854)	(13 640)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of finance lease	(15)	(20)
Net receipts from administrative restructures	-	235
Net Cash (Outflows) Inflows from Financing Activities	(15)	215
NET INCREASE IN CASH HELD	22 356	21 954
CASH AT 1 JULY	85 456	63 502
CASH AT 30 JUNE	107 812	85 456

Program Schedule of Expenses and Revenues for the year ended 30 June 2005

(Refer Note 3)	Program 1		Program 2		Program 3		Program 4	
	2005	2004	2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:								
Employee benefits	11 305	11 482	14 971	13 194	34 121	33 052	4 223	3 739
Supplies and services	4 969	6 171	11 683	9 517	23 897	23 277	5 787	3 075
Grants and contributions	244	172	1 751	2 039	692	1 834	535	405
Depreciation and amortisation	4 340	3 538	1 405	1 141	20 993	17 054	365	296
Borrowing costs	484	301	548	522	1 461	1 661	254	188
Net loss from disposal of non-current assets	344	90	112	29	1 666	435	29	8
Other	405	826	13	234	1 482	4 017	27	61
Total Expenses from Ordinary Activities	22 091	22 580	30 483	26 676	84 312	81 330	11 220	7 772
REVENUES FROM ORDINARY								
ACTIVITIES:								
Fees and charges	2 066	4 709	1 618	2 033	12 795	13 895	93	156
Grants and contributions	212	6 770	6 763	4 040	7 230	4 405	866	663
Interest and dividends	884	496	1 023	906	2 813	2 974	465	318
Assets received free of charge	-	-	-	-	4 631	1 214	-	-
Other	322	429	-	1 581	764	1 256	-	117
Total Revenues from Ordinary Activities	3 484	12 404	9 404	8 560	28 233	23 744	1 424	1 254
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	18 607	10 176	21 079	18 116	56 079	57 586	9 796	6 518
SA GOVERNMENT REVENUES AND EXPENSES:								
Net revenues	19 359	10 637	21 954	18 960	58 496	60 363	10 193	6 812
Total SA Government Revenues and Expenses	19 359	10 637	21 954	18 960	58 496	60 363	10 193	6 812
NET RESULT BEFORE RESTRUCTURING	752	461	875	844	2 417	2 777	397	294
Net gain (loss) from administrative restructure	(328)	(983)	-	(782)	-	-	-	-
NET RESULT AFTER RESTRUCTURING	424	(522)	875	62	2 417	2 777	397	294

Programs - Refer Note 3

1. Sustainability
2. Nature Conservation
3. Public Land Management
4. Coast and Marine Conservation

**Program Schedule of Expenses and Revenues
for the year ended 30 June 2005 (continued)**

	(Refer Note 3)	Program 5		Program 6		Total	
		2005	2004	2005	2004	2005	2004
EXPENSES FROM ORDINARY	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:							
Employee benefits	1 867	1 709	188	206	66 675	63 382	
Supplies and services	1 286	949	54	59	47 676	43 048	
Grants and contributions	834	424	501	501	4 557	5 375	
Depreciation and amortisation	190	154	-	-	27 293	22 183	
Borrowing costs	90	70	19	22	2 856	2 764	
Net loss from disposal of non-current assets	15	4	-	-	2 166	566	
Other	161	58	-	-	2 088	5 196	
Total Expenses from Ordinary Activities	4 443	3 368	762	788	153 311	142 514	
REVENUES FROM ORDINARY							
ACTIVITIES:							
Fees and charges	719	658	5	2	17 296	21 453	
Grants and contributions	78	137	-	-	15 149	16 015	
Interest and dividends	166	118	34	37	5 385	4 849	
Assets received free of charge	-	-	-	-	4 631	1 214	
Other	-	40	-	-	1 086	3 423	
Total Revenues from Ordinary Activities	963	953	39	39	43 547	46 954	
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	3 480	2 415	723	749	109 764	95 560	
SA GOVERNMENT REVENUES AND EXPENSES:							
Net revenues	3 872	2 776	752	783	114 626	100 331	
Total SA Government Revenues and Expenses	3 872	2 776	752	783	114 626	100 331	
NET RESULT BEFORE RESTRUCTURING	392	361	29	34	4 862	4 771	
Net gain (loss) from administrative restructure	-	13	-	-	(328)	(1 752)	
NET RESULT AFTER RESTRUCTURING	392	374	29	34	4 534	3 019	

Programs - Refer Note 3

- 5. Heritage Conservation
- 6. Animal Welfare

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of The Department for Environment and Heritage

(a) Strategic Context

The Department for Environment and Heritage (the Department) serves the South Australian community through the Government of South Australia.

The Department's objective is conserving and restoring our environment for all generations by:

- having a primary role in environment policy, biodiversity conservation, heritage conservation, environmental sustainability and animal welfare
- managing the State's public land held in the conservation reserve system and as Crown Lands
- as a custodian of information and knowledge about the State's environment

(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:

- fees, levies and licences
- admissions and guided tour charges
- 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 *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided.

(c) 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 Departments overall activities.

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

In the current reporting period the Department 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 36).

The Administered Items' financial statements include the assets, liabilities, revenues, expenses 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 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
- Coast Protection Board
- Crown Land
- Land Services Group
- Minister's Other Payments:
 - Royal Zoological Society of SA Inc.
- Special Acts Allocation:
 - Salary and Allowances – Minister
- Other, being comprised of:
 - Adelaide Dolphin Sanctuary
 - Beachport Breakwater Project
 - Dog and Cat Management Board
 - Martindale Hall Conservation Trust (Dissolved 1 July 2003)
 - Mount Lofty Summit Development Trust (Dissolved 18 December 2003)
 - Murray Mallee Partnership
 - War Service Land Settlement Scheme

The Administered Items' financial statements and associated notes follow the Department's financial statements and associated notes.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Department's Financial Statements are a general purpose financial report that has been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- Statements of Accounting Concepts
- Applicable Australian Accounting Standards (AAS)
- Other authoritative pronouncements of the Australian Accounting Standards Board (AASB)
- Urgent Issues Group (UIG) Consensus Views
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, consideration is given to the order of preference of other pronouncements as outlined in AAS 6 'Accounting Policies'.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Department has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received as this is when the Department gains control of these revenues. These revenues include items such as non-perpetual leases and licence and accreditation fees, fines and penalties.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at fair value, in accordance with Accounting Policy Statement (APS) guidance. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements detail the revenues, expenses and financial position of the Department as a single entity and accordingly all intra Departmental transactions and balances have been eliminated.

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 outputs.

(b) Administrative Restructures

During the current and previous reporting periods a number of administrative restructures occurred which are summarised below. Additional information about administrative restructures is provided in Note 17.

Current Reporting Period

- Additional land administration assets were transferred to the Department for Administrative and Information Services (DAIS)

Previous Reporting Period

- Land administration functions and Vaughan Terrace Land and Building were transferred to DAIS
- Queens Theatre Land and Building was transferred to the Department of the Premier and Cabinet (Arts SA)
- Martindale Hall Conservation Trust was dissolved
- Mount Lofty Summit Development Trust was dissolved under section 45L of the *National Parks and Wildlife Act 1972* with effect on 18 December 2003, as at that date the Trust had no net assets.

(c) South Australian (SA) Government Revenues and Expenses

Revenues

Appropriations for program funding are recognised as revenue when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

Expenses

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

(d) Non-SA Government Revenues and Expenses Recognition

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

Revenues and expenses have been classified according to their nature in accordance with APS 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenues

All non-SA Government revenues recorded in the Statement of Financial Performance are recognised when the Department obtains control over the future economic benefits in the form of increases in assets or reductions in liabilities. With respect to licences, leases and accreditation fees revenue, where the period exceeds one reporting period, the Department obtains control upon receipt.

The Department is not economically dependent on one individual for its revenue, however, the amount of revenue earned from transactions with our customer base can be influenced by the South Australian economy.

Expenses

Grants and Contributions are amounts provided by the Department to entities for general assistance or for a particular purpose subject to terms and conditions set out in the contract, correspondence or by legislation and may be for capital, current or recurrent purposes.

(e) Cash

Cash in the Statements of Financial Position and Cash Flows is comprised of cash on hand (including petty cash and cashier floats), at call accounts with banks and monies held by DTF in Deposit Accounts.

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 \$1.85 million of its cash balance to the DTF Consolidated Account.

(f) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable whereas bad (uncollectable) debts are written off as incurred.

(g) Inventories

Items held for use by the Department are accounted for at cost unless it is apparent that they are obsolete or surplus to requirements in which case they are written off. Items held for sale are accounted for at the lower of cost or net realisable value. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution.

(h) Property, Plant and Equipment

The Statement of Financial Position includes all Property, Plant and Equipment controlled by the Department.

Assets Disclosed at Valuation

In accordance with the requirements of APS 3 'Revaluation of Non-Current Assets', independent revaluations of classes of non-current assets have only been undertaken where there existed an asset within a class that satisfied the criteria specified in APS 3. That is, there existed an asset within the class with an original acquisition cost of at least \$1 million and a useful life greater than three years.

Asset classes that satisfy the revaluation criteria include:

- Land
- Buildings and Improvements
- Park Infrastructure
- Roads, Tracks and Trails
- Plant and Equipment
- Other

In the 2002-03 financial year, the Department elected to apply the progressive revaluation provisions contained in AASB 1041 'Revaluation of Non-Current Assets' and APS 3, as issued by DTF, to the abovementioned asset classes.

As a consequence of undertaking progressive revaluations, assets within each of the abovementioned asset classes are recognised at different carrying amounts and for those assets revalued prior to the 2002-03 financial year valuations are based on deprival value not fair value.

Non-current assets in Note 23 'Property, Plant and Equipment' are disclosed within each class as follows to distinguish between the different carrying amounts and valuation methodologies.

- Valuer-General's Valuation represents assets within that class yet to be revalued under the current progressive revaluations and carried at revalued amounts as at 1 January 2003 extracted from LOTS.
- Independent Valuation 1999 for Land represents assets within that class valued under \$50 000 that are yet to be revalued under the current progressive revaluations and are carried at revalued amounts based on the deprival value methodology. The independent desktop valuations were performed as at 1 July 1998 by Messrs A.J. Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.

Assets Disclosed at Valuation (continued)

- Independent Valuation 2003 represents assets within that class valued over \$50 000 that have been revalued as a part of the current progressive revaluations and are carried at their fair value. The independent valuations were performed as at 1 July 2002 by Messrs A.J. Lucas - MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina - B App Sc (Val), AAPI from Valcorp Australia Pty Limited.
- Independent Valuation 2003 (Data Dictionary) represents generic assets within that class that have been valued in accordance with the data dictionary valuation model developed in conjunction with independent valuers Messrs. A J Lucas, MBA, B App Sc (Val), Dip Acc, AAPI and F. Taormina, B App Sc (Val), AAPI from Valcorp Australia Pty Limited. The data dictionary valuations were last updated during the year ended 30 June 2003 to ensure compliance with the fair value methodology.
- Independent Valuation 2004 represents assets within that class valued over \$50 000 that have been revalued as a part of the current progressive revaluations and are carried at their fair value. The independent valuations were performed as at 1 July 2003 by Messrs T.F. Nankivell - B App Sc (Val), AAPI, Australian Valuation Office and R.A. Hurl - Tasmore Antiques.
- Transfers from Capital Works in Progress represents assets within that class that have been constructed by the Department through its investment program and transferred to the class upon completion. The cost of construction represents the fair value of these assets.
- At Cost represents assets within that class that are yet to be revalued as part of the current progressive revaluations and are carried at their cost of acquisition and/or construction.

In accordance with the transitional provisions of AASB 1041, any revaluation increments arising upon revaluing the abovementioned non-current asset classes to their fair value are credited directly to the asset revaluation reserve except that, to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense in Net Cost of Services from Ordinary Activities in respect of that same class of non-current assets, in which case the revaluation increments have been credited directly to accumulated funds.

In accordance with the transitional provisions of AASB 1041, any revaluation decrements arising upon revaluing the abovementioned non-current asset classes to their fair value are debited directly to the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, and any remainder of the net revaluation decrement is debited directly to accumulated funds.

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.

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 APS 3 'Revaluation of Non-Current Assets' have not been met, these classes of non-current assets are deemed to be at fair value as determined by APS 3 as issued by DTF.

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 under Finance Lease

Heritage Assets

In accordance with APS 5 'Heritage Assets' as issued by DTF, heritage assets are recognised in the Statement of Financial Position 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.

Intangible Assets

- Application Software
A number of software applications have been acquired and/or developed in-house by the Department. The expenditure incurred on these applications is capitalised and recognised as an asset as it satisfied the definition and recognition criteria of an asset.

Intangible Assets (continued)

- **Intellectual Property, Databases and Information Systems**
The Department controls a large number of databases, registers, information systems and other intellectual property that were developed in-house and are used to store and manage intellectual property owned and controlled by the Department. Whilst the development and maintenance of these databases involves ongoing costs to the Department, in general, neither the systems nor the data have been recognised in the financial statements as assets, as it has not been possible to reliably measure the future economic benefits to the Department.

Other

The recoverable amount test prescribed in AASB 1010 'Recoverable Amount of Non-Current Assets' has not been applied as the Department is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, plant and equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Statement of Financial Performance. (Refer Note 14)

Items of property, plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(i) Depreciation and Amortisation of Non-Current Assets

All non-current assets with an initial cost greater than \$2 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

- Computing Equipment 1-12 years
- Application Software 3-10 years
- Park Infrastructure 1-50 years
- Plant and Equipment 3-25 years
- Roads, Tracks and Trails 3-35 years
- Moveable Vehicles 4-20 years
- Furniture and Fittings 5-20 years
- Buildings and Improvements 5-100 years
- Other 3-50 years

In accordance with AASB 1021 'Depreciation', an annual review of the appropriateness of depreciation rates and associated useful lives was undertaken. The results of the annual review indicated that an error was identified in regards to useful lives of some assets. Details of the error and its associated impact are disclosed in Note 7 'Depreciation'.

Leased assets are amortised over the useful life of the asset or the lease term, whichever is shorter.

(j) Leases

The Department makes a distinction between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and operating leases under which the lessor effectively retains substantially all of the risks and benefits incidental to ownership.

Finance Leases

Where a non-current asset is acquired by means of a finance lease, the asset is recognised at its fair value at the inception of the lease. These assets are disclosed as Plant and Equipment under 'Finance Lease' in Note 23 and are amortised to the Statement of Financial Performance over the period during which the Department is expected to benefit from the use of the leased assets.

At the same time as recognising a finance lease asset a corresponding finance lease liability is recognised for the same amount. Lease payments are allocated between the principal component (reduction in liability) and the interest expense. Details of finance lease obligations are disclosed in Note 27.

Operating Leases

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 32.

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 24) 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.

(k) Payables

Those amounts which represent liabilities for goods and services provided to the Department and other amounts, including interest, are identified as payables.

(l) Provisions for Employee Benefits

In accordance with AASB 1028 'Employee Benefits', a provision is made for the Department's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Department has a present obligation to pay to employees for services provided.

Accrued Salaries and Wages

The liability for accrued salaries and wages represents the amount earned by employees at reporting date not yet paid by the Department based on remuneration rates current at reporting date.

Sick Leave

No provision is made for sick leave as experience indicates that on average sick leave taken each reporting period is less than or equal to the accruing sick leave entitlement in each reporting period. This experience is expected to recur in future reporting periods such that it is improbable that existing accrued sick leave entitlements will be used by employees in the reporting period.

Annual Leave

A provision has been made for the unused component of annual leave, including annual leave loading and related on-costs based on the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Department's experience of employee retention and leave taking.

Long Service Leave

In calculating long service leave benefits the Department uses a benchmark of seven years, based on an actuarial assessment undertaken by DTF of a significant sample of employees throughout the South Australian public sector. The long service leave entitlement estimated to be paid within 12 months of balance date, is calculated by multiplying employee benefits and related on-costs by the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of four percent. This calculation is consistent with the Department's experience of employee retention and leave taking.

Employee On-Costs

In general, related on-costs of payroll tax and superannuation have been calculated by applying the standard applicable rates to leave balances as at 30 June. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions. (Refer Note 24)

Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at reporting date relates to any contribution due but not yet paid to the superannuation schemes, any such amount is treated as a payable not an employee benefit. (Refer Note 24)

Workers 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 2004-05 financial year the Department has reflected a workers compensation provision of \$0.69 million (\$0.49 million). (Refer Note 25)

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 AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that not all claims have to be paid out in the immediate future.

During the current reporting period, the Government Workers Compensation Fund (the Fund) was closed to all new residual disability, redemption of future medical and income costs and death payment claims with effect from 1 July 2004. Any new claims from 1 July 2004 are the responsibility of the Department and as such the Provision for Workers Compensation Liability will be increased accordingly. All claims payments currently covered by the Fund (ie claims lodged prior to 1 July 2004) continue to be covered by the Fund and as such this liability is not reflected within the Department's Financial Statements.

(m) 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 6.75 percent (6.75 percent).

(n) Tax Status

The activities of the Department are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

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

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

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

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

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

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 Statement of Financial Position and the GST cash flows recorded in the Statement of Cash Flows of the Department.

(p) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with the requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' a detailed assessment of the impacts of these new standards was performed on the accounts of the entity for year ended 30 June 2005. The scope of this exercise was extensive giving rise to a number of new policies and procedures being developed to facilitate the implementation and interpretation of the new standards. While there will be changes to the disclosure for items within the Notes to the accounts no material adjustments were identified at the summary level of the accounts.

(q) SA Government Specific Disclosures

In accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports', the Department has disclosed revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government, classified according to their nature.

(r) Comparative Figures

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

The comparative figures in the Administered Items' financial statements and associated Notes have been amended to reflect the final audited figures for the previous reporting period. As a result, there may be differences when comparing the comparative figures to those published in the Report of the Auditor-General for the previous reporting period.

(s) Rounding

All amounts have been rounded to the nearest thousand dollars (\$'000) and expressed in Australian currency.

3. 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.

Program 1: Sustainability

The promotion of sustainable and eco-efficient human endeavour with minimal impact on essential life systems.

Program 2: Nature Conservation

The management, science and education contributing to conserving the State's biodiversity.

Program 3: Public Land Management

The conservation, maintenance and stewardship of the State's public lands.

Program 4: Coast and Marine Conservation

The conservation, management and protection of the State's coast and marine environments.

3. Programs of the Department (continued)

Program 5: Heritage Conservation

The understanding, conservation and protection of the State's rich heritage.

Program 6: Animal Welfare

The promotion and regulation of the humane treatment of animals.

4. Employee Benefits

	2005	2004
	\$'000	\$'000
Salaries and wages ⁽ⁱ⁾	52 704	50 893
Superannuation	5 878	5 328
Annual leave	744	798
Payroll tax	3 263	3 087
Long service leave	1 171	884
Workers compensation	592	305
Sitting fees Board and Committees	138	72
Other	2 185	2 015
	66 675	63 382

(i) Targeted Voluntary Separation Packages (TVSPs)

TVSP amounts paid by the Department are included within the salaries and wages expense.

In the current reporting period, no employees of the Department accepted packages in line with the State Government's policy (38).

As no TVSPs were offered during the current reporting period, the TVSP component of termination payments totalled \$nil (\$2.65 million). TVSP termination costs are met from a central fund administered by the Office of Public Employment. A total of \$0.71 million (\$1.94 million) was received in the current reporting period for TVSPs paid by the Department in the previous reporting period.

In addition, as no employees accepted a TVSP, the total amount of accrued annual leave, leave loading and long service leave benefits paid to employees was \$nil (\$0.77 million).

Employee Remuneration

The number of employees whose remuneration exceeded \$100 000 was:

	2005	2004
	Number of Employees	Number of Employees
\$100 000 - \$109 999	4	6
\$110 000 - \$119 999	5	2
\$120 000 - \$129 999	1	3
\$130 000 - \$139 999	3	3
\$140 000 - \$149 999	3	1
\$160 000 - \$169 999	1	1
\$170 000 - \$179 999	2	3
\$180 000 - \$189 999	2	-
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	1	-
Total Number of Employees	22	20

Total remuneration received or due and receivable by employees whose remuneration exceeded \$100 000

	2005	2004
	\$'000	\$'000
	3 097	2 712

Remuneration includes salary, employer's superannuation costs, use of motor vehicles in accordance with prescribed conditions and associated FBT and contract termination payments, but does not include any amounts payable due to retirement under the TVSP arrangements.

Number of Employees at Reporting Date

The Department had 1028 employees (957) as at the reporting date.

Remuneration of Board Members

Under legislative requirements and cooperative management arrangements a number of boards and committees currently provide advice to the Minister and DEH management.

The number of Board members whose remuneration received or due and receivable fell within the following bands:

	2005	2004
	Number	Number
\$Nil	23	27
\$1 - \$10 000	75	65
\$10 001 - \$20 000	1	-
Total Number of Board Members	99	92

5. Supplies and Services	2005	2004
	\$'000	\$'000
Accommodation and property management services	7 569	7 541
Section 7 remittances	-	599
Materials and consumables	2 127	2 199
Vehicle and aircraft	4 147	3 381
Travel and Accommodation	1 308	1 126
Contractors	12 757	12 257
Consultant fees ⁽ⁱ⁾	18	120
Computing	4 899	6 419
Minor plant and equipment	804	1 063
Printing and publishing	997	939
Cost of goods sold	675	761
Cost of property sales	973	884
Bank fees	67	141
Postage, courier and freight	420	470
Advertising	442	306
Scholarships, awards and prizes	113	117
Scientific and technical services	142	105
Telephone expenses	1 604	1 743
Audit fees	211	216
Equipment repairs and maintenance	727	164
Books, periodicals and newspapers	100	105
Commissions and selling costs	121	87
Document storage and preservation	275	93
Entertainment	113	134
Equipment hire	155	58
Monitoring fees	271	105
Photocopying and preservation	96	61
Conference and seminar presentation	192	284
Insurance	427	476
Transportation	214	187
Sand replenishment	2 884	512
Valuations	32	51
Bureau service - CHRIS Payroll	120	109
Write-down of inventory held	66	-
Fee for service	1 097	5
Legal fees and payments ⁽ⁱⁱ⁾	1 250	33
Other	263	197
	47 676	43 048

(i) The number and amount of Consultant Fees fell within the following bandwidths:

	2005	2005	2004
	Number	\$'000	\$'000
Below \$10 000	5	8	40
Between \$10 000 - \$50 000	1	10	80
Total Number and Amount of Consultant Fees	6	18	120

(ii) Payments associated with renegotiations of lease contracts are included in Legal Fees and Payments. In the current reporting period, an amount of \$1.25 million was paid to lessee's for foregoing grazing rights over nominated and agreed areas of Chowilla Game Reserve. At the same time, the Department received an equivalent amount of grant revenue from the Department of Water, Land and Biodiversity Conservation which is disclosed in Note 12 'Grants and Contributions - State Government'.

Supplies and Services provided by Entities within the SA Government:	2005	2004
	\$'000	\$'000
Accommodation and property management services	4 545	4 532
Section 7 remittances	-	599
Materials and consumables	129	-
Vehicle and aircraft	2 645	2 236
Travel and accommodation	30	-
Contractors	1 770	-
Computing	2 033	3 116
Cost of goods sold	14	-
Scientific and technical services	29	-
Telephone expenses	1 064	1 303
Audit fees	211	216
Equipment repairs and maintenance	727	-
Books, periodicals and newspapers	4	-
Commission and selling costs	48	42
Equipment hire	8	-
Conference and seminar presentation	41	-
Insurance	429	439
Bureau service - CHRIS payroll	120	109
Other	3	24
	13 850	12 616

6. Grants and Contributions	2005	2004
	\$'000	\$'000
Community Organisations and Associations	2 051	2 652
State Government	791	1 208
Individuals - Heritage, Fencing and Other Agreements	181	928
Local Government	976	227
Universities	321	51
Other	237	309
	4 557	5 375
7. Depreciation and Amortisation		
Buildings and improvements	3 547	2 010
Park infrastructure	5 133	4 477
Roads, tracks and trails	13 764	8 443
Moveable vehicles	629	561
Computing equipment	1 805	3 050
Application software	826	1 121
Furniture and fittings	598	636
Plant and equipment	606	290
Finance leases	9	22
Other	376	1 573
	27 293	22 183
Change in Depreciation due to Error in Useful Life		
In the current reporting period, the Department's Depreciation and Accumulated Depreciation increased significantly for Buildings and Improvements, Park Infrastructure, Roads Tracks and Trails and Plant and Equipment asset classes. This was due to the identification of an error in the application of the data dictionary's calculated useful life. Correction of prior reporting period's misstated depreciation had the following impact on the current reporting periods depreciation:		
		2005
		\$'000
Buildings and improvements	increase	1 360
Park infrastructure	increase	195
Roads, tracks and trails	increase	11 495
Plant and equipment	decrease	219
Total Net Increase		12 831
The above effect, together with the current reporting period's depreciation, are disclosed in the 'Depreciation Expense' line in the reconciliation of the carrying amount of each class of Property, Plant and Equipment in Note 23.		
Depreciation written back due to revisions to Useful Life Estimates		
During the current reporting period, expenditure was incurred on some existing assets and their estimated useful lives were reviewed. This resulted in write backs of depreciation expenses totalling \$3.31 million which appear in the 'Depreciation Expense - Revision to Useful Life Estimations' line in the reconciliation of the carrying amount of each class of Property, Plant and Equipment in Note 23.		
8. Borrowing Costs	2005	2004
	\$'000	\$'000
Interest on borrowings	2 854	2 756
Interest on finance leases	2	8
	2 856	2 764
Borrowing Costs incurred with entities within the SA Government:		
Interest on borrowings	2 854	2 756
	2 854	2 756
9. Net Loss from Disposal of Non-Current Assets		
Proceeds from disposal of non-current assets	98	300
Less: Written down value of non-current assets	2 264	866
	(2 166)	(566)
10. Other Expenses		
Bad and doubtful debts	(49)	1
Capital works in progress write-off	434	684
Asset write-downs	1 698	4 490
Asset impairment	5	21
	2 088	5 196

11. Fees and Charges	2005	2004
	\$'000	\$'000
Rent and other related income	3 672	3 241
Fees, levies and licences	819	2 477
Admissions and guided tours	4 478	4 345
Section 7 Enquiries	-	1 863
Property Inquiry fees	-	460
Support services	1 512	3 006
Sale of goods	2 149	1 856
Sale of services	1 542	1 172
Sale of property	1 276	1 043
Sale of spatial information	1 848	1 990
	17 296	21 453
Fees and Charges earned from entities within the SA Government:		
Rent and other related income	37	-
Fees, levies and licences	5	5
Admissions and guided tours	37	-
Support services	262	3 006
Sale of goods	234	1 102
Sale of services	247	183
Sale of spatial information	582	-
	1 404	4 296
12. Grants and Contributions		
Commonwealth Government ⁽ⁱ⁾	2 059	467
State Government ⁽ⁱⁱ⁾	11 858	14 434
Administered Entities ⁽ⁱⁱⁱ⁾	867	727
Private industry and local government	365	387
	15 149	16 015
(i) Commonwealth Government Grants and Contributions		
Natural Heritage Trust	1 604	382
Australia's Virtual Herbarium	307	-
Department for Environment and Heritage Canberra	63	72
Department of Industry, Tourism and Resources	45	-
Co-operative Research Centre	30	-
Fisheries Research and Development Corporation	10	6
Department of Foreign Affairs and Trade	-	5
Other	-	2
	2 059	467
(ii) State Grants and Contributions		
Integrated Natural Resource Management Groups	5 158	3 081
Attorney-General's Department	2 110	2 073
Department of Water, Land and Biodiversity Conservation	1 973	699
Department of Transport and Urban Planning	931	500
Department of Primary Industries and Resources	700	428
Department of the Premier and Cabinet	311	-
Catchment Water Management Boards	260	46
South Australian Tourism Commission	137	224
SA Water	52	71
Environment Protection Fund	12	424
Department of Treasury and Finance	7	-
Department for Administrative and Information Services	-	6 760
Other	207	128
	11 858	14 434
(iii) Administered Entities Grants and Contributions		
Board of Botanic Gardens and State Herbarium	867	607
Coast Protection Board	-	120
	867	727
13. Interest and Dividends		
Interest on funds held	5 384	4 845
Dividends	1	4
	5 385	4 849
Interest and Dividends earned from entities within the SA Government:		
Interest on funds held	5 328	4 797
	5 328	4 797

14. Assets Received Free of Charge	2005	2004
	\$'000	\$'000
Land and improvements	4 610	1 196
Plant and equipment	17	10
Other	4	8
	4 631	1 214
15. Other Revenue		
Salaries and wages recoveries	319	3 052
Insurance recoveries	571	165
Sponsorships, donations, commissions and bequests	148	146
Other	48	60
	1 086	3 423
Other Revenue earned from Entities within the SA Government:		
Salaries and wages recoveries	202	2 974
Insurance recoveries	571	165
	773	3 139
16. SA Government Revenues		
Recurrent appropriation	102 091	86 697
Accrual appropriation	13 697	13 288
Contingency funds	689	346
Total SA Government Revenues	116 477	100 331
Expenses		
Return of surplus cash	1 851	-
Total SA Government Expenses	1 851	-

17. Net Gain (Loss) from Administrative Restructure

In the current reporting period additional land administration plant and equipment assets were identified as having been physically transferred to Department for Administrative and Information Services (DAIS) on 1 September 2003 that were not taken into account in determining the loss on restructure in the previous reporting period. The correction of this error resulted in an additional Net Loss of \$0.33 million to the Department.

In the previous reporting period the following administrative restructures occurred.

- On 24 July 2003, the Chief Executives of the Department and DAIS approved transfer arrangements for a range of land administration functions from the Department to DAIS. The functions include Section 7, LOTS, Property Assist and related information technology and financial services. The land administration functions were realigned on 1 September 2003, resulting in a transfer of functions and staff from the Department to DAIS and a net loss of \$0.98 million due to the transfer of assets and liabilities.
- On 1 July 2003, in accordance with a Ministerial instruction, the ownership, management and control of the Queens Theatre was transferred from the Department to the Department of the Premier and Cabinet (Arts SA) resulting in a net loss on restructure of \$0.29 million.
- On 1 July 2003, Cabinet approved the transfer of the Department's interest in the Vaughan Terrace Land and Building at Berri for nil consideration to DAIS. The realignment resulted in a net loss of \$0.78 million due to the transfer of the assets.
- On 1 July 2003, the Martindale Hall Conservation Trust was dissolved under section 45L of the *National Parks and Wildlife Act 1972* resulting in a transfer of assets and liabilities to the General Reserves Trust controlled activities of the Department. The realignment resulted in a net gain of \$0.31 million due to the transfer of the assets and liabilities.

The table below shows the assets and liabilities transferred in (out) of the Department as a result of the administrative restructures in the previous reporting period.

	(a)	(b)	2004 (c)	(d)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Assets:					
Cash	-	(72)	-	307	235
Receivables	-	-	-	1	1
Property, plant and equipment	(1 078)	(221)	(782)	-	(2 081)
Total Assets	(1 078)	(293)	(782)	308	(1 845)
Liabilities:					
Payables	-	-	-	2	2
Provisions for employee benefits	(95)	-	-	-	(95)
Total Liabilities	(95)	-	-	2	(93)
Net Gain (Loss) from Administrative Restructure	(983)	(293)	(782)	306	(1 752)

18. Cash	2005	2004
	\$'000	\$'000
Deposit accounts	15 446	10 752
Accrual appropriation	92 104	74 261
Advance accounts	116	98
Cash in transit	119	320
Cash on hand	27	25
	107 812	85 456
19. Receivables		
Current:		
Debtors	2 704	3 151
Loans	4	6
Interest	100	63
GST recoverable from ATO	2 465	2 238
TVSP recoveries	-	706
Other	238	234
Less: Provision for doubtful debts	34	102
	5 477	6 296
Non-Current:		
Debtors ⁽ⁱ⁾	-	516
Loans	58	75
Other	23	31
	81	622
 (i) In the previous reporting period, the Department transferred a parcel of land to the Land Management Corporation on the understanding that the Department had the right to receive revenue, equivalent to the value at which the land was previously recognised in the Department's financial statements (2003: Inventories - Land Held for Resale) upon the sale of the land.		
Receivables from SA Government Entities:	2005	2004
	\$'000	\$'000
Debtors	1 771	3 577
Interest	100	63
Other	238	-
	2 109	3 640
20. Inventories		
Current:		
Raw materials and consumables	424	300
Work in progress	-	3
Finished goods held for resale	946	752
Other	221	236
	1 591	1 291
Non-Current:		
Land held for resale	956	1 929
	956	1 929
21. Financial Assets		
Non-Current:		
Equity in listed entities	8	8
	8	8
22. Other Assets		
Current:		
Prepayments	887	422
	887	422
Other Assets from SA Government Entities:		
Prepayments	28	23
	28	23
23. Property, Plant and Equipment		
(a) Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails		
Land:		
Valuer-General's valuation	-	6
Independent valuation 1999	3 088	3 119
Independent valuation 2003	62 640	63 666
At cost	9 241	8 092
Total Land	74 969	74 883

(a) Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails (continued)	2005	2004
	\$'000	\$'000
Buildings and Improvements:		
Independent valuation 2003	13 300	12 898
Independent valuation 2003 (Data Dictionary)	37 019	35 631
Independent valuation 2004	13 789	13 735
At cost	10 810	9 160
Less: Accumulated depreciation	41 072	37 236
Total Buildings and Improvements	33 846	34 188
Park Infrastructure:		
Independent valuation 2003	6 016	7 316
Independent valuation 2003 (Data Dictionary)	107 901	104 142
Independent valuation 2004	16	1 534
At cost	10 060	6 461
Less: Accumulated depreciation	100 141	95 241
Total Park Infrastructure	23 852	24 212
Roads, Tracks and Trails:		
Independent valuation 2003	225	-
Independent valuation 2003 (Data Dictionary)	100 800	95 462
At cost	3 150	7 795
Less: Accumulated depreciation	82 145	67 986
Total Roads, Tracks and Trails	22 030	35 271
Total Land, Buildings and Improvements, Park Infrastructure and Roads, Tracks and Trails	154 697	168 554
(b) Plant and Equipment		
Moveable Vehicles:		
Independent valuation 2003 (Data Dictionary)	12	-
At cost	8 057	7 445
Less: Accumulated depreciation	4 425	3 821
Total Moveable Vehicles	3 644	3 624
Computing Equipment:		
At cost	11 764	14 383
Less: Accumulated depreciation	9 597	11 601
Total Computing Equipment	2 167	2 782
Application Software:		
At cost	8 407	8 399
Less: Accumulated depreciation	6 452	6 024
Total Application Software	1 955	2 375
Furniture and Fittings:		
At cost	6 480	6 400
Less: Accumulated depreciation	5 162	4 590
Total Furniture and Fittings	1 318	1 810
Plant and Equipment:		
Independent valuation 2003 (Data Dictionary)	471	-
At cost	5 642	1 702
Less: Accumulated depreciation	3 817	1 233
Total Plant and Equipment	2 296	469
Plant and Equipment under Finance Lease:		
At cost	3	81
Less: Accumulated amortisation	2	71
Total Plant and Equipment under Finance Lease	1	10
Other:		
Independent valuation 2003	9	7 711
Independent valuation 2003 (Data Dictionary)	6 080	-
Independent valuation 2004	1 109	1 109
At cost	2 542	7 154
Less: Accumulated depreciation	4 118	7 757
Total Other	5 622	8 217
Capital Works in Progress:		
At cost	8 639	5 769
Total Capital Works in Progress	8 639	5 769
Total Plant and Equipment	25 642	25 056
Total Property, Plant and Equipment	180 339	193 610

Reconciliation

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

	Land \$'000	Buildings and Improvements \$'000	Park Infra- structure \$'000	Roads, Tracks and Trails \$'000	Moveable Vehicles \$'000
Gross Carrying Amount:					
Balance at 30 June 2004	74 883	71 424	119 453	103 257	7 445
Additions	626	11	211	-	522
Additions - Transfers from capital works in progress	-	3 715	2 322	293	50
Net revaluation increment (decrement)	-	37	(439)	(30)	-
Transfers within Government	-	-	-	-	-
Transfers between classes	-	1 198	1 110	(217)	303
Assets received free of charge	-	1 221	6 275	1 915	9
Disposals	(540)	(1 875)	(2 530)	(250)	(260)
Assets written-off and/or impaired	-	(813)	(2 411)	(793)	-
Other	-	-	2	-	-
Capital works in progress written-off	-	-	-	-	-
Balance at 30 June 2005	74 969	74 918	123 993	104 175	8 069
Accumulated Depreciation/Amortisation:					
Balance as at 30 June 2004	-	(37 236)	(95 241)	(67 986)	(3 821)
Depreciation expense	-	(3 857)	(5 130)	(16 756)	(623)
Depreciation expenses - revision to useful life estimations	-	310	(3)	2 992	(6)
Net revaluation increment (decrement)	-	(159)	151	(142)	-
Transfers within Government	-	-	-	-	-
Transfers between classes	-	(673)	(799)	121	(119)
Assets received free of charge	-	(746)	(3 373)	(682)	(6)
Disposals	-	852	2 383	209	150
Assets written-off and/or impaired	-	438	1 874	99	-
Other	-	(1)	(3)	-	-
Balance as at 30 June 2005	-	(41 072)	(100 141)	(82 145)	(4 425)
Net Book Value:					
As at 30 June 2004	74 883	34 188	24 212	35 271	3 624
As at 30 June 2005	74 969	33 846	23 852	22 030	3 644
					Plant and Equipment under Finance Lease \$'000
Gross Carrying Amount:	Computing Equipment \$'000	Application Software \$'000	Furniture and Fittings \$'000	Plant and Equipment \$'000	
Balance at 30 June 2004	14 383	8 399	6 400	1 702	81
Additions	1 274	-	58	495	-
Additions - Transfers from capital works in progress	3	412	161	150	-
Net revaluation increment (decrement)	-	-	-	-	-
Transfers within Government	-	(1 460)	-	(35)	-
Transfers between classes	(1 781)	1 875	150	4 475	(78)
Assets received free of charge	33	-	-	9	-
Disposals	(2 048)	-	(286)	(671)	-
Assets written-off and/or impaired	(100)	(818)	(3)	(12)	-
Other	-	(1)	-	-	-
Capital works in progress written-off	-	-	-	-	-
Balance at 30 June 2005	11 764	8 407	6 480	6 113	3
Accumulated Depreciation/Amortisation:					
Balance as at 30 June 2004	(11 601)	(6 024)	(4 590)	(1 233)	(71)
Depreciation expense	(1 805)	(826)	(598)	(621)	(9)
Depreciation expenses - revision to useful life estimations	-	-	-	15	-
Net revaluation increment (decrement)	-	-	-	-	-
Transfers within Government	-	1 136	-	31	-
Transfers between classes	1 753	(1 545)	(82)	(2 554)	78
Assets received free of charge	(26)	-	-	(2)	-
Disposals	1 994	-	109	534	-
Assets written-off and/or impaired	88	807	-	12	-
Other	-	-	(1)	1	-
Balance as at 30 June 2005	(9 597)	(6 452)	(5 162)	(3 817)	(2)
Net Book Value:					
As at 30 June 2004	2 782	2 375	1 810	469	10
As at 30 June 2005	2 167	1 955	1 318	2 296	1

Reconciliation (continued)

	Other \$'000	Capital Works in Progress \$'000	Total \$'000
Gross Carrying Amount:			
Balance at 30 June 2004	15 974	5 769	429 170
Additions	1 100	10 410	14 707
Additions - Transfers from capital works in progress	-	(7 106)	-
Net revaluation increment (decrement)	-	-	(432)
Transfers within Government	-	-	(1 495)
Transfers between classes	(7 035)	-	-
Assets received free of charge	8	-	9 470
Disposals	(163)	-	(8 623)
Assets written-off and/or impaired	(142)	-	(5 092)
Other	(2)	-	(1)
Capital works in progress written-off	-	(434)	(434)
Balance at 30 June 2005	9 740	8 639	437 270
Accumulated Depreciation/Amortisation:			
Balance as at 30 June 2004	(7 757)	-	(235 560)
Depreciation expense	(376)	-	(30 601)
Depreciation expense - Revision to useful life estimations	-	-	3 308
Net revaluation increment (decrement)	-	-	(150)
Transfers within Government	-	-	1 167
Transfers between classes	3 820	-	-
Assets received free of charge	(5)	-	(4 840)
Disposals	128	-	6 359
Assets written-off and/or impaired	71	-	3 389
Other	1	-	(3)
Balance as at 30 June 2005	(4 118)	-	(256 931)
Net Book Value:			
As at 30 June 2004	8 217	5 769	193 610
As at 30 June 2005	5 622	8 639	180 339

24. Payables	2005 \$'000	2004 \$'000
Current:		
Creditors	9 424	7 372
Accruals	1 005	1 855
Employee Benefit On-Costs ⁽ⁱ⁾	921	810
Lease Incentive	117	226
	11 467	10 263
Non-Current:		
Employee Benefit On-Costs ⁽ⁱ⁾	1 667	1 546
	1 667	1 546

(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:

	2005 \$'000	2004 \$'000
Current:		
Accrued Payroll Tax:	\$'000	\$'000
Annual leave	265	225
Long service leave	33	28
Accrued salaries and wages	32	35
	330	288
Superannuation:		
Annual leave	494	415
Long service leave	39	34
Accrued salaries and wages	58	73
	591	522
Total Current Employee Benefit On-Costs	921	810
Non-Current:		
Accrued Payroll Tax:		
Long service leave	910	700
	910	700
Superannuation:		
Long service leave	757	846
	757	846
Total Non-Current Employee Benefit On-Costs	1 667	1 546

(i) Payables (continued)	2005	2004
Payables to SA Government Entities:	\$'000	\$'000
Creditors	3 333	3 448
Accruals	265	240
Employee Benefit On-Costs	2 582	2 356
	6 180	6 044

25. Provisions for Employee Benefits

Current:		
Annual leave	4 328	3 666
Long service leave	557	482
Workers compensation	176	148
Accrued salaries and wages	951	551
	6 012	4 847
Non-Current:		
Long service leave	12 857	11 889
Workers compensation	504	346
	13 361	12 235

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 aggregate current liability from employee benefits and related on-costs is \$6.91 million (\$5.66 million).

The aggregate non-current liability from employee benefits and related on-costs is \$15.03 million (\$13.78 million).

26. Borrowings

Non-Current:	2005	2004
Department of Treasury and Finance - Loans	\$'000	\$'000
	38 054	38 054
	38 054	38 054
Repayable:		
Later than five years	38 054	38 054

27. Finance Leases

At reporting date, the Department had the following obligations under finance leases the sum of which is recognised as a liability after deduction of future finance lease charges included in the obligation. The finance leases are for office equipment such as computers, copiers and printers. In general, the leases are non-cancellable, payable either six-monthly or monthly in advance or arrears, are renewable at the Department's discretion and contain no contingent rental provisions.

	2005	2004
	\$'000	\$'000
Payable not later than one year	1	17
Payable later than one year but not later than five years	-	1
Minimum lease payments	1	18
Less: Future finance charges	-	2
Total Lease Liability	1	16
Classified as:		
Current	1	15
Non-current	-	1
Total Lease Liability	1	16

28. Other Liabilities

Current:		
Unclaimed monies	27	27
Retention monies	40	24
Bonds held	2	7
Unearned revenue	159	146
Other	62	45
	290	249
Non-Current:		
Unearned revenue	12	89
	12	89
Other Liabilities to SA Government Entities:		
Unearned revenue	60	167
	60	167

29. 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.

	Accumu- lated Funds \$'000	2005 Asset Revaluation Reserve \$'000	2005 Total \$'000
Balance at 1 July	198 877	23 458	222 335
Surplus for the year	4 534	-	4 534
Net increment related to the revaluation of:			
Buildings and improvements	-	(122)	(122)
Park infrastructure	-	(288)	(288)
Roads, tracks and trails	-	(172)	(172)
Balance at 30 June	203 411	22 876	226 287

	Accumu- lated Funds \$'000	2004 Asset Revaluation Reserve \$'000	2004 Total \$'000
Balance at 1 July	195 858	29 590	225 448
Surplus for the year	3 019	-	3 019
Net increment (decrement) related to the revaluation of:			
Buildings and improvements	-	(4 498)	(4 498)
Park infrastructure	-	(627)	(627)
Roads, tracks and trails	-	(1 059)	(1 059)
Other	-	52	52
Balance at 30 June	198 877	23 458	222 335

30. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

	2005 \$'000	2004 \$'000
Net Cash provided by Operating Activities	36 225	35 379
Adjustments:		
Cash flows from government	(114 626)	(100 331)
Depreciation and amortisation	(27 293)	(22 183)
Assets received free of charge	4 631	1 214
Assets written-off	(2 137)	(5 195)
Net Loss on Sale of Assets	(2 166)	(566)
Change in Assets and Liabilities:		
Decrease in receivables	(1 360)	(124)
Decrease in inventories	(673)	(1 127)
Increase (Decrease) in other assets	465	(22)
Increase in payables	(575)	(426)
Increase in employee benefits	(2 291)	(2 059)
Decrease (Increase) in other liabilities	36	(120)
Net Cost of Services from Ordinary Activities	(109 764)	(95 560)

31. 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:

	2005 \$'000	2004 \$'000
Resource conservation and management	2 331	3 026
	2 331	3 026

**32. Expenditure Commitments
Operating Lease Commitment**

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.

	2005 \$'000	2004 \$'000
Not later than one year	4 531	4 618
Later than one year but not later than five years	16 749	8 185
Later than five years	14 585	4 320
Total (including GST)	35 865	17 123

Operating Lease Commitment (continued)

Included in the operating lease commitments above is \$3.26 million (\$1.50 million) which is the GST component of the operating lease payments.

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.

33. Contingent Assets And Liabilities Wilpena Tourist Centre

The Minister (on behalf of the Department) extended a guarantee to a maximum value of \$1.25 million to ANZ Bank on behalf of Flinders 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 \$0.13 million per year effective from 1 July 2000 in line with loan repayments. The maximum exposure in relation to the guarantee as at 30 June 2005 is \$0.55 million. In the current reporting period, the loan repayments and associated guarantee were restructured such that the contingent liability is now expected to reduce by an amount of \$0.08 million per year effective from November 2004. As at the reporting date, no event was known to have occurred which would crystallise liability under the guarantee.

The Department is not aware of the existence of any contingent assets as at 30 June 2005.

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 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 bank bill rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 6.70 percent (6.70 percent).

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 Department 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.

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

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

The Department's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	Weighted Average Effective Rate Percent	2005					Non- Interest Bearing \$'000	Total \$'000
		Floating Interest Rate \$'000	1 Year or Less \$'000	1 to 5 Years \$'000	More Than 5 Years \$'000			
Financial Assets:								
Cash	6.70	107 459	-	-	-	353	107 812	
Loans	2.07	23	4	-	-	35	62	
Debtors	N/A	-	-	-	-	5 496	5 496	
Financial Assets	N/A	-	-	-	-	8	8	
		<u>107 482</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>5 892</u>	113 378	
Financial Liabilities:								
Creditors	N/A	-	-	-	-	13 134	13 134	
Borrowings	6.75	-	-	-	38 054	-	38 054	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>38 054</u>	<u>13 134</u>	51 188	

(b) Interest Rate Risk Exposure(continued)

	Weighted Average Effective Rate Percent	2004						Total \$'000
		Floating Interest Rate \$'000	1 Year or Less \$'000	1 to 5 Years \$'000	More Than 5 Years \$'000	Non- Interest Bearing \$'000		
Financial Assets:								
Cash	6.70	85 354	-	-	-	102	85 456	
Loans	4.86	18	6	4	18	35	81	
Debtors	N/A	-	-	-	-	6 837	6 837	
Financial Assets	N/A	-	-	-	-	8	8	
		<u>85 372</u>	<u>6</u>	<u>4</u>	<u>18</u>	<u>6 982</u>	<u>92 382</u>	
Financial Liabilities:								
Creditors	N/A	-	-	-	-	11 809	11 809	
Borrowings	6.75	-	-	-	38 054	-	38 054	
		<u>-</u>	<u>-</u>	<u>-</u>	<u>38 054</u>	<u>11 809</u>	<u>49 863</u>	

(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.

	2005		2004	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash	107 812	107 812	85 456	85 456
Loans	62	62	81	81
Debtors	5 496	5 496	6 837	6 837
Financial Assets	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
	<u>113 378</u>	<u>113 378</u>	<u>92 382</u>	<u>92 382</u>
Financial Liabilities:				
Creditors	13 134	13 134	11 809	11 809
Borrowings	38 054	38 054	38 054	38 054
	<u>51 188</u>	<u>51 188</u>	<u>49 863</u>	<u>49 863</u>

35. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Department totalled \$0.211 million (\$0.216 million) for the reporting period. No other services were provided by the Auditor-General's Department.

36. The State Heritage Fund

The State Heritage Fund (the Fund) was established under the *Heritage Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities and cash flows of the Fund are disclosed below. When incorporating these amounts into the Departmental Financial Statements transactions between the Fund and the Department have been eliminated.

Statement of Financial Performance for the year ended 30 June 2005

	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee benefits	-	169
Supplies and services	7	232
Grants and contributions	250	210
Other	18	-
Total Expenses from Ordinary Activities	<u>275</u>	<u>611</u>
REVENUES FROM ORDINARY ACTIVITIES:		
Fees and charges	-	505
Interest	1	1
Total Revenues from Ordinary Activities	<u>1</u>	<u>506</u>
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	<u>274</u>	<u>105</u>
SOUTH AUSTRALIAN GOVERNMENT REVENUES AND EXPENSES:		
Revenues	250	250
Total South Australian Government Revenues and Expenses	<u>250</u>	<u>250</u>
NET RESULT AFTER RESTRUCTURING	<u>(24)</u>	<u>145</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS	<u>(24)</u>	<u>145</u>

Statement of Financial Position as at 30 June 2005

	2005	2004
	\$'000	\$'000
CURRENT ASSETS:		
Cash	92	102
Receivables	4	21
Total Current Assets	96	123
NON-CURRENT ASSETS:		
Receivables	58	75
Total Non-Current Assets	58	75
Total Assets	154	198
CURRENT LIABILITIES:		
Payables	7	27
Total Current Liabilities	7	27
Total Liabilities	7	27
NET ASSETS	147	171
EQUITY:		
Accumulated Funds	147	171
TOTAL EQUITY	147	171

Statement of Cash Flows for the year ended 30 June 2005

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee benefits	-	(169)
Supplies and services	(27)	(221)
Grants and contributions	(250)	(210)
Total Outflows from Ordinary Activities	(277)	(600)
RECEIPTS:		
Fees and charges	-	499
Interest	2	-
Loan repayments	15	10
Total Inflows from Ordinary Activities	17	509
SOUTH AUSTRALIAN GOVERNMENT CASH FLOWS:		
RECEIPTS:		
Recurrent appropriations	250	250
Total Inflows from SA Government	250	250
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(10)	159
NET (DECREASE) INCREASE IN CASH HELD	(10)	159
CASH AT 1 JULY	102	(57)
CASH AT 30 JUNE	92	102

**Statement of Administered Revenues and Expenses
for the year ended 30 June 2005**

	2005	2004
	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee benefits	581	632
Supplies and services	2 193	4 066
Grants and contributions	5 463	21 047
Depreciation and amortisation	1 836	1 895
Net loss from disposal of non-current assets	435	334
Other	47	2
Total Expenses from Ordinary Activities	10 555	27 976
REVENUES FROM ORDINARY ACTIVITIES:		
Fees and charges	1 935	16 932
Grants and contributions	226	774
Interest	151	125
Assets received free of charge	1 135	254
Net gain from disposal of non-current assets	8 608	11 598
Net revenue from correction of an error	-	5 119
Other	148	44
Total Revenues from Ordinary Activities	12 203	34 846
NET SURPLUS FROM ORDINARY ACTIVITIES	1 648	6 870
SA GOVERNMENT REVENUES AND EXPENSES:		
Revenues	3 810	4 551
Expenses	6 678	17 800
Total SA Government Revenues and Expenses	(2 868)	(13 249)
NET RESULT BEFORE RESTRUCTURING	(1 220)	(6 379)
Net loss from administrative restructure	-	(306)
NET RESULT AFTER RESTRUCTURING	(1 220)	(6 685)
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:		
Net Increase in asset revaluation reserve	1 296	3 266
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	1 296	3 266
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS	76	(3 419)

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

	2005	2004
	\$'000	\$'000
CURRENT ASSETS:		
Cash	9 675	7 052
Receivables	399	502
Inventories	51	69
Total Current Assets	10 125	7 623
NON-CURRENT ASSETS:		
Receivables	382	426
Property, plant and equipment	78 982	81 733
Total Non-Current Assets	79 364	82 159
Total Assets	89 489	89 782
CURRENT LIABILITIES:		
Payables	477	912
Provisions for employee benefits	-	8
Other	3 735	3 626
Total Current Liabilities	4 212	4 546
NON-CURRENT LIABILITIES:		
Payables	175	210
Total Non-Current Liabilities	175	210
Total Liabilities	4 387	4 756
NET ASSETS	85 102	85 026
EQUITY:		
Asset revaluation reserve	19 073	17 777
Accumulated funds	66 029	67 249
TOTAL EQUITY	85 102	85 026

**Statement of Administered Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows	Inflows
	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:	\$'000	\$'000
Employee benefits	(530)	(612)
Supplies and services	(2 848)	(17 828)
Grants and contributions	(5 463)	(20 973)
GST payments on purchases	(8)	(27)
Other	-	(25)
Total Outflows from Ordinary Activities	(8 849)	(39 465)
RECEIPTS:		
Fees and charges	2 182	16 726
Grants and contributions	226	774
Interest	149	123
GST refund from ATO	11	27
Loan repayments	105	81
Other	194	256
Total Inflows from Ordinary Activities	2 867	17 987
SOUTH AUSTRALIAN GOVERNMENT CASH FLOWS:		
RECEIPTS:		
Recurrent appropriations	3 810	4 551
Total Inflows from SA Government	3 810	4 551
PAYMENTS:		
Return to Consolidated Account	(6 678)	(17 800)
Total Outflows from SA Government	(6 678)	(17 800)
Net Cash Outflows from Operating Activities	(8 850)	(34 727)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(5)	(1)
Proceeds from sale of property, plant and equipment	11 478	12 658
Net Cash Inflows from Investing Activities	11 473	12 657
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments from administrative restructures	-	(307)
Net Cash Outflows from Financing Activities	-	(307)
NET INCREASE (DECREASE) IN CASH HELD	2 623	(22 377)
CASH AT 1 JULY	7 052	29 429
CASH AT 30 JUNE	9 675	7 052

**Schedule 1(A): Administered Revenues and Expenses
for the year ended 30 June 2005**

	Botanic Gardens and State Herbarium	Crown Lands	Coast Protection Board	Land Services Group
	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee benefits	81	161	9	-
Supplies and services	368	1 371	106	-
Grants and contributions	867	-	369	-
Depreciation and amortisation	1 820	13	-	-
Net loss from disposal of non-current assets	435	-	-	-
Other	45	1	1	-
Total Expenses from Ordinary Activities	3 616	1 546	485	-
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	775	144	10	-
Grants and contributions	122	-	104	-
Interest	130	-	-	-
Assets received free of charge	1 111	24	-	-
Net gain from disposal of non-current assets	-	8 608	-	-
Other	147	1	-	-
Total Revenues from Ordinary Activities	2 285	8 777	114	-
NET SURPLUS (COST OF SERVICES) FROM ORDINARY ACTIVITIES	(1 331)	7 231	(371)	-
SA GOVERNMENT REVENUES AND EXPENSES:				
Revenues	-	-	459	-
Expenses	-	6 678	-	-
Total SA Government Revenues and Expenses	-	(6 678)	459	-
NET RESULT AFTER RESTRUCTURING CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:	(1 331)	553	88	-
Net increase (decrease) in asset revaluation reserve	(4)	1 300	-	-
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	(4)	1 300	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	(1 335)	1 853	88	-

**Schedule 1(A): Administered Revenues and Expenses
for the year ended 30 June 2005 (continued)**

	Minister's Other Payments	Special Acts Allocation	Other	Total
	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee benefits	-	230	100	581
Supplies and services	4	-	344	2 193
Grants and contributions	3 126	-	1 101	5 463
Depreciation and amortisation	-	-	3	1 836
Net loss from disposal of non-current assets	-	-	-	435
Other	-	-	-	47
Total Expenses from Ordinary Activities	3 130	230	1 548	10 555
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	-	-	1 006	1 935
Grants and contributions	-	-	-	226
Interest	-	-	21	151
Assets received free of charge	-	-	-	1 135
Net gain from disposal of non-current assets	-	-	-	8 608
Other	-	-	-	148
Total Revenues from Ordinary Activities	-	-	1 027	12 203
NET SURPLUS (COST OF SERVICES) FROM ORDINARY ACTIVITIES	(3 130)	(230)	(521)	1 648
SA GOVERNMENT REVENUES AND EXPENSES:				
Revenues	3 130	221	-	3 810
Expenses	-	-	-	6 678
Total SA Government Revenues and Expenses	3 130	221	-	(2 868)
NET RESULT AFTER RESTRUCTURING	-	(9)	(521)	(1 220)
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:				
Net increase (decrease) in asset revaluation reserve	-	-	-	1 296
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	-	-	-	1 296
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	-	(9)	(521)	76

**Schedule 1(B): Administered Revenues and Expenses
for the year ended 30 June 2004**

	Botanic Gardens and State Herbarium	Crown Lands	Coast Protection Board	Land Services Group
	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee benefits	121	150	10	-
Supplies and services	219	2 866	186	-
Grants and contributions	607	-	886	15 016
Depreciation and amortisation	1 872	16	-	-
Net loss from disposal of non-current assets	334	-	-	-
Other	-	2	-	-
Total Expenses from Ordinary Activities	3 153	3 034	1 082	15 016
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	694	204	10	15 016
Grants and contributions	95	-	44	-
Interest	112	-	-	-
Assets received free of charge	180	74	-	-
Net gain from disposal of non-current assets	-	11 598	-	-
Net revenue from correction of an error	5 119	-	-	-
Other	44	-	-	-
Total Revenues from Ordinary Activities	6 244	11 876	54	15 016
NET SURPLUS (COST OF SERVICES) FROM ORDINARY ACTIVITIES	3 091	8 842	(1 028)	-
SA GOVERNMENT REVENUES AND EXPENSES:				
Revenues	-	-	459	-
Expenses	-	17 800	-	-
Total SA Government Revenues and Expenses	-	(17 800)	459	-
NET RESULT BEFORE RESTRUCTURING	3 091	(8 958)	(569)	-
Net gain (loss) from administrative restructure	-	-	-	-
NET RESULT AFTER RESTRUCTURING	3 091	(8 958)	(569)	-
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:				
Net increase (decrease) in asset revaluation reserve	63	3 203	-	-
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	63	3 203	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	3 154	(5 755)	(569)	-

**Schedule 1(B): Administered Revenues and Expenses
for the year ended 30 June 2004 (continued)**

	Minister's Other Payments	Special Acts Allocation	Other	Total
	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:				
Employee benefits	-	221	129	632
Supplies and services	4	-	791	4 066
Grants and contributions	3 876	-	662	21 047
Depreciation and amortisation	-	-	7	1 895
Net loss from disposal of non-current assets	-	-	-	334
Other	-	-	-	2
Total Expenses from Ordinary Activities	3 880	221	1 589	27 976
REVENUES FROM ORDINARY ACTIVITIES:				
Fees and charges	-	-	1 008	16 932
Grants and contributions	-	-	635	774
Interest	-	-	13	125
Assets received free of charge	-	-	-	254
Net gain from disposal of non-current assets	-	-	-	11 598
Net revenue from correction of an error	-	-	-	5 119
Other	-	-	-	44
Total Revenues from Ordinary Activities	-	-	1 656	34 846
NET SURPLUS (COST OF SERVICES) FROM ORDINARY ACTIVITIES	(3 880)	(221)	67	6 870
SA GOVERNMENT REVENUES AND EXPENSES:				
Revenues	3 879	213	-	4 551
Expenses	-	-	-	17 800
Total SA Government Revenues and Expenses	3 879	213	-	(13 249)
NET RESULT BEFORE RESTRUCTURING	(1)	(8)	67	(6 379)
Net gain (loss) from administrative restructure	-	-	(306)	(306)
NET RESULT AFTER RESTRUCTURING	(1)	(8)	(239)	(6 685)
CHANGES IN EQUITY THROUGH NON-OWNER TRANSACTIONS:				
Net increase (decrease) in asset revaluation reserve	-	-	-	3 266
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity	-	-	-	3 266
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	(1)	(8)	(239)	(3 419)

**Schedule 2(A): Administered Assets and Liabilities
as at 30 June 2005**

	Botanic Gardens and State Herbarium	Crown Lands	Coast Protection Board	Land Services Group
	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:				
Cash	2 310	6 575	44	-
Receivables	26	315	3	-
Inventories	51	-	-	-
Total Current Assets	2 387	6 890	47	-
NON-CURRENT ASSETS:				
Receivables	-	382	-	-
Property, plant and equipment	42 940	34 569	1 452	-
Total Non-Current Assets	42 940	34 951	1 452	-
Total Assets	45 327	41 841	1 499	-
CURRENT LIABILITIES:				
Payables	27	167	10	-
Other	-	3 735	-	-
Total Current Liabilities	27	3 902	10	-
NON-CURRENT LIABILITIES:				
Payables	-	175	-	-
Total Non-Current Liabilities	-	175	-	-
Total Liabilities	27	4 077	10	-
NET ASSETS	45 300	37 764	1 489	-
EQUITY:				
Asset revaluation reserve	11 704	7 369	-	-
Accumulated funds	33 596	30 395	1 489	-
TOTAL EQUITY	45 300	37 764	1 489	-

**Schedule 2(A): Administered Assets and Liabilities
as at 30 June 2005 (continued)**

	Minister's Other Payments \$'000	Special Acts Allocation \$'000	Other \$'000	Total \$'000
CURRENT ASSETS:				
Cash	-	-	746	9 675
Receivables	-	-	55	399
Inventories	-	-	-	51
Total Current Assets	-	-	801	10 125
NON-CURRENT ASSETS:				
Receivables	-	-	-	382
Property, plant and equipment	-	-	21	78 982
Total Non-Current Assets	-	-	21	79 364
Total Assets	-	-	822	89 489
CURRENT LIABILITIES:				
Payables	2	230	41	477
Other	-	-	-	3 735
Total Current Liabilities	2	230	41	4 212
NON-CURRENT LIABILITIES:				
Payables	-	-	-	175
Total Non-Current Liabilities	-	-	-	175
Total Liabilities	2	230	41	4 387
NET ASSETS	(2)	(230)	781	85 102
EQUITY:				
Asset revaluation reserve	-	-	-	19 073
Accumulated funds	(2)	(230)	781	66 029
TOTAL EQUITY	(2)	(230)	781	85 102

Schedule 2(B): Administered Assets and Liabilities as at 30 June 2004

	Botanic Gardens and State Herbarium	Crown Lands	Coast Protection Board	Land Services Group
	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS:				
Cash	2 227	3 501	(39)	-
Receivables	38	423	2	-
Inventories	69	-	-	-
Total Current Assets	2 334	3 924	(37)	-
NON-CURRENT ASSETS:				
Receivables	-	426	-	-
Property, plant and equipment	44 356	35 900	1 453	-
Total Non-Current Assets	44 356	36 326	1 453	-
Total Assets	46 690	40 250	1 416	-
CURRENT LIABILITIES:				
Payables	50	508	15	-
Provisions for employee benefits	-	-	-	-
Other	5	3 621	-	-
Total Current Liabilities	55	4 129	15	-
NON-CURRENT LIABILITIES:				
Payables	-	210	-	-
Total Non-Current Liabilities	-	210	-	-
Total Liabilities	55	4 339	15	-
NET ASSETS	46 635	35 911	1 401	-
EQUITY:				
Asset revaluation reserve	11 708	6 069	-	-
Accumulated funds	34 927	29 842	1 401	-
TOTAL EQUITY	46 635	35 911	1 401	-

**Schedule 2(B): Administered Assets and Liabilities
as at 30 June 2004 (continued)**

	Minister's Other Payments \$'000	Special Acts Allocation \$'000	Other \$'000	Total \$'000
CURRENT ASSETS:				
Cash	-	-	1 363	7 052
Receivables	-	-	39	502
Inventories	-	-	-	69
Total Current Assets	-	-	1 402	7 623
NON-CURRENT ASSETS:				
Receivables	-	-	-	426
Property, plant and equipment	-	-	24	81 733
Total Non-Current Assets	-	-	24	82 159
Total Assets	-	-	1 426	89 782
CURRENT LIABILITIES:				
Payables	2	221	116	912
Provisions for employee benefits	-	-	8	8
Other	-	-	-	3 626
Total Current Liabilities	2	221	124	4 546
NON-CURRENT LIABILITIES:				
Payables	-	-	-	210
Total Non-Current Liabilities	-	-	-	210
Total Liabilities	2	221	124	4 756
NET ASSETS	(2)	(221)	1 302	85 026
EQUITY:				
Asset revaluation reserve	-	-	-	17 777
Accumulated funds	(2)	(221)	1 302	67 249
TOTAL EQUITY	(2)	(221)	1 302	85 026

**Schedule 3(A): Administered Cash Flows
for the year ended 30 June 2005**

	Botanic Gardens and State Herbarium Inflows (Outflows)	Crown Lands Inflows (Outflows)	Coast Protection Board Inflows (Outflows)	Land Services Group Inflows (Outflows)
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
PAYMENTS:				
Employee benefits	(59)	(161)	(9)	-
Supplies and services	(373)	(1 913)	(111)	-
Grants and contributions	(867)	-	(369)	-
GST payments on purchases	-	-	-	-
Total Outflows from Ordinary Activities	(1 299)	(2 074)	(489)	-
RECEIPTS:				
Fees and charges	761	424	9	-
Grants and contributions	122	-	104	-
Interest and dividends	129	-	-	-
Loan repayments	-	105	-	-
GST refund from ATO	-	-	-	-
Other	147	47	-	-
Total Inflows from Ordinary Activities	1 159	576	113	-
SA GOVERNMENT CASH FLOWS:				
RECEIPTS:				
Recurrent appropriations	-	-	459	-
Total Inflows from SA Government	-	-	459	-
PAYMENTS:				
Return to Consolidated Account	-	(6 678)	-	-
Total Outflows from SA Government	-	(6 678)	-	-
Net Cash Outflows from Operating Activities	(140)	(8 176)	83	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	(4)	(1)	-	-
Proceeds from sale of property, plant and equipment	227	11 251	-	-
Net Cash Inflows from Investing Activities	223	11 250	-	-
NET INCREASE (DECREASE) IN CASH HELD	83	3 074	83	-
CASH AT 1 JULY	2 227	3 501	(39)	-
CASH AT 30 JUNE	2 310	6 575	44	-

**Schedule 3(A): Administered Cash Flows
for the year ended 30 June 2005 (continued)**

	Minister's Other Payments Inflows (Outflows)	Special Acts Allocation Inflows (Outflows)	Other Inflows (Outflows)	Total Inflows (Outflows)
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
PAYMENTS:				
Employee benefits	-	(221)	(80)	(530)
Supplies and services	(4)	-	(447)	(2 848)
Grants and contributions	(3 126)	-	(1 101)	(5 463)
GST payments on purchases	-	-	(8)	(8)
Total Outflows from Ordinary Activities	(3 130)	(221)	(1 636)	(8 849)
RECEIPTS:				
Fees and charges	-	-	988	2 182
Grants and contributions	-	-	-	226
Interest and dividends	-	-	20	149
Loan repayments	-	-	-	105
GST refund from ATO	-	-	11	11
Other	-	-	-	194
Total Inflows from Ordinary Activities	-	-	1 019	2 867
SA GOVERNMENT CASH FLOWS:				
RECEIPTS:				
Recurrent appropriations	3 130	221	-	3 810
Total Inflows from SA Government	3 130	221	-	3 810
PAYMENTS:				
Return to Consolidated Account	-	-	-	(6 678)
Total Outflows from SA Government	-	-	-	(6 678)
Net Cash Outflows from Operating Activities:	-	-	(617)	(8 850)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	-	-	-	(5)
Proceeds from sale of property, plant and equipment	-	-	-	11 478
Net Cash Inflows from Investing Activities	-	-	-	11 473
NET INCREASE (DECREASE) IN CASH HELD	-	-	(617)	2 623
CASH AT 1 JULY	-	-	1 364	7 052
CASH AT 30 JUNE	-	-	747	9 675

**Schedule 3(B): Administered Cash Flows
for the year ended 30 June 2004**

	Botanic Gardens and State Herbarium Inflows (Outflows) \$'000	Crown Lands Inflows (Outflows) \$'000	Coast Protection Board Inflows (Outflows) \$'000	Land Services Group Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
PAYMENTS:				
Employee benefits	(111)	(150)	(10)	-
Supplies and services	(152)	(16 738)	(206)	-
Grants and contributions	(607)	-	(886)	(15 016)
GST Payments on purchases	-	-	-	-
Other	-	-	-	-
Total Outflows from Ordinary Activities	(870)	(16 888)	(1 102)	(15 016)
RECEIPTS:				
Fees and charges	686	-	18	15 016
Grants and contributions	95	-	44	-
Interest and dividends	110	-	-	-
GST refund from ATO	-	-	-	-
Loan repayments	-	81	-	-
Other	44	210	-	-
Total Inflows from Ordinary Activities	935	291	62	15 016
SA GOVERNMENT CASH FLOWS:				
RECEIPTS:				
Recurrent appropriations	-	-	459	-
Total Inflows from SA Government	-	-	459	-
PAYMENTS:				
Return to Consolidated Account	-	(17 800)	-	-
Total Outflows from SA Government	-	(17 800)	-	-
Net Cash (Outflows) Inflows from Operating Activities	65	(34 397)	(581)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	-	-	(1)	-
Proceeds from sale of property, plant and equipment	-	12 658	-	-
Net Cash (Outflows) Inflows from Investing Activities	-	12 658	(1)	-
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net receipts (payments) from administrative restructures	-	-	-	-
Net Cash (Outflows) Inflows from Financing Activities	-	-	-	-
NET INCREASE (DECREASE) IN CASH HELD	65	(21 739)	(582)	-
CASH AT 1 JULY	2 162	25 240	453	-
CASH AT 30 JUNE	2 227	3 501	(39)	-

**Schedule 3(B): Administered Cash Flows
for the year ended 30 June 2004 (continued)**

	Minister's Other Payments Inflows (Outflows) \$'000	Special Acts Allocation Inflows (Outflows) \$'000	Other Inflows (Outflows) \$'000	Total Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
PAYMENTS:				
Employee benefits	-	(213)	(128)	(612)
Supplies and services	(3)	-	(729)	(17 828)
Grants and contributions	(3 876)	-	(588)	(20 973)
GST Payments on purchases	-	-	(27)	(27)
Other	-	-	(25)	(25)
Total Outflows from Ordinary Activities	(3 879)	(213)	(1 497)	(39 465)
RECEIPTS:				
Fees and charges	-	-	1 006	16 726
Grants and contributions	-	-	635	774
Interest and dividends	-	-	13	123
GST refund from ATO	-	-	27	27
Loan repayments	-	-	-	81
Other	-	-	2	256
Total Inflows from Ordinary Activities	-	-	1 683	17 987
SA GOVERNMENT CASH FLOWS:				
RECEIPTS:				
Recurrent appropriations	3 879	213	-	4 551
Total Inflows from SA Government	3 879	213	-	4 551
PAYMENTS:				
Return to Consolidated Account	-	-	-	(17 800)
Total Outflows from SA Government	-	-	-	(17 800)
Net Cash (Outflows) Inflows from Operating Activities	-	-	186	(34 727)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment	-	-	-	(1)
Proceeds from sale of property, plant and equipment	-	-	-	12 658
Net Cash (Outflows) Inflows from Investing Activities	-	-	-	12 657
CASH FLOWS FROM FINANCING ACTIVITIES:				
Net receipts (payments) from administrative restructures	-	-	(307)	(307)
Net Cash Outflows from Financing Activities	-	-	(307)	(307)
NET INCREASE (DECREASE) IN CASH HELD	-	-	(121)	(22 377)
CASH AT 1 JULY	-	-	1 484	29 429
CASH AT 30 JUNE	-	-	1 363	7 052

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

1(A). 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.

In the previous reporting period, asset surveys were completed for the gardens. This process involved a complete data capture of all Park Infrastructure assets within the gardens including condition assessments that resulted in useful life amendments. Amendments to existing asset details and descriptions resulted in a net increase to the value of assets held of \$0.49 million. New assets recognised for the first time amounted to a net increase in asset holdings of \$4.63 million. Revaluations to existing asset holdings in accordance with the Data Dictionary Revaluation undertaken in 2002-03 amounted to a net increment of \$0.06 million.

Coast Protection Board

The Board was established under the *Coast Protection Act 1972* to manage, maintain, develop and improve coast facilities that are vested in, or are under the care, control and management of the Board.

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.

Land Services Group

The land administration functions including Section 7 enquiries, LOTS and Property Assist were transferred from the Department to DAIS effective from 1 September 2003. The Department continued to administer these activities on behalf of DAIS until 31 May 2004.

Ministerial Other Payments

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

Special Acts Allocation

Payments made on behalf of DTF under Special Acts for the salary and allowances for the Minister for Environment and Conservation.

Other Comprises:

- **Adelaide Dolphin Sanctuary**
The Adelaide Dolphin Sanctuary was established under the *Adelaide Dolphin Sanctuary Act 2005* to protect the dolphin population of the Port Adelaide River estuary and Barker Inlet and to protect the natural habitat of that population.
- **Beachport Breakwater Project**
The Breakwater construction commenced in the previous reporting period and is being undertaken by the Coast Protection Board, Transport SA, Wattle Range Council, DAIS and the Department. Once completed, the asset will become the responsibility of the Wattle Range Council.
- **Dog and Cat Management Board**
The Dog and Cat Management Board was established under the *Dog and Cat Management Act 1995* to plan for, promote and provide advice about the effective management of dogs and cats throughout South Australia and to oversee the Administration and enforcement of the provisions of the Act.
- **Murray Mallee Partnership**
The Partnership is established under a Memorandum of Understanding to pursue cooperative management of land with a major focus on conservation within the Murray Mallee areas of New South Wales, Victoria and South Australia.
- **War Service Land Settlement Scheme**
The Scheme was established under the *War Service Land Settlement Agreement Act 1945* to lease suitable farming land to returned servicemen. The Act authorised the execution of an agreement between the Commonwealth of Australia and the State of South Australia.
- **Martindale Hall Conservation Trust Restructure**
The Trust was established under Section 45B of the *National Parks and Wildlife Act 1972* to facilitate appropriate visitor services and tourism through presentation and management of the Martindale Hall Conservation Park as a key Clare Valley tourism site. On 1 July 2003, the Trust was dissolved under section 45L of the *National Parks and Wildlife Act 1972* resulting in the transfer of the net assets to the Department.

- Mount Lofty Summit Development Trust (Dissolved 18 December 2003)
The Trust was established under Section 45B of the *National Parks and Wildlife Act 1972* to facilitate appropriate visitor services and tourism through presentation and management of the Mount Lofty Summit as a key tourism site and through provision of appropriate tourism information at local, regional and state levels.

(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 *Public Finance and Audit Act 1987*. 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' revenues, expenses, assets, liabilities 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 Board of the Botanic Gardens and State Herbarium has chosen to lower the independent revaluation threshold criteria from \$1.00 million to \$0.50 million as it is of the view that this threshold is more appropriate.

The Department is custodian of unallotted Crown Land, by virtue of its responsibilities under the *Crown Lands Act 1929*. This land is considered to be an administered asset. As the Department has been unable to formulate a suitable methodology for determining a reliable measure of the value of the asset, unallotted Crown Land is not included in the Administered Items activities.

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

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 Statement of Administered Revenues and Expenses 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' revenues, expenses, assets, liabilities and cash flows are provided in the following schedules.

Schedule 1(A): Administered Revenues and Expenses for the Year Ended 30 June 2005

Schedule 1(B): Administered Revenues and Expenses for the Year Ended 30 June 2004

Schedule 2(A): Administered Assets and Liabilities as at 30 June 2005

Schedule 2(B): Administered Assets and Liabilities as at 30 June 2004

Schedule 3(A): Administered Cash Flows for the Year Ended 30 June 2005

Schedule 3(B): Administered Cash Flows for the Year Ended 30 June 2004

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 on 1 July 2002 pursuant to the *Public Sector Management Act 1995* 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.

Under the Act, the Office of the Chief Executive was established and was made subject to the control and direction of the Board. The Act also permits the statutory authority, the Environment Protection Authority, to make use of the services of the Administrative Unit's employees and of its facilities.

Functions

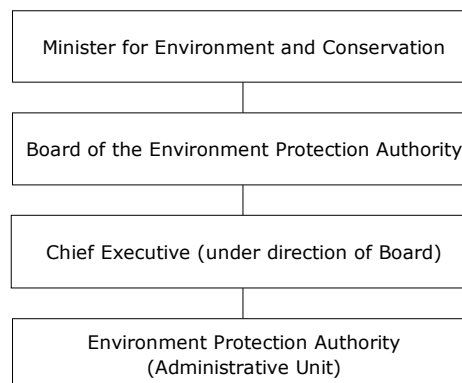
The functions of the EPA are to administer and enforce the Act, promoting principles of ecologically sustainable development. These functions include:

- 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.

In administering these functions the EPA is also responsible for the Environment Protection Fund established under the Act. The purpose of the Environment Protection Fund is to provide funds which may be applied to the costs of administering the Act, education, training, investigations, research, and 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.



Changes to Functions and Structure

On 1 July 2003, by proclamation of the Governor pursuant to the *Public Sector Management Act 1995*, the administrative unit, the Office of Zero Waste SA was established, and a number of employees of the Environment Protection Authority were transferred to the newly established administrative unit. The Office of Zero Waste SA was created as an administrative unit to support the new statutory body, Zero Waste SA established under the *Zero Waste SA Act 2004*, proclaimed on 6 May 2004. As approved by Cabinet, until the *Zero Waste SA Act 2004* came into operation, the Office of Zero Waste SA was funded from the Environment Protection Fund as permitted under section 24(2)(e) of the *Environment Protection Act 1993*.

Zero Waste SA operations are funded by an increase in waste levies collected by the EPA. The *Zero Waste SA Act 2004* requires the EPA to remit 50 percent of waste levies into the Waste to Resources Fund, which is established under the *Zero Waste SA Act 2004* and is controlled by Zero Waste SA. The EPA is responsible for the collection of all such waste levies. Consequently all waste levy receipts are included as fees and license revenue and the payment to the Waste to Resources Fund is reported as contributions to Zero Waste SA in EPA's financial statements.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* 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 *Public Finance and Audit Act 1987* 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 Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- revenue raising
- environmental licensing
- waste depot levies
- Radiation Protection Division
- expenditure
- payroll
- computing environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Environment Protection Authority as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, 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 are sufficient to provide reasonable assurance that the financial transactions of the EPA have been conducted properly and in accordance with law.

Audit Communications to Management

The audit of the Authority indicated that the internal controls over its operations were satisfactory. No significant issues of concern were raised as a result of the audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Revenue from Government	8.9	8.7	2
Fees and charges	20.4	18.3	11
Other revenues	2.3	3.2	(28)
Total Operating Revenue	31.6	30.2	5
OPERATING EXPENDITURE			
Employment expenses	16.0	15.6	3
Expense from restructure	-	1.6	(100)
Grants and contributions	6.0	7.6	(21)
Other expenses	8.3	9.9	(16)
Return of surplus cash to Government	2.1	-	-
Total Operating Expenses	32.4	34.7	(7)
Net Result after restructuring	(0.8)	(4.5)	82
Net Cash Flows from Operations	(0.2)	(0.6)	67
ASSETS			
Current assets	6.4	7.3	(12)
Non-current assets	4.7	3.5	34
Total Assets	11.1	10.8	3
LIABILITIES			
Current liabilities	2.5	2.8	(11)
Non-current liabilities	3.5	3.4	3
Total Liabilities	6.0	6.2	(3)
EQUITY	5.1	4.6	11

Statement of Financial Performance**Revenues**

Revenues from all activities increased by \$1.4 million. Major items effecting the movement were:

Fees and Charges, which make up \$20.4 million (65 percent) of total revenues, increased by \$2.1 million. Total fees and charges consist of \$12.1 million from waste levies, \$7.4 million from fees and licences and \$900 000 from other sources. The movement is due mainly to an increase in fees and licences revenue of \$1.4 million due to increased activities relating to dredging, discharges to marine, sewage licences and waste transfers. In addition, licence fees increased in line with the CPI.

Expenses

Expenses from all activities decreased by \$0.3 million. Major items effecting the movement were:

- decrease in grants and contributions to Local Government of \$1.4 million, as a result of the transferring of the development of a sustainable kerbside system project to Zero Waste SA;
- decrease in use of contractors of \$1.1 million;
- return of surplus cash to the Government of \$2.1 million (\$nil).

Transfers on Establishment of Zero Waste SA

During 2003-04 expenses as a result of the establishment of Zero Waste SA amounted to \$1.6 million. These expenses principally comprised a transfer of cash amounting to \$1.8 million. Refer to Note 16 to the EPA's financial statements.

Statement of Cash Flows

The following table summarises the net cash flows since 2003.

	2005	2004	2003
	\$'million	\$'million	\$'million
Net Cash Flows			
Operations	(0.2)	(0.6)	3.5
Investing	(0.9)	(1.3)	(0.6)
Financing	-	(1.8)	7.1
Change in Cash	(1.1)	(3.7)	10.0
Cash at 30 June	5.2	6.3	10.0

Financing activities in the two previous financial years relate to administrative restructures. In 2002-03 the EPA was established and in 2003-04 Zero Waste SA was established.

FURTHER COMMENTARY ON OPERATIONS

The Environment Protection Fund

The Funds' operations are reflected in the Authority's financial statements. Note 31 discloses details of operations of the Fund.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	4	16 036	15 605
Supplies and services	5	7 434	8 515
Grants and contributions	6	5 984	7 624
Depreciation	7	882	996
Net loss from disposal of non-current assets	8	7	282
Other	9	(31)	7
Total Expenses from Ordinary Activities		30 312	33 029
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	10	20 421	18 294
Grants and contributions	11	1 817	1 765
Interest	12	323	645
Assets received free of charge	13	155	188
Other	14	46	567
Total Revenues from Ordinary Activities		22 762	21 459
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		7 550	11 570
SOUTH AUSTRALIAN GOVERNMENT REVENUES AND EXPENSES:			
Revenues	15	8 874	8 725
Expenses	15	2 128	-
Total South Australian Government Revenues and Expenses		6 746	8 725
NET RESULT BEFORE RESTRUCTURING		(804)	(2 845)
Net loss from administrative restructure	16	-	(1 625)
NET RESULT AFTER RESTRUCTURING		(804)	(4 470)
CHANGES TO EQUITY THROUGH NON-OWNER TRANSACTIONS:			
Net increase in asset revaluation reserve	25	1 279	-
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity		1 279	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNERS		475	(4 470)

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash	17	5 194	6 286
Receivables	18	1 114	992
Other	19	87	75
Total Current Assets		6 395	7 353
NON-CURRENT ASSETS:			
Receivables	18	43	72
Financial assets	20	5	5
Property, plant and equipment	21	4 721	3 391
Total Non-Current Assets		4 769	3 468
Total Assets		11 164	10 821
CURRENT LIABILITIES:			
Payables	22	1 237	1 582
Provisions for employee benefits	23	1 322	1 094
Other	24	6	67
Total Current Liabilities		2 565	2 743
NON-CURRENT LIABILITIES:			
Payables	22	425	421
Provisions for employee benefits	23	3 042	3 000
Total Non-Current Liabilities		3 467	3 421
Total Liabilities		6 032	6 164
NET ASSETS		5 132	4 657
EQUITY:			
Asset revaluation reserve	25	1 279	-
Accumulated funds	25	3 853	4 657
TOTAL EQUITY		5 132	4 657
Restrictions on Contributions	27		
Expenditure Commitments	28		

**Statement of Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
PAYMENTS:		
Employee benefits	(15 811)	(14 997)
Supplies and services	(7 653)	(8 008)
Grants and contributions	(5 984)	(7 626)
Total Outflows from Ordinary Activities	(29 448)	(30 631)
RECEIPTS:		
Fees and charges	20 235	18 175
Grants and contributions	1 817	1 765
Interest	325	662
Loan repayments	59	70
Other	46	567
Total Inflows from Ordinary Activities	22 482	21 239
SA GOVERNMENT CASH FLOWS:		
RECEIPTS:		
Recurrent appropriations	8 106	8 718
Accrual appropriations	598	-
Contingency funds	170	7
Total Inflows from SA Government	8 874	8 725
PAYMENTS:		
Return of surplus cash	(2 128)	-
Total Outflows from SA Government	(2 128)	-
Net Cash Outflows from Operating Activities	(220)	(667)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(873)	(1 297)
Proceeds from sale of property, plant and equipment	1	1
Net Cash Outflows from Investing Activities	(872)	(1 296)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net payments from administrative restructures	-	(1 808)
Net Cash Outflows from Financing Activities	-	(1 808)
NET DECREASE IN CASH HELD	(1 092)	(3 771)
CASH AT 1 JULY	6 286	10 057
CASH AT 30 JUNE	5 194	6 286

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

(a) Strategic Context (continued)

- Conduct compliance investigation and institute environmental monitoring and evaluation programmes
- Provide advice and assistance regarding best environmental management practice

The Authority has a key advocacy and engagement role across Government and with the people of South Australia, business and communities throughout South Australia (SA) 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 Section 8 and Section 21 of the *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

(c) Reporting Entity

The Authority was established by proclamation under the *Public Sector Management Act 1995* in the Government Gazette dated 27 June 2002. The administrative unit was established from the Environment Protection Agency functions transferred from DEH and the Radiation Protection Branch functions transferred from the Department of Human Services. Employees relating to these functions were transferred effective from 1 July 2002. (For additional information relating to the Administrative restructure refer note 2 (b)).

The administrative unit was established as a separate body to the statutory authority in 1995 under the *Environment Protection Act 1993* (the Act) that is also called the Environment Protection Authority. Subsequent amendments to the Act in April 2003 (section 14B) introduced a governing board to the Authority, being the Board of the Environment Protection Authority (consisting of 9 members), to which the Chief Executive of the administrative unit is accountable. Through this governing arrangement, the statutory authority (through its governing Board) is responsible for the operations of the administrative unit. Also in existence is the Radiation Protection Committee consisting of 10 members. The Committee is responsible for the formulation of regulations under the *Radiation Protection and Control Act 1982*.

The Environment Protection Fund (Fund) is established under Section 24 of the *Environment Protection Act 1993*. The purpose of the Fund is to provide funds which may be applied to education, training, investigations, research and pilot programs in relation to the protection, restoration or enhancement of the environment and to facilitate assistance in relation to an environment performance agreement.

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 Statement of Financial Position and the Fund's revenues and expenses have been recognised in the Authority's Statement of Financial Performance. The transactions of the Fund are disclosed in Note 31.

The Authority performs functions related to Authority and Administered activities. The Authority Financial Statements include the assets, liabilities, revenues and expenses controlled or incurred by the Authority in its own right. As Administered Items are insignificant to the Authority's overall financial performance and position, they have been disclosed in schedules of Administered Item revenues, expenses, assets, liabilities and cash flows which the Authority administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control. (Refer Note 32).

The Administered Items schedules detail the Administered Items' revenues, expenses, assets, liabilities 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. The Administered Items are:

- Adelaide Coastal Waters Study Steering Committee.

Details of the Administered Items' activities are contained in Note 32 along with the associated schedules of revenues, expenses, assets, liabilities and cash flows.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The Authority's Financial Statements are a general purpose financial report that has been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- the requirements of the Act;
- statements of accounting concepts;
- applicable Australian Accounting Standards (AAS);
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, consideration is given to the order of preference of other pronouncements as outlined in AAS 6 'Accounting Policies'.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Authority has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received as this is when the Authority gains control of these revenues. These revenues include items such as licence fees, fines and penalties.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at fair value, in accordance with APS guidance. Cost is based on the fair values of the consideration given in exchange for assets.

The financial statements detail the revenues, expenses and financial position of the Authority as a single entity and accordingly all intra-Authority transactions and balances have been eliminated.

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 outputs.

(b) Administrative Restructures

Effective from 1 July 2003, the Zero Waste SA reporting entity was established by proclamation in the Government Gazette dated 26 June 2003 as a separate administrative unit under the *Public Sector Management Act 1995* resulting in a transfer of functions and staff from the Authority during the previous financial period. (Refer Note 16)

(c) SA Government Revenues and Expenses

Revenues

All Government Appropriations are recorded as revenue in the Statement of Financial Performance at the time control passes to the Authority. In general, the Authority gains control of Appropriations upon receipt of the funds.

Expenses

Payments include the return of surplus cash pursuant to the cash alignment policy paid directly to the DTF consolidated account.

(d) Non-SA Government Revenues and Expenses Recognition

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

Revenues and expenses have been classified according to their nature in accordance with APS 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenues

All non-SA Government revenues recorded in the Statement of Financial Performance are recognised when the Authority obtains control over the future economic benefits in the form of increases in assets or reductions in liabilities. With respect to licence fees and fines and penalties revenue, the Authority obtains control upon receipt.

The Authority is not economically dependent on one individual for its revenue, however, the amount of revenue earned from transactions with our customer base can be influenced by the South Australian economy.

Expenses

Grants and Contributions are amounts provided by the Authority to entities for general assistance or for a particular purpose subject to terms and conditions set out in the contract, correspondence or by legislation and may be for capital, current or recurrent purposes.

(e) Cash

Cash in the Statement of Financial Position and the Statement of Cash Flows is comprised of cash on hand (including petty cash and cashier floats) and monies held by DTF in Special Deposit Accounts.

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 transferred \$2.13 million of its cash balance to the DTF consolidated account.

(f) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable whereas bad (uncollectable) debts are written off as incurred.

(g) Property, Plant and Equipment

The Statement of Financial Position includes all Property, Plant and Equipment controlled by the Authority.

Assets Disclosed at Valuation

In accordance with the requirements of Accounting Policy Statement (APS) 3 'Revaluation of Non-Current Assets', independent revaluations of classes of noncurrent assets only need to be undertaken where there existed an asset within a class that satisfied the criteria specified in APS 3. That is, there existed an asset within the class with an original acquisition cost of at least \$1 million and a useful life greater than three years. Although no assets exist that satisfy the requirements of APS 3, the Authority undertook a professional valuation exercise during the current reporting period for the following classes:

- Infrastructure
- Moveable Vehicles
- Computing Equipment
- Furniture and Fittings
- Plant and Equipment

As a consequence of undertaking revaluations, assets within each of the abovementioned asset classes are recognised at different carrying amounts.

Non-current assets in Note 21 'Property, Plant and Equipment' are disclosed within each class as follows to distinguish between the different carrying amounts and valuation methodologies.

- Independent Valuation 2004 represents assets within that class that were valued as part of the EPA Hazardous Waste Depot first time recognition process and are carried at fair value. The independent valuations were performed as at 30 June 2004 by Mr Stephen F Hinkelthein - B. App Sc (val), AAPI, Australian Valuation Office.
- Independent Valuation 2005 represents assets within that class that were valued as part of the Scientific Equipment, Plant & Equipment and Computer Equipment valuation process and are carried at fair value. The independent valuations were performed as at 1 July 2004 by Simon O'Leary - AAPI (P&M), Australian Valuation Office.
- At cost represents assets within that class that are carried at their cost of acquisition and/or construction.

In accordance with the transitional provisions of AASB 1041 'Revaluation of Non-Current Assets', any revaluation increments arising upon revaluing the abovementioned non-current asset classes to their fair value are credited directly to the asset revaluation reserve except that, to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense in Net Cost of Services from Ordinary Activities in respect of that same class of non-current assets, in which case the revaluation increments have been credited directly to accumulated funds.

In accordance with the transitional provisions of AASB 1041, any revaluation decrements arising upon revaluing the abovementioned non-current asset classes to their fair value are debited directly to the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, and any remainder of the net revaluation decrement is debited directly to accumulated funds.

Assets Deemed to be at Fair Value

For those classes of non-current assets where an independent revaluation has not been undertaken, the Authority's non-current assets are deemed to be at fair value as determined by APS 3 as issued by DTF. Accordingly, those items of property, plant and equipment controlled by the Authority have been brought to account at cost of acquisition and have been reduced to reflect the portion of economic benefits consumed since the asset was acquired.

Asset classes that are deemed to be at fair value include:

- Application Software

*Intangible Assets**Application Software*

A number of software applications have been acquired and/or developed in-house by the Authority. The expenditure incurred on these applications is capitalised and recognised as an asset as it satisfied the definition and recognition criteria of an asset.

Intellectual Property, Databases and Information Systems

The Authority controls a number of databases, registers, information systems and other intellectual property that were developed in-house and are used to store and manage intellectual property owned and controlled by the Authority. While the development and maintenance of these databases involves ongoing costs to the Authority, the data has not been recognised in the financial statements as assets, as it has not been possible to reliably measure the future economic benefits to the Authority.

Other

The recoverable amount test prescribed in AASB 1010 'Recoverable Amount of Non-Current Assets' has not been applied as the Authority is a not-for-profit entity whose service potential is not related to the ability to generate net cash inflows.

Property, plant and equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Authority. Assets received in this way are disclosed as revenue in the Statement of Financial Performance and Note 13.

Items of property, plant and equipment with an individual value of less than \$2 000 are expensed in the Statement of Financial Performance at the time they are acquired.

(h) Depreciation of Non-Current Assets

All non-current assets with an initial cost greater than \$2 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

	Useful Life
Computing equipment	3-10 years
Application software	3-10 years
Plant and equipment	3-30 years
Moveable vehicles	10-25 years
Furniture and fittings	5-15 years
Buildings and improvements	3-50 years

In accordance with AASB 1021 'Depreciation', an annual review of the appropriateness of depreciation rates and associated useful lives is undertaken. The results of the annual review indicated that the depreciation rates and associated useful lives for the computing equipment class required change for PC equipment from three years to four years and for monitors from three years to four or six years. The new useful lives are now in accordance with the Authority's replacement program for IT equipment. The financial effect of this change is reflected in Note 7 'Depreciation'.

(i) Leases

The Authority makes a distinction between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and operating leases under which the lessor effectively retains substantially all of the risks and benefits incidental to ownership.

Finance Leases

The Authority has not entered into any finance leases.

Operating Leases

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 28.

(j) Payables

Those amounts which represent liabilities for goods and services provided to the Authority are identified as payables.

(k) Provisions for Employee Benefits

In accordance with AASB 1028 'Employee Benefits', a provision is made for the Authority's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Authority has a present obligation to pay to employees for services provided.

Accrued Salaries and Wages

The liability for accrued salaries and wages represents the amount earned by employees at reporting date not yet paid by the Authority based on remuneration rates current at reporting date.

Sick Leave

No provision is made for sick leave as experience indicates that on average sick leave taken each reporting period is less than or equal to the accruing sick leave entitlement in each reporting period. This experience is expected to recur in future reporting periods such that it is improbable that existing accrued sick leave entitlements will be used by employees in the reporting period.

Annual Leave

A provision has been made for the unused component of annual leave, including annual leave loading, based on the remuneration rates expected to apply when the leave is taken and related on-costs as at reporting date. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Authority's experience of employee retention and leave taking.

Long Service Leave

In calculating long service leave benefits the Authority uses a benchmark of 7 years, based on an actuarial assessment undertaken by DTF of a significant sample of employees throughout the South Australian public sector. The long service leave entitlement estimated to be paid within 12 months of balance date, is calculated by multiplying employee benefits by the remuneration rates expected to apply when the leave is taken and related on-costs as at reporting date. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Authority's experience of employee retention and leave taking.

Employee On-Costs

In general, related on-costs of payroll tax and superannuation have been calculated by applying the standard applicable rates to leave balances as at 30 June. Superannuation on-costs are included for only part of the long service leave provision in recognition that it is estimated that 45 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions. (Refer Note 23)

Superannuation

Contributions are made by the Authority to several superannuation schemes operated by the South Australian 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 schemes. Any liability outstanding at reporting date relates to any contribution due but not yet paid to the superannuation schemes, any such amount is treated as a payable not an employee benefit.

Workers Compensation

The workers compensation liability recognised for the employees of the Authority 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 2004-05 financial year the Authority has reflected a workers compensation provision of \$0.077 million (\$0.071 million). (Refer Note 23)

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 AAS 26 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

During the current reporting period, the Government Workers Compensation Fund (the Fund) was closed to all new residual disability, redemption of future medical and income costs and death payment claims with effect from 1 July 2004. Any new claims from 1 July 2004 are the responsibility of the Authority and as such the Provision for Workers Compensation Liability will be increased accordingly. All claims payments currently covered by the Fund (ie claims lodged prior to 1 July 2004) continue to be covered by the Fund and as such this liability is not reflected within the Authority's Financial Statements.

(l) Tax Status

The activities of the Authority are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

(m) Accounting for Goods and Services Tax (GST)

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 the Authority forms part of the receivables and payables recorded in the Statement of Financial Position and the GST cash flows recorded in the Statement of Cash Flows of DEH.

Any GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is, however, recognised as part of an item of expense.

(n) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Authority will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with the requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', a detailed assessment of the impacts of these new standards was performed on the accounts of the entity for year ended June 2005. The scope of this exercise was extensive, giving rise to a number of new policies and procedures being developed to facilitate the implementation and interpretation of the new standards. While there will be changes to the disclosure for items within the Notes to the accounts, no material adjustments were identified at the summary level of the accounts.

(o) SA Government Specific Disclosures

In accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports', the Authority has disclosed revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government, classified according to their nature.

(p) Comparative Figures

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

(q) Rounding

All amounts have been rounded to the nearest thousand dollars (\$'000) and expressed in Australian currency.

3. 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.

4. Employee Benefits

	2005	2004
	\$'000	\$'000
Salaries and wages ⁽ⁱ⁾	12 974	12 459
Superannuation	1 529	1 387
Annual leave	109	246
Payroll tax	807	764
Long service leave	122	108
Workers compensation	15	6
Sitting fees boards and committees	147	76
Other	333	559
	16 036	15 605

(i) Targeted Voluntary Separation Packages (TVSPs)

TVSP amounts paid by the Authority are included within salaries and wages expenses.

During the year no employees of the Authority accepted packages in line with the State Government's policy (2004: 4).

The TVSP component of termination payments totalled \$nil (\$0.34 million). When TVSPs are offered these costs are met from a central fund administered by the Office of Public Employment. A total of \$nil has been recovered relating to 2004-05 (2004: \$0.34 million).

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$nil was paid to employees who received a TVSP (2004: \$0.18 million).

Employee Remuneration

	2005	2004
	Number of	Number of
	Employees	Employees
The number of employees whose remuneration exceeded \$100 000 was:		
\$100 000 - \$109 999	1	-
\$110 000 - \$119 999	2	1
\$120 000 - \$129 999	-	2
\$130 000 - \$139 999	1	-
\$220 000 - \$229 999	1	1
Total Number of Employees	5	4

	2005	2004
	\$'000	\$'000
The total remuneration received, or due and receivable by employees whose remuneration exceeded \$100 000	698	601

Remuneration includes salary, employer's superannuation costs, use of motor vehicles in accordance with prescribed conditions and associated FBT and contract termination payments, but does not include any amounts payable due to retirement under the TVSP arrangements.

Average Number of Employees

During the reporting period the Authority had an average of 210.9 (208) employees.

Remuneration of Board Members

The number of Board members whose remuneration received or due and receivable fell within the following bands:

	2005	2004
	Number of	Number of
	Members	Members
\$nil	8	2
\$1 - \$10 000	6	17
\$10 001 - \$20 000	6	3
Total Number of Board Members	20	22

In the current reporting period remuneration was paid to four members of the Radiation Protection Committee and eight members of the Board of the Environment Protection Authority. During the previous reporting period remuneration was paid to seven members of the Board of the Environment Protection Authority and eight members of the Radiation Protection Committee. Also paid in the previous reporting period was remuneration relating to the 2002-03 financial period for five retired members of the Board of the Environment Protection Authority.

5. Supplies and Services

	2005	2004
	\$'000	\$'000
Accommodation and property management services	1 661	1 618
Materials and consumables	205	329
Vehicles	354	352
Travel and accommodation	173	211
Contractors	1 194	2 292
Consultant fees ⁽ⁱ⁾	257	477
Fees for service	429	75
Computing	401	449
Minor plant and equipment	93	121
Printing and publishing	198	301
Postage, courier and freight	38	44
Advertising	645	175
Scientific and technical services	930	1 108
Telephone expenses	246	309
Audit fees	62	63
Equipment repairs and maintenance	54	58
Books, periodicals and newspapers	17	27
Entertainment	15	16
Equipment hire	10	6
Media monitoring	26	67
Conference and seminar presentation	108	82
Insurance	23	23
Transportation	90	87
Customer call centre costs	75	83
Hazardous waste storage and disposal costs	71	97
Membership subscriptions	12	4
Other	47	41
	7 434	8 515

(i) The number and amount of consultant fees fell within the following bandwidths:

	Number of	2005	2004
	Consultancies	\$'000	\$'000
Below \$10 000	2	12	44
Between \$10 000 and \$50 000	2	44	76
Above \$50 000	2	201	357
Total Number and Amount of Consultant Fees	6	257	477

Supplies and services provided by entities within the SA Government:

	2005	2004
	\$'000	\$'000
Accommodation and property management services	1 586	1 457
Materials and consumables	36	-
Vehicles	338	272
Contractors	45	147
Fees for services	250	-
Computing	49	62
Advertising	8	-
Scientific and technical services	627	-
Telephone expenses	182	138
Audit fees	62	63
Equipment repairs and maintenance	5	17
Books, periodicals and newspapers	1	-
Conference and seminar presentation	6	-
Insurance	23	23
	3 218	2 234

6. Grants and Contributions	2005	2004
	\$'000	\$'000
State Government ⁽ⁱ⁾	5 657	5 958
Local Government	65	1 498
Private Industry and Community	161	82
Individuals	56	67
Other	45	19
	5 984	7 624
(i) State Government Grants and Contributions		
Zero Waste SA*	5 641	5 432
Environment and Heritage	-	437
Onkaparinga Catchment Water Management Board	-	79
Patawalonga Catchment Water Management Board	-	10
Department of Primary Industries and Resources	16	-
	5 657	5 958

* As per section 113 of the *Environment Protection Act 1993* 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 *Zero Waste SA Act 2004*. This transfer represents the payment of waste levies monies to Zero Waste SA during 2004-05 in accordance with the *Zero Waste SA Act 2004*. In the previous reporting period, the waste levies transfer amounted to \$5.14 million with the balance of \$0.19 million being interest earned on the waste levies collected prior to transfer to Zero Waste SA.

7. Depreciation	2005	2004
	\$'000	\$'000
Buildings and improvements	3	5
Infrastructure	11	-
Moveable vehicles	5	5
Computing equipment	107	259
Application software	159	40
Furniture and fittings	93	65
Plant and equipment	491	64
Other	13	558
	882	996

Change in Depreciation due to a Revaluation

In the current reporting period, the Authority revalued its Infrastructure, Moveable Vehicles, Computing Equipment, and Plant and Equipment classes upward. This revaluation process also involves a re-assessment of the useful lives of each asset. As a result of the revaluation, depreciation on these assets has decreased by \$0.12 million.

	2005
	\$'000
Infrastructure	increase 5
Moveable vehicles	decrease 1
Computing equipment	decrease 3
Plant and equipment*	decrease 124
	123

The financial effect of the revaluation and reassessment of useful lives (reduction of \$0.12 million) is incorporated in the Depreciation Expense on the reconciliation schedule in Note 21.

* Plant and equipment subject to revaluation and associated reassessment of useful lives were transferred from other assets during the current reporting period.

Depreciation written back due to revisions to Useful Life Estimates

During the current reporting period, the estimated useful lives of some computing equipment were reviewed. This resulted in the write back of depreciation expense totalling \$0.09 million which appears in the 'Depreciation Expense - Revision to Useful Life Estimation' line of the reconciliation schedule in Note 21.

8. Net Loss from Disposal of Non-Current Assets	2005	2004
	\$'000	\$'000
Proceeds from disposal of non-current assets	1	1
Less: Written down value of non-current assets	8	283
	(7)	(282)
9. Other Expenses		
Bad and doubtful debts	(39)	7
Asset write-downs	8	-
	(31)	7

10. Fees and Charges	2005	2004
	\$'000	\$'000
Fines and penalties	161	60
Waste levies	12 107	11 580
Fees and licences	7 390	5 957
Section 7 enquiries	286	286
Fee for service	309	346
Sale of goods	9	1
Sale of services	159	64
	20 421	18 294
Fees and Charges earned from entities within the SA Government:		
Fines and penalties	19	-
Fees and licences	1 708	1 043
Section 7 enquiries	273	278
Fee for service	309	346
	2 309	1 667
11. Grants and Contributions		
Commonwealth Government ⁽ⁱ⁾	239	646
State Government ⁽ⁱⁱ⁾	969	438
Private Industry and Local Government ⁽ⁱⁱⁱ⁾	609	666
Other	-	15
	1 817	1 765
(i) Commonwealth Government Grants and Contributions:		
Natural Heritage Trust	129	-
DEH Canberra	90	-
Rural Industries Research Development	20	-
Environment Australia	-	500
Other	-	146
	239	646
(ii) State Government Grants and Contributions:		
Catchment Water Management Boards	574	297
Water, Land and Biodiversity Conservation	150	-
Integrated Natural Resources Management Group	100	-
SA Water Corporation	50	-
Trade and Economic Development	50	40
Primary Industries and Resources SA	30	-
Environment and Heritage	15	101
	969	438
(iii) Private Industry and Local Government:		
National Packaging Covenant	379	406
NRG Flinders	200	200
Kimberly Clark	30	30
	609	666
12. Interest		
Interest on funds held	323	645
Interest and Dividends earned from entities within the SA Government:		
Interest on funds held	323	645
13. Assets Received Free of Charge		
Land and improvements	-	170
Plant and equipment	130	-
Moveable vehicles	3	-
Transfers received assets	22	17
Other	-	1
	155	188
14. Other Revenue		
Salaries and wages recoveries	34	561
Insurance recoveries	10	-
Other	2	6
	46	567

14. Other Revenue (continued)	2005	2004
Other Revenue earned from entities within the SA Government:	\$'000	\$'000
Salaries and wages recoveries	34	561
Insurance recoveries	10	-
	44	561
15. SA Government Revenues and Expenses		
Revenues:		
Recurrent appropriation	8 106	8 718
Contingency funds	170	7
Accrual appropriation	598	-
Total SA Government Revenues	8 874	8 725
Expenses:		
Return of surplus cash	2 128	-
Total SA Government Expenses	2 128	-
16. Net Loss from Administrative Restructure		
The Zero Waste SA reporting entity was established with effect from 1 July 2003, resulting in the transfer of functions, staff, assets and liabilities from the Authority. The realignment resulted in a net loss of \$1.63 million due to the transfer of the following assets and liabilities:		
	2005	2004
Assets:	\$'000	\$'000
Cash	-	1 808
	-	1 808
Liabilities:		
Payables	-	20
Provisions for employee benefits	-	163
	-	183
Net Loss from Administrative Restructure	-	(1 625)
17. Cash		
Authority Deposit Account	1 834	3 506
Environment Protection Fund Deposit Account	1 592	1 671
Accrual appropriation	1 763	1 103
Advance accounts	4	4
Cash in transit	-	1
Cash on hand	1	1
	5 194	6 286
18. Receivables		
Current:		
Debtors	1 065	950
Loans	38	46
Interest	15	17
Other	1	1
Less: Provision for doubtful debts	5	22
	1 114	992
Non-Current:		
Debtors	3	4
Loans	40	91
Less: Provision for doubtful debts	-	23
	43	72
Receivables from SA Government Entities:		
Debtors	45	83
Interest	15	17
	60	100
19. Other Assets		
Current:		
Prepayments	87	75
	87	75
20. Financial Assets		
Non-Current:		
Equity in listed entities	5	5
	5	5

21. Property, Plant and Equipment	2005	2004
(a) Land, Buildings and Improvements	\$'000	\$'000
Land:		
Independent Valuation 2004	100	100
Total Land	100	100
Buildings and Improvements:		
Independent Valuation 2004	93	-
At cost	7	136
Less: Accumulated depreciation	46	60
Total Buildings and Improvements	54	76
Infrastructure		
Independent Valuation 2004	37	-
Independent Valuation 2005	154	-
At Cost	80	133
Less: Accumulated depreciation	77	28
Total Infrastructure	194	105
Total Buildings and Improvements	348	281
(b) Plant and Equipment		
Moveable Vehicles:		
Independent Valuation 2005	64	-
At cost	56	78
Less: Accumulated depreciation	56	47
Total Moveable Vehicles	64	31
Computing Equipment:		
Independent Valuation 2005	15	-
At cost	926	1 400
Less: Accumulated depreciation	622	1 008
Total Computing Equipment	319	392
Application Software:		
At cost	1 059	719
Less: Accumulated depreciation	454	65
Total Application Software	605	654
Furniture and Fittings:		
Independent Valuation 2005	49	-
At cost	1 072	824
Less: Accumulated depreciation	361	254
Total Furniture and Fittings	760	570
Plant and Equipment:		
Independent Valuation 2004	4	-
Independent Valuation 2005	3 246	-
At cost	1 593	337
Less: Accumulated depreciation	2 562	260
Total Plant and Equipment	2 281	77
Other:		
Independent Valuation 2004	-	4
Independent Valuation 2005	128	-
At cost	14	3 705
Less: Accumulated depreciation	82	2 328
Total Other	60	1 381
Capital Works in Progress:		
At cost	284	5
Total Capital Works in Progress	284	5
Total Plant and Equipment	4 373	3 110
Total Property, Plant and Equipment	4 721	3 391

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment is displayed in the table below.

	Land \$'000	Buildings and Improvements \$'000	Infra- structure \$'000	Moveable Vehicles \$'000	Computing Equipment \$'000	Application Software \$'000
Gross Carrying Amount:						
Balance at 30 June 2004	100	137	133	78	1 400	718
Additions	-	-	-	-	40	-
Additions - Transfer from capital works in progress	-	-	-	-	-	92
Net revaluation increment (decrement)	-	-	99	23	(3)	-
Transfers between classes	-	(37)	39	15	(261)	251
Assets received free of charge	-	-	-	4	48	-
Disposals	-	-	-	-	(225)	(2)
Assets written off and/or impaired	-	-	-	-	(58)	-
Balance at 30 June 2005	100	100	271	120	941	1 059
Accumulated Depreciation:						
Balance at 30 June 2004	-	(61)	(28)	(47)	(1 007)	(65)
Depreciation expense	-	(3)	(11)	(5)	(195)	(173)
Depreciation expense - Revision to useful life estimations	-	-	-	-	88	14
Net revaluation increment (decrement)	-	-	(20)	5	11	-
Transfers between classes	-	18	(18)	(8)	236	(232)
Assets received free of charge	-	-	-	(1)	(26)	-
Disposals	-	-	-	-	217	2
Assets written off and/or impaired	-	-	-	-	55	-
Balance at 30 June 2005	-	(46)	(77)	(56)	(622)	(454)
Net Book Value:						
As at 30 June 2004	100	76	105	31	393	653
As at 30 June 2005	100	54	194	64	319	605
Gross Carrying Amount:						
Balance at 30 June 2004		824	337	3 709	5	7 441
Additions		68	106	26	555	795
Additions - Transfer from capital works in progress		170	14	-	(276)	-
Net revaluation increment (decrement)		4	558	63	-	744
Transfers within classes		55	3 594	(3 656)	-	-
Assets received free of charge		-	276	-	-	328
Disposals		-	(31)	-	-	(258)
Assets written off and/or impaired		-	(11)	-	-	(69)
Balance at 30 June 2005		1 121	4 843	142	284	8 981
Accumulated Depreciation:						
Balance at 30 June 2004		(254)	(260)	(2 328)	-	(4 050)
Depreciation expense		(93)	(491)	(13)	-	(985)
Depreciation expense - Revision to useful life estimations		-	-	-	-	102
Net revaluation increment (decrement)		2	539	(2)	-	535
Transfers within classes		(16)	(2 241)	2 261	-	-
Assets received free of charge		-	(146)	-	-	(173)
Disposals		-	31	-	-	250
Assets written off and/or impaired		-	6	-	-	61
Balance at 30 June 2005		(361)	(2 562)	(82)	-	(4 260)
Net Book Value:						
As at 30 June 2004		570	77	1 381	5	3 391
As at 30 June 2005		760	2 281	60	284	4 721

22. Payables	2005	2004
Current:	\$'000	\$'000
Creditors	905	832
Accruals	90	568
Employee benefit on-costs ⁽ⁱ⁾	242	182
	1 237	1 582
Non-Current:		
Employee benefit on-costs ⁽ⁱ⁾	425	421

(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:	2005	2004
Accrued Payroll Tax:	\$'000	\$'000
Annual leave	58	47
Long service leave	10	5
Accrued salaries and wages	8	8
	76	60
Superannuation:		
Annual leave	140	100
Long service leave	13	7
Accrued salaries and wages	14	15
	167	122
Total Current Employee Benefit On-Costs	243	182
Non-Current:		
Long service leave	178	176
	178	176
Superannuation:		
Long service leave	247	245
	247	245
Total Non-Current Employee Benefit On-Costs	425	421
Payables to SA Government entities:		
Creditors	146	344
Accruals	63	403
Employee benefit on-costs	667	665
	876	1 412

23. Provisions for Employee Benefits

Current:		
Annual leave	916	850
Long service leave	161	89
Workers compensation	21	21
Accrued salaries and wages	224	134
	1 322	1 094
Non-Current:		
Long service leave	2 986	2 950
Workers compensation	56	50
	3 042	3 000

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 22 as they do not accrue to employees.

The aggregate current liability from employee benefits and related on-costs is \$1.56 million (\$1.28 million).

The aggregate non-current liability from employee benefits and related on-costs is \$3.47 million (\$3.42 million).

24. Other Liabilities

Current:	2005	2004
Deposits held	\$'000	\$'000
Other	-	50
	6	17
	6	67

25. 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.

2005			
	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Total \$'000
Balance at 1 July	4 657	-	4 657
Deficit for the year	(804)	-	(804)
Net Increment related to the revaluation of:			
Infrastructure	-	79	79
Moveable vehicles	-	28	28
Computing equipment	-	8	8
Furniture and fittings	-	6	6
Plant and equipment	-	1 097	1 097
Other	-	61	61
Balance at 30 June	3 853	1 279	5 132

2004			
	Accumulated Funds \$'000	Asset Revaluation Reserve \$'000	Total \$'000
Balance at 1 July	9 127	-	9 127
Deficit for the year	(4 470)	-	(4 470)
Balance at 30 June	4 657	-	4 657

26. Reconciliation of Net Cash used in Operating Activities to Net Cost of Services

	2005 \$'000	2004 \$'000
Net cash used in operating activities	(220)	(667)
Adjustments:		
Cash flows from Government	(6 746)	(8 725)
Depreciation and amortisation	(882)	(996)
Assets received free of charge	155	188
Assets written off	(8)	-
Net loss on sale of assets	(7)	(282)
Changes in Assets and Liabilities:		
Increase in receivables	93	5
Decrease in inventories	-	(2)
Increase (Decrease) in other assets	12	(37)
Decrease (Increase) in payables	262	(513)
Increase in employee benefits	(270)	(552)
Decrease in other liabilities	61	11
Net Cost of Services from Ordinary Activities	(7 550)	(11 570)

27. 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:

	2005 \$'000	2004 \$'000
Environment protection	1 755	1 530

**28. 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.

	2005 \$'000	2004 \$'000
Not later than one year	1 853	1 391
Later than one year but not later than five years	4 646	4 115
Total (including GST)	6 499	5 506

Operating Lease Commitments (continued)

Included in the operating lease commitments above is \$0.59 million (\$0.50 million) which is the GST component of the operating lease payments.

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.

29. 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 the 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 5.16 percent (4.87 percent).

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.

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

All financial assets and liabilities are unsecured.

(b) Interest Rate Risk Exposure

The 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.

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	2005 1 to 5 Years \$'000	More than 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash	5.16	5 194	-	-	-	-	5 194
Loans	N/A	-	-	-	-	78	78
Debtors	N/A	-	-	-	-	1 079	1 079
Financial Assets	N/A	-	-	-	-	5	5
		5 194	-	-	-	1 162	6 356
Financial Liabilities:							
Creditors	N/A	-	-	-	-	1 662	1 662
		-	-	-	-	1 662	1 662

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year or Less \$'000	2004 1 to 5 Years \$'000	More than 5 Years \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash	4.87	6 286	-	-	-	-	6 286
Loans	N/A	-	-	-	-	137	137
Debtors	N/A	-	-	-	-	926	926
Financial Assets	N/A	-	-	-	-	5	5
		6 286	-	-	-	1 068	7 354
Financial Liabilities:							
Creditors	N/A	-	-	-	-	2 003	2 003
		-	-	-	-	2 003	2 003

(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.

	Carrying Amount 2005	Net Fair Value 2005	Carrying Amount 2004	Net Fair Value 2004
	\$'000	\$'000	\$'000	\$'000
Financial Assets:				
Cash	5 194	5 194	6 286	6 286
Loans	78	78	137	137
Debtors	1 079	1 079	926	926
Financial Assets	5	5	5	5
	6 356	6 356	7 354	7 354
Financial Liabilities:				
Creditors	1 662	1 662	2 003	2 003
	1 662	1 662	2 003	2 003

30. Auditors' Remuneration

Services provided by the Auditor-General's Department with respect to the audit of the Authority totalled \$62 000 (\$63 000) for the reporting period. No other services were provided by the Auditor-General's Department.

31. 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 to Note 1(c)).

Statement of Financial Performance for the year ended 30 June 2005

	2005	2004
	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee benefits	682	670
Supplies and services	624	482
Grants and contributions	131	250
Net loss from disposal of non-current assets	-	5
Other	(1)	1
Total Expenses from Ordinary Activities	1 436	1 408
REVENUES FROM ORDINARY ACTIVITIES:		
Fees and charges	1 134	1 049
Grants and contributions	-	30
Interest	99	143
Other	-	16
Total Revenues from Ordinary Activities	1 233	1 238
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	203	170
NET RESULT BEFORE RESTRUCTURING	(203)	(170)
Net Loss from Administrative Restructure (Refer Note 16)	-	(1 808)
NET RESULT AFTER RESTRUCTURING	(203)	(1 978)

Statement of Financial Position as at 30 June 2005

	2005	2004
	\$'000	\$'000
CURRENT ASSETS:		
Cash	1 592	1 671
Receivables	54	62
Total Current Assets	1 646	1 733
Total Assets	1 646	1 733
CURRENT LIABILITIES:		
Payables	186	24
Provisions for employee benefits	4	-
Other	-	50
Total Current Liabilities	190	74
Total Liabilities	190	74
NET ASSETS	1 456	1 659

32. 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, Onkaparinga, Torrens and Patawalonga Catchment Water Management Boards, Tru Energy, the Department of 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 the Department of Treasury and Finance (DTF) pursuant to Section 8 of the *Public Finance and Audit Act 1987*.

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 include 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 revenues, expenses, assets, liabilities and cash flows.

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 an 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.

Details of the Administered Item revenues, expenses, assets, liabilities and cash flows are provided in the following schedules.

- Schedule 1(A): Administered Revenues and Expenses for the Year Ended 30 June 2005
- Schedule 1(B): Administered Revenues and Expenses for the Year Ended 30 June 2004
- Schedule 2(A): Administered Assets and Liabilities as at 30 June 2005
- Schedule 2(B): Administered Assets and Liabilities as at 30 June 2004
- Schedule 3(A): Administered Cash Flows for the Year Ended 30 June 2005
- Schedule 3(B): Administered Cash Flows for the Year Ended 30 June 2004

Schedule 1A: Administered Revenues and Expenses for the Year Ended 30 June 2005

	2005 Adelaide Coastal Waters Study Steering Committee \$'000
EXPENSES FROM ORDINARY ACTIVITIES:	
Supplies and services	510
Total Expenses from Ordinary Activities	510
REVENUES FROM ORDINARY ACTIVITIES:	
Grants and contributions	637
Interest and dividends	42
Total Revenues from Ordinary Activities	679
Net Surplus from Ordinary Activities	169
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	169

Schedule 1B: Administered Revenues and Expenses for the Year Ended 30 June 2004

	2004 Adelaide Coastal Waters Study Steering Committee \$'000
EXPENSES FROM ORDINARY ACTIVITIES:	
Supplies and services	806
Total Expenses from Ordinary Activities	<u>806</u>
REVENUES FROM ORDINARY ACTIVITIES:	
Grants and contributions	647
Interest and dividends	45
Total Revenues from Ordinary Activities	<u>692</u>
Net Cost of Services from Ordinary Activities	<u>114</u>
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS	<u>(114)</u>

Schedule 2A: Administered Assets and Liabilities as at 30 June 2005

	2005 Adelaide Coastal Waters Study Steering Committee \$'000
CURRENT ASSETS:	
Cash	1 004
Receivables	4
Total Current Assets	<u>1 008</u>
Total Assets	<u>1 008</u>
CURRENT LIABILITIES:	
Payables	144
Total Current Liabilities	<u>144</u>
Total Liabilities	<u>144</u>
NET ASSETS	<u><u>864</u></u>
EQUITY:	
Accumulated Funds	864
TOTAL EQUITY	<u><u>864</u></u>

Schedule 2B: Administered Assets and Liabilities as at 30 June 2004

	2004 Adelaide Coastal Waters Study Steering Committee \$'000
CURRENT ASSETS:	
Cash	692
Receivables	3
Total Current Assets	<u>695</u>
Total Assets	<u>695</u>
NET ASSETS	<u>695</u>
EQUITY:	
Accumulated Funds	695
TOTAL EQUITY	<u>695</u>

Schedule 3A: Administered Cash Flows for the Year Ended 30 June 2005

	2005 Adelaide Coastal Waters Study Steering Committee \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments:	
Supplies and services	(366)
Total Outflows from Ordinary Activities	(366)
Receipts:	
Grants and contributions	637
Interest and dividends	41
Total Inflows from Ordinary Activities	678
Net Cash Inflows from Operating Activities	312
NET INCREASE IN CASH HELD	312
CASH AT 1 JULY	692
CASH AT 30 JUNE	1 004

Schedule 3B: Administered Cash Flows for the Year Ended 30 June 2004

	2004 Adelaide Coastal Waters Study Steering Committee \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments:	
Supplies and services	(806)
Total Outflows from Ordinary Activities	(806)
Receipts:	
Grants and contributions	1 040
Interest and dividends	44
Total Inflows from Ordinary Activities	1 084
Net Cash Inflows from Operating Activities	278
NET INCREASE IN CASH HELD	278
CASH AT 1 JULY	414
CASH AT 30 JUNE	692

DEPARTMENT FOR FAMILIES AND COMMUNITIES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

In December 2003, Cabinet approved the restructure of the Department of Human Services (DHS) by creating two new departments, one focussed on Health and the other focussed on Social Justice and Housing.

On 5 March 2004 the Governor made a proclamation pursuant to the *Public Sector Management Act 1995*, to establish an administrative unit titled the Department for Families and Communities (DFC). The proclamation provided that, for financial accounting and reporting purposes, the establishment of the administrative unit may occur on 1 July 2004.

In addition, on 11 March 2004, the Governor made a proclamation which transferred the Department for Aboriginal Affairs and Reconciliation (DAARE) from the Department for Administrative and Information Services to the newly created DFC. The proclamation provided that, for financial accounting and reporting purposes, the transfer of employees under the proclamation may occur on 1 July 2004.

The assets and liabilities which are subject to the control of DFC as a consequence of the proclamations referred to above were transferred to the newly created Department on 1 July 2004.

The name of DHS was changed to the Department of Health (DH) by proclamation of the Governor effective 1 July 2004.

On 14 October 2004, the Governor proclaimed the transfer of employees of DAARE from DFC to the Department of the Premier and Cabinet (DPC). As a consequence the assets and liabilities of DAARE were transferred to DPC effective 31 October 2004.

Financial Reporting Arrangements

Pursuant to the proclamation made on 5 March 2004 regarding the establishment of DFC, no financial statements were prepared for the DFC for the 2003-04 financial year. As a consequence no comparatives are recorded in the Financial Statements of DFC for the 2004-05 financial year.

During 2003-04 DHS processed transactions as agent for DFC (ie remuneration costs of the Chief Executive) which were the responsibility of the newly created Department. These transactions were recognised as administered items in the Financial Statements of DHS for 2003-04.

Vision and Functions

The Department works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

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 responsible Ministers.

In addition, the Department provides services to other entities within the portfolio including the South Australian Housing Trust, the South Australian Community Housing Authority (SACHA), Aboriginal Housing Authority, HomeStart Finance and Disability Health Services.

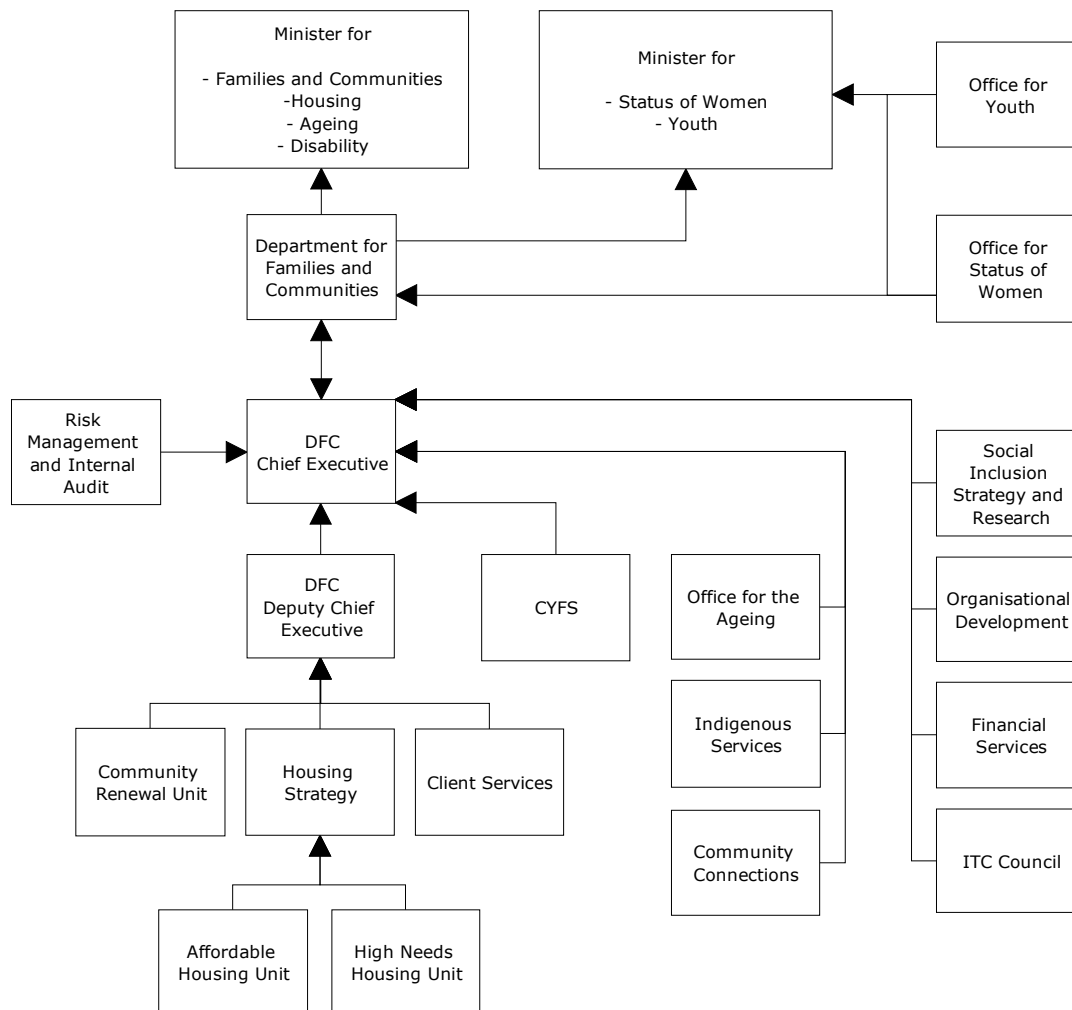
The Minister of Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act 1976* for three incorporated Disability Health Services.

Shared Service Arrangements

As a result of restructure of the former Department of Human Services, shared services arrangements were entered into to facilitate the delivery of certain business services to both agencies. The services provided to DFC by DH include Financial services; Workforce services; Information and Communication Technology services; and Strategic Procurement. Services provided to DH by DFC include Risk Management and Internal Audit Services, Purchasing; and Fleet Management. Audit understands that these shared services arrangements are being reviewed for 2005-06.

Structure

The structure of the Department for Families and Communities is illustrated in the following organisation chart.



The context of the Audit of the Department for 2004-05.

Audit acknowledge that the Department of Families and Communities is a new Department with a new Chief Executive and other senior managers.

When considering the matters arising from the audit of the Department for 2004-05 Audit recognise that the new Chief Executive and a number of her staff have had limited time and opportunity to address the matters raised by Audit.

Notwithstanding this observation the Department is responsible for established functions, activities and programs which have been audited in the past. In a number of areas past audits have identified significant weakness in control arrangements which were not resolved at the time of the establishment of the Department and, while there has been progress over 2004-05, they remain of concern to Audit.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- funding to non-government organisations
- administration of concessions
- financial operations of Child, Youth and Family Services
- management reporting
- risk management
- payroll
- accounts payable
- revenue.

The work of the internal auditor was considered in designing the audit programs and was relied on in assessing the effectiveness of the internal controls. Specific areas of reliance included the review of the financial operations of Child, Youth and Family Services.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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*, applicable Accounting Standards, other mandatory professional reporting requirements in Australia, the financial position of the Department for Families and Communities as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

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 Non-Government Organisations, Administration of Concessions, Risk Management, Management Reporting, Payroll, Accounts Payable and Financial Operations of Child, Youth and Family Services as outlined under 'Audit Communications to Management and Other 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.

Audit Committee and Internal Audit

The Department's Internal Auditors conducted audits within the Department and in portfolio Housing agencies. In addition to using Departmental staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department included review of:

- Child, Youth and Family Services (CYFS) financial operations
- Budget Management and Control
- Monitoring of NGOs
- Concessions Follow up
- ICT Transition Project.

Further commentary regarding Internal Audit's review of CYFS is provided under the heading 'Audit Communications to Management and Other Matters'.

Audit Communications to Management and Other 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.

Budget and Financial Management Consultancy

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.

In approving the review Cabinet provided for the Auditor-General to be fully informed about the review and its findings. 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 key findings of the review included that it was apparent that the DHS budget had experienced unfavourable budget variances for an extended period, yet any attempt to conduct detailed analysis of this budget variance had been hindered by DHS budget information being unreliable.

Audit will monitor the progress of implementation of the recommendations relevant to DFC during 2005-06.

Funding to Non-Government Organisations

Audit review of funding to Non-Government Organisations (NGOs) considered whether arrangements implemented by the Department for the administration of grants supported appropriate accountability by the Department and the funded organisations. Prior year audits of this area, when controlled by the Department of Human Services, identified a number of control weaknesses.

Audit review in 2004-05 found that many of the issues previously raised by Audit were not resolved. As a consequence control over funding to non-government organisations was considered unsatisfactory. The matters raised by Audit over the past two years include matters which were first reported upon in the Auditor-General's Report to Parliament in 2000-01. While it is acknowledged there has been progress in implementing Audit recommendations it is a matter of concern that there remain significant unresolved matters.

The following commentary provides a summary of the more significant matters raised by Audit and the Department's response.

Alignment of Funding Process with Departmental Strategic Objectives

Audit review in 2003-04 of grant funding allocation processes failed to identify a formal analysis which linked funding allocated to specific programs (and service providers) to the Department's strategic objectives. In response the Department advised that a Planning and Funding Framework was being developed to provide the context for a consistent approach to the planning of services and a formal structure to support the alignment of funding to Non-Government agencies with departmental and Government strategic objectives.

A follow up audit in 2004-05 revealed that the Department was still in the process of developing and implementing the Planning and Funding Framework. Audit found the Department had developed a draft Planning and Funding Framework. It was noted, however, that the framework is being replaced by a new Funding Allocation Model.

Central Contracts Register and Linkages between Divisions

Audit review in 2003-04 found that the Department had not implemented a centralised Contracts Register and there was opportunity to develop and implement common policies, procedures and systems for management of grant funded programs across all Divisions.

Audit review in 2004-05 found that the Department implemented the Financial Grants Management System (FGMS) in December 2004 and had progressively rolled out the system across the Department in 2004-05. Audit found, however, that:

- the Department had yet to revise its documented policies and procedures to reflect changes in procedures and practices as a consequence of implementing the FGMS;
- some agreements had not been scanned into the system;
- some procedures were not consistently applied across all Divisions.

Shared Service-Lack of Service Level Agreement

The Department of Health (DH) and the Department of Families and Communities (DFC) entered into a shared service arrangement for the use of the FGMS to facilitate the payments to grant recipients. DFC is the system owner and is responsible for the maintenance and administration of the system. Audit review found that no service level agreement has been entered into between DFC and DH detailing the rights and responsibilities of both parties in the use of FGMS.

Program Evaluation

Audit review in 2003-04 found a lack of formal/documented evaluation of service providers to assess whether resources were used effectively and program objectives were met. Follow up in 2004-05 found that the Department had yet to implement a formal performance evaluation system.

Performance Monitoring

Follow up of previous years findings confirmed that the Department continued to receive performance data from funded organisations but had not implemented tools to support review by Departmental staff to confirm the funded organisations had met the performance measures in their funding agreements. The review also indicated agreements were rolled over from year to year without a documented assessment of the funded organisations' performance.

Unexpended Funds

Treasurer's Instruction 15.14 provides that unexpected grant monies are to be repaid to the Minister unless specific approval is obtained to return the funds.

Audit testing found instances where financial acquittals submitted by grant recipients indicated there were unspent funds for the year. Audit, however, was unable to locate evidence that unexpended moneys were repaid or specific approval was provided by the Minister for those moneys to be retained.

Other Matters

Other matters raised by Audit included the following:

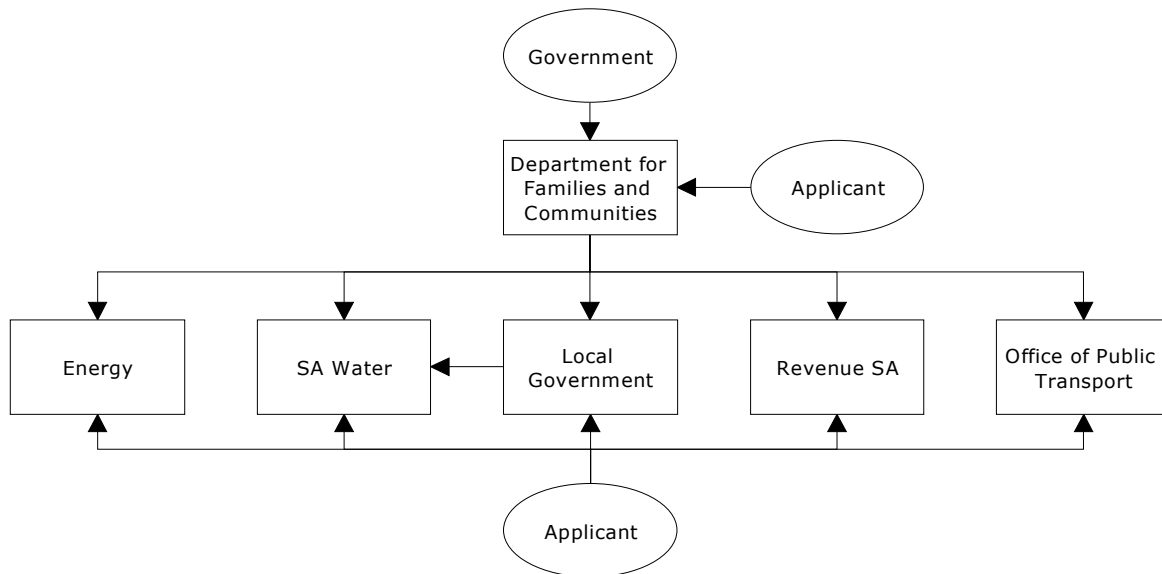
- The Department had not developed policies and procedures regarding the roll over of existing contracts with service providers.
- The Department's delegations of authority did not incorporate specific provisions for authorising grant payments made to service providers through the FGMS.
- Grant payments made by Disability Services were not authorised in accordance with the Department's delegations of authority.
- Financial acquittals relating to funding received under the Commonwealth, State and Territories Disability agreement were not signed and returned to the Commonwealth within the required time frame.
- Some grant payments were made before an agreement had been entered into between the Minister (or delegate) and the grant recipient.
- There was no regular reconciliation of payment details between the FGMS and the Department's General Ledger.
- There was a lack of documented policies and procedures for a number of areas.

Response

In response the Department advised that considerable work has occurred in a number of areas including the refining of grant agreements, improving service quality and accountability measures for service providers and ensuring no funding is provided in 2005-06 without signed agreements. The Department also advised that the FGMS, implemented part way through 2004-05, will address many of the issues raised by Audit and work continued to enhance the functionality of the FGMS.

Administration of Concessions

The Department administers programs for 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 2005 was \$142 million (\$87 million). The following diagram depicts the arrangements for provision of concessions and the parties involved.



Audit review of the administration of concessions payments over a number of years has highlighted a number of areas where controls could be improved. Matters raised with the Department included the:

- Department had not implemented appropriate documented agreements with the parties providing concessions which detail the respective roles, responsibilities and terms of arrangements;
- review of claimants entitlement to concessions was essentially a paper based process. Audit consider that the automation of these review processes would support increased efficiency and improved effectiveness.

Audit review for 2004-05 found that the Department had addressed some of the issues raised by Audit. It was noted, however, that there were a number of matters which had not been addressed and as a consequence it was considered that control over concession payments was unsatisfactory. The following summarises the key observations.

Documentation of Service Level Agreements

Prior year audit reviews found that formal agreements were not in place for all organisations providing concessions.

Audit review in 2004-05 found that formal agreements were in place with all electricity retailers except for AGL. Audit was advised that AGL had signed the agreement in late June 2005 and the agreement was in the process of being signed by the Minister. In addition, Audit found that formal agreements have not been developed and implemented with agencies responsible for Water and Sewer, Council, Transport and Emergency Service Levy.

Data Matching

Prior year audit reviews identified the need to implement an integrated and technology based approach for the processing and ongoing checking of concession entitlements. Audit review in 2003-04 noted that the Department developed the Concessions and Rebate Tracking System (CARTS) to process concession applications and support the ongoing validation of concession entitlements.

Audit review in 2004-05 found that a significant number of AGL pensioner customers were not updated to CARTS. Audit understands that as at September 2005 this number has been significantly reduced. In addition, Audit found the other concessions categories (ie non-energy concessions) were yet to be incorporated into CARTS.

The failure to update CARTS with details of all electricity concession recipients, or details of recipients for other concession types, means CARTS has not been used to validate the continuing entitlement of all concession recipients. The review also confirmed that validation processes previously performed by SA Water for Water/Sewer and Council rates, by matching recipients data to Centrelink records, were no longer performed.

Other Matters

Other matters raised by Audit included:

- The Department did not check that payments made to energy retailers were only made for persons who were eligible to receive a concession.
- 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.
- The Department had yet to review, update and document policies and procedures covering all aspects of processing concessions and for all types of concessions.
- There was a lack of check to confirm whether applicants for energy concessions meet one of the required eligibility criteria.

Response

In response to the Audit findings the Department advised that DFC inherited processes and systems from the former DHS and has attempted to implement improvements during 2004-05. It noted significant work has been taken to streamline the cross referencing of DFC records with those of the service providers and that the Department of Treasury and Finance has commissioned a review of property based concessions which may impact actions to be taken to address the matters raised by Audit.

Financial Operations of CYFS

In 2003-04 Internal Audit reviewed aspects of FAYS (now named Child, Youth and Family Services) business operations including a number of suspected frauds which highlighted breakdowns in internal controls and financial management practices within FAYS. External Audit review in 2003-04, which included review of work performed by Internal Audit, highlighted fundamental control weaknesses over financial transactions processed by FAYS.

A follow up review by External Audit in 2004-05 considered progress in addressing recommendations of the FAYS Financial Accountability Project established to address identified control weaknesses and included review of Internal Audit's work.

Audit noted that progress was made in a number of areas including:

- improving planning processes;
- enhancing budgetary control;
- revision and development of key financial policies and procedures.

The audit of CYFS addressed the following areas:

CYFS Financial Accountability Project

The review indicated further work was required and noted:

- CYFS has yet to implement an integrated case management system to record and monitor client payments in a consistent and reliable fashion across district centres;
- CYFS was still in the process of revising its documented policies and procedures for assessing, processing and documenting children's payments;
- CYFS had not documented policies, procedures and responsibilities relating to budgetary control and monitoring for the Division and the District Centres.

Audit found that the review and development of financial policies and procedures will not be finalised until 2005-06 and that several new and revised policies and procedures were yet to be made available to all staff.

Families and Communities

In response to the Audit findings the Department advised that it intends to fully implement the recommendations of the Financial Accountability Project. The Department noted that work is well underway in developing an integrated case management system to monitor and report on client payments. Also, review of policies and procedures commenced in 2004-05 and will continue in 2005-06.

Risk Management Practices

Audit review in 2003-04 failed to identify a formal risk management framework within CYFS to support the identification, evaluation and management of risks. Further, Audit was unable to identify arrangements for monitoring and reporting on risks or treatment strategies.

Follow up in 2004-05 found that at the time of the audit review CYFS had not finalised a Risk Register or Risk Treatment Plan. As a consequence a formal risk reporting framework had not been implemented.

In response the Department advised that risk registers and treatment plans have been developed in accordance with the Departmental overall risk management strategy.

Emergency Financial Assistance Loans

The Department had not established a mechanism to manage loans provided to clients. Audit found the Department has no central record of the total value of loans paid and amounts which remain outstanding.

In response the Department advised that it would review the process of recording loans.

Internal Audit

A review completed by Internal Audit in March 2004 found policies relating to the use of advance accounts did not clearly define the circumstances in which the advance accounts may be used to process payments. Internal Audit testing of expenditure (for the period July 2004 to October 2004) by four District Centres found a large proportion of advance account payments could have used alternative methods which would have supported more effective control.

The Department advised that all the findings of Internal Audit are being reviewed and in most cases the matters raised have been or are in the process of being addressed.

Risk Management

The Department's progress in implementing Risk Management practices was reviewed and findings were reported to the Chief Executive. The review indicated and, the Department's response confirmed:

- that a Corporate Risk Register was prepared during the year and endorsed by the Chief Executive in June 2005;
- work has commenced on a treatment plan for Corporate risks;
- risk registers and treatment plans were prepared for some, but not all, divisions/business units.

Action foreshadowed by the Department for 2005-06 included requiring Departmental Executives to review and report each quarter on their risk registers and treatment plans and implementing arrangements for ongoing monitoring of risks.

Management Reporting

The provision of relevant, reliable and timely information to the Department's Executive and managers is considered by Audit to be a fundamental element in its control environment. Audit review of the Department's management reporting practices found that:

- reports were not produced for each month;
- Audit were not able to confirm that the monthly reports were provided to the Executive Meetings;
- the reports did not report against the Department's key performance measures which limited their usefulness in assessing achievement of strategic objectives;
- there was scope to improve quality assurance processes in preparing the reports including the reconciliation of information to the Department's General Ledger.

Response

The Department advised of actions taken to address the issues raised by Audit.

Service Level Agreements

Audit review revealed that the Department had not implemented service level agreements for 2004-05 with housing agencies for a number of areas.

It is Audit's view that service level agreements provide assurance that the roles and responsibilities of each party are clearly defined and agreed upon.

In response the Department advised it will establish a mechanism to ensure service level agreements are entered into on a timely basis.

Payroll

The Department of Health (DH) is responsible for processing payroll transactions for DFC in accordance with a service level agreement. Audit review of the DH's payroll function revealed that internal controls over the processing of the payroll transactions were ineffective in key areas. Major areas of concern included:

- bona fide certification processes;
- leave recording and management processes;
- lack of independent review over payroll processing.

Further commentary on these matters is provided under the Department of Health section of this Report (under the heading 'Audit Communications to Management and Other Matters').

Accounts Payable

The DH also processes accounts payable transactions for DFC in accordance with a service level agreement. Review of the DH's accounts payable function identified areas where controls could be improved, including:

- instances where non-exempt expenditure was processed using Manual Payments Vouchers rather than the Online Purchasing System;
- the absence of regular review of the Online Purchasing System access to ensure system access is consistent with the Department's approved delegations of authority.

Further commentary on these matters is provided under the Department of Health section of this Report (under the heading 'Audit Communications to Management and Other Matters').

Audit Review of Assets and Liabilities Transferred to the Department

In accordance with the Government Gazette establishing DFC, certain assets and liabilities of DHS were transferred to DFC effective from 1 July 2004. Accordingly, the Statement of Financial Position balances of DHS as at 30 June 2004 was allocated between DFC and DH.

Audit reviewed both the DFC and DH opening Statement of Financial Position balances as at 1 July 2004 to assist with the audit of the financial statements for 2004-05 for both Departments. The scope of the audit review included:

- obtaining an understanding of methodologies utilised in allocating the DHS Statement of Financial Position balances as at 30 June 2004 between DH and DFC;
- assessing the reasonableness of the methodologies adopted and the application to relevant balances;
- reviewing a sample of material transactions to ensure accurate allocation to the appropriate Department;
- reviewing the accuracy of opening balance journals processed in both DFC and DH General Ledgers;
- reconciling the DH and DFC General Ledgers as at 1 July 2004 to determine opening balance positions.

The results of the audit review found that the opening balances of DFC and DH were materially correct and the transfer of assets and liabilities to DFC were processed correctly.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

As indicated in Notes 1.2 and 2.3 of the Department's Financial Statements no comparative figures are recorded in the Department's financial statements as DFC was effectively created for reporting and accounting purposes on 1 July 2004.

The following tables summarise the Department's Financial Performance, Financial Position and Cash Flows.

	2005
	\$'million
OPERATING REVENUE	
Rent, fees and charges	66.8
SA Government appropriations	571.2
Commonwealth Government grants	226.9
Other	29.6
Net result from restructure	71.5
Total Operating Revenue	966.0
OPERATING EXPENDITURE	
Employment expenses	169.7
Supplies, services and other expenses	65.2
Grants, subsidies and client payments	675.4
Total Operating Expenses	910.3
Surplus (Deficit)*	55.7
 Net Cash Flows from Operations	 18.7
ASSETS	
Current assets	36.6
Non-current assets	111.9
Total Assets	148.5
LIABILITIES	
Current liabilities	38.4
Non-current liabilities	38.7
Total Liabilities	77.1
EQUITY	71.4

* The surplus/deficit includes some non-operating items.

Operating Result

The foregoing statement shows that in 2005 the Department recorded a surplus of \$55.7 million. Notably, the Department recognised a net revenue from restructure totalling \$71.5 million representing an increase in net assets arising from:

- the transfer of assets and liabilities from the former DHS to DFC upon establishment of the Department;
- the transfer of DAARE assets and liabilities into and out of the Department.

For further details refer to Note 29 of the Department's Financial Statements.

The Net Result from Ordinary Activities, excluding the net effect of the administrative restructures, was a deficit of \$15.8 million.

Grants, Subsidies and Client Payments

This is the most material expenditure item (\$675 million). Note 8 to the financial statements discloses a detailed list of grants and subsidies paid/payable to various entities and clients.

Statement of Cash Flows

The following table summarises the net cash flows for the Department.

	2005
	\$'million
Net Cash Flows	
Operations	(9.5)
Investing	(.7)
Financing	28.9
Change in Cash	18.7
Cash at 30 June	18.7

The table shows that the Department's net cash outflows from operating activities exceeded net cash inflows resulting in a net cash deficit from operating activities of \$9.5 million.

The table also highlights that the Department recorded a net cash inflow from financing activities of \$28.9 million due primarily to the administrative restructure following the establishment of DFC.

Cash as at 30 June 2005 is \$18.7 million. It is noted, however, that the Department 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 2005 the value of unexpended funding commitments was \$16.1 million.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee expenses	5	169 715
Supplies and services	6	62 087
Depreciation and amortisation	7	1 905
Grants, subsidies and client payments	8	675 375
Other	9	1 199
Total Expenses from Ordinary Activities		910 281
REVENUES FROM ORDINARY ACTIVITIES:		
Rent, fees and charges	10	66 826
Commonwealth Government grants	14	226 886
Dividends - HomeStart Finance	2.8	5 000
Interest	11	3 824
Net gain from disposal of non-current assets	12	7
Other	13	1 187
Total Revenue from Ordinary Activities		303 730
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(606 551)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:		
SA Government appropriations	15	571 230
Grants from SA government agencies	15	19 553
Net Result from Ordinary Activities		(15 768)
NET RESULT FROM RESTRUCTURING		
Increase in net assets due to administrative restructure	29	71 456
NET RESULT AFTER RESTRUCTURING	26	55 688
NON-OWNER TRANSACTION CHANGES IN EQUITY:		
Increase (Decrease) in the asset revaluation reserve	26	15 730
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED IN EQUITY		15 730
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		71 418

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000
CURRENT ASSETS:		
Cash	17	18 675
Receivables	18	17 408
Inventories	19	50
Other	21	492
Total Current Assets		36 625
NON-CURRENT ASSETS:		
Receivables	18	212
Property, plant and equipment	20(a)	110 349
Capital works in progress	20(b)	1 314
Total Non-Current Assets		111 875
Total Assets		148 500
CURRENT LIABILITIES:		
Payables	22	17 142
Employee benefits	23(a)	17 578
Provisions	24	2 745
Other	25	946
Total Current Liabilities		38 411
NON-CURRENT LIABILITIES:		
Payables	22	7 475
Employee benefits	23(a)	23 868
Provisions	24	7 328
Other	25	-
Total Non-Current Liabilities		38 671
Total Liabilities		77 082
NET ASSETS		71 418
EQUITY:		
Accumulated surplus	26	55 688
Asset revaluation reserve	26	15 730
TOTAL EQUITY		71 418
Unexpended Funding Commitments	16	
Commitments for Expenditure	28	
Contingent Liabilities	30	

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	
CASH OUTFLOWS:		
Employee payments		(159 944)
Supplies and services		(57 196)
Grants, subsidies and client payments		(675 876)
GST paid to other grouped members		(40 456)
Total Outflows from Operating Activities		<u>(933 472)</u>
CASH INFLOWS:		
Rent, fees and charges		61 472
Receipts from Commonwealth		226 886
Dividends received - HomeStart Finance		5 000
Interest received		3 438
GST received from customers		35 662
Other		686
Total Inflows from Operating Activities		<u>333 144</u>
CASH FLOWS FROM SA GOVERNMENT:		
SA Government appropriations		571 230
Grants from SA Government agencies		19 553
Total Cash Inflows from SA Government		<u>590 783</u>
Net Cash Outflows from Operating Activities	31	<u>(9 545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment		(1 025)
Total Outflows from Investing Activities		<u>(1 025)</u>
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment		315
Total Inflows from Investing Activities		<u>315</u>
Net Cash Outflows from Investing Activities		<u>(710)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Payments due to restructuring activities - DAARE		(526)
Total Outflows from Financing Activities		<u>(526)</u>
CASH INFLOWS:		
Proceeds from restructuring activities - Creation of DFC		29 456
Total Inflows from Financing Activities		<u>29 456</u>
Net Cash Inflows from Financing Activities		<u>28 930</u>
NET INCREASE IN CASH HELD		<u>18 675</u>
CASH AT 1 JULY		<u>-</u>
CASH AT 30 JUNE	31	<u><u>18 675</u></u>

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

Programs (refer Note 4)	2005				
	F1	F2	F3	F4	F5
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	19 064	34 592	6 579	85 590	19 995
Supplies and services	141	1 859	7 838	24 414	25 197
Grants, subsidies and client payments	86 955	192 019	363 579	32 436	(2 010)
Depreciation and amortisation	-	-	904	928	15
Other expenses	-	-	-	-	1 199
Total Expenses from Ordinary Activities	106 160	228 470	378 900	143 368	44 396
REVENUES FROM ORDINARY ACTIVITIES:					
Rent, fees and charges	19 367	33 160	1 069	1 403	11 744
Interest	-	-	-	-	3 710
Dividends - HomeStart Finance	1 600	3 400	-	-	-
Commonwealth Government grants	23 133	65 304	136 715	1 734	-
Other	-	-	299	278	525
Net Gain (Loss) from disposal of non-current assets	-	-	(1)	(5)	13
Total Revenues from Ordinary Activities	44 100	101 864	138 082	3 410	15 992
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(62 060)	(126 606)	(240 818)	(139 958)	(28 404)
REVENUES FROM GOVERNMENT:					
SA Government appropriations	-	-	-	-	-
Grants from other SA Government agencies	-	-	-	-	-
NET RESULT FROM ORDINARY ACTIVITIES	-	-	-	-	-
<i>Add: Gain from restructure</i>					
NET RESULT AFTER RESTRUCTURING	-	-	-	-	-

Programs - Refer Note 4

F1. Affordable Housing Choices and Communities that Prosper

F2. High Need Housing

F3. Independence and Community Connection

F4. Keeping Them Safe and Connected

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005 (continued)**

Programs (refer Note 4)	2005			Total
	F6	F7	DAARE	
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000
Employee benefits	1 772	1 067	1 056	169 715
Supplies and services	897	816	925	62 087
Grants, subsidies and client payments	1 611	42	743	675 375
Depreciation and amortisation	9	-	49	1 905
Other expenses	-	-	-	1 199
Total Expenses from Ordinary Activities	4 289	1 925	2 773	910 281
REVENUES FROM ORDINARY ACTIVITIES:				
Rent, fees and charges	-	18	65	66 826
Interest	-	-	114	3 824
Dividends - HomeStart Finance	-	-	-	5 000
Commonwealth Government grants	-	-	-	226 886
Other	47	-	38	1 187
Net Gain (Loss) from disposal of non-current assets	-	-	-	7
Total Revenues from Ordinary Activities	47	18	217	303 730
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(4 242)	(1 907)	(2 556)	(606 551)
REVENUES FROM GOVERNMENT:				
SA Government appropriations	-	-	-	571 230
Grants from other SA Government agencies	-	-	-	19 553
NET RESULT FROM ORDINARY ACTIVITIES	-	-	-	(15 768)
<i>Add: Gain from restructure</i>				71 456
NET RESULT AFTER RESTRUCTURING	-	-	-	55 688

Programs - Refer Note 4

F5. Effective and Substantial Business Practices

F6. Office for Youth

F7. Office for Women

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives And Functions of the Department

The Department for Families and Communities (Department) was established on 5 March 2004 to provide a clear focus for the South Australian Government's goals for the protection of our children and young people and to help build the resilience and wellbeing 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 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 and the Minister for Youth and Status of Women. 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.

1. Objectives And Functions of the Department (continued)

In addition, the Minister of Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act 1976* for three incorporated disability health services, namely Julia Farr Services, Independent Living Centre and the Intellectual Disability Services Council. The financial affairs of these incorporated disability health services do not form part of the Department's financial report as they are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Department functions as a service provider to the South Australian Housing Trust (SAHT), South Australian Community Housing Authority (SACHA), Aboriginal Housing Authority (AHA), 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 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. The administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with the Treasury Model Financial Statements, separate consolidated administered financial statements and notes to the accounts have been prepared

1.2 Administrative Restructures

A major restructure resulted in the former Department of Human Services (DHS) being retitled the Department of Health from 1 July 2004. On 5 March 2004, the Governor established the Department and declared that for financial accounting and reporting purposes the establishment of the Department would be taken to occur on 1 July 2004. Certain assets and liabilities were transferred from DHS to the Department effective from 1 July 2004. On 10 June 2004, the Governor proclaimed that the title of DHS would be altered to the Department of Health. The proclamation came into effect on 1 July 2004.

As the Department was effectively established on 1 July 2004, there are no comparative figures reported in the financial statements (refer Note 2.3).

On 11 March 2004, the division of the Department of Administrative and Information Services known as the Department of Aboriginal Affairs and Reconciliation (DAARE) transferred to the Department. For financial accounting and reporting purposes the transfer was taken to occur on 1 July 2004. On 14 October 2004, the Governor proclaimed transfer of the employees of DAARE from the Department to the Department of Premier and Cabinet (DPC). It is taken that the proclamation also means the transfer of the assets and liabilities of DAARE to DPC. In accordance with Accounting Policy Statement (APS)13 'Form and Content of General Purpose Financial Reports', for financial accounting and reporting purposes the transfer is taken to occur 31 October 2004.

1.3 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, interest on cash deposits 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:

- Treasurer's Instructions (TIs) and Accounting Policy Statements (APS) promulgated under the provision of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards;
- Other mandatory professional reporting requirements in Australia.

The financial report has been prepared in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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 significant to the Department's overall financial performance and position, separate financial statements have been produced for administered items.

2.3 Comparative Figures

As stated in Note 1.2 there are no comparative figures reported, as the Department was effectively created for reporting and accounting purposes on 1 July 2004.

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, fringe benefits tax, goods and services tax and the emergency services levy. In accordance with the requirements of UIG Abstract 31 'Accounting for Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

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

2.6 Revenues and Expenses

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

Revenue and Expenses have been classified according to their nature in accordance with APS 13 'Form and Content of General Purpose Financial Reports' 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 revenue/expenditure in the Statement of Financial Performance 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 or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or Commonwealth Government. 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/Payments to 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 Treasurer's Instruction 3 'Appropriation'.

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, (through the Department of Treasury and 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

For the purposes of the Statement of Cash Flows, cash 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.

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 to the Consolidated Account.

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 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.

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.

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. Net realisable value is determined using the estimated sale proceeds less costs incurred in marketing, selling and distribution to customers.

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 Statement of Financial Position. 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. As stated in Note 1.2, when the Department was created, certain assets and liabilities were transferred from DHS to the new Department for Families and Communities, effective 1 July 2004. These assets were transferred at the carrying value in the transferor's book and are deemed to be at fair value.

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with APS 2 'Asset Recognition'.

Works in progress are projects physically incomplete as at reporting date.

2.14 Revaluation of Non-Current Assets

In accordance with APS 3 'Valuation of Non-Current Assets':

- All non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation);
- 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.

Land and Buildings at Fair Value

The Department will undertake a full revaluation of its land and buildings for the period ending 30 June 2006. From then on, and in accordance with Departmental policy, the Department will revalue 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.

During the 2004-05 financial year, management decided to review whether there had been a material appreciation in land values and a desktop valuation was carried out on metropolitan land with a value of \$800 000 or greater. As a result of the desktop valuation, an index of 29.3 percent was determined and applied to metropolitan land assets only. The desktop valuation was carried out by Rob Taylor Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited.

Management also reviewed whether there had been a material appreciation in building values and determined that the carrying amount of buildings was at fair value.

Assets Deemed to be at Fair Value

The Department has certain classes of non-current assets where an independent revaluation has not been undertaken since the transfer from DHS, as the criteria within APS 3 have not been met. These classes of non-current assets are deemed to be at fair value as determined by APS 3 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
- 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:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings and improvements	Straight line	25-50
Leasehold improvements	Straight line	Life of lease
Computing equipment	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 \$5 000, in accordance with APS 2, paragraph 23.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years. As at 30 June 2005, there was not any software that had been capitalised.

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 Treasurer's Instructions 8 'Expenditure for Supply Operations and Other Goods and Services' 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 2005 and is measured at the nominal amount.

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 1028 'Employee Benefits'. 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 5.12 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 SA Government Captive Insurance Corporation (SAICORP) for professional indemnity insurance and general public liability insurance and is responsible for the payment of claim amounts to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

The provisions for Public Liability and Professional Indemnity Insurance represents liabilities for outstanding claims in respect of incidents that have accrued. 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 annual. Professional Indemnity Claims relating to periods prior to the split of DHS, effective 1 July 2004, will be the responsibility of DH.

The provision for Property claims represents outstanding payments for incurred damage. An allowance is also included for claims incurred but not enough reported (IBNER). 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 *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability 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 2004-2005 financial year the Department has reflected a workers compensation provision of \$9.1 million (refer to Note 24).

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 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

The Disability 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 Disability Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non-safety net funded Disability Health Services workers compensation lump sum settlements and redemption payments. Accordingly, the Department recognises a payable to Disability Health Services equivalent to the liability for these specifically funded items which Disability Health Services recognise as a provision in their financial statements. The value of the liability at 30 June 2005 is \$3.99 million (refer to Note 22).

2.20 Leases

The Department has not entered into any material finance leases. The Department has entered into some operating leases.

Operating Leases

In respect of operating leases, the lessor retains substantially the risks and benefits incidental to the ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

2.21 Government/Non-Government Disclosures

The Department, for this first set of financial reports has adopted, the requirements of APS 13 where the Department must disclose by way of note whether transactions are with entities that are within or external to the South Australian Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

3. **Change in Accounting Policy**

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian Equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', requires disclosure of any key differences in accounting policies, and known or reliably estimable information about the impact on this financial report had this report been prepared using the AIFRS.

The Department has assessed the significance of the adoption of the Standards for the purpose of their implementation. This has involved an assessment of accounting policies and topics in the existing Australian Accounting Standards and the AIFRS to determine any key differences and significant financial impacts.

This assessment identified that the adoption of the AIFRS in 2005-06 will not result in any key differences or financial impacts for the Department.

The Department is managing the transition through consultation with the Department of Treasury and Finance, training seminars provided by CPA Australia and external providers, and the Department's own internal review.

4. **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 South Australian Housing Trust, the provision of public and community managed housing by the Aboriginal Housing Authority, the funding and regulation of community housing by the South Australian Community Housing Authority 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 and quality management, research, financial services, information management, workforce and infrastructure development, for the entire Portfolio.

Program F6: Office for Youth

The Office for Youth initiates, advocates and facilitates policies and strategies that create opportunities for positive outcomes for young people in South Australia.

Program F7: Office for Women

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 Statewide information, support and referral services through the Women's Information Service.

5. Employee Expenses	2005
	\$'000
Salaries and wages	120 613
TVSP (refer below)	-
Long service leave	6 642
Annual leave	12 019
Employment on-costs (Superannuation)	15 904
Workers compensation	3 495
Other	11 042
Total Employee Expenses	169 715

Targeted Voluntary Separation Packages (TVSPs)

Amount paid to these employees:

TVSPs	-
Annual leave and long service leave accrued over the period	-
Recovery from the Department of the Premier and Cabinet	-

Number of employees that were paid TVSPs during the reporting period were nil.

Remuneration of Employees

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

	2005
	Number of Employees
\$100 000 - \$109 999	15
\$110 000 - \$119 999	7
\$120 000 - \$129 999	3
\$130 000 - \$139 999	3
\$140 000 - \$149 999	2
\$150 000 - \$159 999	7
\$160 000 - \$169 999	3
\$170 000 - \$179 999	-
\$180 000 - \$189 999	1
\$190 000 - \$199 999	-
\$200 000 - \$209 999	-
\$210 000 - \$219 999	-
\$220 000 - \$229 999	-
\$230 000 - \$239 999	1
Total Number of Employees	42

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, board fees, superannuation contributions, fringe benefit tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$5.4 million.

For the purpose of this note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

6. Supplies and Services	2005
Supplies and Services provided by entities within the SA Government:	\$'000
Accommodation and property related	10 349
Advertising and promotions	5
Client related expenses	189
Bad and doubtful debts	468
Communication and computing	5 706
Contractors and agency staff	4 718
Consultants	62
Insurance	48
Interpreter and translator fees	20
Managed payments	2 580
Minor equipment	56
Motor vehicles	3 610
Printing, stationery, postage and periodicals	104
Seminars, courses and training	173
Travel and accommodation	36
Other administration	4 490
Total Supplies and Services - SA Government Entities	32 614

6. Supplies and Services (continued)		2005
Auditors' Remuneration:		\$'000
Audit fees paid/payable to the Auditor-General's Department		<u>152</u>
Total Audit Fees		<u>152</u>
Other Services:		
There were no other services were provided by the Auditor-General's Department		
Supplies and Services provided by entities external to the SA Government:		
Accommodation and property related		7 068
Advertising and promotions		262
Client related expenses		1 709
Communication and computing		3 877
Contractors and agency staff		4 622
Consultants		457
Drugs and medical supplies		4
Insurance		1 346
Interpreter and translator fees		37
Managed payments		44
Minor equipment		1 305
Motor vehicles		224
Printing, stationery, postage and periodicals		2 135
Seminars, courses and training		1 567
Travel and accommodation		1 585
Other administration		3 079
Total Supplies and Services - Non-SA Government Entities		<u>29 321</u>
Total Supplies and Services		<u>62 087</u>
Payments to Consultants:		
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:		
Below \$10 000	30	100
\$10 000 - \$50 000	11	265
Above \$50 000	2	154
Total Paid/Payable to the Consultants Engaged	<u>43</u>	<u>519</u>
7. Depreciation and Amortisation		2005
Depreciation:		\$'000
Buildings and improvements		1 572
Other plant and equipment		81
Computing equipment		11
Total Depreciation		<u>1 664</u>
Amortisation:		
Leasehold improvements		241
Total Amortisation		<u>241</u>
Total Depreciation and Amortisation		<u>1 905</u>
8. Grants, Subsidies and Client Payment		
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent funding to incorporated Disability Health Services (refer Note 8.1)		126 943
Housing assistance		133 716
Capital funding to incorporated Disability Health Services (refer Note 8.2)		519
SAHT - Tax equivalent regime		102 840
Supported accommodation assistance program		560
Department of Health - Home and community care		54 177
GST compensation		3 423
Children's payments		2 937
Parks Community Centre		1 840
Family and community development		71
Alternative care		131
Emergency financial assistance		278
Funds for seniors		6 441
Other		10 916
Total Grants, Subsidies and Client Payments - SA Government Entities		<u>444 792</u>

8.	Grants, Subsidies and Client Payment (continued)	2005
	Grants and subsidies paid/payable to entities external to the SA Government:	\$'000
	Housing assistance	74
	Funding to non-government organisations (refer Note 8.3)	131 071
	Supported accommodation assistance program	25 281
	Home and community care	36 818
	Children's payments	15 290
	Family and community development	7 543
	Alternative care	8 779
	Emergency financial assistance	233
	Funds for seniors	2 512
	Other	2 982
	Total Grants, Subsidies and Client Payments - Non-SA Government Entities	230 583
	Total Grants, Subsidies and Client Payments	675 375
8.1	Recurrent Funding to Incorporated Disability Health Services	
	Intellectual Disability Services Council *	95 208
	Julia Farr Services *	25 484
	Independent Living Centre *	6 251
	Total Recurrent Funding to Incorporated Disability Health Services	126 943
	* Effective 1 July 2004, the Minister of Health delegated to the Minister for Disability responsibility for the Incorporated Disability Health Service.	
8.2	Capital Funding to Incorporated Disability Health Services	
	Intellectual Disability Services Council *	369
	Julia Farr Services *	150
	Total Capital Funding to Incorporated Disability Health Services	519
	* Effective 1 July 2004, the Minister of Health delegated to the Minister for Disability responsibility for the Incorporated Disability Health Service.	
8.3	Funding to Non-Government Organisations	2005
		\$'000
	Minda Incorporated	41 824
	Community Accommodation Respite Agency	10 540
	NOVITA	10 416
	Community Support Incorporated	7 080
	Leveda Incorporated	3 815
	Anglicare SA	3 674
	Centacare	3 266
	Orana	3 156
	Community Access Service	3 131
	Royal Society for the Blind	2 516
	Uniting Care Wesley	2 320
	Guide Dogs association	1 913
	Lifes for Living	1 836
	Paraplegic and Quadriplegic Assoc	1 160
	Lifestyles Assistance and Accommodation Services	1 130
	Barkuma Inc	1 062
	Community Living Project	1 058
	Community Living Options	1 006
	Individual Supported Accommodation Services	1 004
	Relationships Australia	946
	Autism Association of Australia	937
	Hills Community Options	937
	Elizabeth Bowey Lodge	914
	CAID Inc	893
	Community Lifestyles Inc	865
	Other	23 672
	Total Funding to Non-Government Organisations	131 071
9.	Other Expenses	
	Other Expenses paid/payable to entities within the SA Government:	
	Transferred assets	840
	Total Other Expenses - SA Government Entities	840

9. Other Expenses (continued)	2005
Other Expenses paid/payable to entities external to the SA Government:	\$'000
Loss on Devaluation of non-current assets	358
Other	1
Total other Expenses - Non-SA Government Entities	359
Total Other Expenses	1 199
10. Rent, Fees and Charges	
Rent, Fees and Charges received/receivable from entities within the SA Government:	
Employee services *	52 609
Insurance recoveries from Health Services	1 048
Recoveries	6 987
Business services	3 707
Fees, fines and penalties	149
Rent	324
Total Rent, Fees and Charges - SA Government Entities	64 824
* Represents the recovery of costs for the provision of employee related services to the SAHT, SACHA and AHA.	
Rent, Fees and Charges received/receivable from entities external to the SA Government:	
Recoveries	1 153
Business services	17
Fees, fines and penalties	543
Rent	289
Total Rent, Fees and Charges - Non-SA Government Entities	2 002
Total Rent, Fees and Charges	66 826
11. Interest Income	
Interest from entities within the SA Government:	
Interest on funds held	3 824
Total Interest Received	3 824
12. Net Gain/Loss from Disposal of Non-Current Assets	
Land and Buildings:	
Proceeds from disposal	315
Less: Net book value of assets disposed	277
Less: Other costs of disposal	16
Net Gain from Disposal of Land and Buildings	22
Plant and Equipment:	
Proceeds from disposal	-
Less: Net book value of assets disposed	15
Net Loss from Disposal of General Plant and Equipment	(15)
Total Assets:	
Total proceeds from disposal	315
Less: Total value of assets disposed	292
Less: Total other costs of disposal	16
Total Net Gain/Net Loss from Disposal of Non-Current Assets	7
13. Other Revenue	
Assets received for nil consideration (refer Note 13.1)	505
Other	682
Total Other Revenue	1 187
13.1 Assets Received for Nil Consideration	
During the reporting period the Department received the following assets free of charge or for nominal consideration.	
Site land	-
Vacant buildings	-
Plant and equipment	13
Other	492
Total Assets Received for Nil Consideration	505

14. Commonwealth Government Grants	
Housing Assistance	72 043
Commonwealth State Disability Agreement	62 709
Home and Community Care	67 619
Supported Accommodation Assistance Program	16 394
Aged Care Assessment Program	5 086
Other	3 035
Total Commonwealth Government Grants	226 886
15. Revenues from/Payments to SA Government	
SA Government Appropriations:	
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> :	
General appropriation	405 150
Tax equivalent regime reimbursement - HomeStart Finance	1 331
Tax equivalent regime reimbursement - SAHT	103 276
State Housing Assistance Funds	61 473
Total SA Government Appropriations	571 230
Grants from SA Government Agencies:	
Community Development Fund	3 400
Department of Treasury and Finance - Contingency funds	4 525
TVSP recoveries	-
Social Inclusion	2 882
Other	8 746
Total Grants from SA Government Agencies	19 553
Total Revenues from SA Government	590 783

Refer to Note 16 'Unexpected Funding Commitments'.

Payments to SA Government

There have been no payments to SA Government for the 2004-05 financial year.

16. 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 2005 the Department had outstanding funding commitments to the following programs:	2005
	\$'000
Social Inclusion Initiatives	148
CIRC Special Education Funding	95
Dry Zone and Inner City Strategy - Inner Indigenous Client Strategies	48
Keeping Them Safe - Early Intervention Support for High Risk Families	550
Indigenous Family Tier 3 Program	120
Secure Care Development Project	68
Home and Community Care Program	2 386
DVA Veteran Home Care Program	2 282
Moving ahead	95
African Communities Innovation Project	45
Refugee Minors Resettlement Program - Unaccompanied Minors	160
ILC Disability Equipment Waiting List	2 600
CSHA Projects	90
AP Lands Bus Service	100
Parenting Assessment Program	50
Panyappi Program	49
Child Death and Serious Injury Committee	20
Office for the Guardian Fitout	18
Supported Accommodation Assistance Program	2 496
Total Operating	11 420
CYFS Accommodation and Security	241
SACOSS Children's Facility	500
CYFS Case Management System	498
Additional Group Homes	1 520
Child Protection Review - Staff Accommodation	966
CYFS Adelaide Office Accommodation	970
Total Capital	4 695
Total Unexpended Funding Commitments	16 115

17. Cash	2005 \$'000
Special Deposit Account with the Treasurer	18 369
Advance account	304
Cash on hand	<u>2</u>
Total Cash	<u>18 675</u>
 Special Deposit Account with the Treasurer	
There has been no reduction in the level of cash held by the Department as a result of the cash alignment policy.	
18. Receivables	
Current:	
Debtors	2 582
Disability Health Service budget over-runs	237
Employee related services recoverable	9 703
Interest	386
Overpaid salaries	109
Sundry	65
GST receivable	4 794
Less: Provision for doubtful debts	<u>468</u>
Total Current Receivables	<u>17 408</u>
Non-Current:	
Sundry	212
Less: Provision for doubtful debts	<u>-</u>
Total Non-Current Receivables	<u>212</u>
Total Receivables	<u>17 620</u>
Government/Non-Government Receivables:	
Receivables from SA Government entities:	
Debtors	1 208
Disability Health Service budget over-runs	237
Employee related services recoverable	9 703
Interest	386
GST receivable from members in the group	4 794
Less: Provision for doubtful debts	<u>468</u>
Total Receivables - SA Government Entities	<u>15 860</u>
Receivables from Non-SA Government entities:	
Debtors	1 374
Overpaid salaries	109
Sundry	277
GST receivable	-
Less: Provision for doubtful debts	<u>-</u>
Total Receivables - Non-SA Government Entities	<u>1 760</u>
Total Receivables	<u>17 620</u>
19. Inventories	
Stores	<u>50</u>
Total Inventories	<u>50</u>
20. (a) Property, Plant and Equipment	
Land and Buildings:	
Vacant land (fair value)	4 818
Site land (fair value)	65 882
Vacant buildings (fair value)	3 036
Less: Accumulated depreciation - Vacant buildings	-
Buildings and improvements (fair value)	70 648
Less: Accumulated depreciation - Buildings and improvements	<u>36 511</u>
Total Land and Buildings	<u>107 873</u>
Leasehold Improvements:	
Leasehold improvements at cost (deemed fair value)	7 135
Less: Accumulated amortisation - Leasehold improvements	<u>5 105</u>
Total Leasehold Improvements	<u>2 030</u>
Total Property and Leasehold Improvements	<u>109 903</u>

20. (a) Property, Plant and Equipment (continued)	2005
Plant and Equipment:	\$'000
Computing equipment at cost (deemed fair value)	142
Less: Accumulated depreciation - Computing equipment	122
Other plant and equipment at cost (deemed fair value)	1 089
Less: Accumulated depreciation - other plant and equipment	663
Total Plant and Equipment	446
Total Property, Plant and Equipment	110 349
20. (b) Capital Works in Progress	
Buildings and improvements in progress at cost (deemed fair value)	1 314
Plant and equipment in progress at cost (deemed fair value)	-
Total Capital Works in Progress	1 314

Reconciliation of Property and Leasehold Improvements

The following table shows the movement of Land, Buildings and Improvements, and Leasehold Improvements during 2004-05.

	Vacant Land	Site Land	Vacant Buildings	Buildings and Improvements	Leasehold Improvements	2005 Total Property and Leasehold Improvements
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	-	-	-	-	-	-
Purchases	-	-	-	695	1 884	2 579
Disposals	-	-	-	(277)	-	(277)
Assets transferred	-	-	-	-	(840)	(840)
Revaluation increment (decrement)	1 091	14 639	(358)	-	-	15 372
Write-off non-current assets	-	-	-	-	-	-
Depreciation and amortisation for the year	-	-	-	(1 572)	(241)	(1 813)
Acquisition (disposal) through administrative restructure	3 726	50 131	6 046	33 737	1 215	94 855
Transfers to/from other classes	-	1 112	(2 652)	1 540	-	-
Transfers from works in progress to other classes	-	-	-	-	-	-
Other movements	-	-	-	15	12	27
Carrying amount at 30 June	4 817	65 882	3 036	34 138	2 030	109 903

Reconciliation of Plant and Equipment

The following table shows the movement of Plant and Equipment during 2004-05.

	Computing Equipment	Other Plant and Equipment	2005 Total Plant and Equipment
	\$'000	\$'000	\$'000
Carrying amount at 1 July	-	-	-
Purchases	15	226	241
Disposals	-	(15)	(15)
Assets received for nil consideration	13	-	13
Revaluation increment (decrement)	-	-	-
Write-off non-current assets	-	-	-
Depreciation and amortisation	(11)	(81)	(92)
Acquisition (disposal) through administrative restructure	3	275	278
Other movements	-	21	21
Carrying amount at 30 June	20	426	446

21. Other Assets	2005
Current:	\$'000
Prepayments	492
Total Current Other Assets	492
Non-Current:	
Prepayments	-
Total Non-Current Other Assets	-
Total Other Assets	492
22. Payables	
Current:	
Creditors	5 833
Disability Health Service workers compensation	1 189
Disability Health Service budget under-runs	90
Grants to non-government organisations	1 621
Grants to SAHT - tax equivalent regime	5 380
Other accrued expenses	157
Employment benefit on-costs	2 872
Total Current Payables	17 142

22.	Payables (continued)	2005
	Non-Current:	\$'000
	Disability Health Service workers compensation	2 806
	Grants to non-government organisations	849
	Employment benefit on-costs	3 820
	Total Non-Current Payables	7 475
	Total Payables	24 617
	Government/Non-Government Payables:	
	Payables to SA Government entities:	
	Creditors	2 385
	Disability Health Service workers compensation	3 995
	Disability Health Service budget under-runs	90
	Grants to SAHT - tax equivalent regime	5 380
	Employment benefit on-costs	6 692
	Total Payables - SA Government Entities	18 542
	Payables to Non-SA Government entities:	
	Creditors	3 448
	Grants to non-government organisations	2 470
	Other accrued expenses	157
	Total Payables - Non-SA Government Entities	6 075
	Total Payables	24 617
23.	(a) Employee Benefits	
	Current:	
	Annual leave	10 162
	Long service leave	5 200
	Accrued salaries and wages	2 214
	Other	2
	Total Current Employee Benefits	17 578
	Non-Current:	
	Long service leave	23 837
	Other	31
	Total Non-Current Employee Benefits	23 868
	Total Employee Benefits	41 446
	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 22 as they do not accrue to employees.	
(b)	Employee Benefits and Related On-Costs	2005
	Accrued Salaries:	\$'000
	On-costs included in payables - Current (refer Note 22)	358
	Provision for employee benefits (accrued salaries and wages) - Current (refer Note 23(a))	2 214
	Total Accrued Salaries	2 572
	Annual Leave:	
	On-costs included in payables - Current (refer Note 22)	1 682
	Provision for employee benefits (annual leave) - Current (refer Note 23(a))	10 162
	Total Annual Leave	11 844
	Long Service Leave:	
	On-costs included in payables - Current (refer Note 22)	832
	Provision for employee benefits (long service leave) - Current (refer Note 23(a))	5 200
		6 032
	On-costs included in payables - Non-current (refer Note 22)	3 820
	Provision for employee benefits (Long Service Leave) - Non-current (refer Note 23(a))	23 837
	Total Long Service Leave	27 657
	Other:	
	On-costs included in payables - Current (refer Note 22)	-
	Provision for employee benefits (Other) - Current (refer Note 23(a))	2
		2
	On-costs included in payables - Non-current (refer Note 22)	-
	Provision for employee benefits (Other) - Non-current (refer Note 23(a))	31
	Total Other	31
	Total Employee Benefits and Related On-Costs	48 138

24. Provisions				2005
Current:				\$'000
Insurance (refer Note 24.1)				-
Workers compensation (refer Note 24.2)				2 593
Other				152
Total Current Provisions				2 745
Non-Current:				
Insurance (refer Note 24.1)				844
Workers compensation (refer Note 24.2)				6 484
Total Non-Current Provisions				7 328
Total Provisions				10 073
24.1 Reconciliation of Insurance				
The following table shows the movement of Insurance during 2004-05:	Public Liability	Property		2005 Total
Transfers in at 1 July	\$'000	\$'000		\$'000
Increase to provision due to revision of estimates	169	16		185
Reduction due to payments	5 324	1 416		6 740
Net revision of estimates	(38)	(131)		(169)
Carrying Amount at 30 June	(4 715)	(1 197)		(5 912)
	740	104		844
24.2 Reconciliation of Workers Compensation				
The following table shows the movement of workers compensation during 2004-05:				2005
Transfers in at 1 July				\$'000
Increase to provision due to revision of estimates				8 826
Reduction due to payments				3 494
Carrying Amount at 30 June				(3 243)
				9 077
25. Other Liabilities				
Current:				
Unclaimed monies				4
Unearned revenue				20
Other				922
Total Current Other Liabilities				946
Non-Current:				
Unearned revenue				-
Total Non-Current Other Liabilities				-
Total Other Liabilities				946
26. Equity				
Accumulated surplus				55 688
Asset revaluation reserve				15 730
Total Equity				71 418
Accumulated Surplus:				
Balance at 1 July				-
Net result after restructuring				55 688
Balance at 30 June				55 688
Asset Revaluation Reserve:				
Balance at 1 July				-
Increment in site land due to revaluation				14 639
Increment in vacant land due to revaluation				1 091
Balance at 30 June				15 730
27. Financial Instruments				
(a) Terms, Conditions and Accounting Policies				
<i>Financial Assets</i>				
Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter.				

(a) Terms, Conditions and Accounting Policies (continued)

Trade account receivables 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.

The Department has not entered into any loan arrangements.

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.

The Department has not entered into any arrangements that are Borrowings.

(b) Interest Rate Risk Exposure

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	1 Year \$'000	1 - 5 \$'000	More Than 5 Years \$'000	Non- Interest Bearing \$'000	2005 Total \$'000
Financial Assets:							
Cash and deposits	5.16	18 675	-	-	-	-	18 675
Disability Health Service budget over-runs	N/A	-	-	-	-	237	237
Debtors	N/A	-	-	-	-	17 383	17 383
		18 675	-	-	-	17 620	36 295
Financial Liabilities:							
Creditors and accruals	N/A	-	-	-	-	20 532	20 532
Disability Health Service budget under-runs	N/A	-	-	-	-	90	90
Disability Health Service workers compensation	N/A	-	-	-	-	3 995	3 995
		-	-	-	-	24 617	24 617

(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.

	2005 Carrying Amount \$'000	2005 Net Fair Value \$'000
<i>Financial Instrument</i>		
Financial Assets:		
Cash	18 675	18 675
Disability Health Service budget over-runs	237	237
Receivables	17 383	17 383
	36 295	36 295
Financial Liabilities:		
Payables	20 532	20 532
Disability Health Service Budget under-runs	90	90
Disability Health Service workers compensation	3 995	3 995
	24 617	24 617

(d) Foreign Exchange Risk

The Department has not entered into any foreign exchange contracts.

(e) 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 Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

28. Commitments for Expenditure

(a) 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:

Not later than one year	2005 \$'000 860
Later than one year and not later than five years	-
Later than five years	-
Total Capital Commitments (including GST)	860

Included in Capital expenditure commitments above is \$82 000 which is the GST component of the Capital expenditure commitments.

(b) Other Commitments

Capital expenditure contracted for by the Department on behalf of Disability Health Units, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2005 \$'000
Not later than one year	-
Later than one year and not later than five years	-
Later than five years	-
Total Other Commitments (including GST)	-

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 2005 has not been quantified.

(c) 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:

	2005 \$'000
Not later than one year	7 024
Later than one year and not later than five years	26 131
Later than five years	170
Total Operating Lease Commitments (including GST)	33 325

Included in the operating lease commitments above is \$1.915 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. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

29. Transferred Functions**Transfers to the Department**

On 5 March 2004, the Governor established the Department for Families and Communities (the Department) and declared that for financial accounting and reporting purposes the establishment of the Department may be taken to occur on 1 July 2004. The assets and liabilities were transferred from the Department of Health (DH) to the Department effective 1 July 2004. Refer Note 1.2.

On 11 March 2004, the division of the Department of Administrative and Information Services known as the Department of Aboriginal Affairs and Reconciliation (DAARE) transferred to the Department. For financial accounting and reporting purposes the transfer was taken to occur on 1 July 2004.

In respect of the activities gained, the following assets and liabilities were transferred into the Department:

	DH \$'000	DAARE \$'000	2005 Total \$'000
Assets:			
Current assets	37 229	9 758	46 987
Non-current assets	97 765	868	98 633
Total Assets	134 994	10 626	145 620
Liabilities:			
Current liabilities	26 380	1 385	27 765
Non-current liabilities	36 108	-	36 108
Total Liabilities	62 488	1 385	63 873
Net Assets	72 506	9 241	81 747

Transfers out of the Department

On 14 October 2004, the Governor proclaimed the transfer of the employees of DAARE from the Department to the Department of the Premier and Cabinet (DPC). It is taken that the proclamation also means the transfer of the assets and liabilities of DAARE to DPC. In accordance with APS 13 for financial accounting and reporting purposes the transfer is taken to occur on 31 October 2004.

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

	DAARE \$'000	2005 Total \$'000
Assets:		
Current assets	10 473	10 473
Non-current assets	820	820
Total Assets	11 293	11 293
Liabilities:		
Current liabilities	1 002	1 002
Non-current liabilities	-	-
Total Liabilities	1 002	1 002
Net Assets	10 291	10 291

Increase in Net Assets due to Administrative Restructure

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the statement of Financial Performance are the following:

	DH	DAARE	2005 Total
	\$'000	\$'000	\$'000
	72 506	(1 050)	71 456

30. Contingent Liabilities

The Department does not have any contingent liabilities

31. Cash Flow Reconciliations

Reconciliation of Cash at 30 June as per:

Statement of Cash Flows	18 675
Statement of Financial Position	18 675

Reconciliation of Net Cash used in Operating Activities to Net Cost of Services:

Net cash inflows (outflows) from operating activities	(9 545)
SA Government appropriations	(571 230)
Grants from SA Government agencies	(19 553)
	(600 328)

Add (Less) Non-Cash Items:

Depreciation and amortisation	(1 905)
Assets transferred	(840)
Assets received	505
Bad and doubtful debts	(468)
Revaluation increments/decrements	(358)
Gain on sale of assets	7

Changes in Assets and Liabilities:

Increase (Decrease) in receivables	10 727
Increase (Decrease) in other assets	318
(Decrease) Increase in payables	(6 037)
Decrease (Increase) in employee benefits	(7 399)
Decrease (Increase) in other liabilities	(773)

Net Cost of Services for Ordinary Activities

(606 551)

32. Events After Balance Date

There are not any reportable after balance day events.

33. Financial Statements for Administered Funds

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 Department of Treasury and Finance Model Financial Statements, separate consolidated administered financial statements and notes to the accounts have been prepared.

**Statement of Administered Revenues and Expenses
for the year ended 30 June 2005**

	Note	2005 \$'000
REVENUES FROM ORDINARY ACTIVITIES:		
Rent, fees and charges		169
Revenue from SA Government	4	155 865
Grants and contributions		4 814
Interest		203
Other		34
Total Revenue from Ordinary Activities		161 085
EXPENSES FROM ORDINARY ACTIVITIES:		
Employee expenses		274
Supplies and services		2 374
Depreciation and amortisation		-
Grants, subsidies and client payments	5	158 160
Total Expenses from Ordinary Activities		160 808
NET SURPLUS		277
Changes in equity		277
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		277

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

	Note	2005
CURRENT ASSETS:		\$'000
Cash		58 998
Receivables		205
Other Current Assets		1 766
Total Current Assets		60 969
NON-CURRENT ASSETS:		
Property, plant and equipment		-
Total Non-Current Assets		-
Total Assets		60 969
CURRENT LIABILITIES:		
Payables		29 317
Employee benefits		-
Provisions		1
Overdraft		205
Total Current Liabilities		29 523
NON-CURRENT LIABILITIES:		
Total Non-Current Liabilities		-
Total Liabilities		29 523
NET ASSETS		31 446
EQUITY:		
Contributed capital		-
Accumulated surplus		31 446
Asset revaluation reserve		-
TOTAL EQUITY		31 446

**Statement of Administered Cash Flows
for the year ended 30 June 2005**

		2005
		Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000
CASH OUTFLOWS:		
Employee payments		(274)
Concessions		(115 423)
Grants, subsidies and client payments		(16 506)
Goods and services		(1 740)
Total Cash Outflows		(133 943)
CASH INFLOWS:		
Receipts from SA Government		157 279
Taxes, fees and charges		150
Grants and contributions		3 212
Interest revenue		92
Other revenue		53
Total Cash Inflows		160 786
Net Cash Inflows from Operating Activities	6	26 843
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment		-
Proceeds from sale of property, plant and equipment		-
Net Cash Inflows from Investing Activities		-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Restructuring		952
Cash overdraft		188
Net Cash Inflows from Financing Activities		1 140
NET INCREASE IN CASH HELD		27 983
CASH AT 1 JULY		31 015
CASH AT 30 JUNE		58 998

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Accounting Policies**
The accounting policies pertaining to the administered items for the Department are contained in Note 2 'Summary of Significant Account Policies'.
2. **Programs of Administered Items**
The administered items do not fall within specific programs.
3. **List of Administered Items**
Concessions
Family maintenance orders
Ministers' salary
Supported Residential Facility Fund
Alternative Care Fund
Gamblers Rehabilitation
Charitable and Social Welfare
Duke of Edinburgh
CRC Trust

4. Revenue form SA Government	2005
	\$'000
Gamblers rehabilitation	1 076
Concessions	141 772
Community service obligations	9 017
Charitable and social welfare	4 000
Total Revenue from SA Government	155 865
5. Grants, Subsidies and Client Payments	
Gamblers rehabilitation	3 313
Concessions	141 654
Community service obligations	9 017
Charitable and social welfare	4 176
Total Grants, Subsidies and Client Payments	158 160
6. Cash Flow Reconciliations	
Reconciliation of Cash at 30 June as per:	
Statement of Cash Flows	58 998
Statement of Financial Position	58 998
	-
Net cash inflows (outflows) from operating activities	26 843
Add/Less Non-Cash Items:	
Depreciation and amortisation	-
Assets transferred for nil consideration	-
Assets received for nil consideration	-
First time recognition	-
Gain on sale of assets	-
Changes in Assets and Liabilities:	
Increase (Decrease) in receivables	299
Increase (Decrease) in other assets	1 766
Decrease (Increase) in payables	(29 818)
Decrease (Increase) in employee benefits	3
Decrease (Increase) in other liabilities	1 184
Net Surplus	277

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

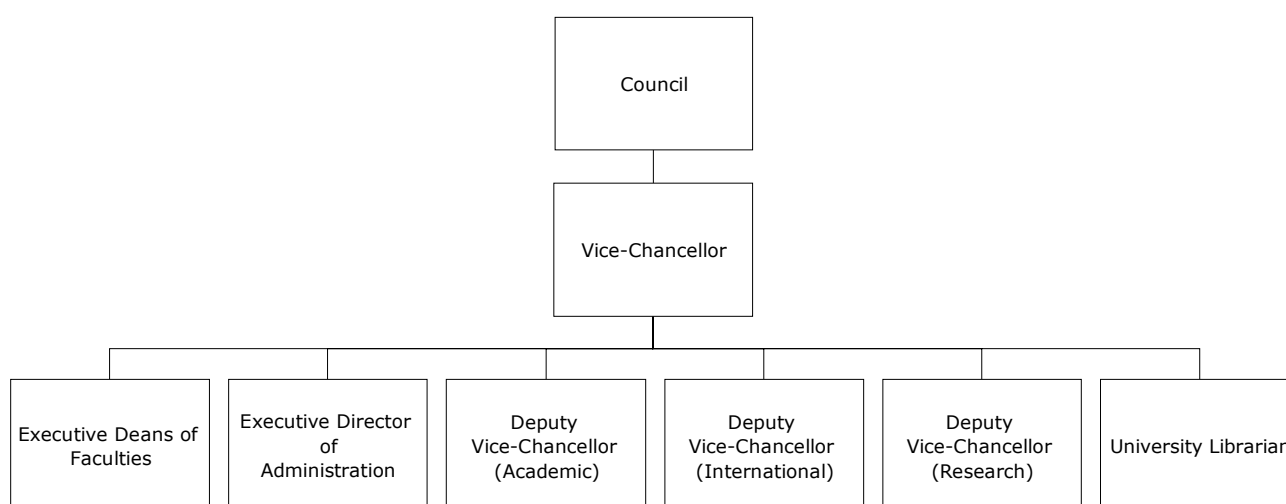
The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council.

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 2004 the University had a number of controlled entities which are detailed at Note 38 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, and it operates within the framework of a Charter. The Audit Committee's primary function is to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Audit representatives attended Audit Committee meetings throughout the year.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Regulations under the *Public Finance and Audit Act 1987* provide that the University is a public authority. Consequently, subsection 31(1)(b) of the *Public Finance and Audit Act 1987* 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 *Public Finance and Audit Act 1987* 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 audit opinion to be formed on the financial statements and internal controls.

For the year ended 31 December 2004, specific areas of audit attention included:

- expenditure and accounts payable
- revenue and debtors
- payroll
- assets
- liabilities
- the computer processing environment
- controlled entities
- procurement activity
- risk management
- legal compliance.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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 Funding Act 1988*, 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 2004, their financial performance 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 procurement activity, risk management, accounts payable and payroll as outlined under 'Audit Communications to Management', 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.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Vice-Chancellor. Matters raised with the University and the related response are considered herein.

Payroll

Audit review found that key payroll functions and related controls have been devolved to cost centres. A feature of the University's control framework was the reliance on the review of payroll information by cost centre managers. Audit found that payroll information is made available to cost centre managers for review and validation, however, it was Audit's view that there was a lack of control to ensure the payroll data was actually reviewed and appropriately actioned (where necessary) on a consistent and timely basis across the University. This assessment follows from Audit's observation that the University's policies and procedures do not clearly document the checking procedures required to be performed by University staff.

Audit recommended that the University clearly document and communicate its expectations of the nature and extent of checking to be performed by cost centre staff and the central Payroll Section.

Response

In response, the University advised that it does not fully share Audit's assessment of the adequacy of the controls over payroll but acknowledged that documentation and controls could be improved. The University will prepare a risk assessment to assess whether cost effective improvements can be made.

Accounts Payable

The review of the University's purchasing, approval and accounts payable processes highlighted areas where it was considered that controls could be improved. One of the more significant matters was the lack of segregation between responsibility for the raising of the purchase orders, the review of expenditure authority and the receipting of goods and services, all of which can be undertaken by some Buyers located in the Faculties. Furthermore, Audit considered that there was scope to improve controls over the vendor masterfile.

Audit also suggested the University consider implementing an on-line authorisation process to facilitate the approval of payments. Audit considered that the adoption of an on-line approval process would provide for a more effective and robust control framework with possible efficiency gains compared to the University's current manual authorisation process.

Response

In response, the University indicated that it acknowledges the risks which arise from limited segregation of duties and it will work with the faculties to manage the risk in a cost effective and practical manner. In relation to the online authorisation of payments, the University advised that an online authorisation process would improve the management of risks, however, the costs would outweigh the benefits. Furthermore, the University advised that it would document the controls in place to mitigate vendor masterfiles risks.

Procurement

A major review of the University's procurement practices was undertaken by Audit in 2003. The audit found that there was scope for the University to enhance its policies and procedures to ensure that procurement practice is defensible and decisions are properly evidenced. Specifically, Audit considered that development of guidance was required on the:

- preparation of Acquisition Plans prior to undertaking significant purchases;
- preparation of a Purchase Recommendation prior to signing a significant purchase contract;
- conduct of contract management and evaluation activities for significant purchases.

Follow up by Audit in 2004 and advice from the University indicated the University had reviewed policies and procedures and the University Council approved a revised Purchasing Policy and Procedure in August 2005. The revised policies and procedures will be reviewed as part of the audit for 2005.

Risk Management

The review of the University's risk management practices indicated they have been an area of some focus by the University which is reflected in the establishment of a Risk Management Policy and Framework and the presentation of reports on specific risk areas to the Council. The review also noted that the Vice Chancellor's annual report to Council on governance and management included consideration of risk management.

Audit concluded the University's risk management practices would be enhanced by preparing risk management plans at the corporate and faculty level to document specific risk management activities. The review also indicated it was appropriate to develop formal processes for monitoring and reporting on progress against plans.

Risk Management

The University responded by indicating it considered its risk management systems meet the expectations and requirements of the University Council and the requirements of the Commonwealth funding provider.

Business Continuity/Disaster Recovery Plan

Audit review noted that the University's Emergency Control Procedures require updating and that the University would be progressing developing a Business Continuity/Disaster Recovery Plan in 2005.

Response

In response the University advised that an external accounting firm has prepared a report on Business Continuity Management Implementation Strategies as a pilot project related to information services. The directions in this report may, after appropriate consideration, be extended to other relevant operations.

Legal Compliance

Audit reviewed the University's arrangements which ensure it complies with all relevant legislation. The review followed up the University's progress in implementing recommendations arising from reviews performed by the University's Internal Audit. The Internal Audit recommended the University:

- identify relevant legislation;
- classify the risk associated with the legislation;
- assign responsibility for monitoring compliance with relevant legislation to specific officers;
- implement regular reporting on issues assessed as being high risk;
- implement periodic audits of issues assessed as being high risk.

The External Audit review indicated the University has commenced implementing the Internal Audit recommendations which were endorsed by the Audit Committee in November 2004. The University has confirmed this assessment.

Commentary on Computer Information Systems (CIS) Environments

Student One Computer Processing Environment

In 2004 Audit reviewed aspects of the University's Student One system and its processing environment.

The review of information security identified areas where improvements could be made in relation to the management of user accounts and password access and areas in which system configuration could be changed to enhance security. It was also noted that the information security management framework and policies were not up to date or formally implemented.

Review of systems operations and maintenance indicated procedures for removing users from the system were not documented, application logs were not reviewed or monitored and there was no process for approving changes to the Student One database. The audit also identified areas for improvement in the physical and environmental security and noted that the University has not developed a Disaster Recovery Plan.

Response

In response to the audit findings and recommendations the University identified a range of measures to be taken. The action proposed by the University will be subject of a follow up review.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Commonwealth Government financial assistance	95.5	96.2	(1)
HECS	35.7	37.1	(4)
Fees and charges	28.5	25.4	12
Other	40.7	36.4	12
Total Operating Revenue	200.4	195.1	3
OPERATING EXPENDITURE			
Employment benefits	126.7	116.0	9
Other expenses	71.7	65.0	10
Library collection depreciation adjustment	36.1	-	
Total Operating Expenses	234.5	181.0	30
Net Operating Result	(34.1)	14.1	
Net Cash Flows from Operations	18.6	25.3	(26)

	2004	2003	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	70.5	54.7	29
Non-current assets	211.2	267.0	(21)
Total Assets	281.7	321.7	(12)
LIABILITIES			
Current liabilities	37.1	31.0	20
Non-current liabilities	41.5	38.0	9
Total Liabilities	78.6	69.0	14
EQUITY	203.1	252.7	(20)

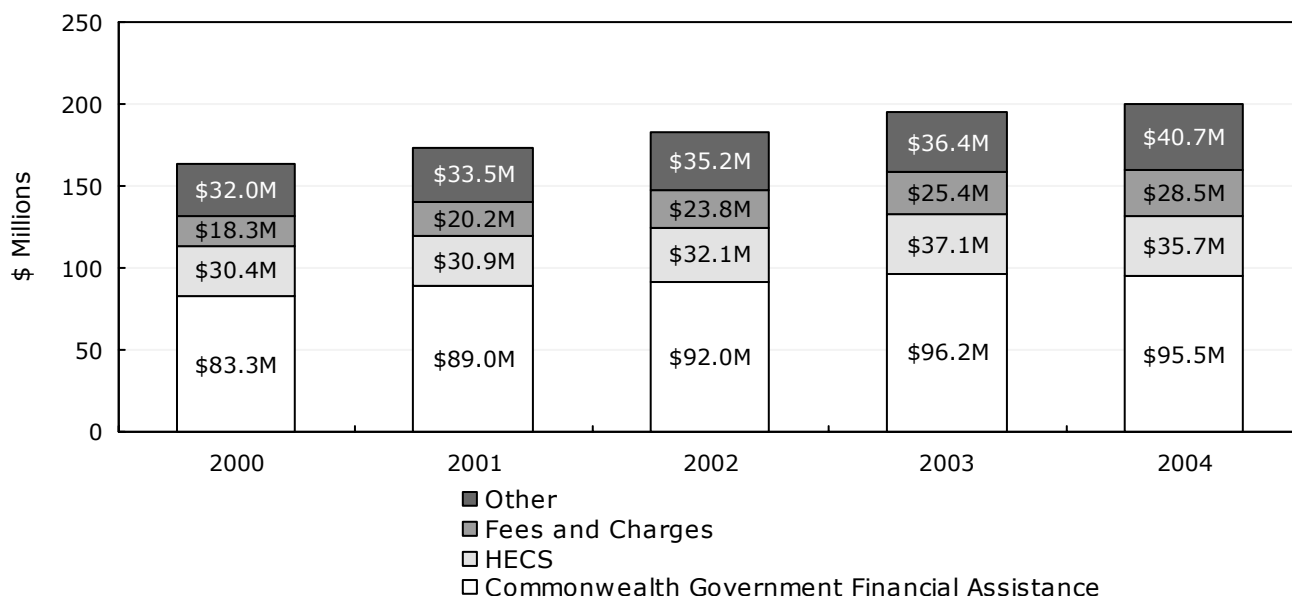
Statement of Financial Performance (Consolidated)

For the purposes of the following analyses, the deferred Government superannuation contribution recognised as revenue and the related deferred employee benefits for superannuation included as an expense in Employee Benefits have been excluded from Operating Revenue and Operating Expenses as they have no effect on the Operating Result from Ordinary Activities as the revenue is offset against a corresponding expense. Refer to Note 36 to the financial statements for further details of the University’s superannuation plans.

Operating Revenues

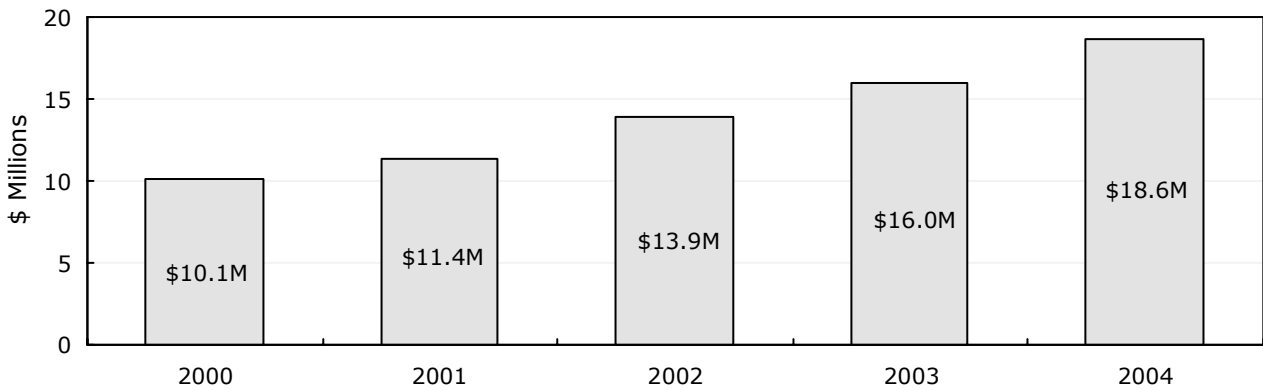
Revenue from Ordinary Activities increased by \$5.3 million (2.7 percent). This is due predominately to increases in Fees and Charges of \$3.1 million (12.2 percent) and Other Revenue of \$4.3 million (11.8 percent). The increase in Fees and Charges was due mainly to a \$2.6 million increase in revenue from fee paying overseas students (refer to the chart and commentary provided below). The increase in Other Revenue was due mainly to a \$3.5 million increase in the proceeds from the sale of assets. Note 1(u) refers to the effect of changed Commonwealth funding arrangements on the reported revenue for 2004.

A structural analysis of operating revenues for the University for the five years to 2004 is presented in the following chart.



The preceding chart shows that the University is dependent to a large extent on financial assistance from the Commonwealth Government. The chart also demonstrates that a significant proportion of revenue relates to Fees and Charges and Other Revenue.

The following chart highlights a consistent upward trend in revenue from fee paying overseas students. This increase is due mainly to an increase in student enrolments.



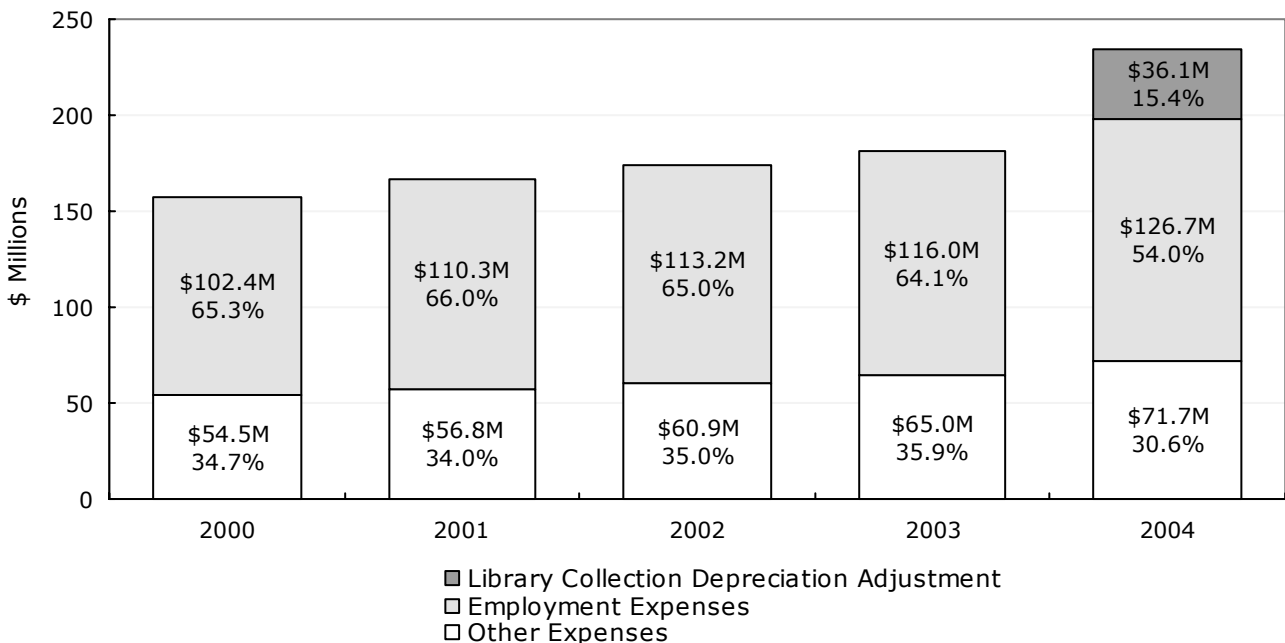
Operating Expenses

During the year ended 31 December 2004, total operating expenses increase by \$53.5 million (29.6 percent) to \$234.5 million. The main reason for the increase was the recognition of a Library Collection Depreciation Adjustment of \$36.1 million. Further commentary on this adjustment and the impact on the University’s Net Operating Result is included under the analysis of the Operating Result.

Employment benefits expenses increased by \$10.7 million (9.2 percent) from \$116.0 million to \$126.7 million. The main reason for the variation was an increase in salary expenses of \$6.3 million due mainly to enterprise bargain agreement pay increases (ie 5 percent) paid during the year. In addition, long service leave and workers compensation expenses increase by \$2.4 million and \$1.1 million respectively.

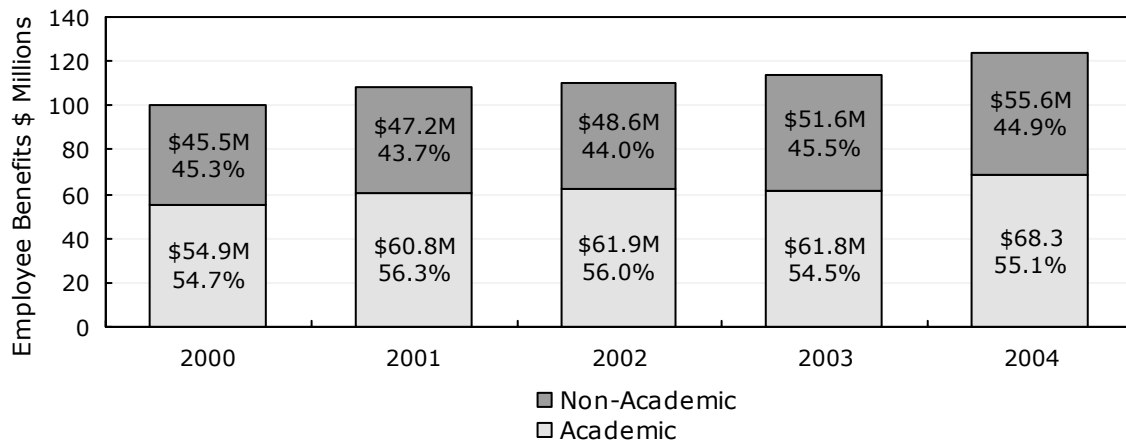
Other expenses increased by \$6.7 million (10.3 percent) from \$65 million to \$71.7 million.

For the five years to 2004, a structural analysis of the main operating expense items for the University is shown in the following chart.



The preceding chart shows 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 \$36.1 million.

The following chart shows that the proportion of academic to non-academic employee benefits has remained consistent over the last five years. This chart reflects the parent entity only.



Operating Result

The following chart shows the operating revenues, operating expenses and surpluses for the five years to 2004. The chart shows that the University recorded surpluses for the preceding four years followed by a deficit in 2004.

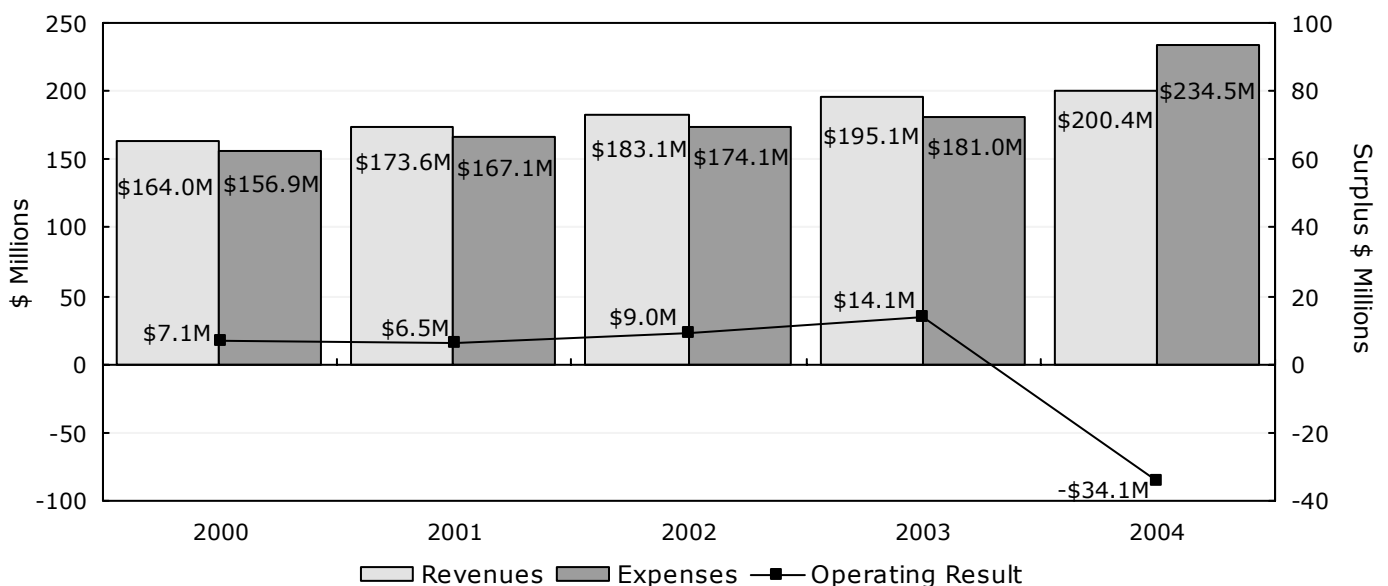
The University recorded a deficit of \$34.1 million (\$14.1 million surplus in 2003) for the year ended 31 December 2004 due to the recognition of a Library Collection Depreciation Adjustment. The following commentary provides details of the adjustment and the impact on the Operating Result.

On 1 January 2004 the University revised the estimated useful lives of its Library Collection. The useful lives of the Library Collection were changed from 40 years for monographs and 50 years for serials to 10 years for both categories. The financial effect of the revision of the Library Collection useful lives was the recognition of a \$36.1 million depreciation adjustment expense resulting in a deficit of \$34.1 million.

The Library Collection depreciation adjustment reflects a revision in an accounting estimate which impacts on the University’s Library Collection carrying value. It is noted, however, that the effect of the depreciation adjustment does not impact on the University’s cash flows or overall financial position.

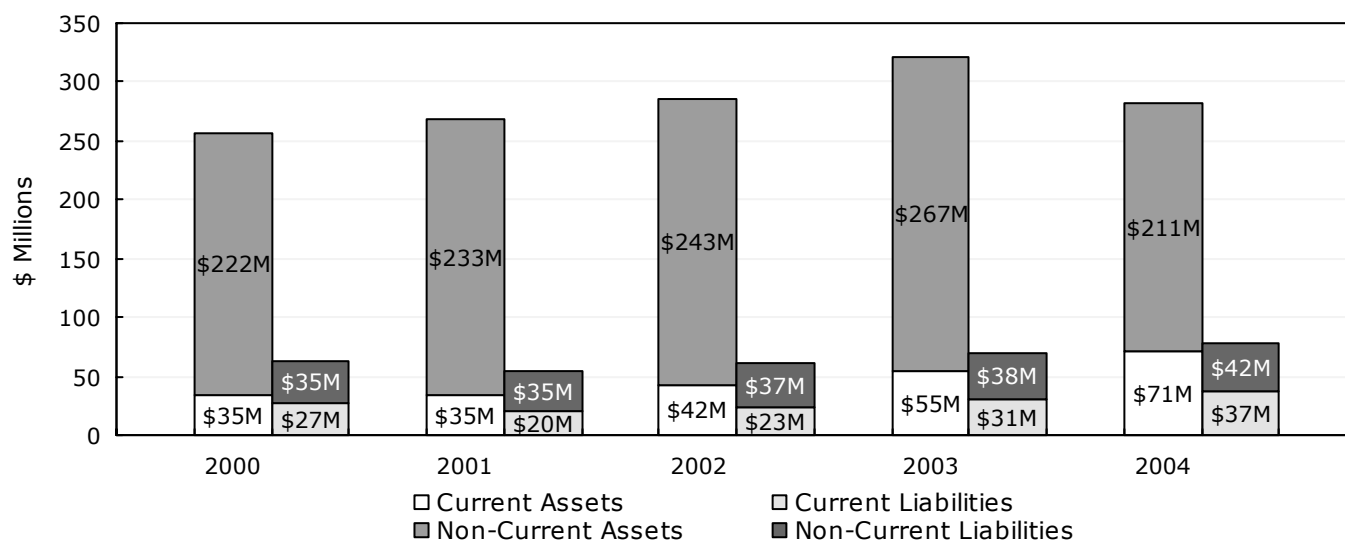
As highlighted in Note 14 to the financial statements, the Net Operating Result for 2004 excluding the depreciation adjustment is a surplus of \$2.0 million. Note 1(u) also reports on changed Commonwealth funding arrangements which increased the reported Operating Deficit by \$8.3 million.

The following chart shows the operating revenues, operating expenses and surpluses for the five years to 2004.



Statement of Financial Position

For the five years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Over the period of review assets increased by \$25 million (9.7 percent) and liabilities increased by \$17.0 million (27.4 percent). The chart shows an upward trend in assets for the first four years followed by a decrease in 2004 of \$40 million (12.4 percent).

Non-current assets decreased by \$55.8 million (20.9 percent) predominantly due to the:

- revaluation of the University's Library Collection. The University revalued the Library Collection to fair value in accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets' issued by the Department of Treasury and Finance. The effect of the revaluation was a decrease in the asset value of \$11.7 million and reduction in retained earning for the same amount;
- revision of the estimated useful lives of the Library Collection resulting in a \$36.1 million decrease in the Library Collection book value;
- revaluation of the University's Land, Buildings and Infrastructure resulting in a \$6.4 million decrease in the Land, Buildings and Infrastructure book value.

Current Assets increased by \$15.8 million (28.9 percent) over the financial year due mainly to a \$17.1 million increase in Term Deposits.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	18.6	25.2	17.2	10.4
Investing	(22.5)	(12.4)	(7.8)	(18.3)
Change in Cash	(3.9)	12.8	9.4	(7.9)
Cash at 30 June	20.9	24.8	12.0	2.5

Net cash inflow from operating activities decreased by \$6.6 million. The decrease mainly reflects an increase in payments made to employees.

Net cash outflow from investing activities increased by \$10.1 million. The overall increase reflects increased payments for investments.

Statement of Financial Performance for the year ended 31 December 2004

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
REVENUE FROM ORDINARY ACTIVITIES:					
Commonwealth Government Financial Assistance:					
Commonwealth Government grants	1(m)(u), 2	95 534	96 179	95 499	96 179
Higher Education Contribution Scheme:					
Student contributions		5 312	4 739	5 312	4 739
Commonwealth payments	2(b)	30 343	32 350	30 343	32 350
Commonwealth loan programmes	2(b)	1 725	1 264	1 725	1 264
State and local Government financial assistance	3	8 014	7 182	8 014	7 126
Superannuation - Deferred government contributions	36	700	-	700	-
Fees and charges	1(m), 4	28 534	25 431	27 532	24 179
Investment income	1(m), 5	4 868	3 596	4 579	3 451
Royalties, trademarks and licenses	6	2 322	745	2 447	745
Consultancy and contract research	1(m), 7	8 051	11 756	3 935	5 360
Other revenue	8	15 680	11 859	11 976	12 356
Total Revenue from Ordinary Activities		201 083	195 101	192 062	187 749
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits and on costs	9	127 385	116 049	124 603	113 368
Depreciation	10	11 045	8 995	10 687	8 498
Repairs and maintenance	11	8 776	9 042	8 699	8 907
Bad and doubtful debts	12	(424)	225	(295)	362
Other expenses	13	52 323	46 697	45 936	41 797
Sub Total		199 105	181 008	189 630	172 932
Library collection depreciation adjustment	14	36 077	-	36 077	-
Total Expenses from Ordinary Activities		235 182	181 008	225 707	172 932
Operating result before library adjustment	14	1 978	14 093	2 432	14 817
NET OPERATING RESULT	1(u)	(34 099)	14 093	(33 645)	14 817
Net Operating Result attributable to outside equity interests	30	(1)	(17)	-	-
Net Operating Result attributable to parent entity (University)		(34 100)	14 076	(33 645)	14 817
Net increase (decrease) in asset revaluation reserve	29	(3 804)	14 158	(2 202)	13 744
Adjustment resulting from change in accounting policy required by a change in an accounting standard	1(w)	(11 743)	(111)	(11 743)	(107)
Total revenue, expenses and valuation adjustments attributable to the parent entity and recognised directly in equity		(49 647)	28 123	(47 590)	28 454
TOTAL CHANGE IN EQUITY ATTRIBUTABLE TO THE PARENT ENTITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		(49 647)	28 123	(47 590)	28 454

Statement of Financial Position as at 31 December 2004

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
CURRENT ASSETS:					
Cash assets	1(c), 1(q), 17	539	3 432	131	3 097
Receivables	1(c), 18	9 794	11 592	8 824	10 945
Inventories	1(j), 19	300	375	297	375
Other financial assets	1(c), 20	56 648	37 157	54 305	33 891
Other non-financial assets	23	3 198	2 143	3 268	3 413
Total Current Assets		70 479	54 699	66 825	51 721
NON-CURRENT ASSETS:					
Receivables	1(c), 18	24 252	23 114	24 252	23 114
Other financial assets	1(c), 20	27 524	28 258	32 352	31 338
Property, plant and equipment	1(n), 21	157 621	214 158	155 492	210 658
Other non-financial assets	23	1 806	1 420	-	-
Total Non-Current Assets		211 203	266 950	212 096	265 110
Total Assets		281 682	321 649	278 921	316 831
CURRENT LIABILITIES:					
Payables	1(c), 24	11 109	11 309	10 521	11 037
Interest-bearing liabilities	1(c), 25	10 124	7 498	13 805	9 169
Provisions	1(f), 1(h), 26	8 928	7 715	8 662	7 508
Other	1(c), 27	6 931	4 488	3 265	2 421
Total Current Liabilities		37 092	31 010	36 253	30 135
NON-CURRENT LIABILITIES:					
Payables	1(c), 24	2 029	1 241	2 015	1 233
Interest-bearing liabilities	1(c), 25	-	597	-	597
Provisions	1(f), 1(h), 26	39 514	36 107	39 415	36 038
Total Non-Current Liabilities		41 543	37 945	41 430	37 868
Total Liabilities		78 635	68 955	77 683	68 003
NET ASSETS		203 047	252 694	201 238	248 828
EQUITY:					
Parent entity interest:					
Statutory funds	28	33 086	23 504	33 086	23 504
Reserves	29	17 280	21 084	24 182	26 384
Retained surplus	29	152 658	208 084	143 970	198 940
Total Parent Entity Interest		203 024	252 672	201 238	248 828
Outside equity interest in controlled entities	30	23	22	-	-
TOTAL EQUITY		203 047	252 694	201 238	248 828
Commitments for Expenditure	35				
Contingent Liabilities and Contingent Assets	34				

Statement of Cash Flows for the year ended 31 December 2004

	Note	Consolidated		University	
		2004 Inflows (Outflows) \$'000	2003 Inflows (Outflows) \$'000	2004 Inflows (Outflows) \$'000	2003 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
Commonwealth Government:					
Teaching and learning		50 452	52 994	50 452	52 994
HECS and other loan programmes		32 120	33 719	32 120	33 719
Scholarships		2 467	2 049	2 467	2 049
DEST research		19 816	25 562	19 816	25 562
ARC grant - Discovery		1 942	1 674	1 942	1 674
ARC grant - Linkages		1 037	1 442	1 037	1 442
Other Commonwealth		19 425	17 643	19 389	17 643
State Government and local Government		8 114	7 326	8 114	7 269
HECS - Student payments		5 312	4 739	5 312	4 739
Receipts from student fees and other customers		57 164	54 396	48 075	48 010
Dividends received		69	315	162	254
Interest received		2 937	2 047	2 944	1 910
Other investment income		1 350	1 234	1 114	1 287
Payments to suppliers		(62 398)	(66 014)	(56 065)	(64 899)
Payments to employees		(121 255)	(113 858)	(119 389)	(109 862)
Net Cash Inflow from Operating Activities	43	18 552	25 268	17 490	23 791
CASH FLOWS FROM INVESTING ACTIVITIES:					
Payments for property, plant and equipment		(10 209)	(18 464)	(9 875)	(17 909)
Payments for investments		(19 146)	(4 000)	(18 010)	(4 342)
Proceeds from sale of property, plant and equipment		2 707	884	857	838
Proceeds from sale of investments		1 833	5 085	-	5 000
Change in funds held on behalf of other entities		2 300	4 061	5 502	5 326
Net Cash Outflow from Investing Activities		(22 515)	(12 434)	(21 526)	(11 087)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from sale of subsidiary shares		-	5	-	-
Net Cash Inflow from Financing Activities		-	5	-	-
NET (DECREASE) INCREASE IN CASH HELD		(3 963)	12 839	(4 036)	12 704
CASH AT 1 JANUARY		24 823	11 984	24 488	11 784
CASH AT 31 DECEMBER	1(q), 17	20 860	24 823	20 452	24 488
Non-cash Financing and Investing Activities	44				

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth Department of Education, Science and Training (DEST).¹

The financial statements are generally consistent with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values, the only exception being financial assets and property, plant and equipment which are measured on a fair value basis.

The consolidated financial statements (the Economic entity) comprise the accounts of the University (the parent entity) and all of its controlled entities.

The significant accounting policies that have been adopted in the preparation of these financial statements are:

(a) Principles of Consolidation

A controlled entity is any entity controlled by Flinders University (the University). Control exists where the University has the capacity to dominate decision making in relation to the financial and operating policies of another entity so that the other entity operates with the University to achieve the objectives of the University. A list of controlled entities is contained in Note 38.

The effects of transactions between controlled entities and the University have been eliminated on consolidation.

(b) Depreciation

Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Item:	Percentage
Buildings and Infrastructure	2.5
Equipment:	
Motor vehicles	20.0
General equipment	16.7
Computer hardware	33.3
Computer software	20.0
Aircraft	10.0
Library Collection:	
Library Monographs	10.0
Library Serials	10.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 21. Depreciation expense by asset class is shown in Note 10.

(c) Financial Instruments

(i) Cash

Bank accounts are recognised at nominal amounts. Note disclosure is made in Note 17.

(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 18.

(iii) Other Financial Assets (Investments)

Investments include term deposits and deposits within three days, government securities, Commonwealth Indexed Bonds, managed funds, interest in business undertakings, equities, investment property and debenture stock.

Investments are recognised at fair value.

The Mark Oliphant Building Investment property was independently valued as at 31 December 2004 by Norm Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Pty Ltd.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value.

Note disclosure is made in Note 20.

¹ DEST requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for 2004 Reporting Period'.

- (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 24.
- (v) *Interest Bearing Liabilities*
The University holds funds on behalf of affiliated student entities, controlled entities, certain joint ventures and related external entities. The University invests these funds along with University funds and shares the investment income. Note disclosure is made in Note 25.
- (vi) *Other Liabilities: Funds Held on behalf of other entities*
Funds held on behalf of other entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in Note 27.

(d) Website Costs

Costs in relation to websites controlled by the Consolidated entity are charged as expenses in the period in which they are incurred.

(e) Research and Development

The University expenses Research and Development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's controlled entities, Flinders Technologies Pty Ltd, has the rights to commercialise intellectual property arising from the University. Research and 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.

Research and Development costs treated as deferred expenditure are included in the Consolidated Statement of Financial Position and are disclosed under Note 23 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.

(f) Employee Benefits

Employee benefits 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 Accounting Policy Statement 9. 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 by the long hand method prescribed by AASB 1028 'Employee Benefits' by Matt Molloy, FIAA, of Mercer Human Resource Consulting Pty Ltd. Note disclosure is made in Notes 24 and 26.
- (ii) *Annual Leave*
The University has a liability for unused annual leave for non-academic staff. In accordance with conditions of employment, academic staff are required to take annual leave each year and no annual leave is accrued at year end. Note disclosure is made in Notes 24 and 26.
- (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 exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Statement of Financial Performance. The University does not record, 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 36 provides details in respect of the individual Schemes.
- (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 26 and 36.
- (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 26.

(g) Foreign Currency

Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transactions. There were no material foreign currency monetary items outstanding at balance date.

(h) Workers Compensation

The University is responsible for payments of workers compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University.

The provision for workers compensation liability is actuarially determined every five years, with the intervening years calculated by applying an extrapolation of the most recent actuarial calculation to the latest value of claims on hand. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The last actuarial calculation was conducted as at 31 December 2000. The liability for workers compensation is disclosed in Note 26.

(i) Goods and Services Tax

The University recognises revenues and expenses net of the amount of goods and services tax (GST), except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

(j) Inventories

Inventories are stores of consumable items including printing and maintenance materials. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in Note 19.

(k) Investments in Business Undertakings

- *Controlled Entities*
Investments in controlled entities are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared. Note disclosure is made in Note 38.
- *Associates*
Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interest in associated entities. Note disclosure is made in Note 39.
- *Joint Ventures*
Joint Venture Operations
The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Statement of Financial Position and Statement of Financial Performance, where material. Details of joint ventures are included in Note 40.
- *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 40.

(l) 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 an investment property to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

Note disclosure is made in Note 35(b).

(m) Revenue Recognition

(i) Commonwealth 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. Up until 2004 the first payment was received at the end of the previous year, however for 2005 and onwards all grants will be received in the year to which they relate. Note 1(u) provides disclosure of this change in the timing of funding, as mandated by DEST, and the financial effects of this change.

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. 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. Realised gains and losses are included in the Net Operating Result. 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.

(n) 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 21.

(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 2004 by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd.

(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.

Buildings under construction are measured at cost.

Independent building and infrastructure valuations are undertaken triennially. In between, the value is indexed using the Consumer Price Index.

(iii) Library Books - Monographs and Serials

The Library collection was revalued as at 1 January 2004 and is reported at Council's valuation based on fair value. The value is depreciated over a 10 year period on a straight-line basis. The financial effect of this change in policy has been disclosed in Note 1(w)(i). The value was reassessed as at 31 December 2004.

(iv) *Equipment*

This class of assets includes computer hardware and software, furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position initially at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance 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 capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.

Aircraft were independently revalued in 2000 by R A Douglas MSAA of Douglas Aircraft Sales. Aircraft purchased subsequent to 2000 are recorded at cost and this approximates fair value.

(vi) *Works of Art*

The Works of Art collection was revalued as at 31 December 2004 and is reported at Council's valuation based on fair value.

(o) Student Service Fees

The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Student Service Fee revenue and associated expenditure are not reflected in the financial statements.

(p) Doubtful Debts

The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in Note 18.

(q) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within three working days. Note 17 provides a reconciliation of cash disclosure.

For the purpose of the Statement of Financial Position, Cash Assets are at call deposits at bank and cash on hand.

(r) Income Tax Status

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

The University is subject to Fringe Benefits Tax, the Goods and Services Tax and Payroll Tax.

(s) Rounding to the Nearest \$'000

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(t) 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.

(u) Financial effects of changes to Commonwealth Payment Arrangements for 2005 Grant Year

• *Background*

Payment to universities in respect of programmes under the *Higher Education Funding Act 1988* (HEFA) are made on the second and last Thursdays of each month. In the recent past, the first payment in respect of a grant year (equalling 8 percent of the total recurrent funding for that year) had been made at the end of December of the previous year.

Funding for most programmes under HEFA ends on 31 December 2004 while most new programmes under the *Higher Education Support Act 2003* (HESA) commence on 1 January 2005. Continuing the current practice of making the first payment in December 2004 for the 2005 grant year would mean that Commonwealth payments would be made in respect of programmes that are yet to commence and that these payments are treated by majority of universities as revenue for 2004. This has considerable accountability implications for the Australian Government Department of Education, Science and Training (DEST) in administering and accounting for the programme payments.

HEPs (even those within the same State) do not treat the early payment uniformly and the payment is treated in at least three different ways – as revenue when it is received, as an advance (a liability), and part as revenue and the other as liability. Such varied treatment creates a lack of transparency and distorts both the Commonwealth funding and the HEPs' financial year results.

- *Background (continued)*
DEST has announced changes to payment arrangements whereby all recurrent payments in respect of a grant year will be made in that year. For the 2005 grant year, the first payment will be made in January 2005 instead of December 2004.

The changes to payment arrangements will mean that, from 2005 reporting period, the financial statements of all higher education providers will accurately reflect the Commonwealth financial assistance in respect of a grant year.

- *Financial Effects for 2004*
Changes to payment arrangements will mean that those HEPs that reported the whole or part of the 8 percent first payment in respect of the 2004 grant year as revenue in 2003 will have the effect of understating the Commonwealth funding for the 2004 grant year in their 2004 Statement of Financial Performance.

To identify the impact of the changed treatment on the operating result, grants provided for 2004 activities but recognised as 2003 revenue should be adjusted by incorporating the amount received in December 2003 as revenue for the 2004 reporting period. The effect of this is shown below:

	University 2004 \$'000
2004 Revenue from operating activities (per statement of financial performance)	192 062
Add grants received in 2003 for 2004 activities:	
Commonwealth Government financial assistance	5 730
HECS - Commonwealth payments	2 611
Commonwealth loan programmes	-
Total Restated 2004 Revenue from Operating Activities	200 403
Restated 2004 operating result	(25 304)
Reported 2004 operating result	(33 645)
Financial Effect on 2004 Operating Result	8 341

The Commonwealth will use the restated figures in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all HEPs.

(v) International Financial Reporting Standards (IFRS)

(a) Overview

The Australian Accounting Standards Board (AASB) has adopted IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the Economic entity's financial statements for the year ending 31 December 2005.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening Accumulated Funds as at 1 January 2004.

(b) Management of the Consolidated Entity's Transition to IFRS

The University has established a project team to manage the transition to Australian equivalents to IFRS that will report to the audit committee. The project team has prepared a detailed timetable for managing the transition and is currently on schedule. The project team's analysis of the Australian equivalents to IFRS has identified a number of accounting policy changes. In some cases choices of accounting policies are available, including elective exemptions under Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. Some of these choices are still being analysed to determine the most appropriate accounting policy for the consolidated entity.

Issues identified to date affecting the Economic entity's existing accounting policies include the following (references to AASB standards below are the Australian equivalents to IFRS issued in July 2004 and/or later amendments):

- (i) **Research and Development**
Under the new AASB 138 'Intangible Assets', expenditure on research (or on the research phase of an internal project) must be recognised as an expense when it is incurred. Expenditure on development (or on the development phase of an internal project) can only be recognised as an intangible asset where it meets certain criteria set out in AASB 138.

This will result in a change to the current accounting policy, under which research is recognised as an asset under certain circumstances (for example, 'applied research') and development costs are recognised as an asset when such costs are expected beyond any reasonable doubt to be recoverable. The quantum arising from this change is yet to be determined.

- (ii) **Defined Benefit Plan**
Under AASB 119 'Employee Benefits', the net position of each defined benefit superannuation scheme must be recognised as an asset or liability, as applicable. This is a change in policy that will require the net position to be recognised at 1 January 2004 with a corresponding adjustment to Accumulated Funds. In accordance with the revised standard's elective treatment, future movements in the carrying amount of this liability or asset will continue to be recognised as an adjustment to Accumulated Funds.
- (iii) **Investment Property**
AASB 116 Property, Plant and Equipment requires property which is held to earn revenue or for capital appreciation must be treated as an investment property under AASB 140 'Investment Property'. The University has identified a property that is held for investment and from 1 January 2005 (and 2004 comparatives) will be categorised and reported as an investment. The investment asset is currently valued using fair value as allowed by the new standard. However, future valuation increment and decrements are to be taken to the Income Statement rather than the previous requirement to reflect valuation changes in the Asset Revaluation Reserve. The change in the standard may cause volatility in future earnings.
- (iv) **Asset Revaluation Reserve (Opening Value)**
AASB 1 'First-Time Adoption of Australian Equivalents to International Financial Reporting Standards' allows election of either fair value for the opening balances of Property, plant and equipment or fair value as at 1 January 2004 as deemed cost. However, the SA Department of Treasury and Finance Accounting Policy Framework has issued Accounting Policy Statements (APS) that requires universities to use fair value meaning the existing revaluation reserve could be retained. The University is of the opinion that its revaluation reserve at 1 January 2004 will not be materially affected by the new standard.
- (v) **Property, Plant and Equipment (Componentisation)**
AASB 116 'Property, Plant and Equipment' requires that an asset having a significant component in relation to the total cost should be depreciated separately. SA Department of Treasury and Finance (APS) have set a component value guideline of \$1.0 million and an estimated life of three years. The APS is not sufficiently clear for universities to apply a consistent policy. Treasury will be consulted to obtain agreement on a consistent policy.
- (vi) **Financial Instruments**
AASB 139 'Financial Instruments': Recognition and Measurement allows for financial assets to be categorised as either held for trading, held to maturity or available for sale. Investments in equities including government bonds are currently recognised at fair value. The University proposes to categorise its financial assets as held for trading and to recognise investments in subsidiary companies as held to maturity. Adopting this method will not materially change current policy.

However, the proposed valuation method does not align with the SA Department of Treasury and Finance draft APS that requires the historical cost measure for debt and financial assets. Efforts are being made for an APS amendment to allow universities to apply fair value.

- (vii) **Impairment of Assets**
Under the new AASB 136 'Impairment of Assets', all assets will be subject to an annual assessment for impairment. Impairment must be measured for non-current assets with indications of impairment and for intangible assets not yet available for use. Impairment is measured by comparing the asset's fair value less costs to sell and its value in use. The carrying value of the asset must not exceed the greater of these two measurements.

The University has a policy of carrying non-current assets at fair value and does not believe the new standard will materially impact its asset values.

- (viii) **Dividends**
AASB 118 'Revenue' requires that dividends will be recognised only if approved prior to the end of the financial reporting year. This may result in a timing difference in the 2005 year as to when dividends are recognised. The impact is not expected to be material.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to Australian equivalents to IFRS, as not all standards have yet been analysed, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to Australian equivalents to IFRS on the consolidated entity's financial position and reported results.

(w) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except for the following:

(i) Library Revaluation (2004)

In accordance with Accounting Policy Statement 3 the Consolidated entity changed its policy for valuation of its library collection to fair value basis. Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' requires the revaluation to be performed as at the beginning of the period. The transitional provisions of this Standard allow the revaluation decrement on first-time adoption to be taken directly to equity. Accordingly, the effect of this change has been to decrease 2004 opening retained surplus by an amount of \$11.743 million (Consolidated) and \$11.743 million (Parent entity).

Prior to the revaluation, the estimated useful life of the library collection was changed to a 10 year period. Previously the collection had been depreciated over a 40 and 50 year period. The effect of this change in estimated useful life has resulted in a significant write-down in the current period. Refer Note 14.

The following table shows how the library collection valuation and its associated depreciation would have been disclosed had the new accounting policy and revised estimated useful lives always applied.

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Library Collection at fair value	18 703	20 050	18 703	20 050
Library depreciation	4 277	4 480	4 277	4 480

(ii) Employee Benefit (2003)

In 2003, in accordance with Accounting Standard AASB 1028 'Employee Benefits', the consolidated entity changed its policy for recognising the liability for annual leave. Under the new policy, the amount of the liability is calculated using remuneration rates expected to apply at the time the liability is settled, rather than the remuneration rates that applied at reporting date. The effect of this change has been to decrease 2003 opening retained earnings by an amount of \$111 000 (Consolidated entity) and \$107 000 (Parent entity).

2. Commonwealth Government Financial Assistance including HECS and other Commonwealth Loan Programmes
(a) DEST - Teaching and Learning

	Consolidated		University	
Note	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
46.1				
Operating grant ¹	48 147	51 234	48 147	51 234
Teaching hospitals	175	185	175	185
Capital development pool	1 955	789	1 955	789
Total DEST - Teaching and Learning	50 277	52 208	50 277	52 208

(b) HECS and other Commonwealth Loan Programmes

46.2				
HECS - Commonwealth payments	30 343	32 350	30 343	32 350
PELS	1 725	1 264	1 725	1 264
Total HECS and other Commonwealth Loan Programmes	32 068	33 614	32 068	33 614

(c) Scholarships

46.3				
Australian postgraduate awards	1 820	1 828	1 820	1 828
International postgraduate research scholarships	308	240	308	240
Commonwealth education costs scholarship	88	-	88	-
Commonwealth accommodation scholarship	232	-	232	-
Total Scholarship	2 448	2 068	2 448	2 068

(d) DEST - Research

46.4				
Institutional grants scheme	6 236	7 025	6 236	7 025
Research training scheme	10 585	11 062	10 585	11 062
Systemic infrastructure initiative	-	-	-	-
Research infrastructure block grants	3 203	3 467	3 203	3 467
Total DEST - Research	20 024	21 554	20 024	21 554
Total DEST	104 817	109 444	104 817	109 444

(e) Australian Research Council**(i) Discovery**

46.5(a)				
Project	1 903	1 548	1 903	1 548
Fellowships	8	87	8	87
Indigenous researchers development	31	39	31	39
Total Discovery	1 942	1 674	1 942	1 674

¹ Operating grant includes Superannuation Program and Workplace Reform Program.

	Note	Consolidated		University	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
(ii) <i>Linkages</i>	46.5(b)				
Special research initiatives		80	-	80	-
Infrastructure		157	498	157	498
International		35	10	35	10
Projects		766	934	766	934
Total Linkages		1 038	1 442	1 038	1 442
(f) Other Commonwealth Government Financial Assistance					
National health and medical research council		6 207	5 821	6 207	5 821
Other research		6 388	5 475	6 353	5 475
Other non-research		7 210	5 937	7 210	5 937
Total Other Commonwealth Government Financial Assistance		19 805	17 233	19 770	17 233
Total Commonwealth Government Financial Assistance		127 602	129 793	127 567	129 793
Reconciliation					
Commonwealth Government grants (a+c+d+e+f)		95 534	96 179	95 499	96 179
HECS - Commonwealth payments		30 343	32 350	30 343	32 350
Commonwealth loan programmed (PELS)		1 725	1 264	1 725	1 264
Total Commonwealth Government Financial Assistance		127 602	129 793	127 567	129 793
3. State and Local Government Financial Assistance					
South Australian Government:					
Research financial assistance		1 278	1 103	1 278	1 103
Reimbursements		3 228	3 084	3 228	3 028
Non-research		1 552	994	1 552	994
Total South Australian Government		6 058	5 181	6 058	5 125
Local Government:					
Research financial assistance		29	8	29	8
Total Local Government		29	8	29	8
Other State/Territory Government:					
Other state government grants		1 927	1 993	1 927	1 993
Total Other State/Territory Government		1 927	1 993	1 927	1 993
Total State and Local Government Financial Assistance		8 014	7 182	8 014	7 126
4. Fees and Charges					
Course Fees and Charges:					
Fee-paying overseas students		18 562	15 990	18 562	15 990
Fee-paying domestic postgraduate students		1 838	1 813	1 838	1 813
Fee-paying domestic non-award students		202	137	202	137
Other domestic course fees and charges		1 426	1 361	1 417	1 361
Total Course Fees and Charges		22 028	19 301	22 019	19 301
Other Fees and Charges:					
Student accommodation		3 164	2 390	3 164	2 390
Rental charges		277	192	269	186
Other student charges		504	492	504	492
Other hire fees		224	153	224	151
Parking fees		868	846	873	846
Specialist health services		1 056	771	12	-
Other fees and charges		413	1 286	467	813
Total Other Fees and Charges		6 506	6 130	5 513	4 878
Total Fees and Charges		28 534	25 431	27 532	24 179
5. Investment Income					
Dividends:					
Wholly-owned controlled entities		-	-	-	-
Other entities		275	315	162	254
Interest		3 243	2 048	3 053	1 911
Managed funds		514	468	503	455
Rental revenue		836	765	861	831
Total Investment Income		4 868	3 596	4 579	3 451

12. Bad and Doubtful Debts

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Total Bad and Doubtful Debts		(424)	225	(295)	362

13. Other Expenses

Scholarships, grants and prizes		7 835	6 574	7 820	6 571
Non-capitalised equipment		5 203	4 418	5 123	4 351
Advertising, marketing and promotional		1 211	1 132	1 197	1 126
Fees and charges		5 147	4 887	4 407	4 414
Consultancy fees		3 168	2 950	1 671	1 196
General consumables		4 419	6 116	4 516	4 246
Printing and photocopying		1 246	1 174	1 214	1 135
Operating lease rental expenses		873	619	781	577
Telecommunications		1 553	1 448	1 511	1 426
Travel, staff development and entertainment		7 068	6 430	6 953	6 252
Carrying amount of assets sold	15	4 284	1 285	1 109	1 167
Revaluation decrement buildings and Infrastructure		671	-	151	-
Utilities		2 438	2 255	2 430	2 249
Student related expenditure		1 056	1 151	1 056	1 151
Library		1 454	1 048	1 449	1 048
Software		1 193	1 636	1 188	1 621
Postage and freight		839	806	832	801
Insurance		1 208	1 169	1 149	1 083
Other expenses		1 457	1 599	1 379	1 383
Total Other Expenses		52 323	46 697	45 936	41 797

14. Library Collection Depreciation Adjustment

Prior to the revaluation of the library collection on 1 January 2004 (refer Note 1(w)) the University revised the estimated useful lives of monographs and serials from 40 to 50 years respectively to 10 years. The effect of this was a depreciation adjustment expense of \$36.077 million which has been included in the net operating result for the period. Excluding this depreciation adjustment, the net operating result for the period would have been a surplus of \$1.978 million for the Economic Entity and a surplus of \$2.432 million for the Parent Entity.

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net operating Result	(34 099)	14 093	(33 645)	14 817
Add: Library collection depreciation adjustment	36 077	-	36 077	-
Operating result excluding library adjustment	1 978	14 093	2 432	14 817

The decision to adjust the estimated useful lives of the library collection resulted from bench-marking against other universities which indicated that this was a more appropriate estimate than the previous estimated useful lives utilised. Whilst this reflects the accounting treatment of the value placed on the library collection, the University has not altered its retention period in relation to these assets.

Had the University not revised the estimated useful lives or undertaken the revaluation of the library collection then the library collection depreciation expense for 2004 would have been \$2.548 million.

15. Sale of Assets

	Note	Consolidated		University	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Proceeds from Sale of Assets:					
Investments		1 833	90	-	-
Property, plant and equipment		2 707	884	857	838
Total Proceeds from Sale of Assets	8	4 540	974	857	838
Carrying Amount of Assets Sold:					
Investments		1 841	79	-	-
Property, plant and equipment		2 443	1 206	1 109	1 167
Total Carrying Amount of Assets Sold	13	4 284	1 285	1 109	1 167
Net Gains on Sale of Assets:					
Investments		-	11	-	-
Property, plant and equipment		264	-	-	-
Total Net Gains on Sale of Assets		264	11	-	-
Net Losses on Sale of Assets:					
Investments		8	-	-	-
Property, plant and equipment		-	322	252	329
Total Net Losses on Sale of Assets		8	322	252	329
Net Gain (Loss) on Sale of Assets		256	(311)	(252)	(329)

16. Discontinuing Operations

In 2003 the University decided to cease the operations of the National Tidal Facility Australia (NTFA). The NTFA fulfils an important national role as it specialises in tidal predictions, sea level monitoring and contemporary marine science issues. However as it is not involved in the University's core teaching and research activities, it was decided that it is more appropriate for the services to be provided by the Commonwealth Government. The operation was transferred to the Commonwealth Government effective from 1 January 2004.

After excluding costs associated with the transfer, in 2003 the NTFA earned revenues of \$1.4 million and incurred expenses of \$1.5 million. As at 31 December 2003, 13 staff were employed in the NTFA.

17. Cash Assets

		Consolidated		University	
	Note	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand		539	3 432	131	3 097
Total Cash Assets		539	3 432	131	3 097

Reconciliation of Cash

The above figures are reconciled to cash at the end of the year as shown in the Statement of Cash Flows as follows:

Cash at bank and on hand		539	3 432	131	3 097
Deposits at call within three days	20	20 321	21 391	20 321	21 391
Balance per Statement of Cash Flows		20 860	24 823	20 452	24 488

18. Receivables

Current:

Student debtors		638	917	638	917
Less: Provision for doubtful debts		(543)	(565)	(543)	(565)
		95	352	95	352
General debtors		7 710	9 899	7 074	9 457
Less: Provision for doubtful debts		(125)	(573)	(459)	(778)
		7 585	9 326	6 615	8 679
Deferred government contribution for superannuation		2 100	1 900	2 100	1 900
Loans receivable		14	14	14	14
Total Current Receivables		9 794	11 592	8 824	10 945

Non-Current:

General debtors		652	-	652	-
Loans receivable		-	14	-	14
Loans receivable, controlled entity		-	-	-	208
Less: Provision for doubtful debts		-	-	-	(208)
		652	14	652	14
Deferred government contribution for superannuation		23 600	23 100	23 600	23 100
Total Non-Current Receivables		24 252	23 114	24 252	23 114
Total Receivables		34 046	34 706	33 076	34 059

19. Inventories

Current:

At cost		300	375	297	375
Total Current Inventories		300	375	297	375
Total Inventories		300	375	297	375

20. Other Financial Assets

Current:

Deposits:					
Deposits at call within three days		20 321	21 391	20 321	21 391
Term deposits		32 843	15 766	30 500	12 500
Indexed Bonds		3 484	-	3 484	-
Total Current Other Financial Assets		56 648	37 157	54 305	33 891

Non-Current:

Bonds and Other:					
Government securities		2 300	2 300	2 300	2 300
Indexed bonds		2 620	5 871	2 620	5 871
Debenture stock		634	505	-	-
Equities:					
Interest in business undertakings:					
Controlled entities at council valuation		-	-	9 608	7 398
Other entities		135	149	135	149
Other equities - Australian		6 934	5 997	4 650	3 871
Other equities - International		829	784	-	-

20. Other Financial Assets (continued)

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Non-Current: (continued)				
Managed Funds:				
HSBC Asset Management	2 422	2 154	2 422	2 154
Tower Trust	1 033	903	-	-
Unisure Pty Ltd	5 209	4 472	5 209	4 472
Property:				
Property trust	8	8	8	8
Property held for investment purposes	5 400	5 115	5 400	5 115
Total Non-Current Other Financial Assets	27 524	28 258	32 352	31 338
Total Other Financial Assets	84 172	65 415	86 657	65 229
Restricted Other Financial Assets:				
Bonds and other	634	505	-	-
Equities	4 650	3 871	6 400	5 834
Managed funds	1 033	903	-	-
Property	8	8	8	8
Balance of investment portfolio	26 761	18 217	26 678	17 662
Total Restricted Other Financial Assets	33 086	23 504	33 086	23 504
Unrestricted Other Financial Assets				
Balance of investment portfolio	51 086	41 911	53 571	41 725
Total Unrestricted Other Financial Assets	51 086	41 911	53 571	41 725
Total Other Financial Assets	84 172	65 415	86 657	65 229

**21. Property, Plant and Equipment
Land, Buildings and Infrastructure**

Crown Land:				
2003 Independent valuation	-	17 200	-	17 200
2004 Independent valuation	18 335	-	18 335	-
	18 335	17 200	18 335	17 200
Freehold Land:				
2003 Independent valuation	-	2 080	-	2 080
2004 Independent valuation	1 995	-	1 995	-
	1 995	2 080	1 995	2 080
Total Land	20 330	19 280	20 330	19 280
Buildings:				
2001 independent valuation	-	400	-	-
2003 council valuation	-	91 410	-	91 410
2004 independent valuation	95 449	-	95 074	-
2004 council valuation	575	-	575	-
Total Buildings	96 024	91 810	95 649	91 410
Infrastructure:				
2003 council valuation	-	5 092	-	5 092
2004 independent valuation	4 762	-	4 762	-
Total Infrastructure	4 762	5 092	4 762	5 092
	121 116	116 182	120 741	115 782
Less: Accumulated depreciation	-	(10)	-	-
	121 116	116 172	120 741	115 782
Buildings under construction	425	11 798	425	11 798
Total Land, Buildings and Infrastructure	121 541	127 970	121 166	127 580
Plant and Equipment				
Library Collection:				
1993 University valuation	-	80 545	-	80 545
At cost	-	33 646	-	33 646
2004 University valuation	22 980	-	22 980	-
	22 980	114 191	22 980	114 191
Less: Accumulated depreciation	(4 277)	(46 321)	(4 277)	(46 321)
Total Library Collection	18 703	67 870	18 703	67 870
Equipment:				
At fair value	33 914	34 215	32 912	33 124
Less: Accumulated depreciation	(23 268)	(23 471)	(22 547)	(22 595)
Total Equipment	10 646	10 744	10 365	10 529

Plant and Equipment (continued)

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Aircraft:				
At independent valuation 2000	1 620	3 670	-	-
At cost	570	347	-	-
Less: Accumulated depreciation	(717)	(1 122)	-	-
Total Aircraft	1 473	2 895	-	-
Works of Art:				
2003 University valuation	-	4 679	-	4 679
2004 University valuation	5 258	-	5 258	-
Total Works of Art	5 258	4 679	5 258	4 679
Total Plant and Equipment	36 080	86 188	34 326	83 078
Total Property, Plant and Equipment	157 621	214 158	155 492	210 658

Valuations of Land and Buildings

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.

Movement in Carrying Amounts

Movement in the carrying amounts for each class of Property, plant and equipment between the beginning and end of the reporting period.

	Land \$'000	Buildings and Infra- structure \$'000	Buildings Under Construc- tion \$'000	Library \$'000	Equip- ment \$'000	Aircraft \$'000	Works of Art \$'000	Total \$'000
(a) Consolidated								
Balance at 1 January 2004	19 280	96 892	11 798	67 870	10 744	2 895	4 679	214 158
Additions	-	2 161	1 383	2 930	4 218	223	110	11 025
Reclassification	-	12 756	(12 756)	-	-	-	-	-
Disposals	(190)	(130)	-	-	(708)	(1 415)	-	(2 443)
Revaluation increments (decrements)	1 240	(7 963)	-	(11 743)	-	-	469	(17 997)
Depreciation adjustment	-	-	-	(36 077)	-	-	-	(36 077)
Depreciation expense	-	(2 930)	-	(4 277)	(3 608)	(230)	-	(11 045)
Carrying amount at 31 December 2004	20 330	100 786	425	18 703	10 646	1 473	5 258	157 621
(b) Parent								
Balance at 1 January 2004	19 280	96 502	11 798	67 870	10 529	-	4 679	210 658
Additions	-	2 161	1 383	2 930	4 116	-	110	10 700
Reclassification	-	12 756	(12 756)	-	-	-	-	-
Disposals	(190)	(130)	-	-	(789)	-	-	(1 109)
Revaluation increments (decrements)	1 240	(7 959)	-	(11 743)	-	-	469	(17 993)
Depreciation adjustment	-	-	-	(36 077)	-	-	-	(36 077)
Depreciation expense	-	(2 919)	-	(4 277)	(3 491)	-	-	(10 687)
Carrying amount at 31 December 2004	20 330	100 411	425	18 703	10 365	-	5 258	155 492

Land, Buildings and Infrastructure Revaluation

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).

22. Restricted Assets

The University has restrictions imposed on the real property listed in Note 21 (land, buildings and infrastructure) under *The Flinders University of South Australia Act 1966*. Section 3 (4) of the Act states:

The University cannot alienate, mortgage, charge, or demise any lands, tenements, or hereditaments of the University other than with the approval of the Governor, except by way of lease for a term not exceeding 21 years from the time when the lease is made in and by which there is reserved, during the whole term, the highest rent that can be reasonably obtained.

Crown Land is not owned by the University and therefore cannot be sold by the University.

23. Other Non-Financial Assets	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current:				
Prepayments	3 198	2 143	3 191	2 143
Short term advances to controlled entities	-	-	77	1 270
Total Current Other Non-Financial Assets	3 198	2 143	3 268	3 413
Non-Current:				
Projects costs carried forward	1 806	1 420	-	-
Total Non-Current Other Non-Financial Assets	1 806	1 420	-	-
Total Other Non-Financial Assets	5 004	3 563	3 268	3 413
24. Payables				
Current:				
Creditors	2 155	2 466	1 757	2 291
Accrued expenses	8 036	8 091	7 873	8 023
Annual leave on costs	529	500	515	483
Long service leave on costs	389	252	376	240
Total Current Payables	11 109	11 309	10 521	11 037
Non-Current:				
Long service leave on costs	2 029	1 241	2 015	1 233
Total Non-Current Payables	2 029	1 241	2 015	1 233
Total Payables	13 138	12 550	12 536	12 270
25. Interest Bearing Liabilities				
Interest bearing liabilities consist of funds held on behalf of other 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:				
South Australian research and education network	-	3 857 ¹	-	3 857 ¹
Student entities	2 289	2 259	2 289	2 840
Other entities	7 835	1 382	7 882	801
Advances from controlled entities	-	-	3 634	1 671
Total Current Unsecured Interest Bearing Liabilities	10 124	7 498	13 805	9 169
Non-Current:				
<i>Unsecured</i>				
Funds held on behalf of external entities	-	597	-	597
Total Non-Current Unsecured Interest Bearing Liabilities	-	597	-	597
Total Non-Current Interest Bearing Liabilities	-	597	-	597
Total Interest Bearing Liabilities	10 124	8 095	13 805	9 766
The University has no assets pledged as security for interest bearing liabilities.				
26. Provisions				
Current:				
Employee benefits				
Annual leave	2 800	2 647	2 692	2 560
Long service leave	2 801	2 444	2 643	2 324
Deferred benefits for superannuation	2 100	1 900	2 100	1 900
Workers compensation	990	534	990	534
Severance - Contract employees	237	190	237	190
Total Current Provisions	8 928	7 715	8 662	7 508
Non-Current:				
Employee benefits				
Long service leave	14 254	12 031	14 155	11 962
Deferred benefits for superannuation	23 600	23 100	23 600	23 100
Invalidity scheme	175	175	175	175
Workers compensation	1 485	801	1 485	801
Total Non-Current Provisions	39 514	36 107	39 415	36 038
Add: Leave on costs (included in Note 24 payables)	2 947	1 993	2 906	1 956
Aggregate Employee Benefits	51 389	45 815	50 983	45 502

¹ These funds were received from DEST for a consortium of universities, Commonwealth Government agencies and the State Government to improve bandwidth in the Adelaide metropolitan area.

26. Provisions (continued)	Consolidated		University	
	2004	2003	2004	2003
Reconciliation of Leave Provisions:	\$'000	\$'000	\$'000	\$'000
Annual leave	2 800	2 647	2 692	2 560
Annual leave on costs	529	500	515	483
Total Annual Leave Provision	3 329	3 147	3 207	3 043
Long service leave	17 055	14 475	16 798	14 286
Long service leave on costs	2 418	1 493	2 391	1 473
Total Long Service Leave Provision	19 473	15 968	19 189	15 759
Total Leave Provisions	22 802	19 115	22 396	18 802
	Consolidated		University	
	Number of Employees		Number of Employees	
	2004	2003	2004	2003
Employee Numbers:				
Full-time equivalent academic	580	589	572	580
Full-time equivalent non-academic	867	874	843	852
Total Number of Employees at Year End	1 447	1 463	1 415	1 432
	Consolidated		University	
27. Other Liabilities	2004		2003	
Current:	\$'000	\$'000	\$'000	\$'000
Income in Advance:				
Fees and charges	2 044	1 800	2 044	1 800
Other	3 966	2 215	300	148
	6 010	4 015	2 344	1 948
Bank overdraft	178	-	178	-
Funds held on behalf of external entities	743	473	743	473
Total Current Other Liabilities	6 931	4 488	3 265	2 421
Total Other Liabilities	6 931	4 488	3 265	2 421
	Consolidated		University	
28. Statutory Funds	2004		2003	
Capital reserve	8 582	-	8 582	-
Endowment reserve	8 881	10 365	8 881	10 365
Grant reserve	15 137	12 639	15 137	12 639
Student loan reserve	486	500	486	500
Total Statutory Funds	33 086	23 504	33 086	23 504

The capital reserve is 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.

29. Reserves and Retained Surplus	Consolidated		University	
	2004	2003	2004	2003
(a) Reserves	\$'000	\$'000	\$'000	\$'000
Asset revaluation	17 280	21 084	24 182	26 384
Total Reserves	17 280	21 084	24 182	26 384
Movements:				
Asset Revaluation Reserve:				
Balance 1 January 2004	21 084	6 926	26 384	12 640
Increment (Decrement) on revaluation of:				
Land	21	1 240	7 670	1 240
Buildings and infrastructure	21	(7 292)	6 418	(7 808)
Investments		1 779	(354)	3 897
Artwork	21	469	424	469
Balance 31 December 2004		17 280	21 084	24 182

Up until 2003 the University treated land, buildings and infrastructure as a single asset class. In 2004, the Department of Science, Education and Training's Financial Statement Guidelines mandated that land is a separate asset class from buildings and infrastructure. As a result of that change, the existing asset revaluation reserve has been disaggregated into two separate components, one for land and one for buildings and infrastructure.

(b) Retained Surplus (Accumulated Funds)

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Retained surplus at the beginning of the year	208 084	207 294	198 940	197 405
Adjustment to opening balance (Note 1(w))	(11 743)	(111)	(11 743)	(107)
Net operating result attributable to parent entity	(34 100)	14 076	(33 645)	14 817
Transfers to (from) statutory funds	(9 583)	(13 175)	(9 582)	(13 175)
Retained Surplus at the End of Year	152 658	208 084	143 970	198 940

(c) Nature and Purpose of Reserves

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

30. Outside Equity Interest in Controlled Entities

Interest in:

Share capital	5	5	-	-
Retained surplus	18	17	-	-
Total Outside equity Interest in Controlled Entities	23	22	-	-

31. Financial Instruments

The following is the Consolidated entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
(i) Financial Assets			
Cash at Bank	1(c), 1(q), 17	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits within 3 days	20	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term Deposits	20	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Government Securities (excluding Indexed Bonds)	20	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Indexed Bonds	20	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.
Debenture Stock	20	Recognised at cost, which approximates to fair value.	Carrying amount of investments adjusted to fair value as at year end.
Equities	20	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Managed Funds	20	Recognised at market value.	Accrued distributions credited to revenue in June and December. Capital increments/decrements also recognised in June and December.
Interest in Business Undertakings	20	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 Property – Mark Oliphant Building	20	Recognised at market value.	Independently valued by Edward Rushton Australia Pty Ltd as at 31 December 2004.
Receivables	18	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (ie Provision for Doubtful Debts).	Credit is allowed for a 30 day term.

31. Financial instruments (continued)

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
(ii) Financial Liabilities			
Trade Creditors and Accruals	24	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the University.	Trade Liabilities are normally settled within 30 days of statement.
Interest Bearing Liabilities	25	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short term investments.

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.

	Weighted Average Interest Rate	Variable Interest Rate	2004			Non-Bearing Interest	Total \$'000
			Fixed Interest Rate Maturity				
			Less than 1 Year	1 to 5 Years	More than 5 Years		
Financial Assets:	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash	3.65	539	-	-	-	-	539
Receivables	8.50	-	14	-	-	34 032	34 046
Investments	5.44	28 985	36 327	2 313	2 620	13 927	84 172
		29 524	36 341	2 313	2 620	47 959	118 757
Weighted Average Interest Rate (percent)		5.93	5.21	9.96	4.00		
Financial Liabilities:							
Payables	-	-	-	-	-	13 138	13 138
Interest Bearing Liabilities	5.36	10 124	-	-	-	-	10 124
Other		-	-	-	-	178	178
		10 124	-	-	-	13 316	23 440
Weighted Average Interest Rate (percent)		5.36	-	-	-	-	
Net Financial Assets/ Liabilities		19 400	36 341	2 313	2 620	34 643	95 317
	Weighted Average Interest Rate	Variable Interest Rate	2003			Non-Bearing Interest	Total \$'000
			Fixed Interest Rate Maturity				
			Less than 1 Year	1 to 5 Years	More than 5 Years		
Financial Assets:	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	3.75	3 432	-	-	-	-	3 432
Receivables	8.50	-	14	14	-	34 678	34 706
Investments	5.44	28 920	15 766	5 728	2 466	12 535	65 415
		32 352	15 780	5 742	2 466	47 213	103 553
Weighted Average Interest Rate (percent)		5.26	5.31	6.42	4.00	-	
Financial Liabilities:							
Payables	-	-	-	-	-	10 557	10 557
Interest Bearing Liabilities	5.15	8 095	-	-	-	-	8 095
		8 095	-	-	-	10 557	18 652
Weighted Average Interest Rate (percent)		5.15	-	-	-	-	
Net Financial Assets/ Liabilities		24 257	15 780	5 742	2 466	36 656	84 901

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 \$829 000 (\$784 000) and a component of its managed funds that are invested in international equities/international fixed interest.

31. 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 \$25.7 million (\$25.0 million).

Net Fair Value

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

32. Responsible Persons and Executive Officers

32.1 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 2004

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 Joan A Cooper

General Secretary of the Students' Association

Katana L Smith

Members appointed by the Council

Kerrie L Ashcroft

Nicholas Begakis, AM

John G Branson

Ian A Chesterman, AM

Leonie J Clyne

Andrew V Fletcher

Gosia Hill (to March 2004)

Mary P Mitchell (from March 2004)

Judith M Roberts, AO

Michael S Shanahan, AM

Ian G Yates

Member co-opted and appointed by the Council

Mary P Mitchell (to March 2004)

Vacant (from March 2004)

Members elected by the academic staff

*Associate Professor Owen E Covick

*Professor Lindon MH Wing

Members elected by the general staff

*Hugh A Kearns

*Ron G Slee

Undergraduate student member

Kegan Daly

Postgraduate student member

Nigel V Palmer

(a) *Names of responsible persons (continued)*

Directors of University Controlled Entities in 2004

Persons listed were Directors for the full year unless otherwise indicated.

Airborne Research Australia Pty Ltd

Mr Austin Taylor (Chair)
Professor John Browett
Associate Professor Jörg Hacker (Managing Director)
Dr. Rob Lewis
Mr. David Twiss

Flinders Bioremediation Pty Ltd

Mr Richard Krantz (Chair)
Ms Denise Martin
Mr Tony Read
Dr John Rice (to February 2004)

Flinders Consulting Pty Ltd

Ms Leonie Clyne (Chair)
Professor Dean Forbes
Dr Wayne Harvey (Managing Director)
Mr Mark Legg
Ms Sally MacDonald-Taylor
Mr Christopher Short
Mr Douglas Strain

Flinders Reproductive Medicine Pty Ltd¹

Ms Sally MacDonald-Taylor (Chair) (from October 2004)
Ms Heather Denholm
Dr Wayne Harvey (Chair to September 2004)
Associate Professor Stephen Judd (Managing Director) (to July 2004)
Professor Marc Keirse
Professor John Kerin (from July 2004)
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)

Flinders MediTech Pty Ltd¹

Mr John Branson (Chair)
Professor Harry Owen
Associate Professor John Rice
Dr John Turner (Executive Director)

MediMolecular Pty Ltd²

Mr John Branson (Chair)
Mr Rahmon Coupe
Dr John Turner

Heaslip Trust

Mr Andrew Goode (Chair)
Ms Barbara Fergusson
Mr Cesare Silvestri
Dr David Tye
Professor Lindon Wing

Lung Health Diagnostics Pty Ltd

Dr Ian H Pitman (Chair) (to February 2004)
Dr Ian Ross Doyle (to March 2004)
Dr Neville John McCarthy, AO (to February 2004)
Professor Christopher Marlin
Dr Robert George Edwards (to March 2004)

¹ 100 percent owned by Flinders Consulting Pty Ltd.

¹ 75 percent owned by Flinders Technologies Pty Ltd.

² 75 per cent owned by Flinders Technologies Pty Ltd.

(a) Names of responsible persons (continued)

National Institute of Labour Studies Inc

Mr Mike Terlet, AO (Chair)
 Ms Jan Andrews
 Professor John Browett (from September 2004)
 Professor Sue Richardson
 Professor Christopher Marlin (to September 2004)
 Mr John Lesses, AM

National Institute of Labour Studies Foundation Inc³

Professor Judith Sloan (Chair)
 Mr Hedley Bachmann
 Professor John Browett
 Mr Peter Dewhurst
 Mr Richard Huxter
 Mr Bruce Sheldrick

Remuneration of Responsible Persons

The table comprises total remuneration that falls within the prescribed bandwidths for Responsible Persons. 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.

	Number of Staff		Number of Staff	
	2004	2003	2004	2003
Nil	62	66	22	22
\$1 - \$9 999	11	9	-	-
\$10 000 - \$19 999	2	4	-	-
\$20 000 - \$29 999	3	1	-	-
\$30 000 - \$39 999	1	1	-	-
	79	81	22	22
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of responsible persons	159	134	-	-

32.2 Executive Officers

Remuneration of Executive Officers

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated Number of Staff		University Number of Staff	
	2004	2003	2004	2003
\$100 000 - \$109 999	-	1	-	-
\$110 000 - \$119 999	1	1	-	1
\$120 000 - \$129 999	2	2	-	1
\$130 000 - \$139 999	1	1	1	1
\$140 000 - \$149 999	-	2	-	2
\$160 000 - \$169 999	1	1	1	1
\$170 000 - \$179 999	2	-	2	-
\$180 000 - \$189 999	1	1	1	1
\$190 000 - \$199 999	1	-	1	-
\$200 000 - \$209 999	-	2	-	1
\$210 000 - \$219 999	4	-	3	-
\$320 000 - \$329 999	-	1	-	1
\$350 000 - \$359 999	1	-	1	-
	14	12	10	9
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of executives	2 597	1 982	2 026	1 547

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.

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax.

³ National Institute of Labour Studies Inc subsidiary.

32.3 Related Party Transactions

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.

33. Remuneration of Auditors

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Auditing the financial report:				
South Australian Auditor-General	191	185	191	185
Other Auditors	16	17	2	2
	207	202	193	187

34. Contingent Liabilities and Contingent Assets**Contingent Liabilities**

There are no material contingent liabilities.

Contingent Assets

There are no material contingent assets.

35. Commitments for Expenditure**(a) Capital Expenditure Commitments**

Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognized as liabilities, payable:

	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Buildings Works:				
Within one year	82	1 102	82	1 102
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	82	1 102	82	1 102
Plant and Equipment:				
Within one year	512	578	512	578
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	512	578	512	578
Joint Ventures:				
Within one year	3	-	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	3	-	-	-
Total Capital Commitments	597	1 680	594	1 680

(b) Lease Commitments*University as Lessee*

Total rents paid during the reporting period

	873	619	781	577
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Commitments

Commitments in relation to leases contracted for the reporting date but not recognized as liabilities, payable:

Within one year	212	75	187	50
Later than one year but not later than five years	590	275	489	175
Later than five years	282	307	-	-
Total Lease Commitments	1 084	657	676	225

The University has various operating leases of property and equipment. Lease amounts have only been included in the above table where there is a non-cancellable commitment.

University as Lessor

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within one year	364	585	468	649
Later than one year but not later than five years	496	1 250	534	1 309
Later than five years	-	3	-	3
Total	860	1 838	1 002	1 961

In 2000 the University purchased the Mark Oliphant building in Science Park. The University has recognised this as an investment property with a gross value of \$5.4 million (\$5.115 million). In accordance with Australian Accounting Standard AAS 4, 'Depreciation', it is not depreciated.

As at 31 December 2004 70 percent (82 percent) of the building is leased or available for lease to entities outside the Economic entity. A further 11.5 percent (8 percent) is leased to entities outside the University but within the Economic entity.

(b) Lease Commitments (continued)

The University has accommodations 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 also leases a small amount of space on its main campus to commercial entities that provide services to students and staff and to other research entities in the Port Lincoln Marine Science Centre.

(c) Other Expenditure Commitments

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Within one year	5 294	1 238	5 294	1 238
Later than one year but not later than five years	2 166	624	2 166	624
Later than five years	200	200	200	200
Total Other Expenditure Commitments	7 660	2 062	7 660	2 062

36. Superannuation Plans

The University contributes to the following employee superannuation funds:

UniSuper

(a) UniSuper Defined Benefit Plan or Investment Choice Plan (formerly Superannuation Scheme for Australian Universities - (SSAU))

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the fund were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded.

Actuarial investigations are normally undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin completed the last actuarial investigation on 16 May 2003. A funding and solvency certificate required under regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 31 July 2003. The certificate is valid until 31 December 2007 unless certain specified events occur in which case the certificate is valid to the date of those events.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June, the amounts of the fund applicable to Flinders University for members in the defined benefit plan were:

	University	
	2004 \$'000	2003 \$'000
Net Market Value	125 439	105 737
Less: Accrued Benefits	111 448	100 265
Surplus	13 991	5 472
Vested Benefits	129 558	119 995

(b) UniSuper Award Plus Plan (formerly Tertiary Education Superannuation Scheme (TESS))

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The Scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee benefits arising under the Superannuation Guarantee Legislation.

South Australian Superannuation Scheme

The University has 90 (89) 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.

South Australian Superannuation Scheme (continued)

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2004 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$25.7 million (\$25.0 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 18). Recognition of the receivable from the Commonwealth is in accordance with Urgent Issues Group Abstract 51 'Recovery of Unfunded Superannuation of Universities' and 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	
	2004	2003
	\$'000	\$'000
University's gross liability	27 400	26 400
Less: Funded component	1 700	1 400
Unfunded Liability	25 700	25 000

Superannuation Scheme No. 1*Superannuation Scheme*

Prior to the inception of the Superannuation Scheme for Australian Universities – SSAU (now 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 2004 there were 13 members of the Scheme (2003: 14 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	
	2004	2003
	\$'000	\$'000
Net Market Value	5 577	5 012
Less: Accrued Benefits	5 020	4 636
Surplus	557	376
Vested Benefits	5 020	4 636

The surplus of the fund is 11 percent (2003: surplus of eight percent).

Mellon Human Resources (formerly NSP Buck) undertook the last actuarial review as at 1 January 2004. At that time the Scheme had a surplus of \$0.415 million, 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. No employer contributions were made in 2004 (2003: nil).

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 11 (13). 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 recognized a liability of \$175 000 (\$175 000) 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 2004.

37. Related Parties

Responsible Persons and Specified Executives

Disclosures relating to Council members, Directors of controlled entities and specified executives are set out in Note 32.

Wholly-Owned Group

Ownership interests in controlled entities are set out in Note 38.

38. Investments in Controlled Entities

Flinders University is the Parent entity or ultimate Parent entity of the following entities, all of which are incorporated in Australia.

Name of Entity	Principal Activities	Ownership Interest	
		2004 Percent	2003 Percent
Airborne Research Australia Pty Ltd	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 Consulting Pty Ltd	Arranges the conduct of commercial consultancies.	100	100
Flinders Reproductive Medicine Pty Ltd (100 percent owned by 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 (75 percent owned by Flinders Technologies Pty Ltd)	Medical device company	75	75
MediMolecular Pty Ltd (75 percent owned by Flinders Technologies Pty Ltd)	Biotech company.	75	75
Heaslip Trust	Supports medical education activities in the School of Medicine.	100	100
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

Net Equity		Total Revenue		Operating Result		Contribution to Operating Result	
2004	2003	2004	2003	2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

For disclosure purposes controlled entities are grouped:

Commercial

(Flinders Bioremediation Pty Ltd, Flinders Consulting Pty Ltd, Flinders Technologies Pty Ltd, MediMolecular Pty Ltd, Flinders MediTech Pty Ltd, Lung Health Diagnostics Pty Ltd)

Commercial sub total	7 083	6 897	4 156	5 555	(22)	(344)	109	(58)
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Research

(Airborne Research Australia Pty Ltd, National Institute of Labour Studies Inc)

Research sub total	1 950	2 168	2 918	1 355	(227)	(559)	(733)	(559)
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Other

(Flinders Reproductive Medicine Pty Ltd, Heaslip Trust, National Institute of Labour Studies Foundation Inc)

Other sub total	2 056	1 800	3 087	1 002	163	(107)	170	(107)
Total	11 089	10 865	10 161	7 912	(86)	(1 010)	(454)	(724)

39. Investments in Associates

<i>Name of Entity</i>	<i>Principal Activity</i>	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2004 Percent	2003 Percent	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Unisure Pty Ltd	Provision of workers compensation services and investment of funds set aside for workers compensation	33.3	33.3	-	-	-	-

Unisure Pty Ltd

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds. As at 31 December 2004 the Unisure Unit Trust held net assets of \$2.829 million on behalf of the University (2003: \$3.167 million).

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

	University	
	2004 \$'000	2003 \$'000
Current Assets:		
Cash	95	30
Non-Current Assets:		
Unisure managed funds	5 209	4 472
Total Assets	5 304	4 502
Current Liabilities:		
Workers Compensation	990	534
Non-Current Liabilities:		
Workers Compensation	1 485	801
Total Liabilities	2 475	1 335
Net Assets	2 829	3 167

Refer to Notes 20 and 26.

40. Interests in Joint Ventures
Joint Venture Operations

<i>Name of Entity</i>	<i>Principal Activity</i>	Output Interest	
		2004 Percent	2003 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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets:				
Receivables	624	804	624	804
Non-Current Assets:				
Property, plant and equipment	1 520	1 530	1 520	1 530
Total Assets	2 144	2 334	2 144	2 334
Current Liabilities:				
Payables	(1)	(55)	(1)	(55)
Annual leave	(13)	(9)	(13)	(9)
Total Current Liabilities	(14)	(64)	(14)	(64)
Non-Current Liabilities:				
Long service leave	(25)	(18)	(25)	(18)
Total Liabilities	(39)	(82)	(39)	(82)
Share of Assets Employed in Joint Venture	2 105	2 252	2 105	2 252

40. Interests in Joint Ventures (continued)

Greater Green Triangle

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Current Assets:				
Receivables	634	527	634	527
Non-Current Assets:				
Property, plant and equipment	93	60	93	60
Total Assets	727	587	727	587
Current Liabilities:				
Payables	-	(6)	-	(6)
Annual leave	(4)	(8)	(4)	(8)
Total Current Liabilities	(4)	(14)	(4)	(14)
Non-Current Liabilities:				
Long service leave	(6)	(4)	(6)	(4)
Total Liabilities	(10)	(18)	(10)	(18)
Share of Assets Employed in Joint Venture	717	569	717	569

Joint Venture Operations

The University's joint venture operations have no contingent liabilities as at 31 December 2004 (2003: nil).

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 Statement of Financial Performance.

Joint Venture Entities

(a) The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AAS 19 'Accounting for Interest in Joint Ventures'.

Relevant disclosures are as follows:

Name of Entity	Reporting Date	Principal Activity	Ownership Interest	
			2004 Percent	2003 Percent
Co-operative Research Centres (CRC)				
Co-operative Research Centre for Aboriginal Health (CRCAH) (U)	30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	5	5
Co-operative Research Centre for Bioproducts (U)	30 June	To develop commercial applications of new bioproducts and bioprocesses.	11	-
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP) (U)	30 June	To provide research and postgraduate education in signal and information processing for sensors.	8	9
Co-operative 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
Other Joint Venture Entities				
Australian Centre for Community Services Research (ACCSR) (U)	31 December	Applies social science research methods to the design and evaluation of community service programmes.	50	50
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	7

(I) Incorporated
(U) Unincorporated

Name of Entity	Reporting Date	Principal Activity	Ownership Interest	
			2004 Percent	2003 Percent
Other Joint Venture Entities (continued)				
Centre for Groundwater Studies (CGS)	(U) 30 June	Is a co-operative research and education venture focused on processes affecting recharge, discharge, contamination and remediation of groundwater.	9	10
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 ITandT 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.	33	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

(I) Incorporated

(U) Unincorporated

* Partner but no right to residual assets

Ownership (or voting rights) interest as determined by agreement or proportion of cash and in kind contributions.

	Share Accumulated Funds		Expenditure Commitments ¹	
	2004 \$'000	2003 \$'000	2005 \$'000	2004 \$'000
Co-operative Research Centre for Aboriginal Health (CRAH)	156	72	50	50
Co-operative Research Centre for Bioproducts	-	-	50	25
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	113	35	20	20
Co-operative Research Centre for Sustainable Aquaculture Finfish (AquaFin CRC)	17	26	50	50
Australian Centre for Community Services Research (ACCSR)	-	31	-	-
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	169	171	50	50
Centre for Groundwater Studies (CGS)	12	31	-	26
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	-	-	35	35
South Australian Centre for Economic Studies (SACES)	34	97	-	-
South Australian Consortium for Information Technology and Telecommunications (SACITT)	1 975	92	-	-
South Australian Partnership for Advanced Computing (SAPAC)	279	90	100	100
South Australian Tertiary Admissions Centre (SATAC)	336	249	223	259
	3 091	894	578	615

¹ Expenditure Commitments by Flinders University to Entities.

(b) 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.

Other Business Undertakings

Investments in business undertakings that are carried in the Financial Statements at fair value.

University	Principal Activities	Ownership Interest		Investment at Fair Value	
		2004	2003	2004	2003
		Percent	Percent	\$'000	\$'000
AARNet Pty Ltd	Delivers high capacity internet based network services to the education and research sector.	2.6	2.6	1	1
AITEC Pty Ltd	Provides educational programmes and project management services.	9.9	9.9	38	42
Australian Vice-Chancellors' Committee	Advances higher education through voluntary, cooperative and coordinated action.	2.6	2.6	-	-
GroPep Ltd	Biotechnology.	<0.1	<0.1	24	20
IDP Education Australia Ltd	Promotes Australian Universities to international students.	2.6	2.6	10	10
International Education Network Pty Ltd	Provision of Education in China.	10.0	10.0	62	68
International Education Network Consulting (Hong Kong) Ltd	Provision of Education in China.	10.0	10.0	-	-
m.Net Corporation Ltd	Provision of wireless and mobile internet technology.	0.6	0.5	-	-
Monoquant Pty Ltd	Biotechnology.	7.5	7.5	-	-
Ngapartji Pty Ltd	Technology training.	-	10.5	-	8
Australian Orthopaedic Innovations Pty Ltd	Commercialisation of orthopaedic inventions.	2.5	3.4	-	-
Spire Innovations Pty Ltd	Handles commercialisation of CSSIP Intellectual Property.	14.3	12.5	-	-
TGR Biosciences Pty Ltd	Biotechnology development company.	7.9	7.7	-	-
				135	149

University

The University's investment in IDP Education Australia Ltd and AARNet is at cost. These shareholdings are not tradeable and no dividends are paid.

Consolidated, Other than University

	Principal Activities	Ownership Interest		Investment at Fair Value	
		2004	2003	2004	2003
		Percent	Percent	\$'000	\$'000
YourAmigo Pty Ltd	An enterprise search and Internet infrastructure company	14	14	2 611	2 595

41. 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 2004, funding from both DEST and HECS totalled \$110.1 million (\$114.2 million) and represented 55 percent (59 percent) of revenue.

42. Events Occurring after Reporting Date

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Consolidated entity.

43. Reconciliation of Net Operating Result from Ordinary Activities to Net Cash Inflow from Operating Activities

	Consolidated		University	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Net operating result form ordinary activities	(34 099)	14 093	(33 645)	14 817
Non-Cash Items:				
Depreciation	11 045	8 995	10 687	8 498
Change in useful lives - library	36 077	-	36 077	-
Revaluation decrement	671	-	151	-
Net (gain) loss on sale of assets	(256)	311	252	329
Assets received for no consideration	(860)	(1 247)	(860)	(1 247)
Capitalised investment revenue	(735)	(786)	(592)	(725)
Prior period adjustment	-	75	-	-
Other	34	562	36	-
Total of Non-Cash Items	11 877	22 003	12 106	21 672
Change in Assets and Liabilities:				
(Increase) Decrease in receivables	660	(550)	983	(1 585)
(Increase) Decrease in inventories	75	34	78	34
(Increase) Decrease in other assets	(1 441)	(307)	(1 048)	161
Increase (Decrease) in payables	588	2 082	266	2 449
Increase (Decrease) in provisions	4 620	1 106	4 531	1 163
Increase (Decrease) in other liabilities	2 173	900	574	(103)
Net Cash Inflows from Operating Activities	18 552	25 268	17 490	23 791

Financing Facilities

Flinders University has the following arrangements with the ANZ Bank:

Overdraft facility ⁽¹⁾	500	500	500	500
Amount used ⁽²⁾	-	-	-	-
Unused Overdraft Facility	500	500	500	500
Visa credit cards facility ⁽³⁾	2 666	1 805	2 616	1 755
Amount used	(251)	(178)	(248)	(176)
Unused Credit Cards Facility	2 415	1 627	2 368	1 579

(1) Facility is secured by a Charge over Term Deposit \$500 000.

(2) Whilst the University shows a bank overdraft in Note 27, actual funds held in the bank account are positive. The difference is due to unpresented cheques.

(3) The Credit Cards facility is unsecured.

Cash Balances not Available for Use

All cash balances are available for use (2003: all available).

Tax Status

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

44. Non-Cash Financing and Investing Activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$0.860 million (\$1.247 million) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

45. Assets and Liabilities of Trusts for which the University is Trustee

The University is the trustee of two trusts:

Trust Name	Purpose
ADS Students	Payment of stipends to AUSAid students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

The amount held in trust for Sir Ewen Waterman is immaterial.

45. Assets and Liabilities of Trusts for which the University is Trustee (continued)

ADS Students Trust Assets and Liabilities;	Consolidated		University	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Current Assets:				
Cash at bank	178	193	178	193
Total Current Assets	178	193	178	193
Non-Current Assets:				
Total Non-Current Assets	-	-	-	-
Total Assets	178	193	178	193
Current Liabilities:				
Payables	67	-	67	-
Total Current Liabilities	67	-	67	-
Non-Current Liabilities:				
Total Non-Current Liabilities	-	-	-	-
Total Liabilities	67	-	67	-
Net Assets	111	193	111	193

The funds held in trust for AUSAid are not included in the University's Statement of Financial Position and Statement of Financial Performance.

A controlled entity of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders ART Clinic Trust. The assets and liabilities of the trust are brought to account in the consolidated entity's Statement of Financial Performance and Statement of Financial Position.

46. Acquittal of Commonwealth Government Financial Assistance

46.1 DEST - Teaching and Learning		University Only			
		Operating Grant*	Teaching Hospitals	2004	2003
	Note	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		48 322	52 020	175	185
Net accrual adjustments		(175)	(786)	-	-
Revenue for the period	2(a)	48 147	51 234	175	185
Surplus (Deficit) from the previous year		6 626	5 889	15	15
Total Revenue Including Accrued Revenue		54 773	57 123	190	200
Less: Expenses including accrued expenses		(52 185)	(50 497)	(190)	(185)
Surplus (Deficit) for Reporting Period		2 588	6 626	-	15

* Including Workplace Reform Programme and superannuation contributions

		University Only			
		Capital Development Pool	Total	2004	2003
	Note	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		1 955	789	50 452	52 994
Net accrual adjustments		-	-	(175)	(786)
Revenue for the period	2(a)	1 955	789	50 277	52 208
Surplus (Deficit) from the previous year		1 820	1 171	8 461	7 075
Total Revenue Including Accrued Revenue		3 775	1 960	58 738	59 283
Less: Expenses including accrued expenses		(136)	(140)	(52 511)	(50 822)
Surplus (Deficit) for Reporting Period		3 639	1 820	6 227	8 461

46.2 HECS and Other Commonwealth Loan Programmes

		University Only			
		HECS (Commonwealth Payments Only)	PELS	2004	2003
	Note	2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		30 218	32 501	1 902	1 219
Net accrual adjustments		125	(151)	(177)	45
Revenue for the period	2(b)	30 343	32 350	1 725	1 264
Surplus (Deficit) from the previous year		2 611	2 463	-	-
Total Revenue Including Accrued Revenue		32 954	34 813	1 725	1 264
Less: Expenses including accrued expenses		(32 954)	(32 202)	(1 725)	(1 264)
Surplus (Deficit) for Reporting Period		-	2 611	-	-

46.2 HECS and Other Commonwealth Loan Programmes (continued)

		University Only	
		2004	2003
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)	Note	32 120	33 720
Net accrual adjustments		(52)	(106)
Revenue for the period	2(b)	32 068	33 614
Surplus (Deficit) from the previous year		2 611	2 463
Total Revenue Including Accrued Revenue		34 679	36 077
Less: Expenses including accrued expenses		(34 679)	(33 466)
Surplus (Deficit) for Reporting Period		-	2 611

46.3 Scholarships

		University Only			
		Australian Postgraduate Awards Pre-2002		Australian Postgraduate Awards Post-2002	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		281	723	1 539	1 105
Net accrual adjustments		-	-	-	-
Revenue for the period	2(c)	281	723	1 539	1 105
Surplus (Deficit) from the previous year		(26)	20	166	87
Total Revenue Including Accrued Revenue		255	743	1 705	1 192
Less: Expenses including accrued expenses		(333)	(769)	(1 494)	(1 026)
Surplus (Deficit) for Reporting Period		(78)	(26)	211	166

		University Only			
		International Postgraduate Research Scholarships		Commonwealth Education Cost Scholarships	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		327	221	88	-
Net accrual adjustments		(19)	19	-	-
Revenue for the period	2(c)	308	240	88	-
Surplus (Deficit) from the previous year		-	-	-	-
Total Revenue Including Accrued Revenue		308	240	88	-
Less: Expenses including accrued expenses		(308)	(240)	(84)	-
Surplus (Deficit) for Reporting Period		-	-	4	-

		University Only			
		Commonwealth Accommodation Scholarships		Total	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		232	-	2 467	2 049
Net accrual adjustments		-	-	(19)	19
Revenue for the period	2(c)	232	-	2 448	2 068
Surplus (Deficit) from the previous year		-	-	140	107
Total Revenue Including Accrued Revenue		232	-	2 588	2 175
Less: Expenses including accrued expenses		(232)	-	(2 451)	(2 035)
Surplus (Deficit) for Reporting Period		-	-	137	140

46.4 DEST Research

		University Only			
		Institutional Grants Scheme		Research Training Scheme	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		6 236	7 025	10 377	11 270
Net accrual adjustments		-	-	208	(208)
Revenue for the period	2(d)	6 236	7 025	10 585	11 062
Surplus (Deficit) from the previous year		1 317	949	902	1 024
Plus: Funds held as a liability		-	-	-	-
Total Revenue Including Accrued Revenue		7 553	7 974	11 487	12 086
Less: Expenses including accrued expenses		(5 982)	(6 657)	(11 487)	(11 184)
Surplus (Deficit) for Reporting Period		1 571	1 317	-	902

46.4 DEST Research (continued)

		University Only			
		Systematic Infrastructure Initiative		Research Infrastructure Block Grants	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)	Note	-	3 800	3 203	3 467
Net accrual adjustments		-	(3 800) ¹	-	-
Revenue for the period	2(d)	-	-	3 203	3 467
Surplus (Deficit) from the previous year		3 800	50	1 231	900
Plus: Funds held as a liability		-	3 800	-	-
Total Revenue Including Accrued Revenue		3 800	3 850	4 434	4 367
Less: Expenses including accrued expenses		-	(50)	(3 422)	(3 136)
Surplus (Deficit) for Reporting Period		3 800	3 800	1 012	1 231

		University Only Total	
		2004	2003
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		19 816	25 562
Net accrual adjustments		208	(4 008)
Revenue for the period	2(d)	20 024	21 554
Surplus (Deficit) from the previous year		7 250	2 923
Plus: Funds held as a liability		-	3 800
Total Revenue Including Accrued Revenue		27 274	28 277
Less: Expenses including accrued expenses		(20 891)	(21 027)
Surplus (Deficit) for Reporting Period		6 383	7 250

46.5 Australian Research Council Grants

(a) Discovery

		University Only			
		Projects		Fellowships	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		1 903	1 682	8	93
Net accrual adjustments		-	(134)	-	(6)
Revenue for the period	2(e)(i)	1 903	1 548	8	87
Surplus (Deficit) from the previous year		548	690	4	(17)
Total Revenue Including Accrued Revenue		2 451	2 238	12	70
Less: Expenses including accrued expenses		(1 707)	(1 690)	(12)	(66)
Surplus (Deficit) for Reporting Period		744	548	-	4

		University Only			
		Indigenous Researchers Development		Total	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		31	42	1 942	1 817
Net accrual adjustments		-	(3)	-	(143)
Revenue for the period	2(e)(i)	31	39	1 942	1 674
Surplus (Deficit) from the previous year		29	16	581	689
Total Revenue Including Accrued Revenue		60	55	2 523	2 363
Less: Expenses including accrued expenses		(50)	(26)	(1 769)	(1 782)
Surplus (Deficit) for Reporting Period		10	29	754	581

(b) Linkages

		University Only			
		Special Research Initiatives		Infrastructure	
		2004	2003	2004	2003
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)		80	-	157	498
Net accrual adjustments		-	-	-	-
Revenue for the period	2(e)(ii)	80	-	157	498
Surplus (Deficit) from the previous year		-	-	122	188
Total Revenue Including Accrued Revenue		80	-	279	686
Less: Expenses including accrued expenses		(41)	-	(176)	(564)
Surplus (Deficit) for Reporting Period		39	-	103	122

¹ Funds held DEST are held by the University on behalf of a consortium. As a result they are not revenue under Australian Accounting Standards. As they need to be acquitted under DEST funding requirements, they are shown as funds available for expenditure.

(b) Linkages (continued)

	University Only			
	International	2003	2004	Projects
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)	35	11	766	987
Net accrual adjustments	-	(1)	-	(53)
Revenue for the period	35	10	766	934
Surplus (Deficit) from the previous year	4	19	595	523
Total Revenue Including Accrued Revenue	39	29	1 361	1 457
Less: Expenses including accrued expenses	(35)	(25)	(798)	(862)
Surplus (Deficit) for Reporting Period	4	4	563	595

	University Only	
	2004	2003
	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Commonwealth for the programmes)	1 038	1 496
Net accrual adjustments	-	(54)
Revenue for the period	1 038	1 442
Surplus (Deficit) from the previous year	721	730
Total Revenue Including Accrued Revenue	1 759	2 172
Less: Expenses including accrued expenses	(1 050)	(1 451)
Surplus (Deficit) for Reporting Period	709	721

47. Entity Information

Flinders University is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department is established, as an Administrative Unit pursuant to the *Public Sector Management Act 1995*.

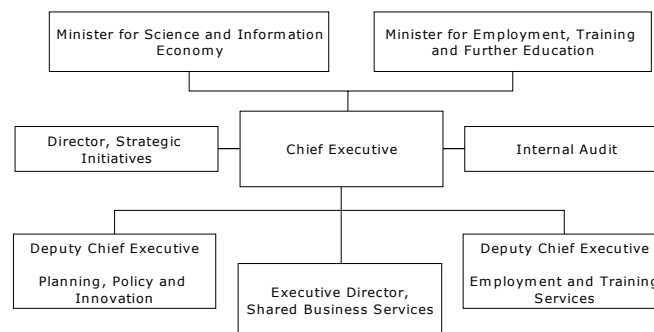
Functions

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.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- strategic and business plans
- management reporting
- expenditure, including accounts payable and payroll
- revenue, including student fees and fee for service
- general ledger
- non-current assets, including valuations
- liabilities, including provisions.

Audit emphasis was directed to the audits of TAFE SA Adelaide North and TAFE SA Adelaide South Institutes.

A follow-up review was also conducted in relation to key computer information systems.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the *Public Finance and Audit Act 1987*, applicable Accounting Standards, and other mandatory professional reporting requirements in Australia, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2005, the results of its operations and cash flows for the year then ended.

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 of Strategic and Business Planning, Management Reporting and Financial Delegations as outlined under 'Audit Communications to Management', 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.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were considered to be satisfactory. Major matters raised with the Department and the related responses, where applicable, are considered, herein.

Strategic and Business Planning

Audit noted that Adelaide North and Adelaide South Institutes had not prepared Strategic and Business Plans that would clearly define the role of each Institute and provide guidance to faculties and other operating divisions on key elements relating to the Institute's planning cycle and activity.

It is acknowledged that due to the recent restructure of Institutes' operations there may not have been resources to commit to preparing the plans. It was noted, however, that Adelaide North had commenced a process to develop Strategic and Business Plans.

The Department advised that an effective ongoing strategic planning framework in each of the newly established Institutes of TAFE is a high priority. It is anticipated that relevant plans for each Institute will be finalised by the end of November 2005.

Management Reporting

Budgetary control is a fundamental governance control expected of government agencies as it encompasses all elements of financial transactions and links financial activity with the Institute's operating objectives. Adelaide North and Adelaide South had not undertaken monitoring against budget for the period January 2005 to June 2005 as the budget had not been loaded by Corporate Office until July 2005. Audit noted that Educational Managers are reviewing the financial position of their faculties on a regular basis.

The departmental response stated that the limited monitoring of performance against budgets, in the period to June 2005, was due mainly to the transitioning of the former eight Institutes to the new structure. Budget performance is now being monitored in detail by each Institute. Throughout the whole period, the Department has maintained effective monitoring of the whole of TAFE budget performance.

Financial Delegations

An effective control environment relies on developing, documenting and implementing appropriate delegations of authority. The audit revealed that Adelaide North and Adelaide South have been using delegations relevant to the previous structures to approve expenditure. At the time of the audit review, July 2005, delegations were in the process of being established. Although it is acknowledged that it is taking some time to formalise personnel positions within the Institutes, financial delegations should have had a much higher priority.

In its response, the Department advised that financial delegations at Institutes have now been determined and formally approved.

Computer Information Systems

Following the completion of an audit review, in 2003-04, of key computer information systems, a number of issues were raised with the Department including:

- the Department's Information Technology Strategic Plan was in draft form and needed to be updated and implemented;
- the Department needed to develop an Information Security Policy, as the previous Policy was that of the defunct Department of Employment, Training and Education;
- there were several issues identified relating to information security, including the need to perform regular reviews of user access, ensuring appropriate password controls were in place, restricting vendor access to Departmental systems, the need to update documentation and restricting programmer access within the production environments.

A follow-up review in 2004-05 revealed that the Information Technology Strategic Plan had been completed, the Information Security Policy was in draft form but is expected to be finalised by the end of September 2005 and issues relating to information security had been appropriately addressed.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
State Government funds	242	229	6
Commonwealth Government grants	91	92	(1)
Student and other fees and charges	73	68	7
Other revenue	16	27	(41)
Total Operating Revenue	422	416	1
OPERATING EXPENDITURE			
Employee benefits	231	228	1
Supplies and services	140	129	9
Other expenses	63	59	7
Total Operating Expenses	434	416	4
Deficit	(12)	-	
Net Cash Flows from Operations	(826)	20	-

	2005	2004	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	72	77	(6)
Non-current assets	452	453	-
Total Assets	524	530	(1)
LIABILITIES			
Current liabilities	37	53	(30)
Non-current liabilities	46	36	28
Total Liabilities	83	89	(7)
EQUITY	441	441	-

Statement of Financial Performance

Operating Revenues

Operating revenues were \$422.5 million (\$416.7 million). The principal source of funding for the Department is State Government appropriation which totalled \$242.2 million. Other operating revenues included Commonwealth grants of \$91 million and \$73.1 million from student and other fees and charges.

Operating Expenses

Employee benefits of \$230.8 million constituted 53 percent of the total operating expenses of \$434.4 million. Other major expenses included \$18.9 million for funding to non-TAFE providers for Vocational Education and Training, \$24.8 million for information technology infrastructure and communication and \$12.6 million and \$15.9 million for employment programs and science and technology programs respectively.

Operating Result

The deficit for the year was \$12 million compared to the approved budget deficit of \$10.4 million.

Factors contributing to the change in operating result of a surplus of \$236 000 in 2003-04 to a deficit of \$12 million in 2004-05 were:

- an increase in employee benefits of \$14.8 million (after allowing for TVSPs of \$11.8 million in 2003-04);
- an increase in expenditure of \$9.2 million on minor works, maintenance and equipment;
- the payment of \$6.1 million for Tertiary student transport concessions which were previously paid by another government agency.

The additional expenditure was partly offset by increases in:

- student and other fees and charges of \$4.9 million;
- revenues from South Australian Government of \$13.1 million.

Statement of Financial Position

The Statement of Financial Position shows that the material items controlled by the Department are:

	2005	2004	Percentage
	\$'million	\$'million	Change
ASSETS			
Cash	53	55	(2)
Value of land and buildings	400	413	(13)
LIABILITIES			
Employee benefits	56	55	1

Statement of Cash Flows

The following table summarises the net cash flows for the two years to 2005.

	2005	2004
	\$'million	\$'million
Net Cash Flows		
Operations	(0.8)	19.8
Investing	(1.3)	(3.5)
Change in Cash	(2.1)	16.3
Cash at 30 June	52.7	54.8

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	5	230 811	227 852
Supplies and services	6	140 271	129 622
Grants and subsidies	7	46 700	33 932
Depreciation	8	13 865	13 857
Other	9, 10	2 793	11 178
Total Expenses		434 440	416 441
REVENUES FROM ORDINARY ACTIVITIES:			
Commonwealth grants	11	91 026	92 452
Student and other fees and charges	12	73 076	68 211
Other grants and contributions		4 966	6 389
Interest income	13	3 271	2 288
Other	15	7 943	18 213
Total Revenues		180 282	187 553
NET COST OF SERVICES		254 158	228 888
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenues from SA Government	16	242 236	229 124
Payments to SA Government	16	55	-
Total Government Revenues		242 181	229 124
NET RESULT FROM ORDINARY ACTIVITIES		(11 977)	236
NON-OWNER TRANSACTION CHANGES IN EQUITY			
Asset revaluation reserve increase		11 204	12 480
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY			
	26	11 204	12 480
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		(773)	12 716

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash on hand, at bank and on deposit	17	52 734	54 876
Receivables	18	16 927	19 120
Other	21	1 927	2 931
Total Current Assets		71 588	76 927
NON-CURRENT ASSETS:			
Receivables	18	274	355
Investments	19	1 019	1 055
Property, plant and equipment	20	450 721	452 095
Total Non-Current Assets		452 014	453 505
Total Assets		523 602	530 432
CURRENT LIABILITIES:			
Payables	22	20 325	20 950
Employee benefits	23, 24	14 447	22 577
Other	25	2 611	9 339
Total Current Liabilities		37 383	52 866
NON-CURRENT LIABILITIES:			
Payables	22	3 729	2 969
Interest bearing liabilities		499	499
Employee benefits	23, 24	41 451	32 785
Total Non-Current Liabilities		45 679	36 253
Total Liabilities		83 062	89 119
NET ASSETS		440 540	441 313
EQUITY:			
Accumulated surplus	26	416 856	428 833
Asset revaluation reserve	26	23 684	12 480
TOTAL EQUITY		440 540	441 313
Commitments	27		
Contingent Assets and Liabilities	28		

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
PAYMENTS:		\$'000	\$'000
	Note		
Employee benefits		(229 505)	(225 100)
Supplies and services		(147 523)	(128 734)
Grants and subsidies		(46 700)	(34 252)
Other		(7 038)	(5 519)
		(430 766)	(393 605)
RECEIPTS:			
Commonwealth grants		91 026	92 379
Student and other fees and charges		71 979	69 128
Other grants and contributions		4 966	6 389
Interest received		3 354	2 048
GST receipts from taxation authority		4 347	2 799
Other		12 087	11 537
		187 759	184 280
RECEIPTS FROM SA GOVERNMENT:			
Receipts from SA Government		239 748	226 778
Payments to SA Government		(55)	-
Funds from other Government entities		2 488	2 346
		242 181	229 124
Net Cash (used in) provided by Operating Activities	29	(826)	19 799
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS:			
Purchase of non-current assets		(2 951)	(6 549)
RECEIPTS:			
Sales of non-current assets		1 635	3 090
Net Cash used in Investing Activities		(1 316)	(3 459)
NET (DECREASE) INCREASE IN CASH HELD		(2 142)	16 340
CASH AT 1 JULY		54 876	38 536
CASH AT 30 JUNE	17	52 734	54 876

Program Schedule of Department's Expenses and Revenues for the year ended 30 June 2005

	Employment and Skills Formation				Science,	2005 Total
	VET	Higher Education	Regulatory Services	Learning Workforce Dev. and Emp.	Technology and Innovation	
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	216 353	440	4 778	6 136	3 104	230 811
Supplies and services	131 414	232	1 024	6 219	1 382	140 271
Grants and subsidies	17 729	-	2	13 140	15 829	46 700
Depreciation	13 865	-	-	-	-	13 865
Other	2 766	1	8	13	5	2 793
Total Operating Expenses	382 127	673	5 812	25 508	20 320	434 440
REVENUES:						
Commonwealth grants	89 730	-	-	1 084	212	91 026
Student and other fees and charges	73 076	-	-	-	-	73 076
Other grants and contributions	4 959	-	-	-	7	4 966
Interest income	3 271	-	-	-	-	3 271
Other	7 487	-	358	-	98	7 943
Total Operating Revenues	178 523	-	358	1 084	317	180 282
GOVERNMENT:						
Revenues from SA Government	195 266	623	4 011	22 083	20 253	242 236
Payments to SA Government	(55)	-	-	-	-	(55)
NET RESULT FROM ORDINARY ACTIVITIES	(8 393)	(50)	(1 443)	(2 341)	250	(11 977)

	Employment and Skills Formation				Science,	2004 Total
	VET	Higher Education	Regulatory Services	Employment Development	Technology and Innovation	
EXPENSES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	215 437	296	2 807	6 409	2 903	227 852
Supplies and services	120 929	67	563	6 330	1 733	129 622
Grants and subsidies	9 305	4	37	12 876	11 710	33 932
Depreciation	13 857	-	-	-	-	13 857
Other	11 155	-	4	14	5	11 178
Total Operating Expenses	370 683	367	3 411	25 629	16 351	416 441
REVENUES:						
Commonwealth grants	90 498	-	635	1 000	319	92 452
Student and other fees and charges	68 211	-	-	-	-	68 211
Other grants and contributions	6 129	-	-	200	60	6 389
Interest income	2 288	-	-	-	-	2 288
Other	17 608	-	434	-	171	18 213
Total Operating Revenues	184 734	-	1 069	1 200	550	187 553
GOVERNMENT:						
Revenues from SA Government	189 325	546	2 364	19 618	17 271	229 124
NET RESULT FROM ORDINARY ACTIVITIES	3 376	179	22	(4 811)	1 470	236

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Agency Objectives and Funding

(a) Objective

To create an environment in which all South Australians prosper as a result of having an equal opportunity to share in more and better jobs and learning opportunities by developing the scientific, research and innovative capacity of the State and developing the State's workforce and communities.

The Department undertakes a range of functions in order to meet its objective:

- provision of strategic policy advice for developing the State's workforce;
- ensuring high-quality vocational education and training delivered by TAFE Institutes, private registered training organisations and adult community education providers;
- regulation of vocational education and registered training organisations, 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;
- support the government's strategic direction in the higher education sector;
- provision of strategic advice for science, technology, information economy and innovation policy development that links government with business, industry and education sectors.

(b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition revenues are generated on a sales or 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 *Public Finance and Audit Act 1987* and to comply with the *Australian National Training Authority Act 1992*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

(c) Administered Funds

The Department is responsible for the administration of the salary and allowances for the Minister for Employment, Training and Further Education, which are funded by Special Acts Appropriation. These appropriations are outside of the control of the Department and hence do not form part of the financial statements. Salary and allowances paid to the Minister totalled \$213 000.

2. Significant Accounting Policies

(a) Basis of Accounting

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

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

(b) Reporting Entity

The financial statements reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.

(c) Comparative Figures

2004 figures have been adjusted to ensure compatibility with 2005.

(d) Revenue and Expenses

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

Revenues and Expenses have been classified according to their nature in accordance with Accounting Policy Statement (APS) 13 'Form and Content of General Purpose Financial Reports'.

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to other clients.

(d) Revenue and Expenses (continued)

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

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value.

Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

(e) Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

Payments include the return of surplus cash pursuant to the cash alignment policy paid to the Consolidated Account.

(f) Current and Non-Current Items

Assets and liabilities which will be recognised within 12 months of the reporting date are classified as current. The remainder are shown as non-current.

(g) Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank, bank overdrafts 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. For the Statement of Financial Position cash does not include bank overdrafts.

(h) Employee Benefits and Employment Related Expenses

Provisions have been established for the Department's liability for various employee benefits arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 1028, 'Employee Benefits'. 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 22).

(i) Employee Benefits

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

Liabilities for salaries, wages, annual leave and non-attendance days and leave loading are measured and recognised at their nominal amount in respect of employees' services up to the reporting date.

(b) Long Service Leave

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

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

(c) 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.

(ii) Employment Related Expenses

(a) Fringe Benefits Tax

The Commonwealth Government levies a tax on certain non-cash salary related benefits afforded to employees. Any fringe benefits tax which is unpaid at period end is shown as a liability in the Statement of Financial Position.

- (b) **Superannuation**
The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.
- (c) **Payroll Tax**
Payroll tax is a State tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee benefits liabilities is also shown as a liability in the Statement of Financial Position. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Statement of Financial Performance. The payroll tax liability is only payable when the employee benefits are paid.

(i) Provisions

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Branch of the Department for Administrative and Information Services.

(j) Receivables

Receivables are shown at recoverable value and reflect fees and charges which are due for settlement within 30 days of the reporting date. At the end of each reporting period the receivable balances are reviewed and an allowance is raised in respect of any balance where recovery is considered doubtful.

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

(k) Inventory

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

(l) Leases

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

Details of commitments of current non-cancellable operating leases are disclosed at Note 27.

(m) Property, Plant and Equipment

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

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

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets' issued by the Department of Treasury and Finance, the Department has elected to measure each class of non-current asset on the fair value basis as required by Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

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

Land

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 30 June 2005.

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates. The valuations for buildings and paved areas are current as at 31 March 2004. The building data provided in the statements relates specifically to buildings and paved areas.

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. Only individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position. Items under \$10 000 are recorded in the Statement of Financial Performance as an expense in the accounting period in which they are acquired.

(n) Depreciation of Non-Current Assets

Non-current assets with an acquisition cost individually equal to or greater than \$10 000 are systematically depreciated using the straight-line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. The Department reviews depreciation rates annually.

Major depreciation periods are:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Other plant and equipment	7 - 40

(o) Payables

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

(p) Investments

Investments are carried in the Statement of Financial Position at the lower of cost or recoverable amount.

(q) Accounting for Taxation

The Department is liable for payroll tax, fringe benefits tax, goods and services tax and the emergency services levy.

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

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

(r) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Changes in Accounting Policies

(a) Government/Non-Government Disclosures

In accordance with APS 13, the Department has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the South Australian Government in the Notes to the accounts.

(b) Long Service Leave

In 2003-04 long service leave entitlements were calculated using a benchmark of ten years as advised by the Department of Treasury and Finance. For 2004-05 long service leave entitlements have been calculated using a benchmark of nine years as advised by the Department of Treasury and Finance. The effect of this change was to increase long service leave expense and associated employer superannuation and other employment related expenses by \$0.9 million in 2004-05.

(c) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

The International Financial Reporting Standards (AIFRS) commence for reporting periods on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', an assessment of the impacts of adopting AIFRS has been completed by the Department and there will be no material changes to the opening balances.

4. Programs and Sub-programs

The programs and sub-programs presented in this report are:

Employment and Skills Formation Program

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, administration and funding of apprenticeships and traineeships.

Sub-program - Learning, Workforce Development and Employment

Addressing disadvantage by providing opportunities to participate in employment, training, skills development, adult community education and assisting industry to meet current and future skills needs.

Science, Technology and Innovation Program

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, business, industry and education sectors.

5. Employee Benefits

	2005	2004
	\$'000	\$'000
Salaries and wages (including annual leave)	184 299	175 296
Superannuation	20 576	19 071
Payroll tax	11 636	12 749
Long service leave	10 596	7 793
Workers compensation	2 846	277
Targeted Voluntary Separation Payments	34	11 830
Other employee related costs	824	836
	230 811	227 852

Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid/payable to employees for the reporting period were:

TVSP payments (included in employee expenses)	34	11 830
Amount recovered from the Department of the Premier and Cabinet in respect of TVSPs	-	6 912
Annual and long service leave accrued over the period of employment paid/payable to employees who received TVSPs	-	4 539

The number of employees paid/payable TVSPs during the reporting period totalled nil (134).

The TVSP amount reflects arrears for the 2003-04 financial year.

Remuneration of Employees

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

Normal Salary Packages:

	2005	2004
	Number of Employees	Number of Employees
\$100 000 - \$109 999	-	11
\$110 000 - \$119 999	6	5
\$120 000 - \$129 999	8	6
\$130 000 - \$139 999	11	3
\$140 000 - \$149 999	5	-
\$150 000 - \$159 999	2	-
\$170 000 - \$179 999	1	1
\$180 000 - \$189 999	-	1
\$190 000 - \$199 999	-	1
\$200 000 - \$209 999	1	-
\$210 000 - \$219 999	2	-
\$250 000 - \$259 999	1	-
\$260 000 - \$269 999	-	1
	37	29

The above table reflects those employees whose normal annual remuneration exceeds totals of \$100 000 or more. Total remuneration received or due and receivable by these employees was \$5.3 million (included in employee benefits) (\$3.7 million).

Remuneration of Employees (continued)

	2005 Number of Employees
<i>Other Employees:</i>	
\$100 000 - \$109 999	56
\$110 000 - \$119 999	16
\$120 000 - \$129 999	2
\$130 000 - \$139 999	1
\$140 000 - \$149 999	2
\$160 000 - \$169 999	1
\$210 000 - \$219 999	1
	79

The above remuneration includes all other employees who received remuneration of \$100 000 or more during the year due to the payment of arrears arising from the review of the Educational Managers classification structure and also includes nine employees who retired/resigned during the year. Total remuneration received or due and receivable by the above employees was \$8.7 million (included in employee benefits).

The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP).

6. Supplies and Services	2005	2004
Supplies and Services provided to entities within the SA Government:	\$'000	\$'000
Funding to non-TAFE providers for Vocational Education and Training	-	596
Printing and consumables	153	2 439
Minor works, maintenance and equipment	21 246	11 690
Information technology infrastructure and communication	7 121	12 002
Fees - Contracted services (including consultants)	2 314	3 331
Trainee reimbursements	2 637	3 674
Utilities	1 683	1 655
Cleaning	6 349	5 891
Vehicle and travelling expenses	2 495	2 365
Rentals and leases	2 335	2 108
Other	565	626
Total Supplies and Services - SA Government Entities	46 898	46 377
Supplies and Services provided to entities external to the SA Government:		
Funding to non-TAFE providers for Vocational Education and Training	18 867	20 638
Printing and consumables	13 045	11 364
Minor works, maintenance and equipment	4 004	4 362
Information technology infrastructure and communication	17 681	12 168
Fees - Contracted services (including consultants)	11 806	9 100
Trainee reimbursements	2 556	465
Utilities	4 625	5 299
Cleaning	1 014	978
Vehicle and travelling expenses	3 533	3 952
Rentals and leases	1 744	1 685
Other	14 498	13 234
Total Supplies and Services - Non-SA Government Entities ⁽¹⁾	93 373	83 245
Total Supplies and Services	140 271	129 622

(1) The total includes supplies and services paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.

Consultancy	2005		2004	
	Number of Consultancies	\$'000	Number of Consultancies	\$'000
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:				
\$0 - \$10 000	1	9	-	-
\$10 000 - \$50 000	9	198	3	63
Above \$50 000	3	242	2	188
	13	449	5	251

7. Grants and Subsidies	2005	2004
Grants and Subsidies paid/payable to entities within the SA Government:	\$'000	\$'000
Employment programs	487	243
Vocational education and training programs	2 211	2 783
Science and technology programs	8 911	5 638
Tertiary student transport concessions*	6 147	-
Skill Centre programs	-	240
Other specific grants	70	38
Total Grants and Subsidies - SA Government Entities	17 826	8 942

* Previously the responsibility of another government agency.

7. Grants and Subsidies (continued)	2005	2004
Grants and Subsidies paid/payable to entities external to the SA Government:	\$'000	\$'000
Employment programs	12 160	13 138
Vocational education and training programs	7 101	3 275
Science and technology programs	6 994	5 498
Skill Centre programs	829	1 927
Other specific grants	1 790	1 152
Total Grants and Subsidies - Non-SA Government Entities ⁽¹⁾	28 874	24 990
Total Grants and Subsidies	46 700	33 932
(1) The total includes grants and subsidies paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.		
8. Depreciation		
Depreciation expense for the reporting period was charged in respect of:		
Buildings and improvements	12 161	12 401
Computing, communication equipment, furniture and equipment	1 704	1 456
	13 865	13 857
9. Other Expenses		
Other Expenses paid/payable to entities external to the SA Government:		
Written down value on disposal of non-current assets	1 782	10 078
Reduction in the value of investments	36	-
Allowance for doubtful debts and debt write-offs	666	852
Total Other Expenses ⁽¹⁾	2 484	10 930
(1) The total includes other expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.		
10. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	248	220
Audit fees paid/payable to entities external to the SA Government	61	28
Total Auditor's Remuneration	309	248
Other Services		
No other services were provided by the Auditors.		
11. Commonwealth Grants		
Recurrent Grants:		
<i>VET Funding Act</i>	71 417	69 307
Specific purpose	5 612	6 393
	77 029	75 700
Capital Grants:		
<i>VET Funding Act</i>	13 600	13 600
Specific purpose	397	3 152
	13 997	16 752
Total Commonwealth Grants	91 026	92 452
12. Fees and Charges		
Fees and Charges received/receivable from entities within the SA Government:		
Sales/Fee-for-service revenue	1 755	13 171
Student enrolment fees and charges	640	-
Other user fees and charges	60	2 226
Total Fees and Charges - SA Government Entities	2 455	15 397
Fees and Charges received/receivable from entities external to the SA Government:		
Sales/Fee-for-service revenue	36 038	22 945
Student enrolment fees and charges	31 875	28 954
Other user fees and charges	2 708	915
Total Fees and Charges - Non-SA Government Entities ⁽¹⁾	70 621	52 814
Total Fees and Charges	73 076	68 211
(1) The total includes user charges received or due from South Australian Government entities where the amount received or due from the South Australian Government entity was less than \$100 000.		
13. Interest	2005	2004
Interest from entities within the SA Government	\$'000	\$'000
Other	3 253	2 288
	18	-
Total Interest	3 271	2 288

14. Net Loss on Disposal of Non-Current Assets	2005	2004
Land and Buildings:	\$'000	\$'000
Proceeds from disposals	1 655	3 127
Less: Written down value	1 782	10 078
Loss on Disposals	127	6 951
15. Other Revenues		
Other Revenues/Received Receivable from the SA Government:		
Targeted Voluntary Separation Package recoveries	-	11 830
Proceeds from sales of non-current assets	1 655	-
Share of net gains from investments	-	328
Sundry revenue	1 788	576
Total Other Revenues Received/Receivable - SA Government Entities	3 443	12 734
Other Revenues/Received Receivable external to the SA Government:		
Assets recognised for the first time	99	1 721
Proceeds from sales of non-current assets	-	3 127
Sundry revenue	4 401	631
Total Other Revenues Received/Receivable - Non-SA Government Entities	4 500	5 479
Total Other Revenues Received/Receivable	7 943	18 213
16. Revenues from/Payments to SA Government		
Revenues from the SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	239 748	226 778
Grants from other government entities - Department of Treasury and Finance	2 488	2 346
Total Revenues from SA Government	242 236	229 124
Payments to the SA Government:		
Return of surplus cash pursuant to cash alignment policy	55	-
Total Payments to SA Government	55	-
17. Cash on Hand, at Bank and on Deposit		
Deposits with the Treasurer	26 231	18 720
Special Deposit Account with the Department of Treasury and Finance	25 854	35 512
Other	649	644
	52 734	54 876
Deposits with the Treasurer		
Includes Accrual Appropriation Account and Surplus Working Account balances.		
18. Receivables		
Current:		
Fees and charges receivable	13 633	10 935
Less: Provision for doubtful debts	841	473
	12 792	10 462
GST recoverable from the ATO	3 759	3 385
Other receivables	376	5 273
Total Current Receivables	16 927	19 120
Non-Current:		
Workers Compensation receivable	274	355
Total Non-Current Receivables	274	355
Total Receivables	17 201	19 475
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Receivables	1 068	995
Other	515	5 575
Total Receivables from SA Government Entities	1 583	6 570
Receivables from non-SA Government entities:		
Receivables	11 723	9 467
GST recoverable from the ATO	3 759	3 385
Other	136	53
Total Receivables from Non-SA Government Entities ⁽¹⁾	15 618	12 905
Total Receivables	17 201	19 475

(1) The total includes receivables received or due from SA Government entities where the amount received or due from the SA Government entity was less than \$100 000.

19. Investments	2005	2004
Non-Current:	\$'000	\$'000
Shares in associated company (refer below)	1 018	1 054
Other	1	1
	1 019	1 055
Associated Company:		
	2005	2004
	\$'000	\$'000
Interest in associated company	400	400
Share of retained profit	618	654
Equity Accounted Amount of Investment in Associated Company	1 018	1 054
Retained profits attributable to associated company:		
Balance at 1 July	*706	413
Share of operating loss and extraordinary items after income tax	(88)	241
Balance at 30 June	618	654*

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 2005. The figures are not consolidated as they were considered to be immaterial and unaudited at the time of preparing these statements.

* The comparative closing balance as at 30 June 2004 was unaudited and, when subsequently audited, was revised to \$706 000

20. Property, Plant and Equipment	2005	2004
Land and Buildings:	\$'000	\$'000
Land at fair value *	50 534	52 022
Buildings and improvements at fair value/cost *	625 622	627 281
Accumulated depreciation	(276 787)	(266 559)
Construction work in progress	1 118	285
Total Land and Buildings	400 487	413 029
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	28 822	27 286
Accumulated depreciation	(14 959)	(13 474)
Total Plant and Equipment	13 863	13 812
Libraries:		
Libraries at valuation *	36 371	25 254
Total Libraries	36 371	25 254
Total Property, Plant and Equipment	450 721	452 095

* Valuations of land were performed at 30 June 2005 by the Valuer-General, buildings and improvements at 31 March 2004 respectively by the Department for Administrative and Information Services and libraries at 30 June 2005 by VALCORP Aust Pty Ltd.

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			Transfer from	Net Revaluation	Other	Depreciation	Carrying Amount
2005	30.06.04	Additions	Disposals	WIP	Increment/ (decrement)	Movements		30.06.05
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land at fair value	49 012	-	1 575	-	87	3 010	-	50 534
Land at cost	3 010	-	-	-	-	(3 010)	-	-
Buildings and improvements at fair value	294 053	-	139	-	-	-	10 995	282 919
Buildings and improvements at cost	66 669	413	-	-	-	-	1 166	65 916
Computing, communication equipment and furniture and equipment at cost	13 812	1 823	68	-	-	-	1 704	13 863
Construction work in progress	285	833	-	-	-	-	-	1 118
Libraries at valuation	25 254	-	-	-	11 117	-	-	36 371
Total	452 095	3 069	1 782	-	11 204	-	13 865	450 721

Reconciliations (continued)

	Carrying Amount 30.06.03 \$'000	Additions \$'000	Disposals \$'000	Transfer from WIP \$'000	Net Revaluation Increment/ (decrement) \$'000	Other Movements \$'000	Deprec- iation \$'000	Carrying Amount 30.06.04 \$'000
2004								
Land at valuation	39 134	-	3 335	-	12 818	395	-	49 012
Land at cost	395	3 010	-	-	-	(395)	-	3 010
Buildings and improvements at valuation	307 045	762	2 180	-	(338)	-	11 236	294 053
Buildings and improvements at cost	67 040	-	-	795	-	-	1 166	66 669
Computing, communication equipment and furniture and equipment at cost	15 703	4 112	4 548	-	-	-	1 455	13 812
Construction work in progress	587	864	-	(795)	-	(371)	-	285
Libraries at valuation	25 254	-	-	-	-	-	-	25 254
Total	455 158	8 748	10 063	-	12 480	(371)	13 857	452 095

21. Other Assets	2005	2004
Other Assets provided by the SA Government:	\$'000	\$'000
Current:		
Prepayments	-	1 790
Total Current Other Assets - SA Government Entities	-	1 790

Other Assets provided by entities external to the SA Government:		
Current:		
Prepayments	488	273
Inventories	1 439	868
Total Current Other Assets - Non-SA Government Entities	1 927	1 141

22. Payables		
Current:		
Creditors	17 050	13 870
Accrued expenses	1 070	3 528
Employment on-costs	2 025	3 426
Other	180	126
Total Current Payables	20 325	20 950
Non-Current:		
Employment on-costs	3 729	2 969
Total Non-Current Payables	3 729	2 969
Total Payables	24 054	23 919

Government/Non-Government Payables:		
Payables to SA Government entities:		
Creditors	4 430	2 539
Accrued expenses	488	2 781
Employment on-costs	5 754	6 395
Total Payables to SA Government Entities	10 672	11 715

Payables to non-SA Government entities:		
Creditors	12 620	11 331
Accrued expenses	582	747
Other	180	126
Total Payables to Non-SA Government Entities ⁽¹⁾	13 382	12 204
Total Payables	24 054	23 919

(1) The total includes payables paid by or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.

23. (a) Employee Benefits		
Current:		
Accrued salaries and wages	630	8 342
Provision for annual leave	6 674	5 248
Provision for non-attendance days	2 598	3 394
Provision for long service leave	3 325	3 469
	13 227	20 453
Non-Current:		
Provision for long service leave	35 403	27 856

In the 2005 financial year, the guidelines for APS 9 'Employee Benefits' have been amended based on an actuarial assessment and the benchmark for the measurement of the long service leave liability has been revised from 10 years to 9 years.

(b) Employee Benefits and Related On-Cost Liabilities	2005	2004
Current:	\$'000	\$'000
On-costs included in payables (Note 22)	2 025	3 426
Provision for employee benefits (Note 23a)	13 227	20 453
	15 252	23 879
Non-Current:		
On-costs included in payables (Note 22)	3 729	2 969
Provision for employee benefits (Note 23a)	35 403	27 856
	39 132	30 825
Aggregate Employee Benefits and Related On-Costs Liabilities	54 384	54 704

24. Provisions

Current:		
Provision for workers compensation	1 220	2 124
Total Current Provisions	1 220	2 124
Non-Current:		
Provision for workers compensation	6 048	4 929
Total Non-Current Provisions	6 048	4 929
Total Provisions	7 268	7 053
Carrying amount at 1 July	7 053	9 235
Increase in the provision	215	-
Decrease in the provision	-	2 182
Carrying Amount at 30 June	7 268	7 053

25. Other Liabilities

Deposits	487	3 074
Unearned revenue	2 082	4 927
Other liabilities	42	1 338
	2 611	9 339

26. Equity

Accumulated surplus	416 856	428 833
Asset revaluation reserve	23 684	12 480
Total Equity	440 540	441 313
Accumulated surplus:		
Balance at 1 July	428 833	428 597
(Deficit) Surplus for the year	(11 977)	236
Balance at 30 June	416 856	428 833
Asset revaluation reserve:		
Balance at 1 July	12 480	-
Increase as a result of revaluations	11 204	12 480
Total Equity	23 684	12 480

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

27. Commitments for Capital Expenditure

At the end of the reporting period the Department had entered into the following capital budget commitments.

These amounts are due for payment:	2005	2004
	\$'000	\$'000
Not later than one year	785	8 775
Total (including GST)	785	8 775
GST included in capital expenditure commitments	71	798

Operating Leases

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Statement of Financial Position.

Payable no later than one year	3 243	2 966
Payable later than one year and not later than five years	2 720	5 622
Payable later than five years	142	264
Total (including GST)	6 105	8 852
GST included in operating lease commitments	555	874

28. Contingent Assets and Liabilities

The Department has no items which meet the definition of contingent assets, however, there are a number of outstanding personal injury claims, which were not settled as at 30 June 2005. Although there is uncertainty over the final amounts at settlement, the estimated amounts of these claims total \$337 000. In addition, a guarantee was provided to Austraining International Pty Ltd by the Minister for Employment, Training and Further Education during the year ending 30 June 2005 in respect to a draw down of loan funds totalling \$400 000.

29. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services	2005	2004
	\$'000	\$'000
Net Cash Provided by Operating Activities	(826)	19 799
Depreciation	(13 865)	(13 857)
Bad and doubtful debts	(666)	(852)
Investments - Share of operating gains	-	328
Net assets recognised for first time	99	1 721
Loss on sale of assets	(127)	(6 951)
(Increase) in employee benefits	(536)	(1 657)
(Decrease) Increase in receivables	(1 645)	10 360
(Decrease) Increase in other current assets	(1 004)	18
(Increase) in payables	(135)	(3 388)
Decrease (Increase) in other liabilities	6 728	(5 285)
Revenues from Government	(242 181)	(229 124)
Net Cost of Services	(254 158)	(228 888)

30. Financial Instruments**(a) Accounting policies and Terms and Conditions Affecting Future Cash Flows***Financial Assets*

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable 90 day bank bill rate.

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

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

Financial Liabilities

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

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

All assets and liabilities are unsecured.

(b) Credit Risk Exposures

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

(c) Interest Rate Risk Exposures

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

	2005			
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash and deposits	5.16	52 085	649	52 734
Receivables		-	17 201	17 201
Investments		-	1 019	1 019
		52 085	18 869	70 954
Financial Liabilities:				
Trade and other creditors		-	18 300	18 300
Interest bearing liabilities		-	499	499
Other liabilities		-	529	529
		-	19 328	19 328
Net Financial Assets (Liabilities)		52 085	(459)	51 626

(c) Interest Rate Risk Exposures (continued)

	Weighted Average Interest Rate Percent	2004		Total \$'000
		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	
Financial Assets:				
Cash and deposits	4.99	54 232	644	54 876
Receivables		-	19 475	19 475
Investments		-	1 055	1 055
		<hr/>	<hr/>	<hr/>
		54 232	21 174	75 406
Financial Liabilities:				
Trade and other creditors		-	16 430	16 430
Interest bearing liabilities		-	499	499
Other liabilities		-	4 412	4 412
		<hr/>	<hr/>	<hr/>
		-	21 341	21 341
Net Financial Assets (Liabilities)		<hr/>	<hr/>	<hr/>
		54 232	(167)	54 065

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

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

DEPARTMENT OF HEALTH

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Health is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

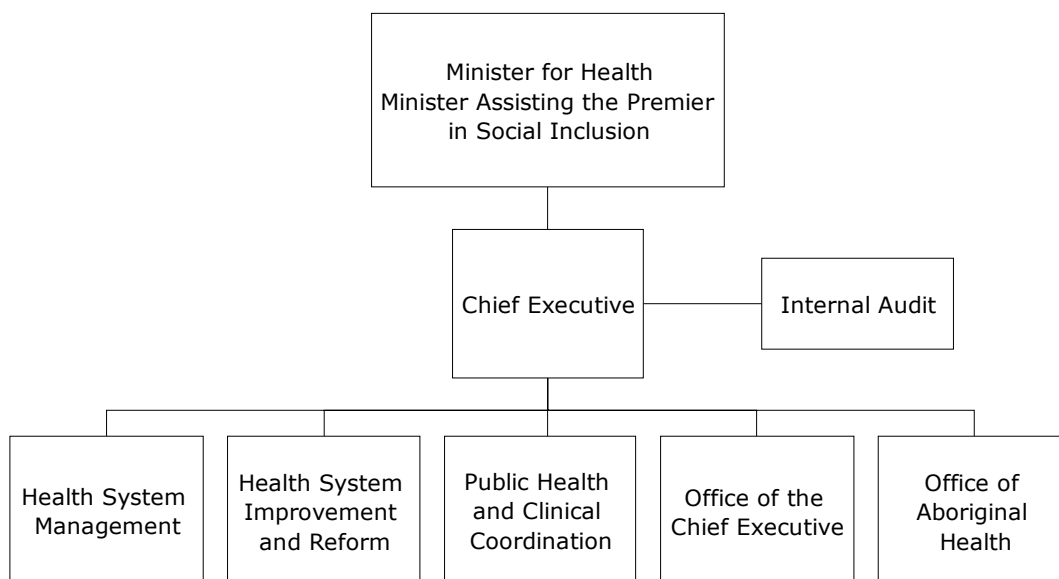
Functions

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* 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 of Health is illustrated in the following organisation chart.



Changes to Functions and Structure

Department of Human Services Restructure

In December 2003, Cabinet approved the restructure of the Department of Human Services (DHS) involving the creation of two new departments, one focused on Health the other focused on Social Justice and Housing.

On 5 March 2004 the Department for Families and Communities (DFC) was established by proclamation with effect from 1 July 2004 for financial accounting and reporting purposes.

The assets and liabilities which are subject to the control of DFC as a consequence of the proclamations referred to above were transferred to the newly created Department on 1 July 2004. Note 30 to the financial statements provides details.

The name of DHS was changed to the Department of Health (DH) on 10 June 2004 by proclamation of the Governor effective 1 July 2004.

Audit Review of Assets and Liabilities Transferred to the Department for Families and Communities

In accordance with the Government Gazettal establishing DFC, certain assets and liabilities of DHS were transferred to DFC effective from 1 July 2004. Accordingly, the Statement of Financial Position of DHS as at 30 June 2004 was allocated between DFC and DH to reflect the transfer of these assets and liabilities to DFC.

Audit performed a review of both the DFC and DH opening Statement of Financial Position balances as at 1 July 2004 to assist with the audit of the financial statements for 2004-05 for both Departments. The scope of the audit review included:

- obtaining an understanding of methodologies utilised in allocating the DHS Statement of Financial Position balances as at 30 June 2004 between DH and DFC;
- assessing the reasonableness of the methodologies adopted and the reapplication to relevant balances;
- reviewing a sample of material transactions to ensure accurate allocation to the appropriate Department;
- reviewing the accuracy of opening balance journals processed in both DFC and DH General Ledgers;
- reconciling the DH and DFC General Ledgers as at 1 July 2004 to determine opening balance positions.

The results of the audit review found that the opening balances of DH and DFC were materially correct and the transfer of assets and liabilities to DFC was processed correctly.

Shared Services Arrangements

As a result of restructure of the former Department of Human Services certain business services were retained by DH and DFC respectively. As a result, shared services arrangements were entered into for the 2004-05 year to facilitate the delivery of certain business services to both agencies. Under these arrangements, the services provided to DFC by DH include Financial services; Workforce services; Information and Communication technology services; and Strategic procurement. Services provided to DH by DFC include Risk Management and Internal Audit Services, Purchasing; and Fleet Management. Audit understands that these shared services arrangements are being reviewed for 2005-06.

Comparative Figures

In accordance with the requirements of accounting standards, comparative figures are those reported for the former DHS. During the restructure of DHS, certain assets and liabilities were transferred from DHS to DFC effective 1 July 2004. This means that the reported 2003-04 comparative values are, in many cases higher than those reported for similar activities in 2004-05.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services (Hospitals, Health Centres and Services) is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess 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.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- payroll
- accounts payable
- accounts receivable
- funding to health services
- non-current assets
- revenue
- grants to non-government organisations
- other liabilities.

The work done by internal audit was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of DH's internal controls.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Health as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

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 Health Services, Funding to Non-Government Organisations, Payroll, Accounts Payable and Computer Information Systems Environments as outlined under Audit Communications to Management and Other 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 2004-05 financial year. As a result of the split of the former DHS, internal audit and risk management services are provided to the Department by 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 included review of:

- Funding and Grant Management System
- Population Health Funding Model
- Signing of Health Service Agreements
- Non-Government Organisation (NGO) Performance Management.

The Internal Audit review of NGO Performance Management concluded that the performance management of NGOs was unsatisfactory. The review found that there was inconsistency in the application of procedures to manage funding provided to NGOs and a lack of active monitoring and management of the performance of NGOs. A number of the issues and control weaknesses identified by the Internal Audit were raised by the Auditor-General in 2003-04. Further commentary regarding Internal Audit's review of NGO Performance Management is provided under the heading 'Audit Communication to Management and Other Matters'.

Budget and Financial Management Consultancy

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 review also included the identification of cost pressures and providing input with respect to determining the Department's Budget estimates for 2003-04.

The Cabinet approval provided for the Auditor-General to be fully informed about the review and its findings. The final report of the consultants entitled 'Department of Human Services Review of Financial Management Stage One Final Report' was tabled in Parliament in July 2005. The key findings of the review were that it was apparent that the DHS budget had experienced unfavourable budget variances for an extended period, yet any attempt to conduct detailed analysis of this budget variance had been hindered by DHS budget information being unreliable.

The consultants acknowledge that the Department of Health has acted to address many of the key findings but considers that further work is required to place the financial management of the Department on a sound foundation. Audit understands that the Department has been allocated additional funds to assist in implementing improvements to financial management practices. In order to implement the recommendations of the consultants the Department has established a steering committee which reports to the Department's Executive Committee. Audit will monitor the progress of implementation of the recommendations during 2005-06.

Audit Communications to Management and Other 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. The following is a summary of the headings in this section that contain audit commentary relating to the operations of the Department:

- Funding to Health Services
- Funding to Non-Government Organisations
- Commonwealth Government Grants
- Payroll
- Accounts Payable
- Accounts Receivable
- Complete Human Resources Information System (CHRIS)
- Financial Data Mart Review 2004
- DH Communications Network HSNNet
- Regionalisation of Metropolitan Health Services
- Department of Health - 'Building a Better Organisation'.

Funding to Health Services

Recurrent funding to Health Services comprises Departmental expenditure which amounted to \$1.9 billion in 2004-05. The arrangements implemented by the Department to support this function are significant in the context of the monetary amounts involved as well as the impact on the achievement of Departmental and Government objectives.

The current funding model has, as its foundation, Health Service Agreements between the Health Units and the Minister which reflect a focus on the Department as a funder purchasing outputs from the Health Units as service providers.

Health Service Agreements

The Health Service Agreements between the Minister of Health and Health Services represents 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.

In prior years Audit has raised issues relating to the inconsistency between the performance agreement requirements and current operational practices. In response, during 2004-05 the Health Service Performance Agreements for both the Metropolitan Health and Country Health Divisions were reviewed with revamped agreements implemented for the 2004-05 funding year.

While Audit acknowledged that the Department has contributed considerable time during 2004-05 to revamping the content and structure of the Health Service Agreements and that interim funding arrangements were implemented until funding agreements were in place, Audit recommended that the Department establish a framework for Agreement execution and compliance. This framework should establish timeframes for execution of agreements and monitoring of compliance requirements specified within the Performance Agreements.

Health

In response the Department indicated that a framework for performance agreement execution and compliance will be established.

Health Service Performance Agreements - Reporting of Key Deliverables

Audit review of the new performance agreements noted that key deliverables have been captured within the agreements which detail the expectations of the Health Services for the 2004-05 funding year. As highlighted in the agreements, the development of performance information is designed to enable the Department and the Health Service to:

- measure improvement in service performance and health outcomes;
- inform State health policy development and, where possible, consumer decisions;
- facilitate best practice;
- increase community understanding of the performance of the public health sector;
- provide accountability for funds.

The agreements also state that the performance of the Health Service will be measured by its compliance with its obligations to provide the services specified in the agreement; against the key deliverables.

Audit sought advice from the Department as to whether the Department has established a framework for the reporting of Health Service key deliverables specified within the performance agreements.

In response the Department indicated that it is in the process of establishing a framework for the reporting of key deliverables. Audit will monitor progress during 2005-06.

Funding to Non-Government Organisations

The level of funding to Non-Government Organisations (NGOs) for 2004-05 was \$92.7 million.

During 2004-05 the Department requested Internal Audit to engage a contractor to undertake a review of NGO Performance Management. Given that the scope of the internal audit review covered areas which would have been tested by Audit, these findings have been relied upon by Audit in forming an opinion over the controls in place in relation to funding provided to NGOs.

The results of the internal audit review concluded that the performance management of NGOs was unsatisfactory. The review found that there was inconsistency in the application of procedures to manage funding provided to NGOs and a lack of active monitoring and management of the performance of NGOs.

A number of the issues and control weaknesses identified by the Internal Audit were raised by the Auditor-General in 2003-04.

Specifically, the Internal Audit review highlighted the following matters:

- Inconsistent practices are being applied across the Department for determining the allocation of funds to NGOs.
- Instances of non-adherence to contract management and procurement policies and procedures.
- Documentation relating to NGO contracts and ongoing performance monitoring was poor.
- Inconsistent practices are in place relating to the application of funding adjustments.
- There are a lack of formal processes to ensure non-expended funds are returned in accordance with Treasurer's Instructions.

Audit wrote to the Department seeking their advice on the progress regarding action taken in response to the 2003-04 audit by the Auditor-General of Funding to NGOs and the action proposed in response to the findings of the Internal Audit review.

In response the Department indicated that it has established a working group to discuss the issues identified by Internal Audit and establish a set of recommendations to the internal audit review.

Commonwealth Government Grants

Commonwealth Government grants represent a major source of revenue for the Department. In 2004-05 the Department received \$793 million in Commonwealth Government grants.

The results of the audit review during 2004-05 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 strong 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. Furthermore the audit review noted the following control weaknesses:

- Absence of a Departmental verification process over the use of Highly Specialised Drug funding provided to health providers (ie hospitals) to ensure that such funding is only utilised for the specific purpose intended.
- Lack of compliance with acquittal timeframes as specified in funding agreements.
- Absence of a verification process of the amount to be funded under the Australian Health Care Agreement to ensure the State receives all funding entitlements.
- Absence of independent review over all monthly Grant Revenue Reconciliations performed.

In response the Department concurred with the findings and recommendations made by Audit and indicated the progress that has been made to date with further initiatives planned. Audit will monitor progress during 2005-06.

Payroll

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department. The Department is also directly responsible for processing payroll transactions for a number of agencies including DFC, South Australian Housing Trust, South Australian Community Housing Authority and the Aboriginal Housing Authority. Audit review included assessing system controls over transactions processed by the CHRIS payroll system.

Audit coverage also included a follow up of the Department's progress in addressing issues raised as a result of the 2003-04 audit.

Audit has previously identified and reported on a number of control weaknesses relating to payroll control environment which has ultimately lead to the controls opinion issued by the Auditor-General to be qualified. In summary the control weaknesses noted in past audits have included:

- inadequate documented policies and procedures for key payroll processes;
- ineffective bona fide certification process;
- unreliable leave recording and management processes;
- breakdowns in performance of key reconciliations and effective maintenance of clearing accounts.

The results of the 2004-05 audit revealed that while some progress has been made in addressing the abovementioned control weaknesses, in particular development of documented policies and procedures, there remains significant control weaknesses in the payroll processing environment. These control weaknesses resulted in audit having no assurance over the accuracy of payroll related balances including leave balances for the 2004-05 financial year. As a consequence, the Department's controls opinion has continued to be qualified in relation to the payroll control environment.

The control weaknesses noted during the 2004-05 audit included:

- absence of return of all bona fide certificates from departmental managers exposing 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 recorded in the payroll system;
- absence of all salary and wages payments being captured on the bona fide certificate;
- absence of a formalised Departmental policy over variance reporting process used by the payroll area to identify variances in payments made to employees;
- absence of performance of an independent review over payroll processing.

Health

As a result of the control weaknesses noted Audit made a number of recommendations to the Department. In response the Department indicated that it agreed with the recommendations of Audit and outlined actions underway to further improve processes. Audit will monitor progress during 2005-06.

Accounts Payable

The Department has responsibility for processing accounts payable transactions for DH but also for DFC under a shared service arrangement. In addition, DFC provide services to DH regarding the online purchase order system.

The results of the audit revealed that there are a number of areas where controls could be improved. In particular, Audit noted:

- the absence of a regular review of the online purchase order system delegations to the approved delegations as documented on the Department's intranet;
- instances where requisitions had been approved based on the line amount rather than the total value of the requisition;
- instances where non-exempt expenditure was processed using Manual Payment vouchers rather than the online purchasing system.

As reported last year, Audit considers the online purchase order system incorporates sound controls. It is Audit's view that the use of the system provides stronger controls than are available with the use of manual payment vouchers. Review of the Department's processes for raising purchase orders, processing supplier invoices and disbursements found that the system is not being used in all applicable instances, as is required by the Department's Online Purchasing Policy.

In some instances reliance is placed upon the approval of a manual payment voucher to ensure expenditure has been authorised and that the goods/services have been received. Due to the size and the decentralised operations of the Department, Audit considers that the reliance on an authorising officer's signature to process a payment voucher or invoice does not represent a strong control.

A positive response was received from the Department.

Accounts Receivable

The results of the audit of Accounts Receivable revealed that there is a number of control weaknesses relating to the accounts receivable processing environment. Audit noted the following control weaknesses:

- *Cash at Bank Reconciliation* — absence of departmental policy over the performance of cash at bank reconciliation; absence of independent review over the reconciliations performed; and lack of documentation maintained to support the reconciliation.
- *Cash handling Controls* — lack of segregation over cash receipting and banking processes performed.
- *Approval of Invoice Requests* — absence of appropriate approval over invoice request forms in accordance with the Department's Financial Services Customer Service Manual; and absence of knowledge of the existence of the above manual and its requirements by Departmental Officers.
- *Reconciliations* — absence of independent review over reconciliations performed.
- *Review over invoices raised* — absence of Departmental policy concerning operational controls for the review of invoices raised.

In its response the Department indicated that a number of the recommendations made by Audit would be implemented.

Commentary on Computer Information Systems (CIS) Environments

During the year, Audit continued to review various aspects of information technology associated with the Department's responsibilities and operations. The audits, where applicable, included follow up of issues identified in previous reviews. The following outlines comments on matters communicated to the Department and responses received from the Department.

Complete Human Resources Information System (CHRIS)

DH is responsible for managing the contract of the CHRIS HRMS application for DH Central Office and all health units.

The CHRIS system is also contracted to the Department for Administrative and Information Services (DAIS) as lead agency for use of the Shared HRMS sector agencies. The performance of the contracted bureau provider is subject to review by DAIS and DH as lead agencies for their sectors.

Over the past three years, Audit had undertaken reviews of the project management, organisational management, systems, procedures and associated internal control (including computer processing) environments for the CHRIS application and the compliance by DH to the Bureau Service Agreement (BSA) between the Minister for Health and the external service provider. Further Audit has assessed matters arising from the DH and DAIS initiated review of the external service provider undertaken in 2003.

At the time of the preparation of last year's Report to Parliament, Audit was in the process of completing a review of CHRIS operations.

Matters arising from that review included:

- a number of software modules were not completely implemented to the level of functionality contracted. Official acceptance of these software modules had not taken place;
- a significant number of matters raised in the 2003 security review of the bureau service were still outstanding;
- the matter of the conduct of a project implementation review had not been considered as the project was not completed or signed-off.

The matters were reported to the Department and a response that was received in October 2004 advised resolution action in progress. In particular, the Department indicated:

- while the leave module had not been accepted, the existing version did work and was being used by the majority of health units. DH was continuing to seek resolution of the issues with the acceptance of the CHRIS leave modules;
- the outstanding matters raised in the 2003 security review would be resolved in conjunction with DAIS;
- a Post Implementation Review of the project would be conducted once the project had been completed.

In 2005, Audit conducted a further review of the CHRIS system. The review revealed that there was still a number of matters that required attention. These matters involved:

- outstanding issues from the 2003 DH/DAIS security review that still required resolution. These related to computer room access logging, network segregation issues, firewall rules and security patching;
- regular security assessments were not conducted to examine the CHRIS operational environments to confirm that hardware, software and general computer controls had been correctly implemented;
- the DH security patch management policy and procedures needed to be assessed for applicability to the external service provider;
- a complete physical test of the external service provider's Disaster Recovery and Business Resumption Plans had not taken place;
- Service Level Agreements (SLAs) between DH and individual units (health units and business units) were not in place;
- legal advice be sought to determine whether the Government mandated Information Security Management Framework (ISMF) applied to the contract service provider.

Health

The above mentioned matters were reported to DH and a response was received in August 2005. The Department advised that DH would:

- discuss with DAIS the need to engage specialist technical advice in regard to outstanding issues from the security review and regular security assessments, and ensure the completion of the test of the external service provider's Disaster Recovery and Business Resumption Plans;
- perform an assessment of the DH security patch management policies and procedures;
- review the need for SLAs with other business units;
- progress the request for legal advice.

Financial Data Mart Review 2004

The Financial Data Mart system is a common central store of financial information for the Department of Health (DH). The information is made available to authorised users across DH for reporting and decision making purposes. The information is available electronically and must be relevant, reliable and consistent with source general ledger and job cost data from the Masterpiece system.

Audit undertook a review of key aspects of the DH Financial Data Mart system and its computer processing environment (CPE). The review focused on controls and procedures and included coverage of:

- information access security and integrity for both the CPE and the DH Financial Data Mart system and information;
- applications systems implementation and maintenance arrangements;
- information systems operations, including business recovery arrangements;
- aspects of database, network and systems software implementation and support.

The review identified control deficiencies related to important areas of an information access security and integrity, change management, and operational controls of a reconciliation nature that were considered in need of management attention. Audit also observed some issues with respect to service level agreements.

More specifically, some of the matters raised with the DH in 2005 were:

- in some instances, users had not received systems user training and there was inadequate user access controls, including password control;
- procedures and audit trails covering the integrity and reconciliation of information from Masterpiece to the Financial Data Mart system were not of a satisfactory standard;
- formal procedures regarding system change authorisation and user acceptance sign off of implemented changes had not been developed.

The DH responded positively to the issues raised. Users would be given training prior to systems access; user access controls would be strengthened and user access authorisation procedures would be formalised; certain adjustments to the reconciliation process and reports were undertaken; specific policy and procedure documents for report recreation and system change control had been documented; and service level agreements were in the process of being implemented. Regarding user access, the DH advised in August 2005 that implementation of both an online user access register and regular change of passwords were to be implemented before the end of 2005.

DH Communications Network HSNet

The HSNet communications network (HSNet) connects the health service delivery units within DH and agencies within the Department for Families and Communities. The network supports users within the Human Services portfolio, principally working in the health and housing sectors, located throughout the Adelaide CBD, metropolitan area and major regional areas of the State.

HSNet is also connected to the State Government communications network, StateNet, and the EDS Data Centre. Network devices are in place to filter traffic from StateNet. All internet access is facilitated via StateNet and reliance is also placed on network devices between StateNet and the internet for protection from issues associated with the internet.

Audit reviewed certain aspects of HSNet. The focus of the review was to seek assurance over firstly, the management of HSNet and secondly, key security control arrangements over the network. Particular attention was given to those arrangements ensuring the availability, confidentiality, integrity and security of personal and health related information. The review scope included:

- assessment of the DH responsibility and accountability for HSNet;
- identification of security risks;
- review of processes for management of network change, security incidents and network capacity;
- assessment of the security of the technical infrastructure of HSNet.

The review focused on management and control issues related to the HSNet network. The review scope did not extend to consideration of StateNet, EDS or other health service delivery networks.

The review identified certain areas where there was an opportunity to improve the existing control environment including the management of the network and the security and control arrangements.

The more relevant matters conveyed in writing to the DH in December 2004 are outlined below:

Management of HSNet

Management and security related issues in relation to electronic personal and health related information were in need of addressing. These included:

- personal and health related information transmitted across HSNet needed to be identified and appropriately classified according to its security characteristics within the existing information asset inventory;
- policy and procedures over the management of the connectivity between the networks of the individual health service delivery units and HSNet needed to be developed;
- procedures with regard to change management of network devices as well as monitoring of access of those devices needed to be finalised and approved;
- monitoring of network traffic for the purpose of managing network performance needed to be enhanced.

HSNet Security Control Arrangements

Procedures had been established to ensure security incidents were recorded, investigated and reported to appropriate authority levels. Although responsibility had been established to ensure that the firewall between StateNet and HSNet was reviewed regularly, there were matters in need of management attention and consideration, notably:

- anti-virus measures over remote access to HSNet needed to be strengthened;
- consideration needed to be given towards implementing an Intrusion Detection System between HSNet and StateNet.

These matters were reported to DH in December 2004.

The Department responded in January 2005 and advised that various aspects of the report would be considered or actioned. These included:

- a formal Network Security function would be established to provide the resources and expertise required to develop and manage security;
- change management of network devices and monitoring of access control would be performed as part of the DH internal audit program;
- attention would be directed to improving monitoring and security management of HSNet;
- solutions for anti-virus measures for remote access users would be investigated as well as the viability of an intrusion detection system between HSNet and StateNet.

Initiation of Reviews associated with Ministerial and Departmental Responsibilities

As indicated in my Reports for 2002, 2003 and 2004, the Government has initiated reviews of key areas of Departmental responsibilities including provision of Health and Child Protection services. These reviews were the Generational Health Review and the Child Protection Review. Both reviews were completed in 2002-03. The following commentary outlines key developments regarding the Government's response to the Generational Health Review.

Regionalisation of Metropolitan Health Services

The Generational Health Review was commissioned by the State Government in May 2002 to consider a broad range of issues associated with provision of health services within the State and to 'develop a framework to guide the South Australian health care system over the next 20 years'. The review was formally presented to the Minister in April 2003.

A summary of the findings of the review together with the Government's response to the review were included in my 2003 Report. The Government released in 2003 the 'First Steps Forward' reform package which focuses on three key themes, namely, building better governance, building better services and building better system support.

The Better Governance reform included establishing a Regional Health Structure which provide for better integration of services and a comprehensive system of care. Consistent with the reform package three new incorporated metropolitan Health Services were established on 26 February 2004 by proclamation pursuant to section 27 of the *South Australian Health Commission Act 1976*. The three new metropolitan health services replaced a number of existing health services.

The three newly created metropolitan health services and the health services they replaced are detailed below:

- The Central Northern Adelaide Health Service which includes the operations of the following former health services:
 - Adelaide Central Community Health Service
 - Northern Metropolitan Community Health Service
 - The Queen Elizabeth Hospital
 - The Lyell McEwin Health Service
 - Modbury Hospital
 - Royal Adelaide Hospital
 - St Margaret's Rehabilitation Hospital
 - South Australian Dental Service.

- The Southern Adelaide Health Services which includes the operations of the following former health services:
 - Flinders Medical Centre
 - Noarlunga Health Services
 - Drug and Alcohol Services Council.

- The Children, Youth and Women's Health Service which includes the operations of the following former health services:
 - Child and Youth Health
 - Women's and Children's Hospital.

The governing bodies of the existing health services, whose functions were replaced by the newly created regional health services, were dissolved effective 1 July 2004. On the dissolution of the existing health services the real and personal property and rights and liabilities were transferred to the newly created health services. This reform has given the new Boards responsibility and accountability for the health of the population in a defined geographic area.

In essence, the restructure has involved changes to both the legal status of Health Service entities and the functional roles and responsibilities of the entities. This necessitates, where applicable, management to revisit and consider past administrative and/or financial management and reporting processes to ensure effectiveness of the processes going forward, including aspects of legal compliance and control and accountability.

In 2005, Audit raised with the Department some issues that may require revisit and consideration in conjunction with the newly created Health Services. The matters related to donations received by the Health Services, banking arrangements of the Health Services and private practice arrangements.

Regarding donations, certain of the dissolved Health Services were obligated under the *Public Charities Funds Act 1935* to remit donations received to the Commissioners of Charitable Funds. As a consequence of the dissolution of certain Health Services, it was considered that the legal relationships and obligations of the newly created Health Services in relation to the *Public Charities Funds Act 1935* were in need of clarification. The Department has indicated that this matter is being reviewed and considered in conjunction with the Commissioners of Charitable Funds, and may involve possible amendments to the *Public Charities Funds Act 1935*.

As mentioned, the restructure resulted in three legal Health Service entities being created, replacing thirteen dissolved legal Health Service entities. As a result, Audit suggested that it might be opportune to review respective Health Service financial institution banking arrangements to ensure optimum financial services and benefits are being obtained. The Department responded that it expected that the new regional Health Service entities would be reviewing banking and other similar corporate functions as a consequence of bringing together former individual Health Service entities.

Finally, in relation to the matter of medical private practice, Audit suggested that the arrangements and fund operations under the previous dissolved Health Services may require review in the context of the newly created Health Services. The Department indicated that the arrangements are under review and involve issues that are complex in nature.

Department of Health – ‘Building a Better Organisation’

The vision of the Department’s ‘Building a Better Organisation’ project is to create organisational structures for the Department of Health and regions that will improve accountability and better align services and administrative functions to health outcomes. Specifically the project will:

- act as a catalyst for reshaping and streamlining management and administrative functions across the health system;
- facilitate the implementation of an integrated system of health care as supported by the Generational Health Review recommendations;
- improve accountability, transparency and performance measurement across the health system by clearly delineating roles and responsibilities between stakeholders;
- better align services and functions to health outcomes;
- create an environment that facilitates responsiveness in an effective and timely manner;
- instil a strong corporate governance philosophy that will ensure that the obligations of the health system are met;
- inspire a culture and ethos that is innovative, outcome and performance focused;
- optimise greater use of resources to meet the priorities of the health system;
- facilitate greater involvement of key stakeholders (ie clinicians, support staff and community) in the planning and delivery of health services.

To date, work has been undertaken in defining the roles and responsibilities between the Department and the regions. As a result of that work some functions performed by the Department have been transferred to various regions. This project is continuing into 2005-06.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Comparative Analysis

As previously mentioned, in accordance with the requirements of accounting standards, comparative figures are those reported for the former DHS. During the restructure of DHS, certain assets and liabilities were transferred from DHS to DFC effective 1 July 2004. The means that the reported 2003-04 comparative values are, in many cases higher than those reported for similar activities in 2004-05. As a result a comparative analysis has not been performed.

Highlights of Financial Statements

	2005 \$'million
OPERATING REVENUE	
Rent, fees and charges	96
South Australian Government appropriations	1 415
Grants from SA Government agencies	131
Commonwealth Government grants	793
Other	12
Total Operating Revenue	2 447
OPERATING EXPENDITURE	
Employee benefits	68
Supplies, services and other expenses	147
Grants, subsidies and client payments	2 215
Total Operating Expenses	2 430
Surplus (Deficit)	17
ASSETS	
Current assets	84
Non-current assets	78
Total Assets	162
LIABILITIES	
Current liabilities	45
Non-current liabilities	144
Total Liabilities	189
EQUITY	(27)

Statement of Financial Performance

Operating Revenues for 2004-05 amounted to \$902 million and principally comprised Commonwealth Government Grants of \$793 million.

South Australian Government Appropriations amounted to \$1.4 billion.

Operating Expenses were \$2.4 billion and principally comprise \$2.2 billion in Grants, Subsidies and Client Payments. Grants, Subsidies and Client Payments are made up of Funding to Incorporated Health Services of \$2.1 billion and Funding to Non-Government Organisations of \$93 million.

Statement of Financial Position

As at 30 June 2005, the Department has a net asset deficiency of \$26.7 million. The net asset deficiency is a result of the cumulative operating deficits of the former Department of Human Services over the last four years. As at 30 June 2005 the Accumulated Deficit of the Department amounted to \$166 million.

Despite the net asset deficiency of the Department the total current assets of the Department exceeds the current liabilities by \$39 million.

Statement of Cash Flows

In 2005 the Department recorded a net cash outflow of \$33 million, representing a net cash outflow from financing activities of \$24.5 million (being mainly payments made as a result of Restructuring Activities), and net cash outflows from operating and investing of \$2 million and \$6.5 million respectively.

Analysis of the Department's cash flows shows that in 2005 the Department's sources of funds (including the equity injection from the State Government) were insufficient to meet the Department's operating cash requirements for 2005 resulting in its cash reserves decreasing by \$33 million.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	68 467	213 611
Supplies and services	6	141 921	191 569
Depreciation and amortisation	7	889	2 910
Grants, subsidies and client payments	8	2 215 103	2 504 283
Borrowing costs	9	3 000	3 033
Other	10	1 663	4 732
Total Expenses from Ordinary Activities		2 431 043	2 920 138
REVENUES FROM ORDINARY ACTIVITIES:			
Rent, fees and charges	11	96 652	142 242
Commonwealth Government grants	15	792 879	970 447
Dividends - HomeStart Finance	2.8	-	5 000
Interest	12	4 848	5 865
Net (loss) gain from disposal of non-current assets	13	(42)	935
Other	14	7 583	5 902
Total Revenue from Ordinary Activities		901 920	1 130 391
Net Cost of Services from Ordinary Activities		(1 529 123)	(1 789 747)
REVENUES FROM SA GOVERNMENT:			
South Australian Government Appropriations	16	1 415 310	1 628 516
Grants from South Australian Government Agencies	16	131 087	131 716
Net Result from Ordinary Activities		17 274	(29 515)
Decrease in net assets due to administrative restructure	30	(72 199)	-
Net Result after Restructuring	27	(54 925)	(29 515)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase (Decrease) in asset revaluation reserve	27	5 177	22 774
Increase (Decrease) in asset revaluation reserve from administrative restructure	27	(48 660)	-
Total Revenues, Expenses and Valuation Adjustments Recognised Directly in Equity		(43 483)	22 774
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		(98 408)	(6 741)

**Statement of Financial Position
as at 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
CURRENT ASSETS:			
Cash	17	30 299	63 307
Receivables	18	43 146	47 422
Inventories	19	3 985	1 847
Other	21	7 050	2 932
Total Current Assets		84 480	115 508
NON-CURRENT ASSETS:			
Receivables	18	40 117	40 080
Property, plant and equipment	20(a)	36 374	123 108
Capital works in Progress	20(b)	1 102	3 150
Other	21	485	531
Total Non-Current Assets		78 078	166 869
Total Assets		162 558	282 377
CURRENT LIABILITIES:			
Payables	22	23 332	35 677
Employee benefits	23(a)	7 116	18 517
Borrowings	24	566	396
Provisions	25	11 795	14 033
Other	26	2 329	9 110
Total Current Liabilities		45 138	77 733
NON-CURRENT LIABILITIES:			
Payables	22	20 216	26 272
Employee benefits	23(a)	10 504	31 411
Borrowings	24	29 451	29 843
Provisions	25	83 512	99 051
Other	26	467	467
Total Non-Current Liabilities		144 150	187 044
Total Liabilities		189 288	264 777
NET ASSETS		(26 730)	17 600
EQUITY:			
Contributed capital	27	119 719	114 340
Accumulated deficit	27	(166 446)	(160 220)
Asset revaluation reserve	27	19 997	63 480
TOTAL EQUITY		(26 730)	17 600
Commitments for Expenditure	29		
Contingent Liabilities	31		

Statement of Cash Flows for the year ended 30 June 2005

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Employee payments	(65 285)	(208 216)
Supplies and services	(161 485)	(176 615)
Grants, subsidies and client payments	(2 212 555)	(2 500 199)
Borrowing costs	(20)	(19)
Goods and services tax payments on purchases	(35 181)	(48 112)
Goods and services tax paid to other grouped members	(36 134)	(1 142)
Interest on borrowings	(3 330)	(2 243)
Other	(1)	-
Total Outflows from Operating Activities	(2 513 991)	(2 936 546)
CASH INFLOWS:		
Receipts from Commonwealth	792 879	973 723
Dividends received - HomeStart Finance	-	5 000
Rent, fees and charges	91 088	129 241
Interest received	4 775	5 248
Goods and services tax receipts on receivables	5 584	5 341
Goods and services tax refund from the ATO	58 381	41 893
Goods and services tax collected from other grouped members	5 229	1 684
Other	7 616	5 722
Total Inflows from Operating Activities	965 552	1 167 852
CASH FLOWS FROM SA GOVERNMENT:		
South Australian Government appropriations	1 415 310	1 628 516
Grants from South Australian Government agencies	131 087	131 716
Total Cash Flows from SA Government	1 546 397	1 760 232
Net Cash Outflows from Operating Activities	(2 042)	(8 462)
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of Property, plant and equipment	(6 319)	(11 272)
Loans provided	(1 500)	(507)
Total Outflows from Investing Activities	(7 819)	(11 779)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	1	3 607
Repayment of Loans	1 325	878
Total Inflows from Investing Activities	1 326	4 485
Net Cash Outflows from Investing Activities	(6 493)	(7 294)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Repayment of borrowings	(396)	(267)
Payments due to restructuring activities	(29 456)	-
Total Outflows from Financing Activities	(29 852)	(267)
CASH INFLOWS:		
Capital contributions from Government	5 379	25 618
Total Inflows from Financing Activities	5 379	25 618
Net Cash (Outflows) Inflows from Financing Activities	(24 473)	25 351
NET (DECREASE) INCREASE IN CASH HELD	(33 008)	9 595
CASH AT 1 JULY	63 307	53 712
CASH AT 30 JUNE	30 299	63 307

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

Programs (refer Note 4)	S1	S2	S3	S4	S5	Total 2005
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	17 004	9 893	3 108	2 732	35 730	68 467
Supplies and services	20 339	25 783	2 212	924	92 663	141 921
Grants, subsidies and client payments	10 221	1 717 315	368 962	7 208	111 397	2 215 103
Depreciation and amortisation	591	9	10	2	277	889
Borrowing costs	-	2 980	-	-	20	3 000
Other expenses	1	402	1 155	-	105	1 663
Total Ordinary Expenses	48 156	1 756 382	375 447	10 866	240 192	2 431 043
REVENUES FROM ORDINARY ACTIVITIES:						
Rent, fees and charges	1 281	37 512	640	111	57 108	96 652
Interest	-	-	-	-	4 848	4 848
Commonwealth Government grants	27 373	622 505	141 889	125	987	792 879
Net Gain (Loss) from disposal of non-current assets	(3)	(4)	-	-	(35)	(42)
Other	548	190	-	-	6 845	7 583
Total Ordinary Revenue	29 199	660 203	142 529	236	69 753	901 920
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(18 957)	(1 096 179)	(232 918)	(10 630)	(170 439)	(1 529 123)
REVENUES FROM GOVERNMENT:						
SA Government appropriations	17 463	964 933	200 105	9 683	223 126	1 415 310
Grants from other SA Government agencies	838	96 736	23 743	509	9 261	131 087
NET RESULT FROM ORDINARY ACTIVITIES	(656)	(34 510)	(9 070)	(438)	61 948	17 274
<i>Less: Loss from restructure</i>	<i>(136)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>(72 063)</i>	<i>(72 199)</i>
NET RESULT AFTER RESTRUCTURING	(792)	(34 510)	(9 070)	(438)	(10 115)	(54 925)

Programs - Refer Note 4

- S1. Population Health & Well-being
- S2. Metropolitan Health Services
- S3. Country Health Services
- S4. Aboriginal Health Services
- S5. Shared Services - Health

**Program Schedule of Expenses and Revenues
for the year ended 30 June 2004**

Programs (refer Note 4)	S1	S2	S3	S4	S5	K1	K2	K3
EXPENSES FROM ORDINARY	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:								
Employee benefits	16 328	11 295	3 671	2 545	23 587	646	1 402	1 045
Supplies and services	20 592	24 187	2 506	879	80 925	214	847	651
Grants, subsidies and client payments	10 807	1 529 828	330 993	8 853	87 365	1 473	1 228	131
Depreciation and amortisation	651	8	6	1	197	-	9	-
Borrowing costs	-	3 013	-	-	10	-	-	-
Other expenses	-	-	-	-	2 366	-	-	-
Total Ordinary Expenses	48 378	1 568 331	337 176	12 278	194 450	2 333	3 486	1 827
REVENUES FROM ORDINARY								
ACTIVITIES:								
Rent, fees and charges	780	28 419	576	67	40 370	79	4	29
Interest	-	-	-	-	6 271	-	-	-
Dividends - HomeStart Finance	-	-	-	-	-	-	-	-
Commonwealth Government grants	23 380	611 984	146 907	356	1 516	6	-	-
Net Gain (Loss) from disposal of non-current assets	(14)	-	-	-	(173)	-	-	-
Other	1 103	47	30	40	3 167	13	29	-
Total Ordinary Revenue	25 249	640 450	147 513	463	51 151	98	33	29
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(23 129)	(927 881)	(189 663)	(11 815)	(143 299)	(2 235)	(3 453)	(1 798)
REVENUES FROM GOVERNMENT:								
SA Government appropriations	22 176	828 510	180 613	11 049	137 882	2 154	3 134	1 733
Grants from other SA Government agencies	548	83 404	5 796	570	2 932	43	263	35
NET RESULT FROM ORDINARY ACTIVITIES	(405)	(15 967)	(3 254)	(196)	(2 485)	(38)	(56)	(30)
Less: Loss from restructure	-	-	-	-	-	-	-	-
NET RESULT AFTER RESTRUCTURING	(405)	(15 967)	(3 254)	(196)	(2 485)	(38)	(56)	(30)

Programs - Refer Note 4

- S1. Population Health & Well-being
- S2. Metropolitan Health Services
- S3. Country Health Services
- S4. Aboriginal Health Services
- S5. Shared Services - Health
- K1. Aboriginal Social Services
- K2. Office for Youth
- K3. Office for the Status of Women

Program Schedule of Expenses and Revenues for the year ended 30 June 2004 (continued)

Programs (refer Note 4)	K4	K5	K6	K7	K8	K9	Total 2004
EXPENSES FROM ORDINARY	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ACTIVITIES:							
Employee benefits	50 790	3 651	2 271	4 883	71 056	20 441	213 611
Supplies and services	2 400	2 809	1 311	1 076	17 796	35 376	191 569
Grants, subsidies and client payments	248 122	208 151	31 974	27 350	15 883	2 125	2 504 283
Depreciation and amortisation	903	11	1	2	986	135	2 910
Borrowing costs	-	-	-	-	-	10	3 033
Other expenses	-	-	-	-	-	2 366	4 732
Total Ordinary Expenses	302 215	214 622	35 557	33 311	105 721	60 453	2 920 138
REVENUES FROM ORDINARY							
ACTIVITIES:							
Rent, fees and charges	50 503	24	15	164	1 151	20 061	142 242
Interest	(480)	-	-	-	-	74	5 865
Dividends - HomeStart Finance	5 000	-	-	-	-	-	5 000
Commonwealth Government grants	71 601	70 407	24 515	16 069	3 680	26	970 447
Net Gain (Loss) from disposal of non-current assets	-	-	-	-	-	1 122	935
Other	10	4	290	4	286	879	5 902
Total Ordinary Revenue	126 634	70 435	24 820	16 237	5 117	22 162	1 130 391
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	(175 581)	(144 187)	(10 737)	(17 074)	(100 604)	(38 291)	1 789 747
REVENUES FROM GOVERNMENT:							
SA Government appropriations	167 393	137 470	8 443	11 782	79 586	36 591	1 628 516
Grants from other SA Government agencies	6 409	4 239	2 143	4 997	19 292	1 045	131 716
NET RESULT FROM ORDINARY ACTIVITIES	(1 779)	(2 478)	(151)	(295)	(1 726)	(655)	(29 515)
Less: Loss from restructure	-	-	-	-	-	-	-
NET RESULT AFTER RESTRUCTURING	(1 779)	(2 478)	(151)	(295)	(1 726)	(655)	(29 515)

Programs - Refer Note 4

- K4. Housing Management Council
- K5. Disability Services
- K6. Ageing Services
- K7. Community Based Services
- K8. Family and Youth Services
- K9. Shares Services - Social Justice

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives And Functions of the Department

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; and 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 of Health
- 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

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*, and other legislation as delegated by the Minister for Health, Minister Assisting the Premier for Social Inclusion (the Minister) 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 *South Australian Health Commission Act 1976* is to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services incorporated under the Act.

The financial affairs of incorporated hospitals and health centres do not form part of the Department's financial report. As 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.

In 2003-04, the Department also functioned as a service provider to the South Australian Housing Trust (SAHT), South Australian Community Housing Authority (SACHA), Aboriginal Housing Authority (AHA), HomeStart Finance and various other non-government organisations. In 2004-05 these agencies were no longer the responsibility of the Minister for Health. The financial affairs of these organisations do not form part of the Department's financial report.

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 34.

1.3 Administrative Restructures

A major restructure resulted in the former Department of Human Services (DHS) being retitled the Department of Health from 1 July 2004 and certain asset and liabilities were transferred from DHS to the new Department for Families and Communities (DFC). On 5 March 2004, the Governor established DFC and declared that for financial accounting and reporting purposes the establishment of DFC would be taken to occur on 1 July 2004. Certain assets and liabilities were transferred from DHS to DFC effective from 1 July 2004. On 10 June 2004, the Governor proclaimed that the title of DHS would be altered to the Department of Health. The proclamation came into effect on 1 July 2004.

Effective 1 July 2004, the assets and liabilities of the Guardianship Board and the Office of Public Advocate were transferred to the Attorney-General's Department.

Comparative figures relate to the former DHS (see Note 2.3)

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 including interest on cash deposits.

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:

- Treasurer's Instructions (TIs) and Accounting Policy Statements (APS) promulgated under the provision of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia.

The financial report has been prepared in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The continued existence of the Department in its present form, and its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and outputs. As stated in Note 1.3 the former DHS was restructured effective 1 July 2004 and the programs were divided between the Department and the new DFC.

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

Where practicable, comparative figures have been adjusted to conform to changes in presentation in these financial statements. As stated in Note 1.3, in accordance with the requirements of accounting standards comparative figures are those as reported for the former DHS. During the restructure of DHS, certain assets and liabilities were transferred from DHS to DFC effective 1 July 2004, and the title of DHS was altered to DH. This means that the reported 2003-04 comparative values are, in many cases higher than those reported for similar activities in 2004-05.

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, fringe benefits tax, goods and services tax and emergency services levy. In accordance with the requirements of UIG Abstract 31 'Accounting for Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

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

2.6 Revenues and Expenses

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

Revenue and Expenses have been classified according to their nature in accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports' 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 revenue/expenditure in the Statement of Financial Performance 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.

2.6 Revenues and Expenses (continued)

Grants that are paid to 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, 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/Payments to 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 Treasurer's Instruction 3 'Appropriation'.

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

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted into cash and are used in the cash management function on a day-to-day basis. The definition of cash in relation to the Statement of Financial Position differs slightly as it does not take into account bank overdrafts. Cash is measured at nominal value.

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 to the Consolidated Account.

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 deficits are recognised in the Department's financial statements as a receivable from Health Services. At each balance date the likelihood that Health Services may not be able to repay these amounts is assessed by the Department. As a consequence significant provisions for doubtful debts have been recognised in the Department's financial statements against Health Services' receivable balances which reflect an assessment that there is no reasonable expectation that Health Services will be able to repay the monies owed with respect to budget overruns.

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.

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. Net realisable value is determined using the estimated sale proceeds less costs incurred in marketing, selling and distribution to customers.

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 Statement of Financial Position. 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.

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.

2.13 Non-Current Asset Acquisition and Recognition (continued)

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

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 Accounting Policy Statement 3 'Valuation of Non-Current Assets':

- All non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation)
- 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 last revalued using the fair value methodology, as at 30 June 2003, based on independent valuations performed by:

- Rob Taylor - Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited
- Adrian Rowse - AAPI, CPV, FPD Savills (SA) Pty Limited
- Helen Dowling - Graduate Australian Property Institute (GAPI), Qualified Valuer, FPD Savills (SA) Pty Limited
- Alex Thamm - AAPI, Qualified Valuer, McGees Valuation and Advisory Services
- Neil Bray - Valuer-General, Valuation SA
- Clinton Ramm - B. Bus. Prop. (Val), AAPI, Valuer, Knight Frank
- Jason Oster - B. Bus. Prop. (Val), GAPI, Valuer, Knight Frank
- Nick Bell - B. Bus. Prop. (Val), AAPI, CPV, Knight Frank

During the 2003-04 financial year, management considered that land prices had materially appreciated and a desktop valuation was carried out on metropolitan land with a value of \$800 000 or greater. As a result of the desktop valuation, an index of 38 percent was determined and applied to metropolitan land assets only. The desktop valuation was carried out by Rob Taylor Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited.

During the 2004-05 financial year, management decided to review whether there had been a further material appreciation in land values. A desktop valuation was once again undertaken on the Department's metropolitan land with a value of \$800 000 or greater. As a result of the desktop valuation, an index of 27.3 percent was determined and applied to metropolitan land assets only. The desktop valuation was carried out by Rob Taylor Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) 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 Accounting Policy Statement 3 'Revaluation of Non-Current Assets' have not been met, these classes of non-current assets are deemed to be at fair value as determined by APS 3 'Revaluation of Non-Current Assets' 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
- Medical, Surgical, Dental and Biomedical Equipment
- Computing Equipment/Systems Development
- 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.

2.15 Depreciation and Amortisation of Non-Current Assets (continued)

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:

Class of Asset	Deprecation Method	Useful Life (Years)
Buildings and improvements	Straight Line	25-50
Leasehold improvements	Straight Line	Life of lease
Computer equipment/systems development	Straight Line	3
Medical, surgical, dental and biomedical equipment	Straight Line	5-10
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 \$5 000, in accordance with Accounting Policy Statement 2 'Asset Recognition' paragraph 23.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years. As at 30 June 2005, all capitalised software was amortised to zero (zero).

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 Treasurer's Instructions 8 'Expenditure for Supply Operations and Other Goods and Services' 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 2005 and is measured at the nominal amount.

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 1028 'Employee Benefits'. 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 5.12 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 SA Government Captive Insurance Corporation (SAICORP) 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 'Financial Reporting of General Insurance Activities' 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 *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability 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 2004-05 financial year the Department has reflected a workers compensation provision of \$1.4 million (\$10.1 million). Refer Note 25.

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 'Financial Reporting for General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non-safety net funded Health Services workers compensation lump sum settlements and redemption payments. Accordingly, the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation liability to Health Services as at 30 June 2005 is \$25.99 million (\$30.68 million). Refer Note 22.

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 Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

2.21 Government/Non-Government Disclosures

The Department has adopted for the first time in the period 2004-05, the requirements of APS 13 where the Department must disclose by way of Note whether transactions are with entities that are within or external to the South Australian Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities. Where practicable comparative information has been provided.

2.22 Continuity of Operations

As at 30 June 2005 the Department has a net asset deficiency of \$35.9 million. The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

3. Change in Accounting Policy

3.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian Equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. DH will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

3.1 **Impact of Adopting Australian Equivalents to International Financial Reporting Standards (continued)**

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', requires disclosure of any key differences in accounting policies, and known or reliably estimable information about the impact on this financial report had this report been prepared using the AIFRS.

The Department has assessed the significance of the adoption of the Standards for the purpose of their implementation. This has involved an assessment of accounting policies and topics in the existing Australian Accounting Standards and the AIFRS to determine any key differences and significant financial impacts.

This assessment identified that the adoption of the AIFRS in 2005 will not result in any key differences or financial impacts for the Department.

The Department is managing the transition through consultation with the Department of Treasury and Finance, training seminars provided by CPA Australia and external providers and the Department's own internal review.

4. **Programs of the Department**

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

Programs Reported Under the Minister for Health:

Program S1: Population Health and Well-being

Disease prevention and management, environmental health management and education and promotion of health and well-being.

Program S2 Metropolitan Health Services

Provision and management of grants for the delivery of health and related services for persons living within metropolitan Adelaide and persons from rural areas that need specialist treatment in metropolitan Adelaide.

Program S3: Country Health Services

Provision and management of grants for the delivery of health and related services across country South Australia.

Program S4: Aboriginal Health Services

Policy advice, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal health related matters.

Program S5: Shared Services - Health

Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

2003-04: Programs Reported Under the Minister For Social Justice, Minister for Housing, Minister for Youth, Minister for the Status of Women:

In 2003-04, the following programs were reported under the Minister For Social Justice, Minister for Housing, Minister for Youth, Minister for the Status of Women. As a result of the restructure these programs were transferred from the former DHS to DFC.

Program K1: Aboriginal Social Services

Policy advice, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal social and emotional well-being matters.

Program K2: Office for Youth

The Office for Youth initiates, advocates and facilitates policies and strategies that create opportunities for positive outcomes for young people in South Australia.

Program K3: Office for Women

Pursuit of the full and equal participation of women in the social and economic life of the State by providing innovative and balanced policy advice to Government. Providing high quality, state wide information and referral services through the Women's Information Service.

Program K4: Housing Management Council

The Housing Management Council provides for the management of grants for housing services and supported accommodation assistance to low-income households and people in crisis. This includes grants for the provision of public housing and private rental services by the South Australian Housing Trust, the provision of public housing and community managed housing by the Aboriginal Housing Authority, the funding and regulation of community housing by the South Australian Community Housing Authority, crisis accommodation and supported assistance programs managed by the South Australia Housing Trust and the provision of supported accommodation and community capacity building programs managed by the Department

Program K5: Disability Services

Provision and management of grants for the delivery of a range of services for people with a disability, their carers and families. This includes accommodation services, community support services to enable living in a non-institutional setting, community access services, respite care, advocacy and information services.

Program K6: Ageing Services

Provision and management of grants for the delivery of services to support frail older people, younger people with disabilities and their carers. This includes assessment for and provision of a comprehensive, co-ordinated, flexible and integrated range of home and community care services to assist in promoting independence within the community and avoiding premature or inappropriate admission to long term residential care. Home and Community Care services (including the associated Commonwealth revenue) which are provided by health and disability services are included also in the relevant programs, that is Disability Services, Country Health Services, Metropolitan Health Services and Aboriginal Health Services.

Program K7: Community Based Services

Community based care services to protect the health, social well-being and quality of life of the community.

Program K8: Family and Youth Services

Services provided to promote the safety and well-being of vulnerable families, children and young people.

Program K9: Shared Services - Social Justice

Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

5. Employee Expenses

	DH 2005 \$'000	DHS 2004 \$'000
Salaries and wages	48 702	152 843
TVSP (refer below)	-	2 198
Long service leave	2 516	6 269
Annual leave	4 270	14 733
Employment on-costs (superannuation)	6 587	29 371
Workers compensation	1 988	4 823
Other	4 404	3 374
Total Employee Expenses	68 467	213 611

Targeted Voluntary Separation Packages (TVSPs):

TVSPs paid to employees during the reporting period	-	2 198
Annual leave and long service leave accrued over the period	-	675
Recovery from the Department of the Premier and Cabinet	-	1 731

Number of employees that were paid TVSPs during the reporting period

-	39
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Remuneration of Employees

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

	DH 2005 Number of Employees	DHS 2004 Number of Employees
\$100 000 - \$109 999	8	19
\$110 000 - \$119 999	6	10
\$120 000 - \$129 999	9	10
\$130 000 - \$139 999	6	7
\$140 000 - \$149 999	1	8
\$150 000 - \$159 999	3	5
\$160 000 - \$169 999	4	3
\$170 000 - \$179 999	5	5
\$180 000 - \$189 999	3	2
\$190 000 - \$199 999	-	2
\$200 000 - \$209 999	3	-
\$210 000 - \$219 999	-	2
\$230 000 - \$239 999	1	3
\$240 000 - \$249 999	2	1
\$250 000 - \$259 999	1	-
\$260 000 - \$269 999	1	-
\$280 000 - \$289 999	-	1
\$290 000 - \$299 999	1	1
\$310 000 - \$319 999	-	1
Total Number of Employees	54	80

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, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$8.305 million (\$11.641 million).

For the purpose of this Note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

6. Supplies and Services	DH	DHS
	2005	2004
	\$'000	\$'000
Supplies and Services provided by entities within the SA Government:		
Accommodation and property related	4 865	-
Advertising and promotions	4	-
Bad and doubtful debts	2 602	-
Client related expenses	1	-
Communication and computing	26 902	-
Contractors and agency staff	6 876	-
Consultants	371	-
Drugs and medical supplies	215	-
Internal Audit	488	-
Insurance	904	-
Managed payments	290	-
Minor equipment	525	-
Motor vehicles	818	-
Seminars, courses and training	487	-
Travel and accommodation	(56)	-
Other administration	1 703	-
Total Supplies and Services - SA Government Entities	46 995	-
Audit fees paid/payable to the Auditor-General's Department	173	-
Total Audit Fees - SA Government Entities	173	-
Supplies and Services provided by entities external to the SA Government:		
Accommodation and property related	3 939	-
Advertising and promotions	912	-
Communication and computing	19 922	-
Contractors and agency staff	12 585	-
Consultants	940	-
Drugs and medical supplies	14 773	-
Insurance	14 096	-
Interpreter and translator fees	29	-
Interstate patient transfers	15 295	-
Managed payments	(176)	-
Minor equipment	529	-
Motor vehicles	105	-
Printing, stationery, postage and periodicals	2 520	-
Seminars, courses and training	1 525	-
Travel and accommodation	1 815	-
Other administration	5 944	-
Total Supplies and Services - Non-SA Government Entities	94 753	-
Total Supplies and Services	141 921	191 569
The number and dollar amount of consultancies paid/payable that fell within the following band:	DH	DHS
	2005	2005
	Number	\$'000
		2004
		Number
		\$'000
Below \$10 000	20	91
Between \$10 000 and \$50 000	17	319
Above \$50 000	7	901
Total Paid/Payable to the Consultants Engaged	44	1 311
		55
		2 183
7. Depreciation and Amortisation	DH	DHS
	2005	2004
	\$'000	\$'000
Depreciation:		
Buildings and improvements	150	1 768
Medical, surgical, dental and biomedical equipment	325	359
Other plant and equipment	145	211
Computing equipment/Systems development	31	62
	651	2 400
Amortisation:		
Leasehold improvements	238	510
	238	510
Total Depreciation and Amortisation	889	2 910

8. Grants, Subsidies and Client Payments

		DH 2005 \$'000	DHS 2004 \$'000
Grants and subsidies paid/payable to entities within the SA Government:	Note		
Recurrent funding to Incorporated Health Services	8.1	1 977 970	-
Housing assistance		162	-
Capital funding to Incorporated Health Services	8.2	105 823	-
Other		4 892	-
Total Grant, Subsidies and Client Payments - SA Government Entities		2 088 847	-
Grants and subsidies paid/payable to entities external to the SA Government:			
Funding to non-government organisations	8.3	92 707	-
Patient assisted transport scheme		5 732	-
National Blood Authority		14 884	-
Concessions		1 136	-
Other		11 797	-
Total Grant, Subsidies and Client Payments - Non-SA Government Entities		126 256	-
Total Grant, Subsidies and Client Payments		2 215 103	2 504 283

8.1 Recurrent Funding to Incorporated Health Services

Central Northern Adelaide Health Service:	919 953	-
Royal Adelaide Hospital	-	409 161
North Western Adelaide Health Service	-	303 316
Modbury Hospital	-	61 142
South Australian Dental Service	-	40 296
Southern Adelaide Health Service:	320 983	-
Flinders Medical Centre	-	230 707
Noarlunga Health Service	-	38 992
Drug And Alcohol Services Council	-	17 544
Children's Youth and Women's Health Service:	212 913	-
Women's And Children's Hospital	-	170 813
Child And Youth Health	-	26 136
Repatriation General Hospital	97 125	87 104
Northern And Far Western Regional Health Service	68 846	63 702
Hills Mallee Southern Regional Health Services	62 633	57 336
South East Regional Health Service	57 449	51 395
Wakefield Regional Health Service	54 820	51 409
Metropolitan Domiciliary Care	45 861	40 932
Mid North Regional Health Service	37 988	34 626
Eyre Regional Health Service	33 905	30 883
Riverland Health Authority	32 141	29 634
Institute Of Medical And Veterinary Science	30 312	26 806
Other	3 041	25 614
Intellectual Disability Services Council *	-	89 258
Julia Farr Service *	-	24 631
Total Recurrent Funding to Incorporated Health Services	1 977 970	1 911 437

* Effective 1 July 2004 the Minister of Health delegated responsibility for the Disability Health Services to the Minister for Families and Communities

8.2 Capital Funding to Incorporated Health Services

	DH 2005 \$'000	DHS 2004 \$'000
Central Northern Adelaide Health Service:	55 399	-
North Western Adelaide Health Service	-	31 286
Royal Adelaide Hospital	-	22 913
Modbury Hospital	-	370
South Australian Dental Service	-	1 061
Adelaide Central Community Health Service	-	701
Northern Metropolitan Community Health Services	-	585
Southern Adelaide Health Service:	11 139	-
Flinders Medical Centre	-	5 567
Noarlunga Health Service	-	586
Children's Youth and Women's Health Service:	8 876	-
Women's And Children's Hospital	-	3 766
Child And Youth Health	-	(9)

8.2 Capital Funding to Incorporated Health Services (continued)	DH 2005 \$'000	DHS 2004 \$'000
Northern And Far Western Regional Health Service	1 655	1 004
South East Regional Health Service	6 547	1 230
Hills Mallee Southern Regional Health Services	7 172	1 571
Mid North Regional Health Service	1 552	853
Wakefield Regional Health Service	3 890	1 610
Riverland Health Authority	2 508	2 558
Repatriation General Hospital	4 674	2 673
Institute Of Medical And Veterinary Science	750	1 018
Eyre Regional Health Service	1 181	729
Other	480	1 207
Intellectual Disability Services Council *	-	567
Total Capital Funding to Incorporate Health Services	105 823	81 846

* Effective 1 July 2004 the Minister of Health delegated responsibility for the Disability Health Services to the Minister for Families and Communities

8.3 Funding to Non-Government Organisations	DH 2005 \$'000	DHS 2004 \$'000
Australian Red Cross	86	30
Minda Incorporated	-	26 597
Royal District Nursing Service of SA Inc.	23 510	21 317
Crippled Children's Association	-	9 015
Anglicare SA	503	4 893
Uniting Care Wesley	4 714	2 171
Anagu Pitjantjatjara Council	-	1 650
Cancer Council SA	-	3 093
Barkuma Inc	-	1 016
Centacare	198	1 233
Neami Limited	3 710	-
SHINE SA	4 539	3 528
Guide Dogs Association	-	1 731
Life Without Barriers	3 770	-
The Richmond Fellowship of Victoria	3 165	-
Aboriginal Health Council	1 706	2 708
SA Amputee Service	2 190	1 895
Royal Society for the Blind	-	2 020
South Australian Division of General Practice Inc	2 750	-
Southern Cross Care (SA) Inc	1 570	-
SA Rural and Remote Medical Support Agency (now Rural Doctors Workforce Agency)	1 535	1 612
Relationships Australia	1 708	-
Nganampa Health Council	1 495	1 521
Royal Flying Doctor Service	-	1 233
Southern District War Memorial Hospital	1 206	1 182
Helping Hand Aged Care Inc	1 100	-
Mental Illness Fellowship of SA	1 633	-
Catholic Family Services	1 855	-
Beyond Blue	1 000	-
Calvary Hospital	952	933
Southern Cross Care	-	798
Port Adelaide Central Mission	-	294
Other	27 812	8 403
Total Funding to Non-Government Organisations	92 707	98 873

9. Borrowing Costs

Borrowing Costs paid/payable to entities within the SA Government:		
Interest on borrowings	2 980	3 014
Other	20	19
Total Borrowing Costs - SA Government Entities	3 000	3 033
Total Borrowing Costs	3 000	3 033

10. Other Expenses

Other Expenses paid/payable to entities within the SA Government:		
Assets donated free of charge	1 557	-
Prior period adjustments not assignable	81	4 732
Total Other Expenses - SA Government Entities	1 638	4 732

10. Other Expenses (continued)	DH 2005 \$'000	DHS 2004 \$'000
Other Expenses paid/payable to entities external to the SA Government:		
Assets donated free of charge	13	-
Prior period adjustments not assignable	12	-
Total Other Expenses - Non-SA Government	25	-
Total Other Expenses	1 663	4 732
11. Rent, Fees and Charges Received/Receivable		
Rent, Fees and Charges received/receivable from entities within the SA Government:		
Employee Services *	-	-
Insurance recoveries from health services	24 306	-
Recoveries	15 685	-
Business services	13 458	-
Fees, fines and penalties	299	-
Rent	-	-
Total Rent, Fees and Charges - SA Government	53 748	-
Rent, Fees and Charges received/receivable from entities external to the SA Government:		
Interstate patient transfers	36 158	-
Insurance recoveries from health services	779	-
Recoveries	5 389	-
Business services	139	-
Fees, fines and penalties	460	-
Rent	(21)	-
Total Rent, Fees and Charges - Non-SA Government	42 904	-
Total Rent Fees and Charges	96 652	142 242
* Represents the recovery of costs in 2003-04 (\$50.01 million) for the provision of employee related services to the SAHT, SACHA and AHA. Effective 1 July 2004, these employees were transferred to DFC as part of an administrative restructure.		
12. Interest Income	DH 2005 \$'000	DHS 2004 \$'000
Interest from entities within SA Government:		
Interest on funds held	1 632	2 630
Interest on loans	3 216	3 235
Total Interest Income	4 848	5 865
13. Net Gain/Loss from Disposal of Non-Current Assets		
Land and Buildings:		
Proceeds from disposal	-	3 650
Less: Net book value of assets disposed	-	2 511
Less: Other costs of disposal	10	175
Net Gain from Disposal of Land and Buildings	(10)	964
General Plant and Equipment:		
Proceeds from disposal	1	1
Less: Net book value of assets disposed	33	30
Net Loss from Disposal of General Plant and Equipment	(32)	(29)
Total Assets:		
Total proceeds from disposal	1	3 651
Less: Total Value of assets disposed	33	2 541
Less: Total Other costs of disposal	10	175
Total Net Gain/Loss from Disposal of Non-Current Assets	(42)	935
14. Other Revenue		
Capital contributions	6 461	2 198
Assets received for nil consideration	-	180
Prior period adjustments not assignable	39	-
Other	1 083	3 524
Total Other Revenue	7 583	5 902
14.1 Assets Received for Nil Consideration		
During the reporting period the Department received the following assets free of charge or for nominal consideration:		
Site land	-	130
Vacant buildings	-	50
Total Assets Received for Nil Consideration	-	180

15. Commonwealth Government Grants	DH	DHS
	2005	2004
	\$'000	\$'000
Australian Health Care Agreement - Base Funding Arrangement	664 400	632 568
Housing Assistance	29	73 688
Department of Veteran Affairs	67 887	63 720
Commonwealth State Disability Agreement	-	61 347
Home and Community Care	-	63 086
Highly Specialised Drugs	25 904	24 990
Supported Accommodation Assistance Program	-	16 069
Public Health Outcome Funding Agreement	11 996	11 761
Red Cross Blood Transfusion Service	-	39
Meningococcal C Vaccine	4 500	4 556
Essential Vaccines	10 318	6 274
Police Diversion	3 000	-
Aged Care Assessment Program	-	4 389
Woomera Hospital	1 123	1 100
General	87	127
Mental Health Information	-	340
Other	3 635	6 393
Total Commonwealth Government Grants	792 879	970 447
16. Revenue from/Payments to South Australian Government		
South Australian Government Appropriations:		
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i>		
General appropriation	1 415 310	1 521 199
Tax equivalent regime reimbursement - SAHT	-	70 616
Tax equivalent regime reimbursement - HomeStart Finance	-	2 551
State housing assistance funds	-	34 150
Total South Australian Government Appropriations	1 415 310	1 628 516
Grants from South Australian Government Agencies:		
Community Development Fund	6 500	9 900
Department of Treasury and Finance - Contingency Funds	58 607	113 206
TVSP recoveries	-	1 731
Department for Families and Communities - Home and Community Care	54 177	-
Other	11 803	6 879
Total Grants from South Australian Government Agencies	131 087	131 716
Total Revenue from South Australian Government	1 546 397	1 760 232
17. Cash		
	DH	DHS
	2005	2004
	\$'000	\$'000
Special Deposit Account with the Treasurer *	29 528	62 168
Advance Account	771	1 104
Other deposits	-	33
Cash on hand	-	2
Total Cash	30 299	63 307
* The decrease in cash balances is a result of transferring \$28.78 million to DFC as part of the administrative restructure. There has been no reduction in the level of cash held by the Department as a result of the cash alignment policy.		
18. Receivables		
	DH	DHS
	2005	2004
	\$'000	\$'000
Current:		
Debtors	20 012	14 565
Health service budget over-runs	4 815	7 882
Employee related services recoverable	-	7 413
Grants	-	1 807
Interstate patient transfers	10 264	8 948
Loans	1 041	869
Interest	489	745
Overpaid salaries	25	116
Sundry	5	684
Goods and services tax receivable	6 872	4 751
Less: Provision for doubtful debts	377	358
Total Current Receivables	43 146	47 422

18. Receivables (continued)	DH 2005	DHS 2004
	\$'000	\$'000
Non-Current:		
Health service budget over-runs	52 735	50 312
Loans	38 976	38 644
Sundry	21	156
Less: Provision for doubtful debts	51 615	49 032
Total Non-Current Receivables	40 117	40 080
Total Receivables	83 263	87 502
Government/Non-Government Receivables		
Receivables from SA Government Entities:		
Debtors	14 296	-
Health service budget over-runs	57 550	-
Loans	40 017	-
Interest	489	-
Less: Provision for doubtful debts	51 634	-
Total Receivable from SA Government Entities	60 718	-
Receivables from Non-SA Government Entities:		
Debtors	5 716	-
Interstate patient transfers	10 264	-
Overpaid salaries	25	-
Sundry	26	-
Goods and services tax receivable	6 872	-
Less: Provision for doubtful debts	358	-
Total Receivable from Non-SA Government Entities	22 545	-
Total Receivables	83 263	87 502
18.1 Reconciliation of Inter-Health Loans		
As at 30 June 2005 the balance of loans to Health Services and related movements is as follows:		
Balance at 1 July	39 513	39 458
Add: Advances to health services	1 500	507
Capitalised interest charges	329	426
Total Repayable	41 342	40 391
Less: Principal repayments received	1 325	878
Balance at 30 June	40 017	39 513
The Department to 30 June 2005 has financed the Health Services with loans amounting to \$10.28 million (\$9.56 million) from Department funds and \$29.73 million (\$29.95 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:		
	DH 2005	DHS 2004
	\$'000	\$'000
Balance at 1 July	29 954	29 941
Add: Capitalised interest charges	174	280
Total Repayable	30 128	30 221
Less: Principal Repayments	396	267
Balance at 30 June	29 732	29 954
19. Inventories		
Drug supplies	3 985	1 798
Other	-	49
Total Inventories	3 985	1 847
20. (a) Property, Plant and Equipment		
Land and Buildings:		
Vacant land at fair value	23 962	20 336
Site land at fair value	4 246	53 642
Vacant buildings at fair value	1 825	9 671
Buildings and improvements at fair value	5 142	73 555
Less: Accumulated depreciation - Buildings and improvements at fair value	3 178	37 981
Total Land and Buildings	31 997	119 223
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	3 781	10 236
Less: Accumulated amortisation	3 274	8 275
Total Leasehold Improvements	507	1 961
Total Property and Leasehold Improvements	32 504	121 184

20. (a) Property, Plant and Equipment (continued)	DH 2005 \$'000	DHS 2004 \$'000
Plant and Equipment:		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	3 618	3 618
Less: Accumulated depreciation - Medical, surgical and biomedical equipment	3 180	2 855
Computing equipment/systems development at cost (deemed fair value)	5 309	3 238
Less: Accumulated depreciation - Computing equipment/systems development at cost	2 675	3 187
Other plant and equipment at cost (deemed fair value)	1 552	2 628
Less: Accumulated depreciation - Other plant and equipment	754	1 518
Total Plant and Equipment	3 870	1 924
Total Property, Plant and Equipment	36 374	123 108
(b) Capital Works in Progress		
Buildings and improvements in progress at cost (deemed fair value)	1 102	3 150
Total Capital Works in Progress	1 102	3 150

Reconciliation of Property and Leasehold Improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2004-05 for DH:

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improvmts \$'000	Leasehold Improvmts \$'000	Total Property & Leasehold Improvmts \$'000
Carrying amount at 1 July	20 336	53 642	9 671	35 574	1 961	121 184
Purchases	-	-	1 350	1 557	-	2 907
Assets donated free of charge	-	-	-	(1 557)	-	(1 557)
Revaluation Increment (Decrement)	4 442	735	-	-	-	5 177
Depreciation and amortisation	-	-	-	(149)	(238)	(387)
Acquisition (Disposal) through administrative restructure	(3 843)	(50 131)	(6 206)	(33 461)	(1 216)	(94 857)
Acquisition (Disposal) from other classes	2 990	-	(1 963)	-	-	1 027
Other movements	37	-	(1 027)	-	-	(990)
Carrying Amount at 30 June	23 962	4 246	1 825	1 964	507	32 504

Reconciliation of Plant and Equipment

The following table shows the movement of plant and equipment during 2004-05 for DH:

	Medical Surgical, Dental and Biomedical Equipment \$'000	Computing Equipment \$'000	Other Plant and Equipment \$'000	Total Plant and Equipment \$'000
Carrying amount at 1 July	763	51	1 110	1 924
Purchases	-	62	161	223
Assets donated free of charge	-	(13)	-	(13)
Disposals	-	-	(21)	(21)
Write-off non-current assets	-	-	(20)	(20)
Depreciation and amortisation	(325)	(32)	(145)	(502)
Acquisition (Disposal) through administrative restructure	-	(3)	(288)	(291)
Acquisition (Disposal) from works in progress	-	2 569	-	2 569
Other movements	-	-	1	1
Carrying Amount at 30 June	438	2 634	798	3 870

21. Other Assets	DH 2005 \$'000	DHS 2004 \$'000
Current:		
Prepayments	7 050	2 932
Total Current Other Assets	7 050	2 932
Non-Current:		
Prepayments	485	531
Total Non-Current Other Assets	485	531
Total Other Assets	7 535	3 463

22. Payables	DH 2005 \$'000	DHS 2004 \$'000
Current:		
Creditors	9 849	11 353
Health service workers compensation	7 636	9 242
Health service budget under-runs	3 429	4 650
Grants to non-government organisations	685	6 067
Grants to SAHT - Tax equivalent regime	-	624
Interest	259	783
Other accrued expenses	149	192
Employee benefit on-costs	1 325	2 766
Total Current Payables	23 332	35 677
Non-Current:		
Health service workers compensation	18 355	21 435
Grants to non-government organisations	181	1 294
Employee benefit on-costs	1 680	3 543
Total Non-Current Payables	20 216	26 272
Total Payables	43 548	61 949
SA Government/Non-SA Government Payables		
Payables to other SA Government Entities:		
Creditors	5 734	-
Health service workers compensation	25 991	-
Health service budget under-runs	3 429	-
Interest	259	-
Employee benefit on-costs	3 005	-
Total Payables to Other SA Government Entities	38 418	-
Payables to Non-SA Government Entities:		
Creditors	4 115	-
Grants to non-Government organisations	866	-
Other accrued expenses	149	-
Total Payable to Non-SA Government Entities	5 130	-
Total Payables	43 548	61 949
23. (a) Employee Benefits		
Current:		
Annual leave	4 134	11 387
Long service leave	2 212	5 037
Accrued salaries and wages	786	2 109
Other	(16)	(16)
Total Current Employee Benefits	7 116	18 517
Non-Current:		
Long service leave	10 504	31 391
Other	-	20
Total Non-Current Employee Benefits	10 504	31 411
Total Employee Benefits	17 620	49 928
<p>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 22 as they do not accrue to employees.</p>		
(b) Employee Benefits and Related On-costs		
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note 22)	135	313
Provision for employee benefits (accrued salaries and wages) - Current (Note 23(a))	786	2 109
	921	2 422
Annual Leave:		
On-costs included in payables - Current (Note 22)	836	1 818
Provision for employee benefits (annual leave) - Current (Note 23(a))	4 134	11 387
	4 970	13 205
Long Service Leave:		
On-costs included in payables - Current (Note 22)	354	636
Provision for employee benefits (long service leave) - Current (Note 23(a))	2 212	5 037
	2 566	5 673

(b) Employee Benefits and Related On-costs (continued)	Note	DH 2005 \$'000	DHS 2004 \$'000
On-costs included in payables - Non-current (Note 22)		1 680	3 543
Provision for employee benefits (long service leave) - Non-current (Note 23(a))		10 504	31 391
		12 184	34 934
Other:			
On-costs included in payables - Current (Note 22)		-	-
Provision for employee benefits (other) - Current (Note 23(a))		(16)	(16)
		(16)	(16)
On-costs included in payables - Non-current (Note 22)		-	-
Provision for employee benefits (other) - Non-current (Note 23(a))		-	20
		-	20
Total Employee Benefit and Related On-Costs		20 625	56 238

24. Borrowings**SA Government/Non-SA Government Entities***Borrowings from SA Government Entities*

Current:

Department of Treasury and Finance - Loans	566	396
Total Current Borrowings	566	396

Non-Current:

Department of Treasury and Finance - Loans	29 166	29 558
Advance - Treasury Imprest Account	285	285
Total Non-Current Borrowings	29 451	29 843
Total Borrowings from SA Government Entities	30 017	30 239
Total Borrowings	30 017	30 239

Repayable:

Not later than one year	566	396
Later than one year but not later than five years	5 993	4 914
Later than five years	23 458	24 929
	30 017	30 239

Borrowings from Non-SA Government Entities

There were no borrowings from Non-SA Government Entities

25. Provisions

Current:

Insurance	25.1	11 165	10 347
Workers compensation	25.2	425	3 308
Other		205	378
Total Current Provisions		11 795	14 033

Non-Current:

Insurance	25.1	82 540	92 183
Workers compensation	25.2	972	6 868
Total Non-Current Provisions		83 512	99 051
Total Provisions		95 307	113 084

25.1 Reconciliation of Insurance

The following table shows the movement of insurance during 2004-05:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	Total \$'000
Carrying amount at 1 July	99 647	1 524	1 359	102 530
Transfer out to DFC at 1 July	-	(169)	(16)	(185)
	99 647	1 355	1 343	102 345
Increase to provision due to new claims	13 513	1 704	1 300	16 517
Reduction due to payments	(3 871)	(842)	(1 004)	(5 717)
Net revision of estimates	(19 761)	606	(285)	(19 440)
Carrying Amount at 30 June	89 528	2 823	1 354	93 705

25.1 Reconciliation of Insurance (continued)

The following table shows the movement of insurance during 2003-04 for DHS:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	Total \$'000
Carrying amount at 1 July	89 917	1 098	991	92 006
Increase to provision due to new claims	15 003	340	858	16 201
Reduction due to payments	(6 757)	(1 344)	(559)	(8 660)
Net revision of estimates	1 484	1 430	69	2 983
Carrying Amount at 30 June	99 647	1 524	1 359	102 530

25.2 Reconciliation of Workers Compensation

The following table shows the movement of workers compensation during 2004-05:

	DH 2005 \$'000	DHS 2004 \$'000
Carrying amount at 1 July	10 176	9 024
Transfers to DFC	(8 826)	-
Increase to provision due to revision of estimates	1 988	4 823
Reduction due to payments	(1 941)	(3 671)
Carrying Amount at 30 June	1 397	10 176

26. Other Liabilities

Current:

Unclaimed monies	978	906
Interstate patient transfers	484	7 701
Unearned revenue	776	412
Other	91	91
Total Current Other Liabilities	2 329	9 110

Non-Current:

Unearned revenue	467	467
Total Non-Current Other Liabilities	467	467
Total Other Liabilities	2 796	9 577

27. Equity

Contributed capital	119 719	114 340
Accumulated deficit	(166 446)	(160 220)
Asset revaluation reserve	19 997	63 480
Total Equity	(26 730)	17 600

Contributed Capital:

Balance at 1 July	114 340	88 722
Receipts of equity contribution from the Department of Treasury and Finance	5 379	25 618
Balance at 30 June	119 719	114 340

Accumulated Deficit:

Balance at 1 July	(160 220)	(131 595)
Net result after restructuring	(54 925)	(29 515)
Prior period adjustment	39	-
Transfers from asset revaluation reserve	48 660	890
Balance at 30 June	(166 446)	(160 220)

Asset Revaluation Reserve:

Balance at 1 July	63 480	41 596
Increment in site land due to revaluation	735	17 197
Increment in vacant land due to revaluation	4 442	5 577
Transfers from asset revaluation reserve	(48 660)	(890)
Balance at 30 June	19 997	63 480

28. Financial Instruments**(a) Terms, Conditions and Accounting Policies***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 Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter.

Trade account receivables 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.

(a) Terms, Conditions and Accounting Policies (continued)

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. Loan repayments may be waived. 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.

(b) Interest Rate Risk Exposure

	Weighted Average Effective Rate	Floating Interest Rate	2005 Fixed Interest Rate				Non-Interest Bearing	Total \$'000
			1 Year or Less	1 to 5 Years	More Than 5 Years			
Financial Assets:	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash and deposits	5.16	30 299	-	-	-	-	-	30 299
Loans	9.75	3 829	974	6 755	26 270	2 189		40 017
Health service budget over-runs	-	-	-	-	-	5 935		5 935
Receivables	-	-	-	-	-	37 311		37 311
			34 128	974	6 755	26 270	45 435	113 562
Financial Liabilities:								
Creditors and accruals	-	-	-	-	-	14 128		14 128
Borrowings	10.04	-	567	5 993	23 457	285		30 302
Health service budget under-runs	-	-	-	-	-	3 429		3 429
Health service workers compensation	-	-	-	-	-	25 991		25 991
			-	567	5 993	23 457	43 833	73 850

	Weighted Average Effective Rate	Floating Interest Rate	2004 Fixed Interest Rate				Non-Interest Bearing	Total \$'000
			1 Year or Less	1 to 5 Years	More Than 5 Years			
Financial Assets:	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash and deposits	5.02	63 307	-	-	-	-	-	63 307
Loans	9.75	2 407	828	4 747	29 343	2 188		39 513
Health service budget over-runs	N/A	-	-	-	-	9 162		9 162
Receivables	N/A	-	-	-	-	38 827		38 827
			65 714	828	4 747	29 343	50 177	150 809
Financial Liabilities:								
Creditors and accruals	N/A	-	-	-	-	26 622		26 622
Borrowings	10.04	-	396	3 470	26 088	285		30 239
Health service budget under-runs	N/A	-	-	-	-	4 650		4 650
Health service workers compensation	N/A	-	-	-	-	30 677		30 677
			-	396	3 470	26 088	62 234	92 188

(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.

	DH 2005		DHS 2004	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash	30 299	30 299	63 307	63 307
Loans	40 017	48 568	39 513	43 755
Health service budget over-runs	5 935	5 935	9 162	9 162
Receivables	37 311	37 311	38 827	38 827
	113 562	122 113	150 809	155 051
Financial Liabilities:				
Payables	14 128	14 128	26 622	26 622
Borrowings	30 302	39 464	30 239	41 676
Health service budget under-runs	3 429	3 429	4 650	4 650
Health service workers compensation	25 991	25 991	30 677	30 677
	73 850	83 012	92 188	103 625

(d) Foreign Exchange Risk

In accordance with Treasurer's Instruction 23 'Management of Foreign Currency Exposures' the Department was required to enter into six forward exchange contracts through the South Australian Government Financing Authority, to cover the anticipated acquisition of hospital equipment in the 2004-05 and 2005-06 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.

(e) 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 Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

29. Commitments for Expenditure**(a) 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:

	DH 2005 \$'000	DHS 2004 \$'000
Not later than one year	10 810	12 437
Later than one year but not later than five years	3 281	-
Later than five years	-	-
Total Capital Commitments (including GST)	14 091	12 437

Included in Capital expenditure commitments above is \$1.281 million (\$1.131 million) which is the GST component of the Capital expenditure commitments.

(b) 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:

	DH 2005 \$'000	DHS 2004 \$'000
Not later than one year	54 029	34 874
Later than one year but not later than five years	139 860	2 063
Later than five years	-	-
Total Other Commitments (including GST)	193 889	36 937

Included in the Other expenditure commitments above is \$19.4 million (\$3.357 million) which is the GST component of the Other expenditure commitments. The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2005 has not been quantified.

(c) 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:

	DH 2005 \$'000	DHS 2004 \$'000
Not later than one year	6 558	10 457
Later than one year but not later than five years	21 536	27 702
Later than five years	4 984	4 642
Total Operating Lease Commitments (including GST)	33 078	42 801

Included in the operating lease commitments above is \$3.007 million (\$3.89 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.

30. Transferred Functions**Transfers from the Department**

On 5 March 2004, the Governor established the Department for Families and Communities (DFC) and declared that for financial accounting and reporting purposes the establishment of DFC would occur on 1 July 2004. The assets and liabilities were transferred from the Department to DFC effective 1 July 2004. In addition, effective 1 July 2004, the assets and liabilities of the Guardianship Board (GB) and the Office of the Public Advocate (OPA) were transferred to the Attorney-General's Department (refer Note 1.3).

All the assets and liabilities transferred from the Department have been so in accordance with Australian Accounting Standard AAS 29 'Financial Reporting by Government', Accounting Policy Statement 16 'Entity Restructuring' and other relevant professional pronouncements.

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

Transfers from the Department (continued)

	GB 2005 \$'000	OPA 2005 \$'000	DFC 2005 \$'000	DH Total \$'000	DHS Total \$'000
Assets:					
Current assets	3	-	37 230	37 233	-
Non-current assets	13	-	97 765	97 778	-
Total Assets	16	-	134 995	135 011	-
Liabilities					
Current liabilities	72	79	26 381	26 532	-
Non-current liabilities	80	92	36 108	36 280	-
Total Liabilities	152	171	62 489	62 812	-
Net Assets	(136)	(171)	72 506	72 199	-

Net Expenses from Restructuring of Administrative Arrangements

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the statement of Financial Performance are the following:

	GB 2005 \$'000	OPA 2005 \$'000	DFC 2005 \$'000	DH 2005 Total \$'000	DHS 2004 Total \$'000
	136	171	(72 506)	(72 199)	-

31. Contingent Liabilities

The Department does not have any contingent liabilities.

32. Cash Flow Reconciliations

Reconciliation of Cash - At year end as per:

Statement of Cash Flows	30 299	63 307
Statement of Financial Position	30 299	63 307

Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Net Cost of Services

Net cash inflows (outflows) from operating activities	(2 042)	(8 462)
South Australian Government Appropriations	(1 415 310)	(1 628 516)
Grants from South Australian Government Agencies	(131 087)	(131 716)
	(1 548 439)	(1 768 694)
Add/Less Non-Cash Items:		
Depreciation and amortisation	(889)	(2 910)
Assets received for nil consideration	-	180
Bad and doubtful debts	(2 602)	-
Assets written off/expensed	-	(601)
Asset donated free of charge	(1 570)	-
Prior period adjustment unassignable	(42)	(4 732)
Gain on sale of assets	(42)	935
Capitalised interest on borrowings	(174)	(280)
Capitalised interest on loans	329	426
Changes in Assets and Liabilities:		
(Decrease) Increase in receivables	5 412	13 689
Increase in other assets	6 434	222
Decrease (Increase) in payables	(953)	(3 146)
(Increase) in employee benefits	(2 012)	(5 611)
Decrease (Increase) in other liabilities	6 608	(7 832)
Decrease (Increase) in provisions	8 817	(11 393)
Net Cost of Services from Ordinary Activities	(1 529 123)	(1 789 747)

33. Events After Balance Date

In June 2001 the Minister for Health informed the Estimates Committee of the House of Assembly that the Women's and Children's Hospital, had prior to 1990 performed post-mortems and retained some organs and tissue specimens. A number of persons chose to seek compensation for psychological trauma suffered by them as a result of learning that the body of the deceased had not been buried intact. The investigation revealed that a number of these claims related to post mortems carried out at other hospitals. Since 30 June 2005 the Crown Solicitor has negotiated settlement for all but two claims. The details of settlement are unable to be publicly disclosed as all parties have agreed to keep them confidential.

34. Schedules of Administered Funds

The following Revenues, 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.

They include activities associated with the establishment of the three new health services and the salary of the Chief Executive of DFC. The health services are Central Northern Adelaide Health Service, Southern Adelaide Health Service and Children, Youth and Women's Health Service.

Schedule of Administered Revenue and Expenses for the period ending 30 June 2005

	2005								Total \$'000
	SA Amb Service	HCDSMC	Gamb Rehab*	Conces- sions*	Minist Salary	Commnty Service Obligatn*	Charitable and Social Welfare*	Other	
Administered Expenses:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Employee benefits	-	345	-	-	207	-	-	982	1 534
Supplies and services	-	343	-	-	-	-	-	2 364	2 707
Grants, subsidies and client payments	43 617	15 099	-	-	-	-	-	1 116	59 832
Depreciation and amortisation	-	2	-	-	-	-	-	1	3
Total Administered Expenses	43 617	15 789	-	-	207	-	-	4 463	64 076
Administered Revenues:									
Department appropriation	-	1 271	-	-	-	-	-	-	1 271
Commonwealth grants	-	9 190	-	-	-	-	-	-	9 190
Grants and contributions	43 617	-	-	-	205	-	-	4 050	47 872
User charges and fees	-	12 208	-	-	-	-	-	66	12 274
Interest	-	1 004	-	-	-	-	-	-	1 004
Other revenues	-	80	-	-	-	-	-	-	80
Total Administered Revenue	43 617	23 753	-	-	205	-	-	4 116	71 691
Administered Revenue Less Expenses	-	7 964	-	-	(2)	-	-	(347)	7 615

	2004								
	SA Amb Service	HCDSMC	Gamb Rehab*	Conces- sions*	Minist Salary	Commnty Service Obligatn*	Charitable and Social Welfare*	Other*	Total \$'000
Administered Expenses:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	-	331	3	-	404	-	18	538	1 294
Supplies and services	-	405	433	-	-	-	187	238	1 263
Grants, subsidies and client payments	-	6 012	3 073	86 586	-	9 017	3 290	564	108 542
Depreciation and amortisation	-	1	-	-	-	-	-	-	1
Total Administered Expenses	-	6 749	3 509	86 586	404	9 017	3 495	1 340	111 100
Administered Revenues:									
Department appropriation	-	-	1 800	103 163	-	9 017	-	70	114 050
Commonwealth grants	-	-	-	-	-	-	-	162	162
Grants and contributions	-	-	1 630	1 840	399	-	4 015	714	8 598
User charges and fees	-	9 097	-	-	-	-	-	172	9 269
Interest	-	535	23	-	-	-	-	45	603
Other revenues	-	30	-	-	-	-	5	55	90
Total Administered Revenue	-	9 662	3 453	105 003	399	9 017	4 020	1 218	132 772
Administered Revenue Less Expenses	-	2 913	(56)	18 417	(5)	-	525	(122)	21 672

* Transferred to Department for Families and Communities on 1 July 2004.

Schedule of Administered Assets and Liabilities for the period ending 30 June 2005

	2005								Total \$'000
	SA Amb Service	HCDSMC	Gamb Rehab*	Conces- sions*	Minister Salary	Commnty Service Obligatn*	Charitable and Social Welfare*	Other	
Administered Current Assets:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash	-	22 109	-	-	-	-	-	-	22 109
Receivables	-	-	-	-	205	-	-	-	205
Total Administered Current Assets	-	22 109	-	-	205	-	-	-	22 314
Administered Non-Current Assets:									
Plant and equipment	-	17	-	-	-	-	-	11	28
Total Administered Non-Current Assets	-	17	-	-	-	-	-	11	28
Total Administered Assets	-	22 126	-	-	205	-	-	11	22 342
Administered Current Liabilities:									
Payables	-	5 889	-	-	7	-	-	57	5 953
Bank overdraft	-	-	-	-	205	-	-	278	483
Employee benefits	-	107	-	-	-	-	-	-	107
Other current provisions	-	7	-	-	-	-	-	-	7
Total Administered Current Liabilities	-	6 003	-	-	212	-	-	335	6 550
Total Administered Liabilities	-	6 003	-	-	212	-	-	335	6 550
NET ADMINISTERED ASSETS	-	16 123	-	-	(7)	-	-	(324)	15 792

Schedule of Administered Assets and Liabilities for the period ending 30 June 2005 (continued)

	2004								Total \$'000
	SA Amb Service \$'000	HCDSMC \$'000	Gamb Rehab* \$'000	Conces- sions* \$'000	Minister Salary \$'000	Commnty Service Obligatn* \$'000	Charitable and Social Welfare* \$'000	Other* \$'000	
Administered Current Assets:									
Cash	-	8 455	915	27 149	-	-	2 405	621	39 545
Receivables	-	-	-	-	33	-	-	-	33
Total Administered Current Assets	-	8 455	915	27 149	33	-	2 405	621	39 578
Administered Non-Current Assets:									
Plant and equipment	-	6	-	-	-	-	-	-	6
Total Administered Non-Current Assets	-	6	-	-	-	-	-	-	6
Total Administered Assets	-	8 461	915	27 149	33	-	2 405	621	39 584
Administered Current Liabilities:									
Payables	-	188	-	132	-	-	-	45	365
Bank overdraft	-	-	-	-	33	-	-	6	39
Employee benefits	-	107	-	-	5	-	-	-	112
Other current provisions	-	7	-	1 185	-	-	-	2	1 194
Total Administered Current Liabilities	-	302	-	1 317	38	-	-	53	1 710
Total Administered Liabilities	-	302	-	1 317	38	-	-	53	1 710
NET ADMINISTERED ASSETS	-	8 159	915	25 832	(5)	-	2 405	568	37 874

* Transferred to Department for Families and Communities on 1 July 2004.

Schedule of Administered Cash Flows for the period ending 30 June 2005

	2005								Total \$'000
	SA Amb Service \$'000	HCDSMC \$'000	Gamb Rehab* \$'000	Conces- sions* \$'000	Minist Salary \$'000	Commnty Service Obligatn* \$'000	Charitable and Social Welfare* \$'000	Other* \$'000	
Cash Flows from Operating Activities:									
Cash Inflows:									
Receipts from SA Government	43 617	1 271	-	-	17	-	-	4 050	48 955
Taxes, fees and charges	-	-	-	-	-	-	-	66	66
Grants and contributions	-	9 190	-	-	-	-	-	-	9 190
Interest revenue	-	1 004	-	-	-	-	-	-	1 004
Other revenue	-	12 289	-	-	-	-	-	-	12 289
Total Cash Inflows	43 617	23 754	-	-	17	-	-	4 116	71 504
Cash Outflows:									
Employee payments	-	345	-	-	205	-	-	970	1 520
Concessions	-	-	-	-	-	-	-	-	-
Grants and subsidies	43 617	9 382	-	-	-	-	-	1 116	54 115
Goods and services	-	359	-	-	-	-	-	2 364	2 723
Payments to the consolidated account	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	1	1
Total Cash Outflows	43 617	10 086	-	-	205	-	-	4 451	58 359
Net Cash Inflows/Cash Outflows-Operating Activities	-	13 668	-	-	(188)	-	-	(335)	13 145
Cash Flows from Investing Activities:									
Cash Inflows:									
Restructuring activities	-	-	-	-	-	-	-	-	-
Total Cash Inflows	-	-	-	-	-	-	-	-	-
Cash Outflows:									
Payments for plant, equipment and investments	-	14	-	-	-	-	-	12	26
Total Cash Outflows	-	14	-	-	-	-	-	12	26
Net Cash Inflows/Cash Outflows-Investing Activities	-	(14)	-	-	-	-	-	(12)	(26)
Cash Flows from Financing Activities:									
Cash Inflows:									
Bank overdraft	-	-	-	-	188	-	-	278	466
Total Cash Inflows	-	-	-	-	188	-	-	278	466
Cash Outflows:									
Repayment of borrowing	-	-	-	-	-	-	-	-	-
Total Cash Outflows	-	-	-	-	-	-	-	-	-
Net Cash Inflows/Cash Outflows-Financing Activities	-	-	-	-	188	-	-	278	466
Net Increase (Decrease) in Cash Held	-	13 654	-	-	-	-	-	(69)	13 585
Cash at 1 July	-	8 455	-	-	-	-	-	69	8 524
Cash at 30 June	-	22 109	-	-	-	-	-	-	22 109

Schedule of Administered Cash Flows for the period ending 30 June 2005 (continued)

Cash Flows from Operating Activities:	2004								
	SA Amb Service	HCDSMC	Gamb Rehab*	Concessions*	Minist Salary	Commnty Service Obligatn*	Charitable and Social Welfare*	Other*	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Inflows:									
Receipts form SA Government	-	-	1 800	103 163	433	9 017	-	783	115 196
Taxes, fees and charges	-	9 133	-	-	-	-	-	175	9 308
Grants and contributions	-	-	1 630	1 840	-	-	4 015	162	7 647
Interest revenue	-	535	23	-	-	-	-	45	603
Other revenue	-	-	-	-	-	-	5	54	59
Total Cash Inflows	-	9 668	3 453	105 003	433	9 017	4 020	1 219	132 813
Cash Outflows:									
Employee payments	-	322	3	-	402	-	18	492	1 237
Concessions	-	-	-	85 269	-	-	-	-	85 269
Grants and subsidies	-	5 956	3073	-	-	9 017	3 290	564	21 900
Goods and services	-	392	433	-	-	-	187	238	1 250
Payments to the consolidated account	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total Cash Outflows	-	6 670	3509	85 269	402	9 017	3 495	1 294	109 656
Net Cash Inflows/Cash Outflows-Operating Activities	-	2 998	(56)	19 734	31	-	525	(75)	23 157
Net Cash Inflows/Cash Outflows-Investing and Financing Activities	-	-	-	-	-	-	-	-	-
Net Increase (Decrease) in Cash Held	-	2 998	(56)	19 734	31	-	525	(75)	23 157
Cash at 1 July	-	5 457	972	7415	(64)	-	1 879	690	16 349
Cash at 30 June	-	8 455	916	27 149	(33)	-	2 404	615	39 506

* Transferred to Department for Families and Communities on 1 July 2004.

Transfer of Administered Items from Department of Human Services (now the Department of Health) to the Department for Families and Communities (DFC)

The following administered items were transferred to DFC 1 July 2004:

Gambler's Rehabilitation Fund
 Concessions
 Community Services Obligations
 Charitable and Social Welfare
 Alternative Car Fund
 Family Maintenance Orders
 Supported Residential Trust Fund
 Duke of Edinburgh Trust
 CRC Trust

(SAICORP, Public Health and Information Development Unit, Medical Defence Association, Roma Mitchell Trust Fund and CEO Families etc. ceased to exist as at 1 July 2004.)

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 Revenues 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.

Other Items Administered by the Department of Health

Beyond Blue
 Central Northern Adelaide Health Service
 Children, Youth and Women's Health Service
 Southern Adelaide Health Service

COMMENTARY ON HEALTH SERVICES ACTIVITIES

Health Sector Staffing Statistics

The following table illustrates the trend in staffing levels in the health sector, excluding staff of the Department of Human Services/Department of Health, over the past four years.

Health Sector FTE Mix (unaudited)

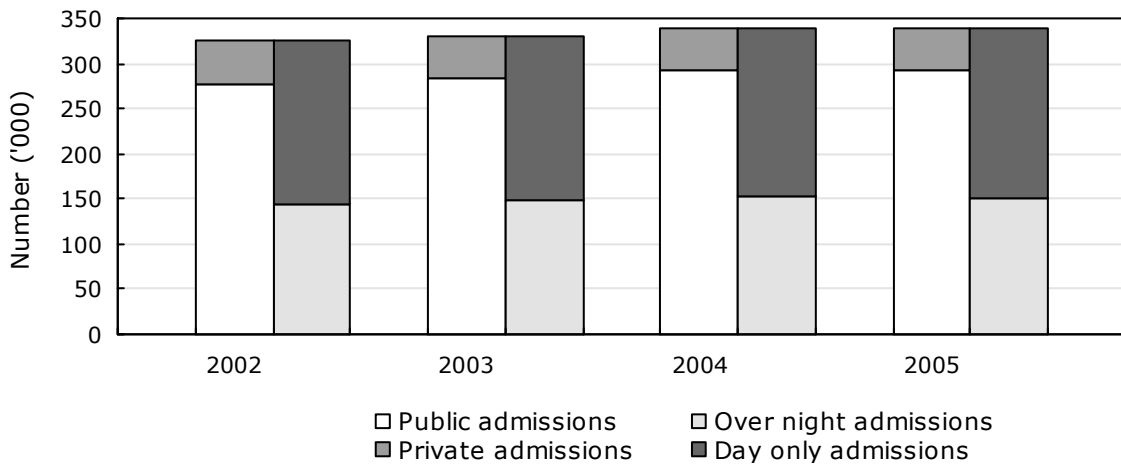
Staff Categories:	2005	2004	2003	2002
	Number	Number	Number	Number
Nurses	8 732	8 283	8 196	8 117
Medical Staff	1 622	1 545	1 484	1 475
Scientific and Technical	1 023	1 037	1 078	1 113
Administrative and Clerical	4 185	4 170	4 052	4 024
Allied Health, Hotel, and other staff	6 136	6 641	6 518	6 607
Total Staff	21 698	21 676	21 328	21 336
Increase (Decrease)	22	348	(8)	419
Percentage Increase (Decrease)	0.1	1.6	(0.3)	2

The increase in staffing numbers for the year ended 30 June 2005 reflects an increase in Nurses (449); Medical (77); Administrative and Clerical (15). These increases were offset by decreases in Scientific and Technical (14); and Allied Health, Hotel, and Other Staff categories (505).

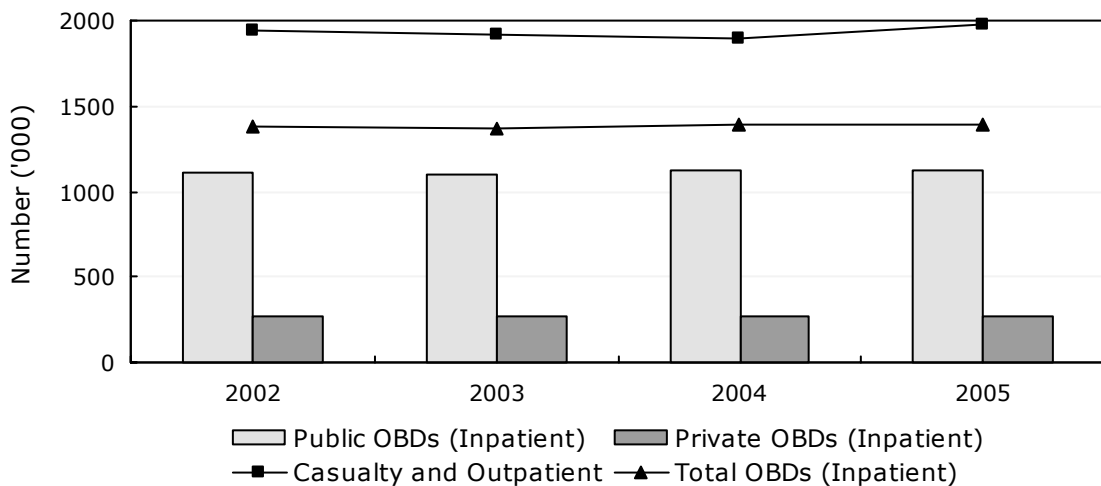
Hospital Activity Statistics

The charts below indicate the trends over past years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

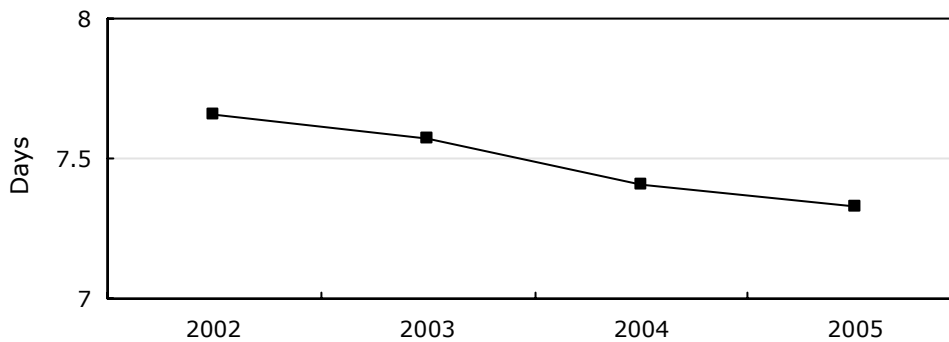
Patient Admissions (Unaudited)



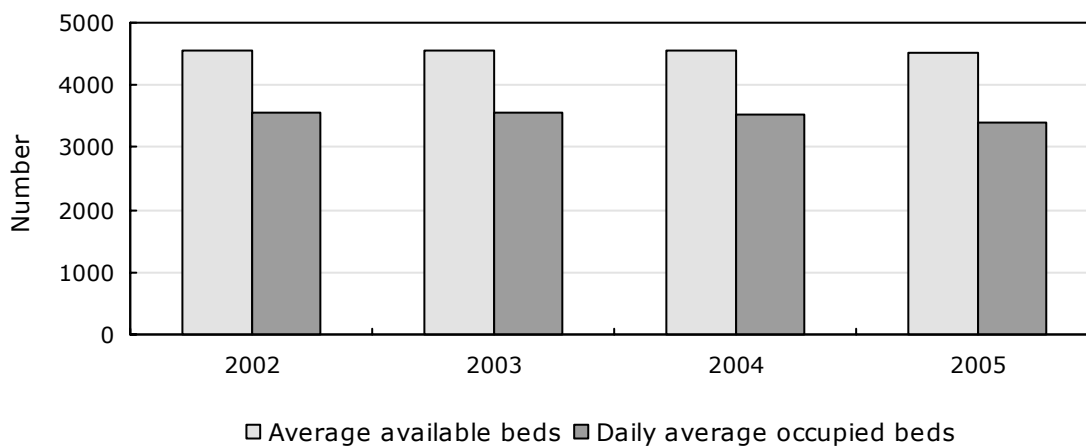
Patient Mix and Activity (Unaudited)



Average Patient Length of Overnight Hospital Stay (Unaudited)



Hospital Bed Utilisation (Unaudited)



Audit Mandate and Coverage - Health Services (Units)

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, audit of Health Units would include 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 Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of finalising this Report to Parliament.

HISTORY TRUST OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The History Trust of South Australia (the Trust) was established pursuant to the *History Trust of South Australia Act 1981*.

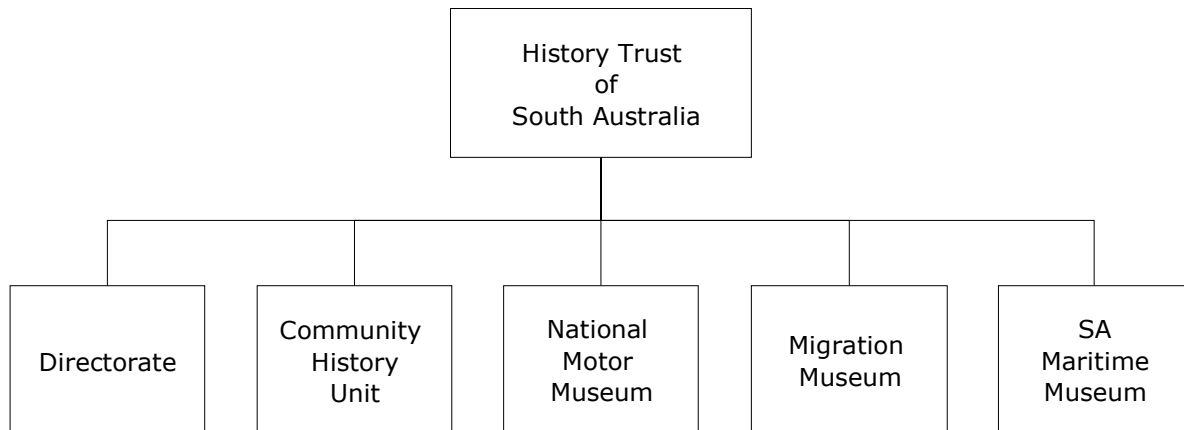
Functions

The functions of the History Trust of South Australia are as follows:

- Accumulate, conserve and exhibit objects of historical or cultural interest.
- Undertake the management of museums and other premises vested or placed under its care, control and management.
- Advise the Minister on the conservation of objects that are of historical significance to the State.
- Disseminate, or encourage the dissemination of, information relevant to the history of the State.

Structure

The structure of the History Trust of South Australia is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 19(2) of the *History Trust of South Australia Act 1981* provides for the Auditor-General to audit the accounts of the Trust for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the History Trust of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- revenue, including cash receipting and banking, and retail operations
- expenditure, including accounts payable, and salaries and wages
- property, plant and equipment including the adequacy of asset registers
- collection management.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

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*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the History Trust of South Australia as at 30 June 2005, its financial performance and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the History Trust of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities except for the matter raised in relation to the recording and physical verification of collection items as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the History Trust of South Australia have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive Officer. The response to the management letter was considered to be satisfactory. Major matters raised with the Trust and the related responses are considered herein.

Management of Heritage Collections

In the past Audit has identified the need for improvement in asset management processes, including more regular confirmation of the existence of collection items and maintenance of up-to-date details on the collection database registers. The Trust has made good progress in addressing the issues raised by Audit, in particular, implementing a program of physical verification of collection items.

Physical Verification of Collection Items

Audit's review revealed the need to improve the procedures for the physical verification of collection items to ensure that all assets recorded on the collection database registers are sighted in accordance with the sighting program. This includes implementing sighting procedures, which involve sighting assets from collection database records/listings for each sighting category and independent review of the documentation evidencing the performance of the asset sighting.

Standardisation of Collection Databases

Audit has suggested that the Trust implement a standardised collection management system across the Trust, to record collection items and assist in their effective management and reporting. The Trust have indicated that they will review each division's collection database and assess the possibility of introducing a single data base for all collections.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Consolidated Financial Statements

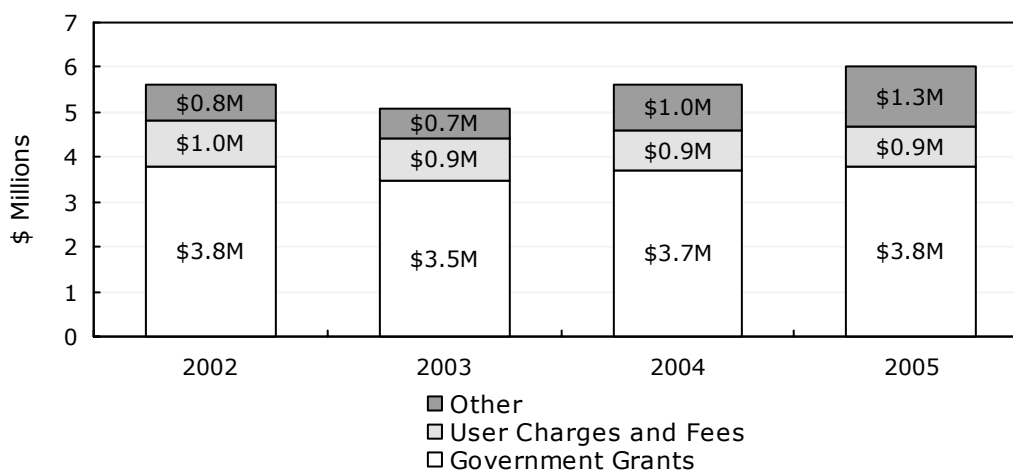
	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	3.8	3.7	3
Other	2.3	1.9	21
Total Operating Revenue	6.1	5.6	9
OPERATING EXPENDITURE			
Employee costs	2.7	2.6	4
Services and supplies	2.5	2.4	4
Other expenses	0.9	0.8	12
Total Operating Expenses	6.1	5.8	5
Deficit	(0.016)	(0.1)	
Net Cash Flows from Operations	0.5	0.2	
ASSETS			
Current assets	1.8	1.3	38
Non-current assets	29.2	26.5	10
Total Assets	31.0	27.8	12
LIABILITIES			
Current liabilities	0.4	0.4	-
Non-current liabilities	0.4	0.4	-
Total Liabilities	0.8	0.8	-
EQUITY	30.2	27.0	12

Statement of Financial Performance

Operating Revenues

The Government Grant for the current year was \$3.8 million, an increase of 3 percent. Other revenues were \$2.3 million (\$1.9 million) with the increase due mainly to additional revenue for conservation programs of \$220 000 and increased grants of \$246 000 (\$152 000). Overall operating revenues increased by \$464 000.

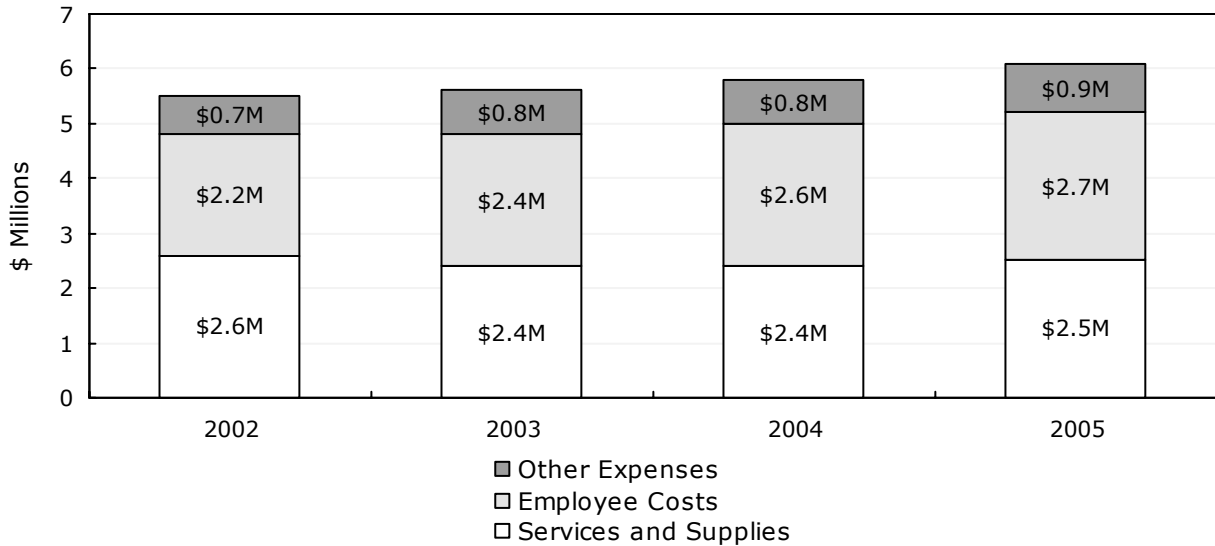
A structural analysis of operating revenues for the Trust for the four years to 2005 is presented in the following chart. The analysis highlights the Trust's ongoing dependence on government funding and the continuing increase in other revenue, due mainly to increased grant revenue.



Operating Expenses

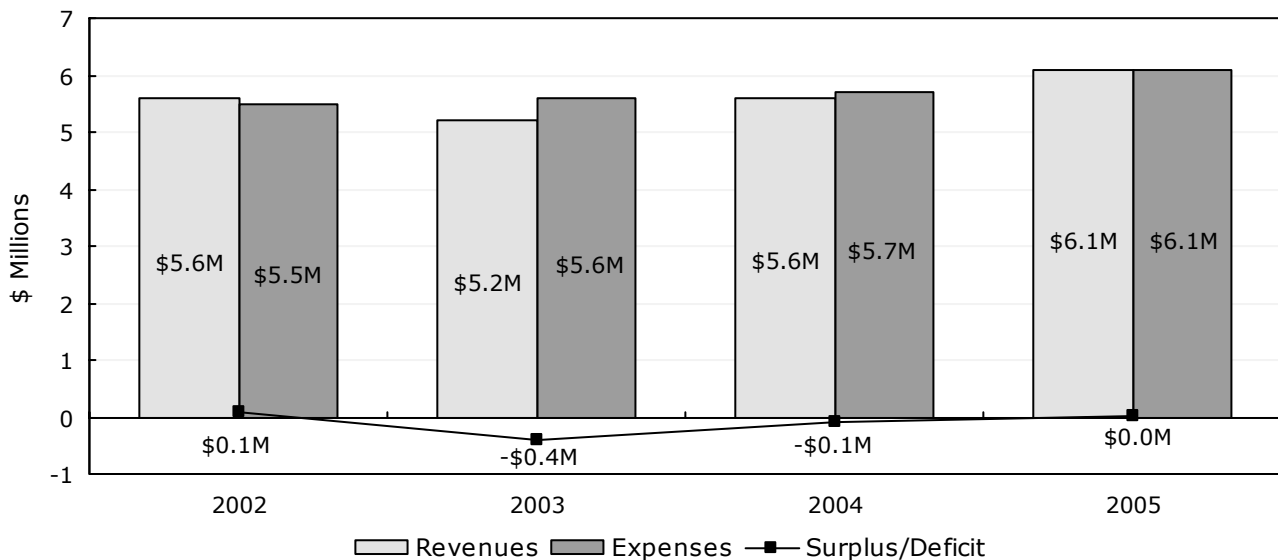
Total operating expenses rose by \$300 000 to \$6.1 million. Employee costs rose by 4 percent to \$2.7 million due mainly to increases in salary and wage rates and provisions for leave entitlements.

A structural analysis for the four years to 2005, of the main operating expense items for the Trust is shown in the following chart.



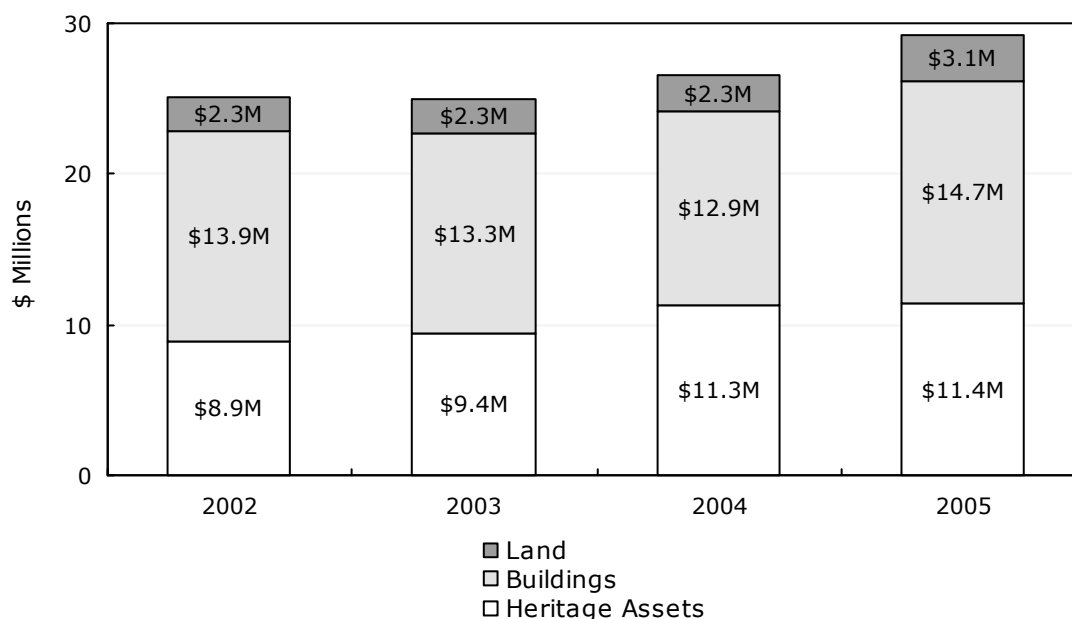
Operating Result

After a small surplus in 2002 the Trust has recorded small deficits in 2003 to 2005. The following chart shows the operating revenues, operating expenses and surpluses/deficits for the current and preceding three years.



Statement of Financial Position

For the four years to 2005, a structural analysis of the main non-current assets is shown in the following chart.



The written down value of property, plant and equipment was \$17.8 million, an increase of \$2.6 million over the previous year, which is due primarily to the revaluation of land, buildings and improvements this financial year. The value of the Trust's heritage collections increased by \$171 000 to \$11.4 million due mainly to donations during the year.

As shown in the chart, the primary assets of the Trust are heritage assets and the buildings that house them including the National Motor Museum, South Australian Maritime Museum and Migration Museum. The total equity of the Trust is essentially represented by these assets.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'000	2004 \$'000	2003 \$'000	2002 \$'000
Net Cash Flows				
Operations	535	142	68	365
Investing	(33)	(128)	-	-
Change in Cash	502	14	68	365
Cash at 30 June	1 252	750	736	668

The table shows that although the cash flows from operations have fluctuated over the four years, there has been an increase in overall cash holding of the Trust. This compares to the Trust operating deficits for three of the past four years reflecting the impact of depreciation expense. The Trust has sufficient cash to cover its current liabilities.

Cash flows used in investing activities reflects that the Trust has purchased property, plant and equipment and heritage collection items in 2004 and 2005. In other years heritage collection items were acquired by donations. The Trust has a capital commitment of \$86 000 within the next 12 months.

FURTHER COMMENTARY ON OPERATIONS

Admissions Receipts and Attendances

Results for the individual museums are shown hereunder:

	Admissions Receipts			Attendances		
	2005	2004	2003	2005	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Community History Unit	-	-	-	-	-	23
National Motor Museum	330	258	284	67	61	63
South Australian Maritime Museum	219	227	202	71	69	62
Migration Museum	33	36	33	152	170	143

The change in Migration Museum attendances in 2005 reflects the program of exhibitions held in 2004 as part of a number of other festivals including the Adelaide Festival of Arts.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	Consolidated		HTSA	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses	3	2 712	2 587	2 712	2 587
Services and supplies	4	2 487	2 422	2 469	2 411
Depreciation	5	559	562	559	562
Grant payments	6	188	181	188	181
Loss on disposal	10	151	7	151	7
Total Expenses from Ordinary Activities		6 097	5 759	6 079	5 748
REVENUES FROM ORDINARY ACTIVITIES:					
User charges and fees	7	950	939	900	891
Interest	8	76	59	55	53
Other	9	1 216	924	1 216	924
Total Revenue from Ordinary Activities		2 242	1 922	2 171	1 868
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(3 855)	(3 837)	(3 908)	(3 880)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:					
Revenue from SA Government - Recurrent operating grant		3 839	3 695	3 839	3 695
Total Revenues from SA Government		3 839	3 695	3 839	3 695
NET RESULT FROM ORDINARY ACTIVITIES:		(16)	(142)	(69)	(185)
Increase (Decrease) in the asset revaluation reserve	18	3 206	1 536	3 206	1 536
Net amount of each revenue, expense, valuation or other adjustment not disclosed above recognised as a direct adjustment to equity		-	-	-	-
Total revenue, expense and valuation adjustments recognised directly in equity		3 206	1 536	3 206	1 536
CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 190	1 394	3 137	1 351

Statement of Financial Position as at 30 June 2005

	Note	Consolidated		HTSA	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS:					
Cash	22	1 252	750	1 224	729
Receivables	12	21	124	21	124
Inventories		82	84	82	84
Investments	13	343	297	-	-
Other		55	55	55	55
Total Current Assets		1 753	1 310	1 382	992
NON-CURRENT ASSETS:					
Property, plant and equipment	14	17 814	15 219	17 814	15 219
Heritage collections	14	11 428	11 257	11 428	11 257
Total Non-Current Assets		29 242	26 476	29 242	26 476
Total Assets		30 995	27 786	30 624	27 468
CURRENT LIABILITIES:					
Payables	15	116	162	116	162
Employee benefits	16	244	212	244	212
Provision for workers compensation	17	12	4	12	4
Total Current Liabilities		372	378	372	378
NON-CURRENT LIABILITIES:					
Payables	15	38	35	38	35
Employee benefits	16	340	308	340	308
Provision for workers compensation	17	32	42	32	42
Total Non-Current Liabilities		410	385	410	385
Total Liabilities		782	763	782	763
NET ASSETS		30 213	27 023	29 842	26 705
EQUITY:					
Retained profits	18	20 586	20 602	20 215	20 284
Asset revaluation reserve	18	9 627	6 421	9 627	6 421
TOTAL EQUITY		30 213	27 023	29 842	26 705
Commitments for expenditure	20				
Contingent liabilities	21				

Statement of Cash Flows for the year ended 30 June 2005

		Consolidated		HTSA	
		2005	2004	2005	2004
		Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH OUTFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Payments to employees		(2 638)	(2 573)	(2 638)	(2 573)
Payments to suppliers		(2 524)	(2 289)	(2 506)	(2 278)
Grant payments		(188)	(181)	(188)	(181)
Total Outflows from Operating Activities		(5 350)	(5 043)	(5 332)	(5 032)
CASH INFLOWS:					
User charges		937	878	933	871
Interest		75	59	54	53
Other		963	624	963	624
Total Inflows from Operating Activities		1 975	1 561	1 950	1 548
CASH FLOWS FROM SA GOVERNMENT:					
Receipts from SA Government - Recurrent operating grant		3 910	3 624	3 910	3 624
Total Cash Flows from SA Government		3 910	3 624	3 910	3 624
Net Cash Inflows from Operating Activities	22	535	142	528	140
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Payments for property, plant and equipment		(15)	(117)	(15)	(117)
Payments for Heritage collections		(18)	(11)	(18)	(11)
Total Outflows from Investing Activities		(33)	(128)	(33)	(128)
Net Cash Outflows from Investing Activities		(33)	(128)	(33)	(128)
NET INCREASE IN CASH HELD		502	14	495	12
CASH AT 1 JULY		750	736	729	717
CASH AT 30 JUNE	22	1 252	750	1 224	729

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the History Trust of South Australia (the Trust)

The Trust's objectives are to:

- raise the level of community and schools-based participation in the study and enjoyment of South Australian history and the preservation of its evidence;
- mount popular exhibitions, events and other public programs on South Australian history and actively involve the community in their research and preparation;
- preserve the state's collection of movable items;
- provide advice and assistance to museums, historical societies and authors.

The Trust is charged with the management of the History Trust of South Australia, as prescribed under the *History Trust of South Australia Act 1981*.

The Trust's principal source of funds consists of grants from the State Government. In addition, the Trust also receives monies from sales, admissions, donations, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

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:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards; and
- Other mandatory professional reporting requirements in Australia.

The Trust's Statement of Financial Performance and Statement of Financial Position 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.

2.2 The Reporting Entity

The Trust economic entity comprises the Trust and the Migration Museum Foundation Incorporated, which is controlled by the Trust.

2.3 Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Trust will adopt these standards for the first time in the published financial report for the financial year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', an assessment has been made of any known or reliably estimated information about the impacts on the financial report of adopting the AIFRS.

In accordance with AASB 119 'Employee Benefits', the Trust will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value.

To simplify the estimation of long service leave liability by individual entities, during 2005-06 the Department of Treasury and Finance will undertake an actuarial assessment, based on a significant sample of all South Australian Government employees, to estimate long service leave liability based on net present value. The value so determined will then be compared to estimates based on years of service valued at nominal rates.

Until this assessment is undertaken the financial impact of this change cannot be determined, although it is expected that the impact will not be significant.

No other standards have been identified that will have an impact on the financial statements.

Government/Non-Government Disclosures

In accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', the Trust has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in notes to the accounts.

2.4 Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Government Grants are recognised as revenues in the period in which the Trust obtains control over the grants.

2.5 Acquisition of Assets

The cost method of accounting is used for the recording of all assets acquired by the Trust. Heritage Collections donated during the year have been brought to account at estimated market value.

2.6 Valuation of Non-Current Assets

Land and Buildings

Land and buildings have been valued at written down current cost, which equates to fair value. Valuations of land and buildings were determined as at 30 June 2005 by Tim Nankivell, Australian Valuation Office. Land and buildings are independently valued every three years.

Plant and Equipment

Plant and equipment has been valued at historical cost.

Heritage Collections

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market value and their unique representation of South Australia's social history.

The heritage collections have been revalued as follows:

- National Motor Museum collections as at 30 June 2004 and 2005
- Migration Museum collections as at 30 June 2003, 2004 and 2005
- South Australian Maritime Museum collections as at 30 June 2003 and 2005

Heritage Collections (continued)

The Trust adopted the following methodology for valuing heritage assets. Items under \$10 000 were valued by the appropriate internal curator and items over \$10 000 were valued by external valuers listed below. Heritage collections have been valued at fair value.

The external valuations were carried out by the following recognised industry experts:

Collection	Industry Expert
National Motor Museum	Antony Davies
South Australian Maritime Museum	Sandy Winding, Quin's Yacht Brokerage Pty Ltd
South Australian Maritime Museum	Allan R Rice, Allan Rice Marine Surveys
Migration Museum	Lee Blair-Jenke, Regimentals Antiques
Migration Museum	Michael Treloar, Antiquarian Books
Migration Museum	Anthony Hurl, Tusmore Antiques

2.7 Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land and heritage collections which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Class of Asset	Useful Life (Years)
Building and improvements	20-100
Plant and equipment	3-25

Heritage Collections have unlimited useful lives. Their future economic benefits have not been consumed during the financial year. Therefore no depreciation is recognised in respect of these assets.

2.8 Inventories

Inventories are valued at actual cost.

2.9 Employee Benefits*(i) Wages, Salaries and Annual Leave*

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Trust has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of seven years of service and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Trust to several superannuation schemes operated by the State Government and the private sector. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

2.10 Workers Compensation Provision

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 Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

2.11 Leases

The Trust has entered into a number of operating lease agreements for accommodation where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

2.12 Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash at bank and on hand and short term deposits at call.

2.13 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required in 2004-05.

2.14 Accounting for the Goods and Services Tax (GST)

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

The amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Trust is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

2.15 State Government Funding

The financial reports are presented under the assumption of ongoing financial support being provided to the Trust by the State Government.

2.16 Rounding

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

2.17 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Trust 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.

2.18 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction No. 8 'Expenditure for Supply Operations and Other Goods and Services' after the Trust receives an invoice.

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

2.19 Insurance

The Trust has arranged, through the SA Government Captive Insurance Corporation, to insure all major risks of the authority. The excess payable under this arrangement varies depending on each class of insurance held.

2.20 Principles of Consolidation

The consolidate financial statements incorporate the assets and liabilities of entities controlled by the Trust as at 30 June 2005, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 24.

3. Employee Expenses

	Consolidated		HTSA	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Salaries and wages	2 207	2 103	2 207	2 103
Superannuation and payroll tax	345	331	345	331
Annual and long service leave	120	110	120	110
Other employee related expenses	40	43	40	43
Total Employee Expenses	2 712	2 587	2 712	2 587

Remuneration of Employees

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

\$120 000 - \$129 999

Total Number of Employees

	2005 Number of Employees	2004 Number of Employees
	1	1
Total Number of Employees	1	1

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, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by this employee for the year was \$129 750 (\$125 000).

Targeted Voluntary Separation Packages (TVSPs)

There were no TVSPs paid in either 2004-05 or 2003-04.

Average number of employees during the reporting period

On average, the number of full time equivalents employed throughout the reporting period was 43.45 (43.67).

Remuneration of Board Members

The number of Board Members who received income from the Trust fell within the following band:

\$0 - \$9 999

Total Number of Board Members

	2005	2004
	Number of	Number of
	Members	Members
	9	8
	9	8

The total income received by these Board Members for the year was \$7 000 (\$9 000).

Related Party Disclosures

During the financial year the following persons held a position on the Trust:

Ms F Adler	Mr J A Fotheringham
Dr M Allen	Dr A Mackinnon (from August 2004)
Mr P Broderick (chair)	Mr B Moulds (from February 2005)
Mr R Chapman (until December 2004)	Ms M Nasser-Eddine
Ms S Filby (until December 2004)	

The Members of the Trust, or their related entities, have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

4. Supplies and Services

	Consolidated		HTSA	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Supplies and Services provided by entities external to the SA Government:				
Accommodation	156	140	156	140
Building maintenance	140	98	135	93
Communication and stationery	135	123	134	118
Cost of goods sold	116	123	116	123
Exhibitions and collections	229	372	229	372
Information technology	35	30	35	30
Insurance	3	2	3	2
Marketing and promotion	209	239	199	239
Minor equipment	75	54	75	54
Operating leases	13	18	13	18
Professional fees	-	17	-	17
Projects	46	59	46	59
Travel	19	26	19	26
Other	83	85	81	84
Total Supplies and Services - Non-SA Government Entities	1 259	1 386	1 241	1 375

Supplies and Services provided by entities within the SA Government:

Accommodation	174	170	174	170
Building maintenance	184	180	184	180
Business services charges	112	112	112	112
Communication and stationery	37	37	37	37
Conservation	220	200	220	200
Exhibitions and collections	107	19	107	19
Information technology	2	2	2	2
Insurance and risk management	103	86	103	86
Marketing and promotion	8	14	8	14
Minor equipment	1	2	1	2
Operating leases	136	95	136	95
Professional fees	29	32	29	32
Projects	1	1	1	1
Travel	48	41	48	41
Other	66	45	66	45
Total Supplies and Services - SA Government Entities	1 228	1 036	1 228	1 036
Total Supplies and Services	2 487	2 422	2 469	2 411

Payments to Consultants

There were no consultants paid in either 2004-05 or 2003-04.

5. Depreciation

Buildings and improvements	551	551	551	551
Plant and equipment	8	11	8	11
Total Depreciation	559	562	559	562

6.	Grant Payments	Consolidated		HTSA	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
	Community History	40	30	40	30
	Museum Accreditation and Grant Program	148	151	148	151
	Total Grant Payments	188	181	188	181
7.	User Charges				
	User Charges received/receivable from entities external to the SA Government:				
	Admissions and tours	582	522	582	522
	Facilities and rent	66	83	66	83
	Sales of goods	191	237	191	189
	Fees for service	111	97	61	97
		950	939	900	891
8.	Interest and Investment Income				
	Interest on deposit with Treasurer	55	53	55	53
	Other	21	6	-	-
	Total Interest and Investment Income	76	59	55	53
9.	Other Revenues from Ordinary Activities				
	Other Revenues received/receivable from entities external to the SA Government:				
	Sponsorship	292	211	292	211
	Grants	58	17	58	17
	Fair value of assets received free of charge	258	300	258	300
	Other receipts	68	80	68	80
	Total Other Revenues from Ordinary Activities - Non-SA Government Entities	676	608	676	608
	Other Revenues received/receivable from entities within the SA Government:				
	Sponsorship	-	148	-	148
	Grants	188	135	188	135
	Artlab conversation	220	-	220	-
	Other receipts	132	33	132	33
	Total Other Revenues from Ordinary Activities - Non-SA Government Entities	540	316	540	316
	Total Other Revenues from Ordinary Activities	1 216	924	1 216	924
10.	Net Loss from Disposal of Assets				
	Plant and Equipment:				
	Net book value of assets disposed	-	7	-	7
	Net Loss from Disposal of Plant and Equipment	-	7	-	7
	Heritage Collection:				
	Net book value of assets disposed	151	-	151	-
	Net Loss from Disposal of Heritage Collection	151	-	151	-
11.	Auditor's Remuneration			2005	2004
	Audit Fees paid/payable to the Auditor-General's Department			\$'000	\$'000
	Total Audit Fees - SA Government Entities			29	28
	Other Services				
	No other services were provided by the Auditor-General's Department to the Trust.				
12.	Receivables				
	Receivables from entities external to the SA Government:				
	Debtors	2	39	2	39
	Total Receivables - Non-SA Government Entities	2	39	2	39
	Receivables from entities within the SA Government:				
	Debtors	14	82	14	82
	Accrued revenue	5	3	5	3
	Total Receivables - SA Government Entities	19	85	19	85
	Total Receivables	21	124	21	124

13. Investments	Consolidated		HTSA	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investments with entities other than SAFA:				
Current:				
Short term deposit - Savings and Loans Credit Union (SA) Ltd	343	297	-	-
Total Current Investments	343	297	-	-
Total Non-Current Investments	-	-	-	-
Total Investments	343	297	-	-

14. Property, Plant and Equipment and Heritage Collections	Consolidated		HTSA	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Land, Buildings and Improvements:				
Land at valuation	3 120	2 284	3 120	2 284
Buildings and improvements at valuation	34 737	29 369	34 737	29 369
Works in progress	132	117	132	117
Accumulated depreciation	(20 186)	(16 570)	(20 186)	(16 570)
Total Land, Buildings and Improvements	17 803	15 200	17 803	15 200
Plant and Equipment:				
Plant and equipment at cost (deemed fair value)	289	289	289	289
Accumulated depreciation	(278)	(270)	(278)	(270)
Total Plant and Equipment	11	19	11	19
Total Heritage Collections	11 428	11 257	11 428	11 257
Total Property, Plant and Equipment and Heritage Collections	29 242	26 476	29 242	26 476

Valuation of Non-current Assets

Valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2005.

Reconciliation of Property, Plant and Equipment	Bldgs and Imprv'mts		Works in Progress	Plant and Equipment	2005 Total
	Land \$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 284	12 799	117	19	15 219
Depreciation expense	-	(551)	-	(8)	(559)
Additions	-	-	15	-	15
Revaluation increments	836	2 303	-	-	3 139
Carrying Amount at 30 June	3 120	14 551	132	11	17 814

Reconciliation of Heritage Collections

	2005 \$'000	2004 \$'000
Carrying amount at 1 July	11 257	9 410
Assets received free of charge	258	300
Additions	18	11
Disposal	(151)	-
Correction of prior year error	(21)	-
Revaluation increments	67	1 536
Carrying Amount at 30 June	11 428	11 257

15. Payables	Consolidated		HTSA	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Creditors and accruals	78	133	78	133
Employee on-costs	38	29	38	29
Total Current Payables	116	162	116	162
Non-current:				
Employee on-costs	38	35	38	35
Total Non-Current Payables	38	35	38	35
Total Payables	154	197	154	197
Payables to non-SA Government entities:				
Creditors and accruals	34	112	34	112
Total Payables - Non-SA Government Entities	34	112	34	112
Payables to SA Government entities:				
Creditors and accruals	44	21	44	21
Employee on-costs	76	64	76	64
Total Payables - SA Government entities	120	85	120	85
Total Payables	154	197	154	197

16. (a) Provision for Employee Benefits	Consolidated		HTSA	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Annual leave	179	158	179	158
Long service leave	30	27	30	27
Accrued salaries and wages	35	27	35	27
Total Current Employee Benefits	244	212	244	212
Non-current:				
Long service leave	340	308	340	308
Total Non-Current Employee Benefits	340	308	340	308
Total Employee Benefits	584	520	584	520
(b) Employee Benefits and Related On-Costs				
Accrued Salaries and Wages:				
On-costs included in payables - Current (refer Note 15)	6	-	6	-
Provision for employee benefits - Current (refer Note 16(a))	35	27	35	27
Total Accrued Salaries and Wages	41	27	41	27
Annual Leave:				
On-costs included in payables - Current (refer Note 15)	29	26	29	26
Provision for employee benefits - Current (refer Note 16(a))	179	158	179	158
Total Annual Leave	208	184	208	184
Long Service Leave:				
On-costs included in payables - Current (refer Note 15)	3	3	3	3
Provision for employee benefits - Current (refer Note 16(a))	30	27	30	27
On-costs included in payables - Non-current (refer Note 15)	38	35	38	35
Provision for employee benefits - Non-current (refer Note 16(a))	340	308	340	308
Total Long Service Leave	411	373	411	373
Total Employee Benefits and Related On-Costs	660	584	660	584
17. Provisions				
Current:				
Provision for workers compensation	12	4	12	4
Total Current Provisions	12	4	12	4
Non-current:				
Provision for workers compensation	32	42	32	42
Total Non-Current Provisions	32	42	32	42
Total Provisions	44	46	44	46
Reconciliation of the Provision for Workers Compensation				
Provision at 1 July	46	52	46	52
Increase (decrease) in provision during the year	(2)	(6)	(2)	(6)
Provision for Workers Compensation at 30 June	44	46	44	46
18. Equity				
Retained profits	20 586	20 602	20 215	20 284
Asset revaluation reserve	9 627	6 421	9 627	6 421
Total Equity	30 213	27 023	29 842	26 705
Retained profits:				
Balance at 1 July	20 602	20 744	20 284	20 469
Net profit (loss)	(16)	(142)	(69)	(185)
Balance at 30 June	20 586	20 602	20 215	20 284

18. Equity (continued)	Consolidated		HTSA	
	2005	2004	2005	2004
Asset revaluation reserve:	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	6 421	4 885	6 421	4 885
Increment in Heritage Collection due to revaluation	67	1 536	67	1 536
Increment in land, buildings and improvements due to revaluation	3 139	-	3 139	-
Balance at 30 June	9 627	6 421	9 627	6 421
Total Equity at 30 June	30 213	27 023	29 842	26 705

19. **Financial Instruments**

The following information is provided for the economic entity's financial instruments.

(a) Terms Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash assets	22	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis with some funds held within the total cash balance being non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Trust are within the Section 21 Account titled 'History Trust of South Australia'. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts which is currently 5.35 percent as at 30 June 2005.
Receivables	12	Receivables are recorded at amounts due to the Trust. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	13	Investments are brought to account at cost. Interest is credited to revenue as it accrues.	Short term deposit. Interest income is received biannually.
Financial Liabilities:			
Payables	15	Creditors are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

The effective weighted average interest rate risk is outlined below for the following financial assets and liabilities.

Financial Instrument	Interest Rate	Consolidated 2005		Total
		Interest Bearing	Non-Interest Bearing	
	Percent	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	5.35	1 209	43	1 252
Receivables	-	-	21	21
Investments	5.5	343	-	343
		1 552	64	1 616
Financial Liabilities:				
Payables		-	78	78
		-	78	78
2004				
	Interest Rate	Interest Bearing	Non-Interest Bearing	Total
	Percent	\$'000	\$'000	\$'000
Financial Assets:				
Cash assets	5.10	714	36	750
Receivables	-	-	124	124
Investments	4.80	297	-	297
		1 011	160	1 171
Financial Liabilities:				
Payables		-	133	133
		-	133	133

(c) Net Fair Values of Financial Assets and Liabilities		Consolidated 2005		Consolidated 2004	
		Total Carrying Amount	Net Fair Value*	Total Carrying Amount	Net Fair Value*
Financial Instrument					
Financial Assets:	Note	\$'000	\$'000	\$'000	\$'000
Cash assets	22	1 252	1 252	750	750
Receivables		21	21	124	124
Investments	13	343	343	297	297
		1 616	1 616	1 171	1 171
Financial Liabilities:					
Payables	15	78	78	133	133
		78	78	133	133

* The net fair value is determined as the carrying value of all assets and liabilities.

(d) Credit Risk Exposure

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated on the Statement of Financial Position. The Trust has no significant exposures to any concentrations of credit risk.

20. Commitments for Expenditure		2005	2004
Operating Lease Commitments		\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date and not recognised as liabilities in the financial report, are payable as follows:			
Not later than one year		101	102
Later than one year and not later than five years		370	434
Later than five years		212	274
Total Operating Lease Commitments		683	810

The property leases are non-cancellable leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement. Options exist to renew the leases at the end of the term of the leases.

Capital Commitments	Consolidated		HTSA	
	2005	2004	2005	2004
Capital expenditure contracted for at the reporting date is payable as follows:	\$'000	\$'000	\$'000	\$'000
Not later than one year	86	137	86	137
Total Capital Commitments	86	137	86	137

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

21. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2005.

22. Cash Flow Reconciliation
Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at 30 June as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	Consolidated		HTSA	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Deposits with Treasurer	1 209	714	1 209	714
Cash on hand	43	36	15	15
Cash as recorded in the Statement of Financial Position	1 252	750	1 224	729

Reconciliation of Cash (continued)

	Consolidated		HTSA	
	2005	2004	2005	2004
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services:	\$'000	\$'000	\$'000	\$'000
Net cash provided by (used in) operating activities	535	142	528	140
Less: Revenues from SA Government	(3 839)	(3 695)	(3 839)	(3 695)
Add (Less) Non-cash items:				
Depreciation of property, plant and equipment	(559)	(562)	(559)	(562)
Donations of Heritage Collections	258	300	258	300
Loss on disposal of assets	(151)	(7)	(151)	(7)
Correction of prior year error	(21)	-	(21)	-
Changes in Assets and Liabilities:				
Increase (Decrease) in receivables	(103)	91	(103)	91
Increase (Decrease) in inventories	(2)	(8)	(2)	(8)
Increase (Decrease) in investments	46	41	-	-
Increase (Decrease) in other assets	-	(2)	-	(2)
(Increase) Decrease in payables	43	(80)	43	(80)
(Increase) Decrease in employee benefits and provisions	(62)	(57)	(62)	(57)
Net Cost of Services from Ordinary Activities	(3 855)	(3 837)	(3 908)	(3 880)

23. Events After Balance Date

There were no events occurring after balance date.

24. Controlled Entity

The consolidated financial statements at 30 June 2005 include the following controlled entity:

Name of Controlled Entity	Place of Incorporation
Migration Museum Foundation Incorporated	Australia

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