



Government  
of South Australia

Report  
of the  
Auditor-General  
Annual Report  
for the  
year ended 30 June 2013

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Tabled in the House of Assembly and ordered to be published, 15 October 2013

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Second Session, Fifty-Second Parliament

Part B: Agency audit reports  
Volume 4

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## Part B

### References to matters of significance

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

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

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

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# Office of the National Rail Safety Regulator

## Functional responsibility

### Establishment

The Office of the National Rail Safety Regulator (the ONRSR) is a body corporate established pursuant to the *Rail Safety National Law (South Australia) Act 2012* (RSNL Act).

The Schedule to the RSNL Act sets out the *Rail Safety National Law* (the Law) to apply to a participating jurisdiction (State or Territory). The Law commences in a participating jurisdiction as provided by the application Act of the jurisdiction that applies the Law. The RSNL Act applies the Law to South Australia.

The ONRSR was established on 1 July 2012 and commenced regulatory activities on 20 January 2013. The ONRSR constitutes the National Rail Safety Regulator and two non-executive members appointed on the unanimous recommendation of the responsible Ministers of the participating jurisdictions. Except as provided under the Law or an Act, the ONRSR is not subject to direction from a responsible Minister of a participating jurisdiction in the exercise of its functions or powers.

### Functions

The functions of the ONRSR are to:

- facilitate the safe operations of rail transport in Australia
- exhibit independence, rigour and excellence in carrying out its regulatory functions
- promote safety and safety improvement as a fundamental objective in the delivery of rail transport in Australia.

As at 30 June 2013, the ONRSR is the rail safety regulator for rail activities under the RSNL Act in the jurisdictions of New South Wales, South Australia, Tasmania and the Northern Territory.

Subject to the passage of further State and Territory law, it is expected that Western Australia, Victoria, Queensland and the Australian Capital Territory will come within the regulatory framework of the ONRSR within 12 months.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Section 31(1)(b) of the PFAA and section 43 of the Schedule to the RSNL Act provide for the Auditor-General to audit the accounts of the ONRSR for each financial year.

#### *Assessment of controls*

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

## Scope of the audit

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

During 2012-13, specific areas of audit attention included:

- payroll
- expenditure
- revenue, receipting and banking
- general ledger
- governance.

## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Office of the National Rail Safety Regulator as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

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

### Communication of audit matters

The ONRSR has experienced significant change and challenges since its establishment on 20 January 2013. The ONRSR is still developing its core financial systems and internal control environment, which will continue to evolve over the coming years.

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the ONRSR. Major matters raised with the ONRSR and the related responses are detailed below.

### *Policies and procedures*

There are no formal policies and procedures in place relating to a number of key business systems including general ledger processes and bank reconciliations.

The ONRSR responded that it is in the process of documenting and authorising policies and procedures for all key business systems and aim to have all completed by October 2013.

### *Reconciliations*

The reconciliations of a number key business systems were performed during the year, however there was a lack of evidence that the reconciliations had been independently reviewed.

The ONRSR responded that staff will be reminded to evidence that the review of reconciliations has been performed.

## Interpretation and analysis of the financial report

The financial statements of the ONRSR reflect approximately five months of transactions since the commencement of regulatory activities on 20 January 2013. Revenue for accreditations was collected by the individual state regulatory bodies and forwarded to the ONRSR. From 1 July 2013 the ONRSR is responsible for collecting accreditation fees.

The financial statements will change significantly over the coming years as the ONRSR develops its business and moves towards being fully funded by industry and extends its regulatory role to all jurisdictions in Australia.

### Highlights of the financial report

	2013 \$' million
<b>Expenses</b>	
Employee benefits expenses	3
Grants and subsidies	6
Supplies and services	1
Transition expenses	1
<b>Total expenses</b>	<b>11</b>
<b>Income</b>	
Revenue from fees and charges	11
Commonwealth revenues	2
Funding for transition expenses	5
<b>Total income</b>	<b>18</b>
<b>Net result</b>	<b>7</b>
<b>Total comprehensive result</b>	<b>7</b>
<b>Net cash provided by (used in) operating activities</b>	<b>6</b>
<b>Assets</b>	
Current assets	7
Non-current assets	1
<b>Total assets</b>	<b>8</b>
<b>Liabilities</b>	
Current liabilities	1
<b>Total liabilities</b>	<b>1</b>
<b>Total equity</b>	<b>7</b>

**Statement of Comprehensive Income  
for the year ended 30 June 2013**

	Note	2013 \$'000
<b>Expenses:</b>		
Employee benefits expenses	4	2 814
Supplies and services	5	1 160
Grants and subsidies	6	5 969
Depreciation and amortisation	7	130
Transition expenses	8	921
<b>Total expenses</b>		<u>10 994</u>
<b>Income:</b>		
Revenues from fees and charges	9	11 129
Commonwealth revenues	10	1 631
Interest revenues	11	58
Funding for transition expenses	12	4 770
Other income	13	491
<b>Total income</b>		<u>18 079</u>
<b>Net result</b>		<u>7 085</u>
<b>Total comprehensive result</b>		<u>7 085</u>

## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000
<b>Current assets:</b>		
Cash and cash equivalents	14	5 806
Receivables	15	839
<b>Total current assets</b>		6 645
<b>Non-current assets:</b>		
Property, plant and equipment	16	363
Intangible assets	17	1 081
<b>Total non-current assets</b>		1 444
<b>Total assets</b>		8 089
<b>Current liabilities:</b>		
Payables	18	523
Employee benefits	19	447
<b>Total current liabilities</b>		970
<b>Non-current liabilities:</b>		
Employee benefits	19	34
<b>Total non-current liabilities</b>		34
<b>Total liabilities</b>		1 004
<b>Net assets</b>		7 085
<b>Equity:</b>		
Retained earnings	21	3 236
Reserve for transition expenses	21	3 849
<b>Total equity</b>		7 085
Unrecognised contractual commitments	22	
Contingent assets and liabilities	23	

### Statement of Changes in Equity for the year ended 30 June 2013

	Note	Reserve for transition expenses \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2012		-	-	-
Net result for 2012-13		-	7 085	7 085
Total comprehensive result for 2012-13		-	7 085	7 085
Transfer between equity components		3 849	(3 849)	-
<b>Balance at 30 June 2013</b>	21	3 849	3 236	7 085

### Statement of Cash Flows for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefits payments		(1 826)
Payments for supplies and services		(1 036)
Payments for grants and subsidies		(5 969)
Transition payments		(738)
<b>Cash used in operations</b>		<u>(9 569)</u>
Cash inflows:		
Fees and charges		10 535
Interest received		50
Other receipts		20
Funding for transition payments		4 770
<b>Cash generated from operations</b>		<u>15 375</u>
<b>Net cash provided by (used in) operating activities</b>		<u>5 806</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	25	<u>5 806</u>
<b>Cash and cash equivalents at 1 July</b>		-
<b>Cash and cash equivalents at 30 June</b>	14	<u>5 806</u>

## Notes to and forming part of the financial statements

### 1. Objective of the Office of the National Rail Safety Regulator (the ONRSR)

The ONRSR is established under the *Rail Safety National Law (South Australia) Act 2012*.

The ONRSR has the principal objective of facilitating the safe operation of rail transport services across Australia. This is achieved through regulation of the rail industry in accordance with the *Rail Safety National Law*, supporting regulations, guidelines and policies, and promotion of safety as a fundamental objective in the delivery of rail transport services.

The ONRSR was established on 1 July 2012 and commenced regulatory activities on 20 January 2013.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

The ONRSR has prepared these financial statements in compliance with section 263 of the *Rail Safety National Law (South Australia) Act 2012* and Regulation 48 of the Rail Safety National Law National Regulations 2012.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant AASs.

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the ONRSR for the reporting period ended 30 June 2013. The ONRSR has assessed the impact of these amendments and considers there will be no impact on the accounting policies or financial statements of the ONRSR.

#### (b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the ONRSR's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013.

#### (c) Rounding

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

#### (d) Taxation

The ONRSR is not subject to income tax. The ONRSR is liable for payroll tax, FBT, GST and Emergency Services levy.

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

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

**(d) Taxation (continued)**

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

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

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

**(e) Events after the reporting date**

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

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

**(f) Income**

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

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

The following are specific recognition criteria:

*Fees and charges*

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

*Contributions received*

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

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

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

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

*Other income*

Other income consists of rebate for the carpet in Hindmarsh Square, employee reimbursement of FBT and a contribution received from the National Rail Safety Regulator project.

**(g) Expenses**

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

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

The following are specific recognition criteria:



*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the ONRSR to the superannuation plan in respect of current services of current ONRSR staff.

*Grants and subsidies*

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

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

*Depreciation and amortisation*

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

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

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

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

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Useful life (years)</i>
Fixtures and fittings	Straight-line	10
Computer equipment	Straight-line	5-10
Intangibles	Straight-line	3-5

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

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

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

**(i) Assets**

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

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand.

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

Cash is measured at nominal value.

*Receivables*

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

Receivables arise in the normal course of providing services to industry and state governments.

*Receivables (continued)*

Receivables are generally settled within 30 days after the issue of an invoice.

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

*Non-current assets - acquisition and recognition*

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

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

All non-current tangible assets with a value equal to or in excess of \$5000 are capitalised.

*Impairment*

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

*Intangible assets*

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

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

**(j) *Liabilities***

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

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

*Payables*

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

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

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

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

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

The ONRSR makes contributions to several state government and commercial 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 or commercial superannuation companies.

*Leases*

The ONRSR leases office premises. Lease payments are increased annually in accordance with movements in CPI or as per the lease agreement.

*Leases (continued)*

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

*Employee benefits*

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

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

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

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

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

- *LSL*

This amount has been calculated in accordance with AASB 119.

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

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

*Provisions*

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

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

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

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

*Other current liabilities*

This liability represents the amount of funding received for transitional costs of remaining jurisdictions joining the ONRSR. This funding was provided by the Commonwealth Government.

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

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

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

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

(l) **Comparative information**

As the ONRSR was established on 1 July 2012, there are no comparative amounts shown in this first set of financial statements for the ONRSR.

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

The ONRSR did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the ONRSR for the period ending 30 June 2013. The ONRSR has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the ONRSR.

**4. Employee benefits expenses**

	2013
	\$'000
Salaries and wages	1 966
Employment on-costs - superannuation	197
Employment on-costs - annual leave	333
Employment on-costs - other	310
Workers compensation	8
Total employee benefits expenses	2 814

**Remuneration of employees**

	2013
	Number
The number of employees whose remuneration received or receivable falls within the following bands:	
\$188 000 - \$197 999	1
\$358 000 - \$367 999	1
Total	2

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees was \$554 000.

**5. Supplies and services**

	2013
	\$'000
Travelling expenses	201
Information technology	365
Insurance	177
Property	259
Contractors fees	59
Other	99
Total supplies and services	1 160

**Consultants**

The number and dollar amount of consultancies paid/payable (included in other supplies and services above) that fell within the following bands:	2013
	Number      \$'000
Below \$10 000	1              9
Total paid/payable to consultants engaged	-              9

**Auditor's remuneration**

	2013
	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements (included in supplies and services above)	28
Total audit fees	28

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

**6. Grants and subsidies**

Recurrent grant - payment under a service level agreement with NSW	5 969
Total grants and subsidies	5 969

<b>7. Depreciation and amortisation</b>	2013
	\$'000
Fixtures and fittings	11
Computer equipment	11
Computer software	108
Total depreciation and amortisation	<u>130</u>
<b>8. Transition expenses</b>	
Transition expenses for the establishment of branch offices and the development of the relevant IT and business systems	921
Total transition expenses	<u>921</u>
<b>9. Revenue from fees and charges</b>	
Revenue from accreditations	19
Revenue from annual fees to industry and government	11 110
Total revenue from fees and charges	<u>11 129</u>
<b>10. Commonwealth revenues</b>	
Grants	1 631
Total Commonwealth revenues	<u>1 631</u>
<b>11. Interest revenues</b>	
Interests received	58
Total interest revenues	<u>58</u>
<b>12. Funding for transition expenses</b>	
Funding for transition received from Commonwealth	4 770
Total funding for transition expenses	<u>4 770</u>
<p>This funding has been provided for the establishment of branch offices for jurisdictions which have not yet joined the Office of the National Rail Safety Regulator. At 30 June 2013 \$3.849 million had not yet been expended as several branch offices will be established in 2013-14. Thus, this amount will appear in next year's financial statements as expenditure for which no matching revenue will be shown.</p>	
<b>13. Other income</b>	2013
	\$'000
Rebate for carpet in Hindmarsh Square	12
Employee reimbursement of FBT	6
Contribution from National Rail Safety Regulator project	473
Total other income	<u>491</u>
<b>14. Cash and cash equivalents</b>	
Cash at bank and on hand	5 806
Total cash and cash equivalents	<u>5 806</u>
<p>Included in the above amount are monies held for transition (\$3.85 million) and which will not be used for general ONRSR operations.</p> <p>The ONRSR has been granted an overdraft limit facility of \$400 000. This limit has not been used.</p>	
<b>15. Receivables</b>	
Receivables	595
Prepayments	42
Accrued interest	8
GST input tax receivable	194
Total current receivables	<u>839</u>
<b>16. Property, plant and equipment</b>	
Fixtures and fittings:	
At cost	245
Accumulated depreciation	(11)
Total fixtures and fittings	<u>234</u>

<b>16. Property, plant and equipment (continued)</b>	2013
Computer equipment:	\$'000
At cost	140
Accumulated depreciation	(11)
Total computer equipment	<u>129</u>
Total property, plant and equipment	<u>363</u>

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2013.

<b>17. Intangible assets</b>	
Computer software:	
At cost	1 189
Accumulated amortisation	(108)
Total computer software	<u>1 081</u>

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

<b>Asset movement reconciliation</b>	Fixtures and fittings	Computer equipment	Intangible assets	Total
<b>2013</b>	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	-	-	-	-
Additions	245	140	1 189	1 574
Depreciation/Amortisation	(11)	(11)	(108)	(130)
Carrying amount at 30 June	<u>234</u>	<u>129</u>	<u>1 081</u>	<u>1 444</u>

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2013.

<b>18. Payables</b>	2013
Current:	\$'000
Creditors	342
Accrued expenses	148
Employee on-costs	32
GST payable	1
Total current payables	<u>523</u>

<b>19. Employee benefits</b>	
Current:	
Annual leave	262
Accrued salaries and wages	185
Total current employee benefits	<u>447</u>
Non-current:	
LSL	34
Total non-current employee benefits	<u>34</u>
Total employee benefits	<u>481</u>

<b>20. Provisions</b>	
There are no unsettled workers compensation claims.	

<b>21. Equity</b>	
Retained earnings	3 236
Reserve for transition expenses	3 849
Total equity	<u>7 085</u>

An amount of \$3.849 million that represents the funding that will be used in the following financial year for the establishment of new branch offices has been treated as a separate reserve.

<b>22. Unrecognised contractual commitments</b>	
<b>Capital commitments</b>	
There are no capital commitments in the ONRSR.	

<b><i>Expenditure commitments - remuneration</i></b>	2013
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	\$'000
Within one year	1 483
Later than one year but no longer than five years	2 926
Total remuneration commitments	<u>4 409</u>

Amounts disclosed include commitments arising from executive and other service contracts.

The ONRSR does not offer fixed-term remuneration contracts greater than five years.

<b><i>Expenditure commitments - other</i></b>	
Within one year	526
Later than one year but no longer than five years	540
Total other commitments	<u>1 066</u>

***Operating lease commitments***

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	
Within one year	544
Later than one year but no longer than five years	1 569
Total operating lease commitments	<u>2 113</u>

The ONRSR's operating leases are for office accommodation and motor vehicles. The leases are non-cancellable with terms ranging up to five years with some leases having the right of renewal. Rent is payable one month in advance.

***Finance lease commitments***

There are no finance lease commitments in the ONRSR.

**23. Contingent assets and liabilities**

The ONRSR is not aware of any contingent assets or liabilities.

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

Members during the 2013 financial year were:

***ONRSR Board***

Mr Robert Andrews  
Ms Catherine Scott (commenced on 16.11.12)  
Mr Peter Batchelor (commenced on 16.11.12)

***Audit Risk Committee***

Ms Catherine Scott (commenced on 16.11.12)

The number of members whose remuneration received or receivable falls within the following bands:	2013
\$30 000 - \$39 999	Number
Total	<u>2</u>

Remuneration of members reflects all costs of performing board / committee member duties including sitting fees, superannuation contributions and salary sacrifice benefits. The total remuneration received or receivable by members was \$68 000.

**25. Cash flow reconciliation**

Reconciliation of cash and cash equivalents at 30 June:	2013
Cash and cash equivalents disclosed in the Statement of Financial Position	\$'000
Balance as per the Statement of Cash Flows	<u>5 806</u>

***Reconciliation of cash flows from operating activities to net result***

Net cash provided by (used in) operating activities	5 806
Non-cash items:	
Depreciation and amortisation	(130)
Assets provided from non-cash contributions	1 574
Movements in assets/liabilities:	
Receivables	839
Payables - operating activities	(523)
Employee benefits	(481)
Net result	<u>7 085</u>

**26. Financial instruments/Financial risk management****26.1 Categorisation of financial instruments**

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

Financial instrument	Note	2013	
		Carrying amount \$'000	Fair value \$'000
Financial assets:			
Cash and cash equivalents	14	5 806	5 806
Receivables <sup>(1)(2)</sup>	15	595	595
		<u>6 401</u>	<u>6 401</u>
Financial liabilities:			
Payables <sup>(1)</sup>	18	496	496
		<u>496</u>	<u>496</u>

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 15 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

**Credit risk**

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

The carrying amount of financial assets as detailed in note 26.1 represents the ONRSR's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the ONRSR.

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

**26.2 Ageing analysis of financial assets**

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

2013	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
Not impaired:				
Receivables <sup>(1)</sup>	595	-	-	595
Total	<u>595</u>	<u>-</u>	<u>-</u>	<u>595</u>

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



**26.3 Maturity analysis of financial assets and liabilities**

The following table discloses the maturity analysis of financial assets and financial liabilities:

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	5 806	5 806	-	-
Receivables	595	595	-	-
Total financial assets	6 401	6 401	-	-
Financial liabilities:				
Payables	496	496	-	-
Other financial liabilities	3 850	3 850	-	-
Total financial liabilities	4 346	4 346	-	-

**Liquidity risk**

Liquidity risk arises where the ONRSR is unable to meet its financial obligations as they are due to be settled. The ONRSR is funded principally from fees from the rail industry and the State Government. The ONRSR settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 26.1 represents the ONRSR's maximum exposure to financial liabilities.

**Market risk**

The ONRSR has no market risk exposure or exposure to foreign currency or other price risks or interest rate risks.

**Sensitivity disclosure analysis**

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

**27. Events after the reporting period**

There have been no events after the reporting period.

# Parliamentary Superannuation Scheme

## Functional responsibility

### Establishment

The Parliamentary Superannuation Scheme (the Scheme) and the South Australian Parliamentary Superannuation Board (the Board) were established under the *Parliamentary Superannuation Act 1974*. The Board is responsible to the Minister for Finance.

### Functions

The Board is responsible for administering the Scheme, which provides for benefit payments to persons who have served as members of Parliament.

Under the *Parliamentary Superannuation Act 1974*, the Superannuation Funds Management Corporation of South Australia (Funds SA) is responsible for the investment and management of the Parliamentary Superannuation Fund.

The Board utilises the services of DTF – State Superannuation Office to administer the Scheme.

Note 1 to the financial statements provides further details of the Scheme's administration and funding arrangements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of the audit

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

During 2012-13, areas of review included:

- receipting and banking of contributions
- pension payments
- liability for accrued benefits.

The investment and management of the Scheme assets is reviewed as part of the Funds SA audit.

## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the Parliamentary Superannuation Scheme as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

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

### Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the Board.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2013 \$'million	2012 \$'million
<b>Revenue</b>		
Contribution revenue	4.9	5.0
Investment revenue	31.5	4.2
<b>Total revenue</b>	<b>36.4</b>	<b>9.2</b>
<b>Expenses</b>		
Benefits and other expenses	21.6	24.4
<b>Total expenses</b>	<b>21.6</b>	<b>24.4</b>
Transfer from (to) Consolidated Account	(16.6)	13.3
<b>Operating result for the period</b>	<b>(1.8)</b>	<b>(1.9)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(22.8)</b>	<b>8.0</b>
<b>Assets</b>		
Investments	196.9	189.4
Other assets	0.4	0.4
<b>Total assets</b>	<b>197.3</b>	<b>189.8</b>
<b>Liabilities</b>		
Liability for accrued benefits	200.8	191.6
Other liabilities	0.1	-
<b>Total liabilities</b>	<b>200.9</b>	<b>191.6</b>
<b>Excess (Deficit) of net assets over liabilities</b>	<b>(3.6)</b>	<b>(1.8)</b>

## Operating Statement

The operating result for the year was a deficit of \$1.8 million (\$1.9 million). The year's result took into account:

- returns on investments of \$31.5 million (\$4.2 million). Investment returns are further discussed in the audit commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report
- benefits expenses of \$20.2 million (\$23.3 million)
- a transfer of \$16.6 million to the Consolidated Account (\$13.3 million from the Consolidated Account). A transfer was made from the Scheme to maintain a balanced scheme.

## Statement of Financial Position

As at 30 June 2013, there was a deficit of net assets over liabilities of \$3.6 million (\$1.8 million).

The estimated liability for accrued benefits increased by \$9.2 million to \$200.8 million for which assets of \$197.3 million were available to pay benefits. The expected future benefit payments were determined using the pensioner mortality assumptions of the 2010 triennial actuarial review of the South Australian Superannuation Scheme. Refer note 7 to the financial statements for further explanation.

In comparison, vested benefits as at 30 June 2013 were \$214.1 million (\$207.9 million). Vested benefits represent benefits that members are entitled to receive had their membership been terminated at reporting date. Vested benefits are greater than accrued benefits as vested benefits are based on the involuntarily expiration of service. As a result members would be entitled to the benefits immediately. Refer note 8 to the financial statements for further explanation.

## Further commentary on operations

### Pensioners

The number of pensioners as at 30 June and pensions paid for the past four years were:

	2013	2012	2011	2010
Pensioners	119	118	115	115
Pensions paid (\$'000)	11 010	9 719	8 124	8 412

### Contributions by employees

The number of contributors and contributions received from members for the past four years were:

	2013	2012	2011	2010
Contributors	69	69	69	69
Contributions received (\$'000)	761	775	798	911

## Operating Statement for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Revenue:</b>			
Investment revenue		31 470	4 252
Other revenue		14	6
Contribution revenue:			
Contributions by members		761	775
Contributions by employers		3 676	3 433
Rollovers from other schemes		470	801
<b>Total contribution revenue</b>		<u>4 907</u>	<u>5 009</u>
<b>Total revenue</b>		<u>36 391</u>	<u>9 267</u>
<b>Expenses:</b>			
Direct investment expenses	4	1 173	915
Administration expenses	5	232	265
Benefits expenses	7	20 196	23 260
<b>Total expenses</b>		<u>21 601</u>	<u>24 440</u>
<b>Transfer from (to) Consolidated Account</b>	3	(16 600)	13 300
<b>Operating result for the period</b>		<u>(1 810)</u>	<u>(1 873)</u>

## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Investments:</b>			
Inflation linked securities A		15 089	17 804
Property A		29 060	29 230
Australian equities A		48 875	45 253
International equities A		53 331	45 444
Long-term fixed interest		3 536	4 901
Short-term fixed interest		1 867	3 195
Diversified strategies growth A		16 588	11 313
Diversified strategies income		26 050	24 501
Cash		2 320	7 555
Socially responsible investment		244	186
<b>Total investments</b>		<u>196 960</u>	<u>189 382</u>
<b>Other assets:</b>			
Cash and cash equivalents	10	369	418
Contributions receivable		-	27
Receivables		-	11
		<u>369</u>	<u>456</u>
<b>Total assets</b>		<u>197 329</u>	<u>189 838</u>
<b>Current liabilities:</b>			
Payables		105	16
Benefits payable		50	24
<b>Total liabilities</b>		<u>155</u>	<u>40</u>
<b>Net assets available to pay benefits</b>	6	197 174	189 798
<b>Liability for accrued benefits</b>	7	(200 809)	(191 623)
<b>Excess (Deficit) of net assets over liabilities</b>		<u>(3 635)</u>	<u>(1 825)</u>

## Statement of Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Contributions received:			
Contributions by members		765	771
Contributions by employers		3 699	3 410
Rollovers from other schemes		470	801
		<u>4 934</u>	<u>4 982</u>
Other receipts		14	6
GST recoup from ATO		17	(3)
Benefits paid:			
Pensions		(9 040)	(9 068)
Commutations		(1 944)	(918)
		<u>(10 984)</u>	<u>(9 986)</u>
Administration expenses		(149)	(265)
Transfer from (to) Consolidated Account	3	(16 600)	13 300
<b>Net cash provided by (used in) operating activities</b>	9	<u>(22 768)</u>	<u>8 034</u>
<b>Cash flows from investing activities:</b>			
Receipts from Funds SA		27 834	10 742
Payments to Funds SA		(5 115)	(18 987)
<b>Net cash provided by (used in) investing activities</b>		<u>22 719</u>	<u>(8 245)</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<u>(49)</u>	<u>(211)</u>
<b>Cash and cash equivalents at 1 July</b>		<u>418</u>	<u>629</u>
<b>Cash and cash equivalents at 30 June</b>	10	<u>369</u>	<u>418</u>

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

#### 1. Objectives and funding

##### (a) *Parliamentary Superannuation Scheme (the Scheme)*

The Scheme is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have served as members of Parliament and makes provisions for the families of such persons.

The *Parliamentary Superannuation (Scheme for New Members) Amendment Act 2005* (the Amendment Act) was proclaimed to come into operation on 15 September 2005. The Amendment Act amended the principal Act by closing the existing scheme (new scheme) now known as the PSS2 Scheme. PSS1 (old scheme) was closed to new entrants in 1995. The current scheme is known as PSS3.

Contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund (the Fund), established under section 13 of the Act. A separate division of the Fund has been established for the PSS3 Scheme. The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

PSS1 and PSS2 members are entitled to pension based benefits determined in accordance with the Act to be a percentage of the member's salary. A member may elect to commute to a lump sum a percentage of their pension entitlement. PSS3 members are entitled to an accumulation style benefit.

**(b) South Australian Parliamentary Superannuation Board (the Board)**

The Act charges the Board, a body corporate, with responsibility for all aspects of the administration of the Act except for the management and investment of the Fund. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the Treasurer, has contracted DTF to provide the administrative services through a service level agreement.

Under the terms of the Act, the Board is required to determine rates of return to be credited to each division of the Fund, with those rates being credited to each contribution account at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division of the Fund.

**(c) Funds SA**

Funds SA is an SA Government entity established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Scheme, reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expenses contained in these financial statements are related to the investment activities of Funds SA.

**(d) Funding arrangements**

Under section 39(1) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a special deposit account with DTF established for that purpose. During the period ended 30 June 2013 payments were made from a special deposit account.

For PSS1 and PSS2 members, section 14A of the Act requires every member of Parliament with less than 20 years and one month's service to make contributions of 11.5% of their base salary (including any additional salary) to the Treasurer. Section 14A(2) requires members of Parliament with 20 years and one month's service or over to make contributions of 5.75% of their base salary and 11.5% of any additional salary. PSS3 members can elect to make contributions based on a percentage of the combined value of their salary and any additional salary ranging from 0% to 10% under section 14B of the Act. A separate contribution account is maintained for each member. Members' contributions are paid to the Treasurer who deposits those contributions into the Fund, with \$761 000 (\$775 000) being credited during the year ended 30 June 2013.

Employer contributions are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. For PSS1 and PSS2 members, the employer contribution is 2.75 times the member's contribution. For PSS3 members, the employer contribution is 15.4% of salary. A separate employer contribution account is maintained for each PSS3 member. These contributions are deposited into the Scheme, with \$3.7 million (\$3.4 million) being credited during the year ended 30 June 2013.

Since 30 June 1994, the Government has undertaken a process of funding its accrued past service liabilities and the Scheme assets have broadly matched liabilities since 1997. The small size of the Scheme, the nature of the way member benefits accrue, the effect of elections and variations in investment performance mean that deficits and surpluses will arise from year to year.

**2. Summary of significant accounting policies****(a) Basis of accounting**

This financial report is a general purpose financial report. The accounts have been prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA, except as provided below.

The principal standard applied in preparing this financial report is AAS 25. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25.

This financial report has been prepared on an accrual basis where this can reliably be measured. This is in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

This financial report is prepared in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

**(b) Basis of valuations of assets and liabilities**

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value as provided by Funds SA.

**(i) Inflation linked securities A**

The inflation linked securities portfolio invests in discretely managed portfolios, pooled funds and internal inflation linked securities. Discretely managed portfolios and pooled funds are invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled funds have been valued in accordance with the valuations supplied by the managers.

Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer.

**(ii) Property A**

The property A portfolio comprises two subsectors:

*Listed property trusts*

These investments comprise arrangements whereby professional fund managers are appointed under an investment management agreement to manage and invest in listed property securities and real estate investment trusts. Investments in this subsector are in pooled funds and have been valued in accordance with the valuations supplied by the managers.

*Unlisted property vehicles*

The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.

**(iii) Australian equities A**

The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

**(iv) International equities A**

The international equities A portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

**(v) Fixed interest**

The fixed interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

**(vi) Diversified strategies growth A**

The diversified strategies growth A portfolio comprises investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuation of private equity investments is based on the most recent valuation performed by the fund managers plus or minus cash flows between the last valuation date and the reporting date. Both Australian and international private equity valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

**(vii) Diversified strategies income**

The diversified strategies income portfolio comprises investments in both Australian and international pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.



*(viii) Cash*

The cash portfolio is externally managed. The investments are held in a cash management fund. Cash balances are supplied by the relevant financial institution and have been valued on the basis of principal plus accrued interest.

*(ix) Socially responsible investment*

The socially responsible investment portfolio comprises an externally managed pooled vehicle (unlisted unit trust). The valuation is performed and supplied by the relevant fund manager.

*(c) Taxation*

The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) and is exempt from income tax.

*(d) Operation of investment portfolio*

Funds SA operates a multi-layered notional unitisation structure to facilitate the administration of different investment strategies applying to the various public sector superannuation funds. For the year ended 30 June 2013, Funds SA managed eight separate investment options distinguished by differing strategic asset allocations, namely:

- High growth
- Growth
- Balanced
- Moderate
- Conservative
- Capital defensive
- Cash
- Socially responsible.

During the financial year all of the above investment options were available to PSS3 members. The assets of the remainder of the Scheme are invested in the growth option.

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment options discussed in the preceding paragraphs.

*(e) GST*

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Regulation 70.5.03 of A New Tax System (Goods and Services Tax) Regulations 1999 specifies the rate at which GST can be recovered through reduced input tax credits. Effective from 1 July 2012 the rate is 55%; previously the rate was 75%.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

*(f) Revenue*

Superannuation contributions and other revenue are recognised on an accrual basis where this can be reliably measured.

*(g) Comparative information*

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

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

Where applicable, the restated comparative amounts do not replace the original financial statements for the preceding period.

**3. Transfer from (to) Consolidated Account**

The Treasurer approved a transfer of \$16.6 million to the Consolidated Account in 2012-13 (\$13.3 million from the Consolidated Account).

**4. Direct investment expenses**

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount applicable to the Scheme based on the Scheme's investment. In 2012-13 the increase in direct investment expenses was largely attributable to:

**4. Direct investment expenses (continued)**

- increased funds under management driven by strong share market performance
- Funds SA's change in investment strategy that increased investment in the more expensive diversified strategies income and diversified strategies growth asset classes.

**5. Administration expenses**

	2013	2012
	\$'000	\$'000
Administration expense	216	249
Auditor's remuneration	16	16
	232	265

Administration expenses comprise costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Scheme.

Auditor's remuneration comprises amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme. For the reporting period these totalled \$16 060 (\$15 620) GST inclusive. No other services were provided by the Auditor-General's Department.

**6. Net assets available to pay benefits**

	2013	2012
	\$'000	\$'000
<b>(a) PSS1 and PSS2 division</b>		
Funds held at 1 July	183 419	173 891
Contributions by members	761	774
Contributions by employers	2 183	2 229
Transfer from Consolidated Account	-	13 300
Investment revenue	30 441	4 091
Other revenue	14	6
	33 399	20 400
Benefits paid	(11 010)	(9 719)
Administration expense	(232)	(265)
Transfer to Consolidated Account	(16 600)	-
Direct investment expense	(1 134)	(888)
	(28 976)	(10 872)
Funds held at 30 June	187 842	183 419
<b>(b) PSS3 division</b>		
Funds held at 1 July	6 379	4 239
Contributions by members	-	1
Contributions by employers	1 493	1 204
Rollovers from other schemes	470	801
Investment revenue	1 029	161
	2 992	2 167
Direct investment expense	(39)	(27)
	(39)	(27)
Funds held at 30 June	9 332	6 379
Total net assets	197 174	189 798

**7. Liability for accrued benefits**

The liability for accrued benefits is the Scheme's present obligation to pay benefits to members and has been calculated on the basis of the present value of expected future payments arising from membership of the Scheme up to the reporting date.

For PSS1 and PSS2 members, the accrued liabilities are the present value of expected future benefit payments arising from membership of the Scheme up to 30 June 2013. For PSS3 members, the accrued liability is the balance of the employee and employer contribution accounts as at 30 June 2013.

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 2010 triennial review of the South Australian Superannuation Scheme. Salary increases of 1.5% p.a. above the Adelaide CPI have been assumed. The CPI is assumed to be 2.5%. In accordance with AAS 25 the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of 4.5% p.a. above CPI.

**7. Liability for accrued benefits (continued)**

The accrued superannuation liability as determined by consulting actuaries Brett & Watson Pty Ltd is estimated at \$200.8 million (\$191.6 million) as at 30 June 2013.

	2013 \$'000	2012 \$'000
Liability for accrued benefits at 1 July	191 623	178 082
Benefits expenses <sup>(i)</sup>	20 196	23 260
Benefits paid/payable	(11 010)	(9 719)
Liabilities for accrued benefits at 30 June	<u>200 809</u>	<u>191 623</u>
Represented by:		
PSS1 and PSS2 division	191 454	185 244
PSS3 division	9 355	6 379
Liability for accrued benefits at 30 June	<u>200 809</u>	<u>191 623</u>

<sup>(i)</sup> This figure represents the change in liability for accrued benefits plus benefits paid/payable for the year.

**8. Vested benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The value of vested benefits is greater than the liability for accrued benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately. The vested superannuation liability is estimated at \$214.1 million (\$207.9 million) as at 30 June 2013.

	2013 \$'000	2012 \$'000
Vested benefits - PSS1 and PSS2 division	204 805	201 552
Vested benefits - PSS3 division	9 355	6 379
	<u>214 160</u>	<u>207 931</u>

The liability for benefits from the Scheme is met partly by the SA Government and partly by member contributions.

**9. Reconciliation of operating result to net cash provided by (used in) operating activities**

Operating result	(1 810)	(1 873)
Benefits expense	20 196	23 260
Benefits paid/payable	(11 010)	(9 719)
Investment revenue	(31 470)	(4 252)
Direct investment expenses	1 173	915
Movements in assets/liabilities:		
Receivables	11	(3)
Contributions receivable	27	(27)
Payables	89	-
Benefits payable	26	(267)
Net cash provided by (used in) operating activities	<u>(22 768)</u>	<u>8 034</u>

**10. Reconciliation of cash**

For the purpose of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and deposits with DTF. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	2013 \$'000	2012 \$'000
Cash and cash equivalents	<u>369</u>	<u>418</u>

**11. Financial instruments**

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.

## 11. Financial instruments (continued)

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework.

The Scheme's investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

Funds SA makes available performance reports which are provided to the Board at least annually.

### (a) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### (i) *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA which has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income) and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are 42.5% hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above, by Funds SA.

#### (ii) *Interest rate risk*

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

#### (iii) *Other market price risk*

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Operating Statement, all changes in market conditions will directly affect investment revenue.

*(iii) Other market price risk (continued)*

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment products are consistent with the time horizon of each.

*(iv) Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provides a reasonable estimate of the change in the value of the investments in each investment option in the year ahead. These standard deviations provide the risk variable to be applied to each option. The following table illustrates the effect on change in investments assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets \$'000
<b>2013</b>			
High growth	Nominal standard deviation	12.9	199
Growth	Nominal standard deviation	10.5	19 753
Balanced	Nominal standard deviation	9.1	602
Capital defensive	Nominal standard deviation	3.0	9
Cash	Nominal standard deviation	1.2	2
Socially responsible	Nominal standard deviation	11.1	27
Total			<u>20 592</u>
<b>2012</b>			
High growth	Nominal standard deviation	12.7	153
Growth	Nominal standard deviation	10.3	18 901
Balanced	Nominal standard deviation	9.0	356
Cash	Nominal standard deviation	1.1	6
Socially responsible	Nominal standard deviation	11.1	21
Total			<u>19 437</u>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment options' expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

*(b) Credit risk*

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets included in the Statement of Financial Position represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

*(c) Liquidity risk*

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

(c) **Liquidity risk (continued)**

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemptions requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

The following table summarises the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
<b>2013</b>			
Benefits payable	50	50	50
Payables	105	105	105
Vested benefits <sup>(i)</sup>	214 160	214 160	214 160
<b>Total</b>	<b>214 315</b>	<b>214 315</b>	<b>214 315</b>
<b>2012</b>			
Benefits payable	24	24	24
Payables	16	16	16
Vested benefits <sup>(i)</sup>	207 931	207 931	207 931
<b>Total</b>	<b>207 971</b>	<b>207 971</b>	<b>207 971</b>

- (i) Vested benefits have been included in the 'less than three months' column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

(d) **Fair value**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>Financial assets at fair value through profit or loss</b> (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 \$'000	Total \$'000
<b>2013</b>		
Unlisted managed investments schemes:		
Funds SA	196 960	196 960
	<b>196 960</b>	<b>196 960</b>
<b>2012</b>		
Unlisted managed investments schemes:		
Funds SA	189 382	189 382
	<b>189 382</b>	<b>189 382</b>

(e) **Derivative financial instruments**

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities, reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

(e) **Derivative financial instruments (continued)**

Derivatives are an authorised investment within certain mandates managed by Funds SA’s external investment managers for the purposes described above.

**12. Related parties**

(a) **Board members**

The following are members of the Board who served during the course of the 2012-13 financial year, along with the period served.

Robert Sneath	Chairman	1 July 2012 - 16 October 2012
John Gazzola	Chairman	17 October 2012 - 30 June 2013
Lyn Breuer	Member	1 July 2012 - 4 February 2013
Michael Atkinson	Member	5 February 2013 - 30 June 2013
Robert Schwarz	Member	1 July 2012 - 30 June 2013

(b) **Board members’ remuneration**

Board members do not receive fees for their Board membership.

# Department of Planning, Transport and Infrastructure

## Functional responsibility

### Establishment

The Department of Planning, Transport and Infrastructure (the Department) is an administrative unit established pursuant to the PSA.

### Functions

The Department has diverse responsibilities in relation to transport systems and services, infrastructure planning and provision, sporting infrastructure and strategic land use for South Australia. Its functions include:

- providing leadership in the development of transport options by providing policy, planning and investment advice to assist the Government to achieve its strategic objectives
- delivering and supporting safe, sustainable and secure transport that underpins the economic and social growth of South Australia
- providing improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility to enhance the quality of life of all South Australians
- identifying strategic infrastructure priorities for the State, coordinating infrastructure planning and development across government and facilitating timely delivery of key projects that support the economic and social development of the State
- providing project risk management, building asset management, procurement and contract services
- delivering capital building works and major projects and the provision of building maintenance services for government agencies
- regulating the access, behaviour and security of transport system users
- providing land valuation, survey and registration
- providing leadership in managing the State's land use and development planning
- providing strategic policy, programs, services, sports infrastructure and elite sport pathways.

For more information about the Department's objectives refer note 1 to the financial statements.

### Organisational changes

During the year there were a number of restructures that resulted in functions transferred into the Department:

- Effective 1 March 2013 the financial operations of the Office for Design and Architecture SA transferred from DPC to the Department.



- Effective 2 October 2012, 19 November 2012, 26 November 2012 and 2 June 2013 specific employees of the Department for Health and Ageing transferred from the Department for Health and Ageing to the Department.

The financial effect of the functions transferred into the Department is detailed in note 41 to the Department's financial statements for its controlled activities.

## **Audit mandate and coverage**

### **Audit authority**

#### ***Audit of the financial report***

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

#### ***Assessment of controls***

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

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

### **Scope of the audit**

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

Specific areas of audit attention included:

- accounts payable
- payroll
- bus contract payments
- grants and subsidies
- registration and licence fees
- Metrocard
- other revenue
- bank reconciliations
- risk management
- financial management compliance
- financial accounting
- creditor account payment performance
- fixed assets including:
  - network assets
  - land, buildings and facilities
  - plant and equipment
  - capital works
  - office and rental properties.

In addition an understanding of internal audit activities was obtained in order to identify and assess the risks of material misstatement of the financial statements and to design and perform audit procedures.

## **Audit findings and comments**

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

In my opinion, the financial report gives a true and fair view of the financial position of the Department of Planning, Transport and Infrastructure as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

In my opinion, the controls exercised by the Department of Planning, Transport and Infrastructure in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll, accounts payable, revenue and accounts receivable, bank account reconciliations, risk management, financial accounting, bus contract payments, Metrocard revenue, building management - project services, building management - commercial properties, building management - facilities management, and the financial management compliance program, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Planning, Transport and Infrastructure have been conducted properly and in accordance with law.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. Major matters raised with the Department and the responses are detailed below.

In addition, matters relating to SSSA as a service provider to the Department are also described below.

### ***Bank account reconciliations***

The Department's bank reconciliations are performed by SSSA on behalf of the Department in accordance with a service level determination. These reconciliations are:

- AR (accounts receivable) Collection bank account
- AP (accounts payable) Disbursement bank account
- Payroll Disbursement bank account.

Effective bank reconciliations represent a key control in providing assurance that transactions are accounted for and recorded in the general ledger. The effectiveness of the control is dependent on the timely investigation and resolution of discrepancies.

Shortcomings in reconciliation processes have been reported on for a number of years.

The audit for 2012-13 found that while SSSA and the Department made some progress in addressing issues raised in prior years, there remained some key areas, relating to the AR Collection bank account reconciliation, where they need to work together to improve reconciliation processes. The following summarises the major observations arising from the review of this important auditable area.

### ***Timely recognition of cash receipts***

Consistent with prior years, the review found cash receipts were not always recognised in the general ledger on a timely basis resulting in discrepancies between the general ledger and bank records.

In response the Department and SSSA advised that implementation of a new system (ARTS) by the Department will standardise the invoice receipting process and assist with timely processing of receipts.

*Unmatched ledger transactions*

The AR Collection bank account reconciliation throughout the year contained numerous general ledger transactions that were not matched to bank records at the time the reconciliations were finalised. As a consequence the reconciliations contained unreconciled balances.

The Department and SSSA advised that they will continue to work with each other to investigate and resolve discrepancies in a timely manner.

*Improvements to reconciliation reporting*

Management were not provided with information explaining the extent to which reconciling items were investigated. Without this information, it is difficult for management and Audit to determine the status of progress made in investigating and resolving the discrepancies.

The Department and SSSA responded to the finding advising they will continue to work to improve reconciliation reporting.

*Outstanding reconciling items*

Bank account reconciliations prepared by SSSA for the Department contained numerous long outstanding reconciling items.

The Department and SSSA advised that they will continue to work together to investigate and resolve discrepancies on a timely basis.

*Discrepancies arising from machinery of government transition arrangements*

Audit review noted the AR Collection bank account reconciliation contained a large reconciling item for a significant part of the year. The audit found the discrepancy was due to delays in implementing transitional arrangements for processing the incoming Planning business unit's receipts to the Department's ledgers and bank records. This resulted in inconsistent practices in processing receipts and bank deposits which caused ongoing reconciling difficulties throughout the year.

In response the Department acknowledged the reconciliation difficulties and both the Department and SSSA advised the discrepancy associated with the integrating Planning receipting functions are now resolved.

*Controls over the corporate online banking facility*

Audit review found instances where SSSA officers had inappropriate access to the online banking facility.

The Department advised that they will continue to work with SSSA to ensure the access of SSSA staff to the online banking facility is necessary and appropriate. SSSA acknowledged the risks and advised it has implemented mitigating controls.

*Bizgate terminals – passenger transport expiation fees*

Passenger transport expiation fees processed through Bizgate terminals continue to be deposited into the incorrect bank account, causing some reconciling items.

The Department advised that the expense of developing modifications to TRUMPS is significant and they will review and assess whether a cost effective alternative is available to address the issue.

### ***Accounts payable***

#### *Shared Services SA – accounts payable and electronic payment control environments*

SSSA operates an accounts payable function that involves the processing of transactions on behalf of the Department under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior year key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

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

#### *Department – payment control environment*

The review of the Department's payment control environment also found a number of areas where internal controls were considered not effective. Audit found a number of matters raised in the prior year that were not adequately addressed by the Department. The more significant audit findings included the following:

- The Department had not fully and effectively implemented procedures (including system reports) to minimise the risk of duplicate payments. Further, there were a significant number of duplicate payments processed during the year.
- There was no mechanism to ensure changes in employees' delegations are reflected in the Basware system on a timely basis.
- The Department did not monitor the review of user details reports provided to the Department by SSSA to check that system access levels for employees were valid and consistent with their job requirements.
- There were instances where delegations reflected in the Basware system were not consistent with the Department's delegations of authority.
- The Department did not effectively monitor the action of special and super delegates.
- Bi-annual reviews of access to the Department's corporate online banking facility were not performed as required by departmental policy.
- There were a significant number of urgent payments processed directly through the Department's corporate online banking facility rather than the Basware system.
- There were weaknesses in controls relating to granting access to Masterpiece.

The Department responded to the findings detailing actions taken to address the matters raised by Audit. In relation to findings regarding duplicate payments the Department advised it will continue to work with SSSA to develop a system report and procedures to review the report. Audit considers that the occurrence and extent of duplicate payments warrant this immediate corrective action.

With regard to processing of urgent payments, the Department advised it would develop guidelines to minimise the use of urgent payments and implement review of a system report to follow up areas of high usage.

#### ***Creditor account payment performance***

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

Audit review included assessing the Department's processes and procedures in ensuring compliance with TI 11 requirements. The review noted areas for improvement.

The audit identified that the Department's policies and procedures were not updated to reflect systems and internal controls for preparing and reporting monthly performance reports to the Minister. Further, the review found:

- for transactions processed through some of the Department's feeder systems, the incorrect invoice date was used to generate the monthly payment performance reports
- monthly reports were not always provided to the Minister within the required timeframe and did not always include an analysis and explanation of account payment performance as required by TI 11
- instances where the Department's procedures could be improved to ensure the accuracy of accounts payable performance data.

The Department responded positively to the findings and provided details of actions proposed or implemented to address the matters raised.

#### ***Payroll***

Prior audits have identified weaknesses in controls over payroll. The review for 2012-13 evaluated the Department's action to address matters raised in prior audits. The review found key internal control breakdowns raised in prior years were not adequately addressed and controls were not considered effective.

#### ***Review of bona fide reports***

Consistent with prior years, the audit of payroll considered the effectiveness of the review of bona fide reports to provide assurance that only bona fide employees are paid for work performed and at correct pay rates. The audit found:

- a significant number of bona fide reports were not certified as reviewed by relevant managers within required timeframes
- bona fide review processes performed by some pay point managers were not effective
- procedures for the follow-up and resolution of queries arising from the review of bona fide reports did not provide assurance all required action was taken
- procedures to ensure allowances paid to employees are valid and paid correctly were not effective.

The Department responded to the audit findings detailing actions taken to address the matters raised. It further advised it would review instructions provided to pay point managers to improve the understanding of Department requirements and policy, review the workflow process and consider system improvements for follow-up of bona fide queries.

*Recording of leave and excessive leave balances*

The review of controls over leave recording concluded that the Department's and SSSA's processes did not provide assurance that all leave taken was accurately recorded and instances were identified where leave recorded in attendance records was either not recorded or was incorrectly recorded in the payroll system.

The audit also noted there continues to be a significant number of employees with excessive leave balances (ie in excess of 300 hours).

The Department advised it would review instructions provided to employees regarding submission and variation of leave forms and review the certification and verification process for pay point managers. Further, it would continue to implement and monitor plans to address excessive leave balances.

*Shared Services SA – CHRIS payroll control environment*

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Department in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

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

***Bus contract payments***

Metropolitan bus passenger services are provided by privately owned companies contracted by the Minister for Transport Services to operate those services. In July 2011 and August 2011 new contracts were entered into with bus service providers, one of which was not an incumbent provider. Audit review identified areas where internal controls and documentation of management decisions and contract management activities could be improved. The following summarises the major observations arising from the review.

*Timeliness of executing contract variations*

In response to bus operators not meeting contracted performance standards, the Minister for Transport Services transferred (effective 9 May 2013) a number of bus routes in relation to the North South Contract Area from Transfield (Light-City Buses) to Torrens Transit. Audit review found, however, the variations to the contracts with the bus operators were executed in July 2013, after the transfer of bus routes.

The Department advised that it endeavours to ensure contract variations are executed prior to changes to services taking effect, however in this instance it was not achievable as the associated changes to service hours and kilometres needed to be confirmed with the contractors.

*Cabinet approval of contract variations*

Cabinet approved the contract variation transferring a number of bus routes from Transfield (Light-City Buses) to Torrens Transit in April 2013, however the total value of the variations agreed and executed with the contractors was significantly higher than the value approved by Cabinet. Audit was advised that the difference reflected additional changes to services, and the amounts in the Cabinet approval were only estimates. Audit recommended the Department inform Cabinet of the differences between the contract variation advised in April 2013 and the value of the variations actually implemented.

The Department advised that this recommendation will be actioned.

*Fee adjustment discounts*

Bus operator contracts provide for fee adjustments where bus operators do not achieve specified performance indicators. The contracts also provide for the following:

- Bus operators who do not achieve performance indicators at the level specified in the contract incur demerit points for performance defects even if the cause of the breach was outside the control of the bus operator.
- If in any quarter a bus operator incurs more than the threshold specified in the contract, the bus contract fee is to be adjusted on the basis specified in the contract.

The contracts provide for the Minister for Transport Services to reduce the fee adjustment if there is a disagreement regarding the number of demerit points incurred by the operator during a quarter.

As was the case in 2011-12, the audit review found that during the year the Minister for Transport Services applied discounts to the fee adjustments applicable under the contracts with the bus operators. The total value of fee adjustment discounts applied by the Minister for Transport Services for the September 2012 and December 2012 quarters was approximately \$132 000 and the total value of the fee adjustments, for the period, as calculated pursuant to the bus contracts, was around \$350 000.

Audit noted that the bus operators did not dispute the calculation of the number of demerit points incurred during the period. Audit acknowledges that the contract does not impose an obligation on the Minister for Transport Services to pass on the full adjustment as determined under the contract. Audit presented a view that contract administration and management practices would be enhanced by implementing a formal contract variation detailing the circumstances in which the discount is to be applied and the method used to calculate the fee reduction discount.

In response the Department indicated the Department and the Minister for Transport Services were reviewing their approach in determining the fee reduction discount.

*Contract management*

Metropolitan bus contracts are significant contracts in terms of their monetary value and the impact they have on the general public. The terms and conditions of the contracts are extensive and are relatively complex.

Audit review in 2011-12 found that the Department was in the process of finalising a contract management model for use by the Public Transport division.

The absence of a contract management framework can result in the Department not identifying areas of non-compliance with key contract provisions, including performance obligations by the contractors.

Audit review for 2012-13 found that the Department had developed a draft contract management framework. Audit also found that the Department was still in the process of developing and implementing detailed contract management plans as part of the new framework for the bus contractors.

The Department have advised the framework will be adopted for the quarter ending December 2013. Further, the Department indicated that the new contract management plans will be implemented in 2013-14. In the interim, the Department will use existing plans.

### ***Metrocard revenue***

The Department's Public Transport division collects revenue from the sale of tickets for metropolitan train, tram and bus trips. During 2011-12 the Department commenced implementing a new Metrocard public transport ticketing system in a staged approach across the public transport network. Audit review of the Metroticket function identified weaknesses in processes and practices that required attention to ensure effective management and control over Metrocard ticket revenue. The following summarises the more significant matters.

#### *Cash shortages report – reliability of data*

Implementation of the new ticketing system included developing and implementing a new report to identify cash shortages/surpluses for each depot. The report records sales, sales adjustments, cash received, cash adjustments, and cash surplus/shortages for each bus driver. Audit found that the data provided in reports was not always accurate and did not correctly report cash shortages and surpluses. The reliability issues associated with the reports limit the Department's ability to accurately determine amounts owed to the Department by bus operators.

#### *Cumulative record of cash shortages*

Audit found that the Department did not maintain a cumulative record of identified cash shortages for the financial year.

#### *Bus depot audits*

The Department's policies and procedures and arrangements with bus service contractors require the Operations and Revenue Officer to audit bus depots. The audits include procedures to check the integrity, completeness and accuracy of revenue data, sales adjustments and cash collections from bus depots. This procedure provides assurance that Metroticket sales revenue data provided by bus depots is accurate and cash collections are complete.

Audit found that the audits were suspended from October 2011 to December 2012. Audit was advised that the suspension was due to the need to redeploy resources to assist with the implementation of the new Metrocard system.

The Department responded to the audit findings advising the following:

- The product supplier has been engaged to identify and rectify the source of errors contained in the cash shortages/surpluses reports. Further regression testing of the new software is ongoing and as an interim measure staff are ensuring errors are identified and corrected.



- A cumulative record of cash shortages has been created and will be maintained
- The Department will ensure bus depot audits are performed throughout the year.

#### ***Revenue and accounts receivable***

The audit of that the Department's systems and processes for recognising revenue and accounts receivable identified the following areas, both within the Department and SSSA, where controls did not operate effectively. The audit found a number of these matters were raised in previous years and were not adequately addressed.

The audit concluded SSSA did not effectively reconcile the accounts receivable subsidiary ledger to the general ledger. In particular, reconciliations reviewed by Audit:

- contained unexplained reconciling items which were still under investigation
- included long outstanding reconciling items.

The audit also found:

- superseded Masterpiece accounts receivable user access profiles had not been removed
- credit notes, reversals and other adjustments processed in Masterpiece accounts receivable were not independently reviewed to ensure they were valid
- policies and procedures have not been revised to reflect arrangements implemented by SSSA
- controls did not ensure all invoices were processed.

The Department and SSSA responded to the audit findings and provided details of actions implemented or proposed to address the matters raised.

#### ***Financial accounting***

##### *Reconciliation monitoring and reporting framework*

Reconciliations of general ledger accounts are a key component of the Department's control environment as they provide assurance transactions are completely and accurately processed to the Department's general ledger and subsidiary systems. TI 2 also requires chief executives to ensure that reconciliations are performed on a regular and timely basis.

Audit review of the Department's reconciliation monitoring and reporting framework and related policies and procedures found that information provided to the Department's Executive Group did not always effectively report the status of reconciliation processes, the extent and nature of discrepancies and progress made in investigating and resolving reconciling items. Further, the information provided to the executive was not always subject to effective quality review and accurate and timely.

##### *Other matters*

The audit also identified other areas in which controls could be improved including:

- the Department did not establish an ongoing program of assurance reviews of relevant reports and registers to be performed by internal audit as required by departmental policy

- bi-annual review of user access to the general ledger as required by departmental policy did not occur
- there was scope to improve Masterpiece user access authorisation procedures
- source documents were not maintained and filed with all journals as required by departmental policy
- the Department did not document the maximum value of journals that authorising officers may approve
- performance measures were not used to monitor suspense/holding accounts.

The Department responded to the audit findings and provided details of actions taken or proposed to address the matters raised. In regard to monitoring and reporting on key reconciliations, the Department highlighted that senior Departmental officers exercise professional judgment in determining what reconciliation information is presented to executive. The Department indicated it will consider reviewing and updating the reconciliation monitoring and reporting framework and will continue to refine the presentation and review of information provided to executive.

### ***Risk management***

The Department manages a wide range of complex operations and is required to manage the risks associated with those activities.

The State Government's risk management policy statement requires chief executives to develop and implement risk management frameworks that reflect the principles and processes outlined in the updated international risk management standard, AS/NZS ISO 31000.

Consistent with prior years, Audit review for 2012-13 found non-compliance with key aspects of the Department's risk management policy. During the year internal audit completed a review of risk management processes which identified limitations with the Department's risk management system and framework. The more significant matters included:

- the Department's risk management system did not support the Department's management risk policy
- the Department's risk management framework, policy and system did not meet business requirements and needed to be tailored for the current departmental structure
- the risk management policy did not clearly define the requirements for periodic review
- the risk management policy did not describe the requirements for managing risk treatments and the risk management system did not provide for the management of treatments.

In addition, Audit review found:

- material risks, their assessment, treatment strategies and progress made in implementing the strategies were not formally reported to senior management
- some divisions had not entered data into the Department's risk system.

In response to the audit findings the Department provided details of actions taken or proposed to address the matters raised. The Department advised a new risk system is due to be implemented in October 2013 and the risk management policy and framework will be updated to reflect proposed changes.

***Financial management compliance program (FMCP)***

TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain an FMCP to support the review of relevant policies and procedures, internal controls and financial reporting.

Audit review noted that the Department had made certain progress on aspects of the FMCP including implementing a compliance function.

*Financial management compliance framework (FMCF)*

The FMCF forms part of the Department's corporate governance arrangements. Audit review last year found that the Department had not completed documenting the processing level controls and aspects of the FMCF. These were still not finalised in 2012-13. Further, it was noted the Department had not documented:

- specific responsibility for the FMCF
- the purpose, function and responsibilities of the recently established financial compliance function and its role in relation to the FMCF
- internal audit's role following the transfer of responsibility for the FMCF to Corporate Finance.

In response the Department advised key aspects of the framework are included on the Department's intranet and it will formalise the implementation and approval of the financial compliance function in the Department's policies which will include details of its responsibilities, its role in supporting the FMCP, and its relationship with other governance arrangements.

*Financial compliance function*

The financial compliance function was implemented in September 2012 and includes assessing performance against performance indicators. Audit review found that not all performance indicators had been developed and documented and the Department had not documented key aspects of the financial compliance function including:

- how the financial compliance function relates to the FMCF
- how financial compliance failures are to be addressed
- who is responsible for, and the frequency of reviewing, the key performance indicators and benchmarks used to assess compliance performance.

The Audit review also found the documented performance indicators did not cover a number of key finance control activities.

The Department responded to the findings and advised it will formally document policies that will address the matters raised by Audit. Further, the Department advised it recognised that a number of benchmarks have yet to be developed and included in the financial compliance function and it will develop, in a staged approach, new key performance indicators, reports and tools to assist with monitoring.

*FMCP – testing of divisional self-assessments*

The Department's FMCP includes distributing questionnaires that are required to be completed by the Deputy Chief Executives. Audit review in 2011-12 found that the Department had not implemented a structured and robust testing process to independently confirm assessments made by management in divisional questionnaires.

The audit for 2012-13 found that the Department still had not developed a testing process to confirm assessments by management.

In response the Department advised that testing of divisional responses will be undertaken by internal audit in 2013-14.

***Building management – project services***

The Project Services business unit of the Building Management Division is responsible for delivering major building construction projects for other government agencies and the Department. The following summarises the main findings of the review of aspects of project delivery services in 2012-13.

*Project agreements*

Consistent with last year's audit, the review found that for the majority of projects, project agreements detailing the rights and obligations of each party were not documented and agreed by the Department and client agencies. Documented project agreements achieve the important objectives of ensuring terms and conditions are agreed between the parties. They also provide a sound basis for resolving disputes and providing clarity about roles, responsibilities and accountabilities of the parties to the project.

In response the Department advised that, generally, project agreements are prepared for high value projects for new or occasional lead agencies. The Department also advised it will formally document in the minutes of start-up meetings the discussion and acceptance of specific roles and responsibilities.

*Review of excess expenditure*

The Building Management Division generates reports each month detailing projects with expenditure that is greater than the project funding approved by the client agency. The report is provided to project managers who are required to review the report, and provide comments and details of strategies to address the over expenditure. Audit review found this review process was not effective. Specifically, the review found:

- a number of projects had expenditure that exceeded project funding approved by the client agencies
- there were instances where project managers did not document strategies to address the excess expenditure.

This matter was also raised in 2011-12.

The Department advised that it would reinforce to project managers the importance of effectively reviewing excess expenditure reports and provided details of additional strategies to address the issue.

*Other matters*

The review also identified a number of other control weaknesses requiring attention by management including the following:

- Information regarding the percentage of completion, the value of non-salary costs required to complete the project and timesheet information were not input into the Fee and Resources Management System on a timely basis to calculate the value of year-to-date revenue earned for projects.

- There were instances where contracts with builders/consultants were not executed on a timely basis.
- The check performed by the accounts payable officer to ensure payments were appropriately authorised was ineffective as the document used to perform the check was not consistent with the Department's delegations of authority.
- The Department did not maintain a signature register to check the identity of officers approving payments prior to processing.
- There was scope to improve documented policies and procedures regarding the review of user access to the Fee and Resources Management System.

The Department responded to the specific audit findings and provided details of actions to address the matters raised.

***Building management – commercial and residential properties***

Audit review of the financial operations of commercial and residential properties within the Building Management Division considered the adequacy of the documentation of arrangements between the Department and agencies that occupied leased premises, the raising of rental income, payment of property and other expenses, and aspects of financial control.

The review of arrangements for preparing memoranda of understanding (MOUs) between the Department and other government agencies found:

- not all MOUs were executed for all commercial property leases with government agencies
- the Department's delegations of authority did not specify who is authorised to execute MOUs for commercial properties.

The audit of capital work in progress found there was no regular review of work in progress accounts for residential properties to identify completed projects.

Other matters identified from the review included:

- processing changes to asset and lease information recorded in ProMIS were not effectively checked
- access to ProMIS was not reviewed and Audit identified officers with inappropriate access
- documented delegations of authority used to check commercial properties invoices are appropriately authorised were out of date
- documented delegations of authority used to check residential properties purchase orders and invoices are appropriately authorised were out of date
- debtor reports used to monitor the follow-up of outstanding debtors indicated some outstanding debtors had not been followed up for some time and information indicating who is responsible for following up the debt was not current
- instances where residential property payments were approved by officers without delegated authority

- there was scope to improve review of user access to the residential property lease management system
- the Department used an Excel spreadsheet to record residential properties rather than a specialised asset recording/management system and there were no system controls to restrict access to information recorded in the spreadsheet.

The Department's response provided details of proposed action that was consistent with audit recommendations to address the areas identified for improvement.

***Building management – facilities management***

The Department's Building Management Division is responsible for the oversight of outsourced facilities management services which provide government agencies with access to planned and unplanned maintenance, minor works and other services.

These services are either undertaken by an outsourced contractor or coordinated directly by the Department. A Facilities Management Client Review Board (the Board) was established and includes officers from government agencies. It is responsible for managing overall arrangements and assessing contractor performance.

The facilities management audit included a review of management oversight, contract management and reporting for services provided by the outsourced contractor. Testing of specific maintenance and minor works activities, billing and recovery functions and agency certification of work was undertaken to evaluate compliance with established policies and control processes.

Matters arising from the audit are outlined below.

*Governance and reporting*

The audit identified that the Chief Executive does not attend or chair Board meetings as required by Cabinet. A delegation instrument was formally executed in November 2011 by the Chief Executive to continue the practice of the deputy chair performing this role on a regular basis.

Audit review of documentation concluded that Executive Government has not provided for the Chief Executive to subdelegate this function. Audit recommended that Cabinet should formally approve current or revised governance arrangements relating to the role of the Chief Executive. The matter of ongoing management reporting to the Chief Executive should also be considered.

In response the Department advised it would address the ongoing governance arrangements and the role of the Chair of the Board when the purchase recommendations for new service contracts are submitted to Cabinet.

*Certification of works*

Audit review of system records of the extent of agency review of facilities charges for 2012-13 revealed that agencies have not reviewed and approved approximately 32% of facilities charges totalling \$30.5 million. Works not certified can be auto-approved in the system and paid to fulfil contractual payment terms.

The Department has established review functions and controls to assist the Government to manage the overall risk of not receiving agreed goods and services when client agencies do not certify works before payment. Audit considers that improving the level of certification of works by agencies would further strengthen the internal control environment.

Audit recommended that the Department remind agencies of their responsibility to review service payments and certify maintenance and minor works within agreed timeframes.

The Department responded to the finding and advised that there are specific controls to assist agencies with certification of works. Also, the Department will remind agencies of their obligations and highlight the availability of system alerts.

#### *Infrastructure maintenance audits*

Audit has previously recommended that the Department and contractors revisit the completeness and adequacy of plant and equipment lists. The facilities management contract requires facilities managers to carry out site infrastructure audits, and to undertake surveys and condition appraisals to determine the extent of preventative maintenance and update lists of plant and equipment.

The audit identified that the agency surveys and infrastructure audits were not completed. Audit recommended that the responsibilities of related parties should be revisited and clearly determined, documented and monitored by management to ensure infrastructure maintenance audits are completed.

In response the Department advised that it requires service providers to capture and maintain information on assets at each site they manage and is reviewing data prepared by service providers.

#### *Risk management*

Follow-up of the status of risk assessments during 2012-13 revealed that risk assessments and treatment plans have not been updated.

Audit recommended that the Department update, complete and document the risk assessments and treatment plan to ensure compliance with the requirements of the risk management standard.

The Department advised that it will update and document the facilities management's risk assessment and treatment plan and ensure compliance with relevant risk management standards.

#### ***Building management – facilities services***

The Facilities Services section of the Building Management Division provides support to agencies in obtaining planned and unplanned maintenance, minor works and other services. The services are predominately provided by private contractors and the Facilities Services' role includes agreeing the scope of work, procuring contractors, contract management and customer billing functions.

Audit review included testing specific maintenance and minor works activities to evaluate compliance with established policies and control processes.

The following recommendations were referred to the Department:

- preparing a reconciliation between subsidiary systems and reviewing the reconciliation on a monthly basis to ensure the completeness and accuracy of information between systems
- preparing and independently reviewing monthly subsidiary to general ledger reconciliations and ensuring adequate supporting documentation is maintained
- where agency approved amounts differ to quotes and purchase orders, Facilities Services' records should be updated to document approved differences to final job costs.

The Department responded to the matters raised and indicated:

- the reconciliation between the subsidiary and the general ledger and the reconciliation between subsidiary systems will be prepared and reviewed on a monthly basis
- it will reinforce with all facilities managers the requirement to obtain approval of quotes prior to requesting work from contractors and assess compliance through internal audits of documentation.

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

##### ***Facilities Management Information System (FAMIS) IT controls***

During the year, Audit undertook a high-level review of the Department's FAMIS and IT infrastructure. FAMIS supports Building Management's facilities services management and operations. The review was facilitated through the provision of certain information and supporting documentation provided by the Department. Certain observations resulting from the review were raised with the Department for attention. These included:

- the current suite of IT policies and procedures are still in draft and need updating and endorsement by senior management
- a large proportion of FAMIS users are dormant and need their access reviewed and/or disabled
- regular reviews of all user access to the MACS system on a six monthly basis need to occur
- formal user access procedural guides need to be developed and/or updated
- the development of comprehensive change management documentation and procedures endorsed by Building Management senior management and in consultation with the Department's ICT Services need to be progressed
- certain aspects of business continuity and disaster recovery planning documentation need updating, endorsement and regular testing
- a formal post-implementation review of the progressive changes to the FAMIS environment need to be considered.

In response, the Department proposed remediation as follows:

- A program for review and alignment with the Department's ICT governance policy relating to FAMIS system security processes, general procedures and training material has been initiated.
- A review of the MACS system access is to be performed.
- FAMIS user procedures in consultation with service recipient participating agencies are to be documented and endorsed.
- Formalised user access procedures and review of access adequacy is to be developed.
- Building Management is to work with the Department's ICT Services Division to develop formal FAMIS change management documentation and associated procedures.



- Building Management is to engage with the Department's internal audit to discuss a formal post-implementation review at the completion of the final FAMIS Remote Request System implementation.
- The business continuity planning program has recently been updated with the next stage of the program incorporating policy awareness currently underway.
- Building Management is proposing a recovery test in consultation with service providers.

The Department further advised that remediation of all the matters raised is anticipated to be completed by December 2014.

#### ***TRUMPS network security***

TRUMPS is a major computer system of government that provides for the recording and processing of revenue transactions in excess of \$1 billion p.a. for the Department and on behalf of other agencies. The system is connected to the internet via the EzyReg interface which allows members of the public to make payments for registration and licensing. TRUMPS is also integral to the operations of Service SA centres, which provide a shopfront for dealing with the public.

The 2010-11 Report conveyed that the Department had installed into production a tested network security product that would be fully operational by September 2011. The product was implemented to address a number of security shortcomings, including those raised in past audit reviews.

During 2012-13 Audit completed a focused review of the implementation of the security product and examined documentation relevant to the implementation process. The review found four key issues:

- Certain specific network access rules had yet to be formally documented and implemented.
- Certain logging data associated with the product was not encrypted.
- Contractual arrangements with the product's provider/maintainer could be improved.
- Certain functionality was not configured to assist in detecting potential malicious behaviour in real time.

These issues were referred to the Department and Audit was advised of remediation work proposed or taken to address the issues. The effectiveness of remediation undertaken by the Department is under review.

#### ***Land Services Business Reform (LSBR) program developments***

The LSBR program is a major initiative of government established for the replacement of the core legacy land administration system, implementation of electronic services and the planning for business process changes for land administration in South Australia.

Last year's Report provided comment on progress of the Department's LSBR program. It also mentioned that a further initiative closely aligned with the LSBR program is the current development of the DTF's revenue taxation system (RISTEC) project where both systems will interface and exchange data once they are fully operational.

Also concurrent with the LSBR program development is South Australia's preparation for involvement in the National Electronic Conveyancing System (NECS) in accordance with the Australian Intergovernmental agreement.

At 30 June 2013, expenditure for the LSBR program amounted to \$17.6 million and for the NECS initiative was \$700 000.

*Governance and project management*

The Department continues to maintain a governance structure over the development and reporting arrangements for the project. Annually a Cabinet note is prepared to provide details of progress of the LSBR program. Each month, the Department's Deputy Chief Executive continues to be provided with a high-level update of the progress of the program. Internal audit has also been performing reviews of the LSBR program. In May 2013, the Department submitted to Cabinet a note highlighting LSBR program developments since the last Cabinet update in May 2012.

*Contractual amendments*

In late 2012 an escrow agreement was signed between the Minister for Transport and Infrastructure and the supplier of the new land administration system. The Department has confirmed there has been a change of ownership relating to the supplier but no disruption has been experienced. The Project Board continues to ensure that total project funding remains generally consistent with the scope of original proposal and Cabinet submission approval.

*LSBR program update*

The Department has continued to provide Audit with updated advice of current key program milestones and deliverables. A key component is the Land Administration System Electronic Replacement project. This project is tasked with the implementation of the new land administration system as a modern integrated web-based application known as the South Australian Integrated Land Information System (SAILIS). The implementation of SAILIS is anticipated to be completed during 2014-15.

*NECS initiative*

In 2012, Cabinet endorsed the introduction of the Electronic Conveyancing National Legislation (ECNL) Bill into the New South Wales Parliament as the host jurisdiction. The ECNL Bill was passed into law. In June 2013, the ECNL (SA) Bill 2013 was introduced into the South Australian Parliament.

*Audit comment*

As previously reported, it is critical that the Land Services Group continues to exercise appropriate governance arrangements for the LSBR program and ensure that the legacy land administration system is effectively managed until its decommissioning in 2015.

It is also important that the Land Services Group continues to relate with RevenueSA regarding the RISTEC system which is concurrently being implemented with the LSBR program. This will assist in ensuring the effective exchange of information between the two systems once both systems are fully operational.

In addition Cabinet needs to be continually updated on matters specific to the progress of the LSBR program and NECS initiative, including funding position update status.

The Land Services Group also needs to ensure that the supplier, who is contractually required to develop a proposed information security management system, complies with the whole-of-government mandated information security management framework guideline requirements.

**Other commentary**

***Adelaide Oval redevelopment***

On 29 September 2011 the *Adelaide Oval Redevelopment and Management Act 2011* (the Act) came into operation. The primary purpose of the Act is to facilitate the redevelopment of Adelaide Oval and to provide for the future care, control and management of Adelaide Oval. The Department has the principal construction management role and responsibility for the project development.

The Act also requires financial supervision of the project by the Auditor-General and provides for the Auditor-General to report to Parliament on specific financial matters associated with the redevelopment and the ongoing management of Adelaide Oval. Four Reports have been provided to the Parliament in discharge of the requirements of the Act. The first Report was provided to the Parliament on 29 February 2012 followed by Reports of 31 August 2012, 28 February 2013 and 30 August 2013.

In addition, the Act provides for the Auditor-General to audit the accounts of the Adelaide Oval SMA Limited each year. The financial statements and related commentary on this audit are included under the heading 'Adelaide Oval Stadium Management Authority' elsewhere in Part B of this Report.

### **State Aquatic Centre (SAC) and GP Plus Health**

#### *Introduction*

Last year's Report for the year ended 30 June 2012 included comment on Audit's review of procurement and contract management arrangements associated with the development of the new SAC and GP Plus Health Care Centre. The Audit findings arising from this review were communicated to the Department in January 2013. The findings and the Department's response are summarised below.

#### *Review scope and approach*

The review incorporated consideration of procurement and contract management arrangements implemented from the beginning of 2009, following the abandoning of a proposed public private partnership (PPP) approach to procuring the development, through to the completion of the development. Some consideration was given to management of rectification works following practical completion of the works and to understanding the contractor's claims for payment for execution of time delay costs, acceleration costs and interest.

In conducting this review consideration was given to relevant documentation including Cabinet approvals, submissions to the Public Works Committee and the Committee's report, documented communications between Department officers and officers of other agencies and project documentation. Consideration has also been given to the Department's response to the Audit communication which provided important context and understanding that was not evident from documentation considered by Audit.

Matters considered in the review include:

- the adequacy of information provided to Cabinet and the Public Works Committee
- the extent to which the project has been implemented in accordance with Cabinet approvals
- the probity of the procurement process.

#### *Background to the project*

In 2008 the State Government sought to develop the SAC and GP Plus Health Care Centre through a PPP. In January 2009 the consortium selected to deliver the project was unable to proceed because one of the consortium members could not deliver the required services. The consortium was provided with additional time to secure a replacement operator, however they were unable to deliver on the same terms and conditions of the original proposal.

The consortium provided revised terms and conditions which were considered by the Crown Solicitor's Office, who advised that the revised proposal would expose the State to unreasonable risk. In response to the consortium being unable to deliver its original proposal, in February 2009 Cabinet approved abandoning the PPP model.

The Department proposed to Cabinet that, in place of the PPP model, the Minister for Transport and Infrastructure (the Minister) would seek to engage the building contractor, who was part of the PPP consortium, through an early contractor involvement approach to build the project. In support of this approach the Department indicated that the selected contractor had developed intellectual property through its engagement in the proposed PPP.

Cabinet did not approve this proposal but, instead, approved the Department purchasing the contractor's intellectual property and conducting a select tender for the project. The tender process was intended to be for the construction of the SAC and GP Plus Health Care Centre development, using the designs and drawings purchased from the selected contractor, and was required to be completed within one month. The Department sought to acquire the selected contractor's intellectual property but was unable to do so either because the selected contractor assessed that selling its intellectual property was not to its commercial advantage or because it did not have transferrable intellectual property.

The Department initiated a select tender process by inviting offers from three contractors, including the selected contractor, in what was planned to be an early contractor involvement approach. The select tender process was abandoned and the Department moved to directly negotiate with the three contractors to seek fixed price offers based on a design prepared by a firm of architects engaged by the Department.

Cabinet approved, in April 2009, the Minister entering a design and construct contract with the selected contractor to construct the SAC and GP Plus Health Care Centre and in November 2009 approved a contract variation, and increase in the contract amount, to incorporate the Inner Southern Community Mental Health Centre in the project.

The GP Plus Health Care Centre achieved practical completion in January 2011 and the SAC achieved practical completion in March 2011.

In May 2011 the contractor submitted a written claim seeking payment for execution of time delay costs, acceleration costs and interest.

In December 2011 Cabinet approved additional expenditure of \$3.039 million for urgent rectification work and noted the need for further work and due diligence to be undertaken to confirm the estimated value (\$7 million) of additional rectification works.

*Key finding*

The review of the procurement of the construction contractor found that the approach to procurement proposed by the Department, as approved by Cabinet and as implemented, was subject to significant and fundamental change. The review also concluded that documentation available for Audit consideration did not fully describe the considerations which supported procurement decisions or the rationale for those decisions. Importantly the documentation did not adequately explain the decision to select the bidder which provided the lowest cost bid but was assessed as involving the highest risk having regard to demonstrated capacity to deliver projects of the size and complexity of the contracted works.

In response to the initial Audit findings the Department provided a comprehensive response. The response acknowledged that documentation did not necessarily reflect the informal input of Ministers and other agencies who were consulted as part of the normal process of preparing proposals for Cabinet consideration and approval. The Department further advised that the procurement process was implemented in the context of tight deadlines to complete the development in time for planned events, to meet complex and challenging design requirements and within tight budget funding constraints.

The Department noted that the selected bidder's prior involvement in the project and their understanding of the design and construction requirements was considered important to enable the delivery of the project on time and to meet functional and design requirements. It noted that departmental staff worked to effectively manage and mitigate the identified risks associated with the selected contractor.

The Department's response highlighted that the project was completed on time to enable the conduct of the scheduled events and has been acknowledged by users as being an outstanding facility.

Having considered the Department's response Audit concluded that documentation recording procurement planning, decision-making and implementation should have, but did not adequately, record all matters considered in reaching the decision to appoint the selected contractor. The review also supports the view that while the selected contractor provided the lowest cost bid and had project knowledge which was of benefit to the project, they lacked experience in projects of the size of the tendered works and this made them a higher risk option. Audit also considers that the final stage of the procurement process, which sought fixed price offers from three bidders, provided a significant advantage to the final selected bidder, and two bidders had little prospect of success unless the timeframe for receiving bids was extended to enable the bidders to respond.

*Other significant findings over the matter*

Other significant findings which emerged from the review and the Department's responses are summarised below.

The Department sought and received Cabinet approval to fundamentally change the procurement and project delivery approach which transferred the risks from the PPP proponents to the State. The significance of this risk transfer was not adequately analysed in the Cabinet submissions. In response the Department reflected upon the different approaches to responding to risks under the PPP and design and construct models and explained how the approach adopted sought to respond to identified risks.

The review of documentation noted that Cabinet and the Public Works Committee were advised of the involvement of a probity auditor but were not clearly advised that the probity auditor's work did not encompass the post-tender negotiations.

The scope of the works and consequently the design and specifications of the project were not settled at the time Cabinet approved the project. It was evident from review of DTF costing comments that, at the time Cabinet approved the contingency allowance and the project's referral to the Public Works Committee, changes were being considered to the project scope and that the approved project budget was insufficient to complete the project including the prospective changes to the project.

The project scope, design and specifications were amended significantly after the project commenced resulting in increases in the project budget, increased costs and delays in completing the project. The impact of the scope changes for the mental health facility was not adequately documented and agreed with the builder. The Department acknowledged that the scope was significantly altered at the request of the user and that the additional works were negotiated with the contractor in the usual way and on the understanding that the contractor had allowed all costs for the variations. It confirmed this understanding was incorrect and further allowance for some of the contractor's claims for costs was approved.

Changes were made to project specifications, including a change in the pool construction from an adjustable floor to a fixed floor, resulting in reduced costs which were applied to fund other elements of the project or to fund cost overruns. Significant changes to the scope of works and project specifications make it difficult to effectively manage the contract and measure contractor performance against budget. In response the Department advised that some changes in scope are inevitable when design and construct contracts are entered and, in this instance, they were negotiated through discussion with the contractor having regard to the original, design and FINA requirements.

The project was approved without determining an approach to operating the SAC, determining the financial impact of operating the SAC on the State budget or obtaining approval for funding for the operations. It is noted that the contract to operate and maintain the SAC was executed in June 2011. The Department's response noted that operating arrangements were not within the scope of its responsibility at the time.

The Department and the contractor are now in dispute with respect to the contractor's right to recover costs claimed due to the changes to the project scope, design and specifications. The Department's response detailed the approach it adopted to work with the contractor to monitor progress with the project and to manage any contractual risks and its understanding of events preceding the submission of claims by the contractor.

The contractor was not able to obtain a FINA letter of certification as required under the contract because it is not FINA practice to provide this form of documentation. The Department advised that the facility needed to be completed to gain approval to hold FINA events and the facility has achieved that status.

The Department's management of the remediation works and oversight of the operations of the SAC by the Office of Recreation and Sport, which is now a part of the Department, will be the focus of ongoing audit review.

#### **Gawler Line Modernisation Project**

The Gawler commuter rail line joins the regional city of Gawler to the Adelaide CBD.

In May 2009 the Commonwealth Government committed funding of \$293.5 million to upgrade rail track and certain stations, and the electrification of the Gawler line.

In June 2012 the Commonwealth Government advised the Department to cease expenditure of Commonwealth funds on the project following the SA Government's decision to suspend State funding for the electrification component of project. Further in October 2012 the Commonwealth Government wrote to the Department requesting that unspent funds (\$41 million) be returned to the Commonwealth Government. The Commonwealth Government advised the Department that \$10 million of the unspent funds may be used for the Seaford rail extension and the remaining \$31 million plus interest was required to be repaid in accordance with the National Partnership Agreement.

The Department returned the unspent funds including interest to the Commonwealth Government in April 2013.

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

<b>Highlights of the financial report</b>	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Employee benefit expenses	220	232
Supplies and services	804	798
Depreciation and amortisation	320	311
Grants and subsidies	106	173
Other expenses	115	84
<b>Total expenses</b>	<b>1 565</b>	<b>1 598</b>
<b>Income</b>		
Fees and charges	565	560
Commonwealth revenues	112	741
Sale of goods and services	143	144
Rental income	214	209
Other income	107	258
<b>Total income</b>	<b>1 141</b>	<b>1 912</b>
<b>Net revenue from (cost of) providing services</b>	<b>(424)</b>	<b>314</b>

	2013 \$'million	2012 \$'million
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	428	309
Payments to SA Government	(4)	(55)
<b>Total revenues from (payments to) SA Government</b>	<b>424</b>	<b>254</b>
<b>Net result</b>	<b>-</b>	<b>568</b>
<b>Other comprehensive income</b>		
Changes in revaluation surplus	712	704
<b>Total comprehensive result</b>	<b>712</b>	<b>1 272</b>
<b>Net cash provided by (used in) operating activities</b>	<b>354</b>	<b>909</b>
<b>Assets</b>		
Current assets	977	1 099
Non-current assets	23 201	21 742
<b>Total assets</b>	<b>24 178</b>	<b>22 841</b>
<b>Liabilities</b>		
Current liabilities	312	339
Non-current liabilities	147	155
<b>Total liabilities</b>	<b>459</b>	<b>494</b>
<b>Total equity</b>	<b>23 719</b>	<b>22 347</b>

#### Statement of Comprehensive Income

##### Expenses

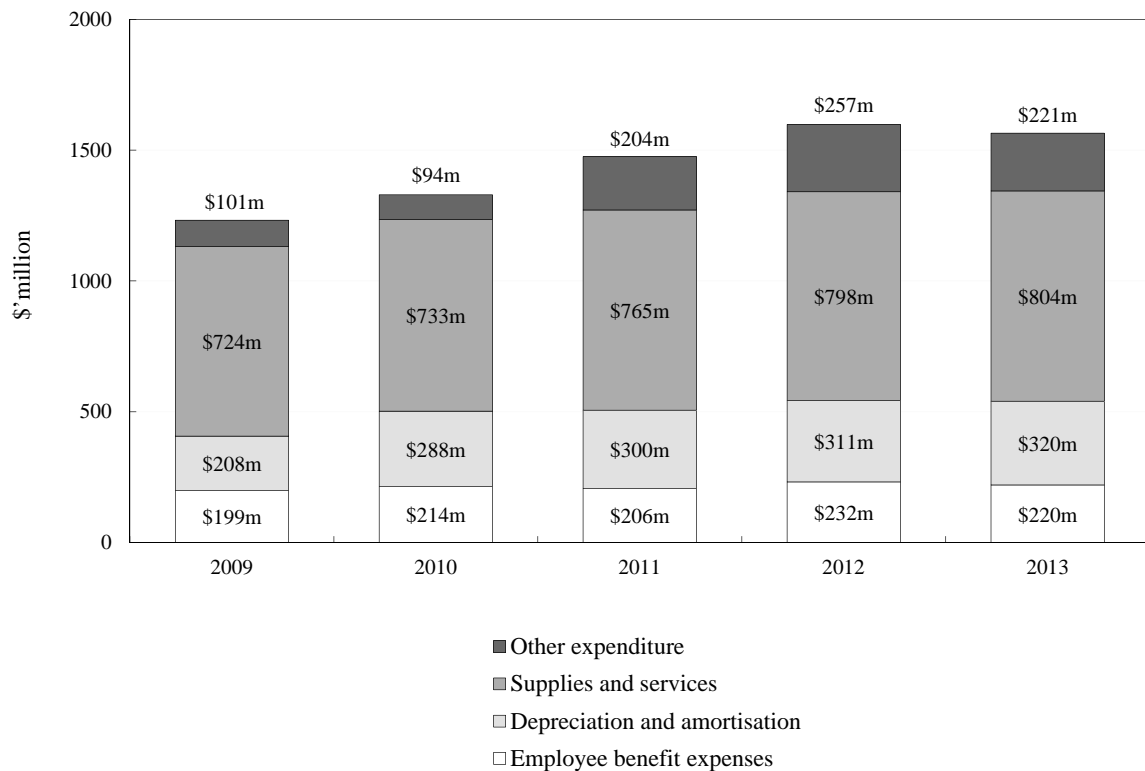
Total expenses for the year decreased by \$33 million (2%). The decrease mainly reflects a \$67 million decrease in grants and subsidies and a \$12 million decrease in employee benefits expenses. The decrease was offset by a \$31 million increase in other expenses.

The decrease in grants and subsidies mainly reflects a once off payment of \$85 million to the South Australian Cricket Association in 2011-12 for the repayment of a loan facility relating to the redevelopment of Adelaide Oval. The decrease in employee benefit expenses was due to a decrease in salaries and wages (\$11 million) mainly reflecting the full year effect of machinery of government changes implemented in 2011-12. The increase in other expenses was principally due to an increase in assets donated.

Expenses for the year totalled \$1565 million (\$1598 million) and are mainly attributable to:

- employee benefit expenses of \$220 million (14%)
- supplies and services expenses of \$804 million (51%), of which \$179 million (22%) relates to the bus service contract payments, \$150 million (19%) relates to operating costs of major infrastructure maintenance and other service contracts and \$148 million (18%) relates to operating lease expenses
- depreciation and amortisation expense of \$320 million (20%), of which \$213 million (66%) relates to network asset depreciation and \$64 million (20%) relates to plant and equipment depreciation and amortisation.

For the five years to 2013, a structural analysis of the major expense items for the Department is shown in the following chart.



### Income

Total income (excluding revenues from the SA Government and changes in revaluation surpluses) for the year decreased by \$771 million (40%). The decrease mainly reflects a \$629 million decrease in Commonwealth funding due to a decrease in *Nation Building Program (National Land Transport) Act 2009* funding and a \$123 million decrease in resources received free of charge. The decrease in resources received free of charge mainly reflects the effect of the transfer in 2011-12 of the Adelaide Oval western grandstand from the South Australian Cricket Association and land from the Adelaide City Council to the Department for the Adelaide Oval Redevelopment project.

Income for the year totalled \$1141 million (\$1912 million) and represents:

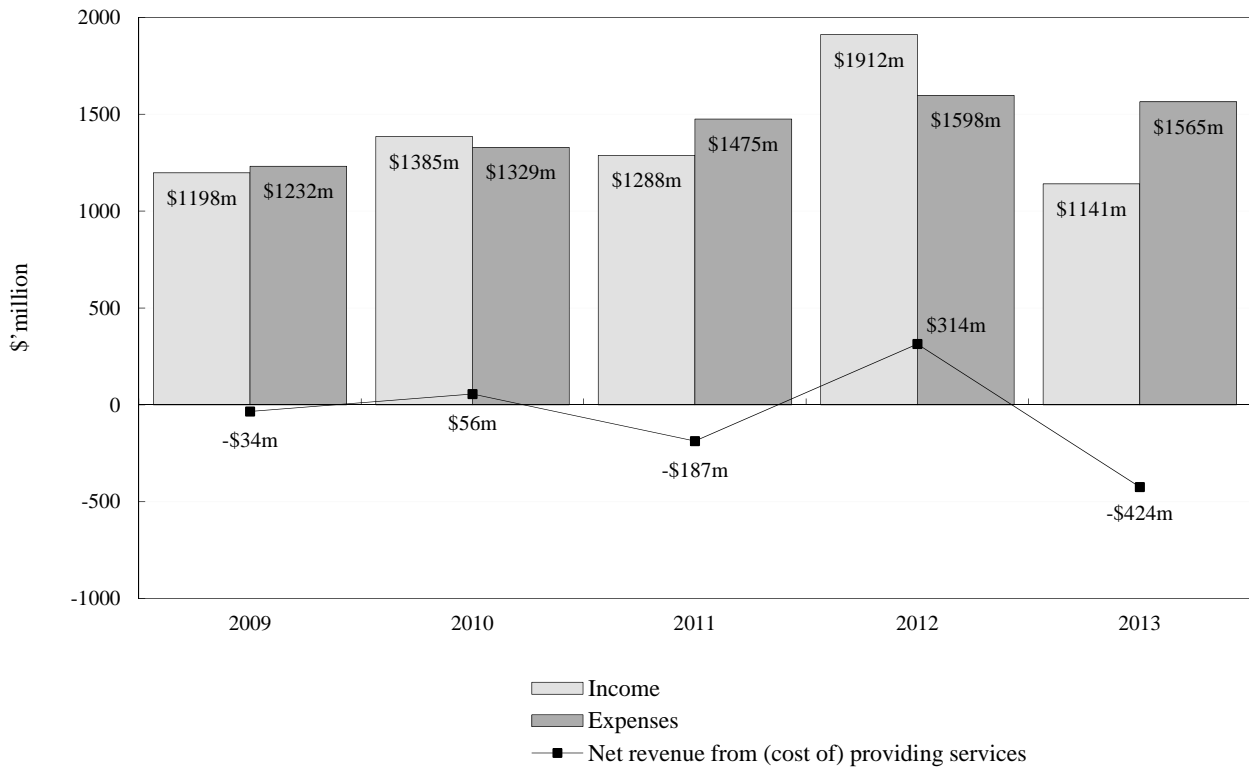
- fees and charges of \$565 million (50%), of which \$428 million relates to driver and vehicle registration income and \$75 million relates to Metroticket income
- Commonwealth revenues of \$112 million (10%), including \$13 million for the Seaford Rail Extension project, \$45 million for road maintenance projects, \$20 million for the Dukes Highway project, \$9 million received pursuant to the *Interstate Road Transport Act 1985* (Cwlth), \$7 million for the establishment of the National Rail Regulator, \$5 million for Black Spot projects and \$4 million for the Gawler Line Electrification/Re-sleeper project
- sale of goods and services income of \$143 million (13%), of which \$89 million relates to facilities maintenance services provided to government agencies and \$54 million is attributable to sale of other goods and services
- rental income of \$214 million (19%) including \$182 million for office accommodation and \$26 million for residential accommodation.



**Net revenue from (cost of) providing services**

The net cost of providing services for the year was a deficit of \$424 million compared to a surplus of \$314 million the previous year.

The following chart shows the income, expenses and net revenue from (cost of) providing services for the five years to 2013.



**Revenues from (Payments to) SA Government**

Revenues from SA Government totalled \$428 million (\$309 million). The increase mainly reflects a \$123 million increase in appropriation received pursuant to the *Appropriation Act* and \$135 million received from the Governors’ Appropriation Fund for 2012-13. The increase was offset by a \$139 million decrease in transfers from contingency provisions.

Payments to the SA Government totalled \$3.6 million (\$55 million) representing local government and income tax equivalent payments of \$2.2 million (\$2.5 million) and other payments to Consolidated Account of \$1.4 million (\$52 million).

In addition, during the year the Department received an appropriation in the form of an equity contribution from the SA Government totalling \$683 million (\$484 million). As the appropriation represents an equity contribution it was not recognised in the Statement of Comprehensive Income but was recognised in the Statement of Changes in Equity.

**Statement of Financial Position**

Total assets of the Department as at 30 June 2013 were \$24.2 billion (\$22.8 billion), of which \$17.6 billion (\$16.8 billion) represents the written down value of the network assets. The increase in assets reflects mainly a \$775 million increase in network assets and a \$878 million increase in capital works in progress. The increase was offset by a \$228 million decrease in land, buildings and facilities.

## Network assets

Network assets represent 76% (77%) of total non-current assets. Network assets comprise roads with a written down value of \$15 billion (85%), structures with a written down value of \$1.4 billion (8%) and rail and bus track \$1.2 billion (7%).

The written down value of network assets increased by \$775 million to \$17.6 billion. The increase is attributable mainly to:

- the capitalisation of a number of projects totalling \$216 million, of which \$19 million relates to the Dukes Highway safety upgrade, \$19 million relates to the Sturt Highway Shoulder Sealing project, \$14 million relates to the Adelaide Rail Yard Upgrade project, \$14 million relates to the Victor Harbor/McLaren Vale Overpass project, \$10 million relates to the Reseal and Rehabilitation project and \$9 million to the Annual Rail Capital program
- a revaluation of network asset components during the year resulting in a revaluation increment of \$773 million which reflects:
  - a revaluation increment of \$772 million for roads
  - a revaluation increment of \$3 million for rail and bus track assets
  - a revaluation decrement of \$2 million for structures.

The revaluation increment for road assets reflects an internal revaluation undertaken by the Department with effect as at 1 July 2012. As there is no market for these assets they are valued at written down replacement cost which is considered to be their fair value. In completing the revaluation the Department revised its valuation model to include safety barriers, traffic signals and road lighting. A key assumption of the model is that the road network will be replaced by a modern equivalent asset having the same service potential as the existing road asset network in use. For further details of the valuation model and key assumptions refer note 3.13 to the financial statements.

## Capital works in progress

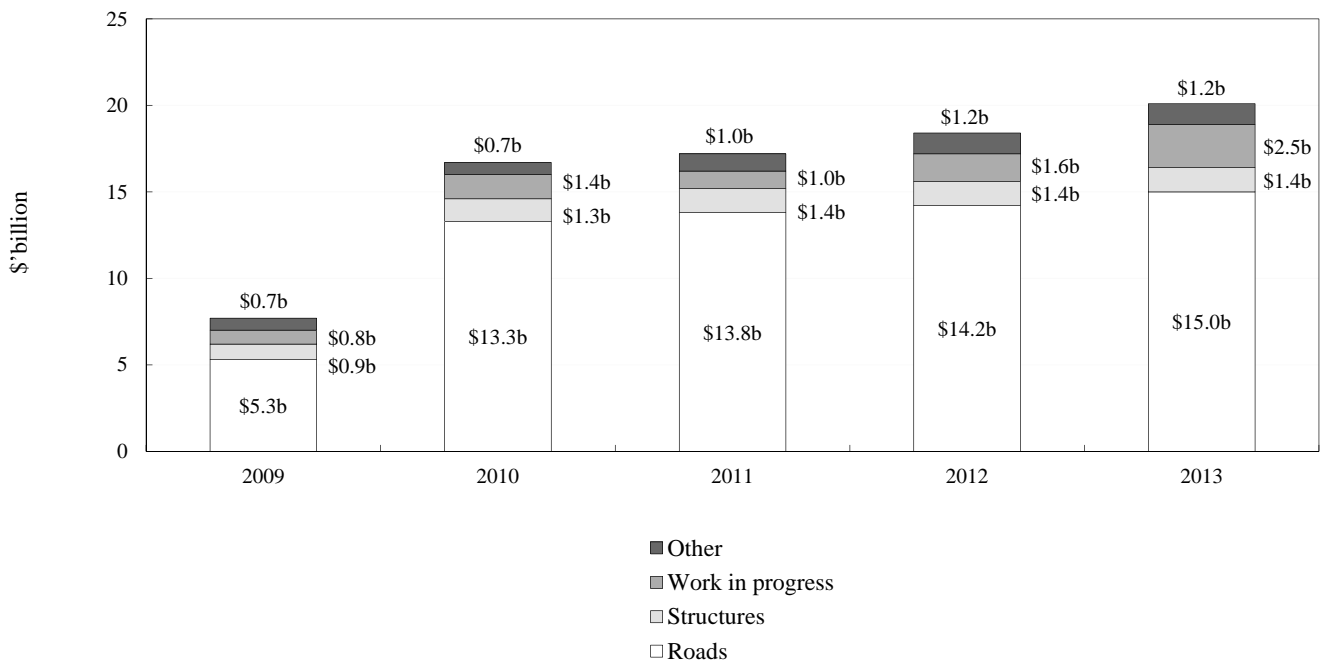
The value of capital works in progress increased by \$878 million (55%) to \$2.5 billion.

The increase reflects a larger capital works program and increased expenditure for a number of major capital projects, including \$217 million for the Adelaide Oval redevelopment project, \$213 million for the South Road Superway, \$142 million for the Southern Expressway Duplication project, \$138 million for the Rail Electrification project and \$61 million for the Goodwood and Torrens Road upgrade projects.

The increase was offset by the transfer of completed projects totalling \$330 million to the Department's different asset categories including network assets (\$216 million), plant and equipment (\$99 million) and land, buildings and facilities (\$13 million). Refer to commentary above under 'Network assets' for details of the major projects capitalised during the year.

Major projects recorded in capital works in progress at balance date include the South Road Superway project (\$677 million), the Seaford Rail Extension project (\$287 million), the Adelaide Oval Redevelopment project (\$379 million), the Southern Expressway Duplication project (\$232 million) and the Rail Electrification project (\$192 million).

The following chart shows, for the five years to 30 June 2013, a structural analysis of the written down value of network assets and capital work in progress.



Consistent with previous years, sources of funding to maintain and develop network assets were from the annual collection of registration and licence fees of \$428 million (\$411 million), grants from the Commonwealth Government of \$112 million (\$741 million), appropriations and transfers from contingency provisions of \$428 million (\$309 million) and equity contributions of \$683 million (\$484 million). This regular source of funding explains the low level of borrowings.

#### Land, buildings and facilities

The value of land, buildings and facilities decreased by \$228 million (9%) from \$2.6 billion to \$2.4 billion.

The decrease relates mainly to the transfer of land and buildings to assets held for resale totalling \$84 million, a revaluation decrement of \$50 million, depreciation and amortisation charges of \$36 million and assets with a book value of \$85 million which were donated to other South Australian government agencies. Refer note 11 to the financial statements for further details regarding donated assets.

These decreases were offset by the completion and capitalisation of projects totalling \$13 million and asset additions of \$23 million.

#### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2013.

	2013 \$'million	2012 \$'million	2011 \$'million	2010 \$'million
<b>Net cash flows</b>				
Operating	354	909	399	627
Investing	(1 170)	(1 097)	(887)	(875)
Financing	660	471	413	366
Change in cash	(156)	283	(75)	118
Cash at 30 June	539	695	412	487

The analysis of cash flows shows a consistent increase in net cash outflows from investing activities reflecting a continuing increase in the Department's capital works program and resulting increase in payments for property, plant and equipment and network assets.

The decrease in net cash flows from operating activities (\$555 million) mainly reflects a \$628 million decrease in receipts from the Commonwealth Government which was offset by a \$119 million increase in receipts from the SA Government.

The net cash flows from financing activities for 2013 mainly reflect an equity contribution from the SA Government for \$683 million (\$484 million). This equity contribution was offset by a repayment of equity of \$19 million representing proceeds from land sales paid into the Consolidated Account.

**Administered items**

***Collections on behalf of third parties***

Service SA collects money on behalf of the Department relating to the registration and licensing function on behalf of third parties including:

- compulsory third party insurance on motor vehicles on behalf of the Motor Accident Commission
- stamp duty on behalf of DTF.

In 2012-13 amounts collected by the Department on behalf of third parties totalled \$904 million (\$903 million) and included \$631 million (\$605 million) for compulsory third party insurance and \$150 million (\$144 million) for stamp duty.

Collections on behalf of third parties receipts represent 84% (85%) of revenues administered by the Department.

**Statement of Comprehensive Income  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefit expenses	6	220 413	231 587
Supplies and services	7	804 200	797 876
Depreciation and amortisation expense	8	320 163	311 048
Grants and subsidies	9	105 845	173 237
Borrowing costs	10	1 361	1 285
Other expenses	11	113 459	82 633
<b>Total expenses</b>		<b>1 565 441</b>	<b>1 597 666</b>
<b>Income:</b>			
Fees and charges	13	565 220	560 025
Commonwealth revenues	14	112 453	741 016
Sale of goods and services	15	143 350	143 944
Rental income	16	213 777	208 715
Grants and subsidies	17	56 668	59 851
Interest	18	5 692	4 539
Commissions received	19	98	6 265
Net loss from the disposal of non-current assets	20	(5 734)	(5 468)
Resources received free of charge	21	546	123 414
Other income	22	48 995	69 646
<b>Total income</b>		<b>1 141 065</b>	<b>1 911 947</b>
<b>Net revenue from (cost of) providing services</b>		<b>(424 376)</b>	<b>314 281</b>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	23	428 293	309 237
Payments to SA Government	23	(3 611)	(54 994)
<b>Net revenues from (payments to) SA Government</b>		<b>424 682</b>	<b>254 243</b>
<b>Net result</b>		<b>306</b>	<b>568 524</b>
<b>Other comprehensive income:</b>			
Changes in property, network assets and plant and equipment revaluation surplus		712 081	704 338
<b>Total comprehensive result</b>		<b>712 387</b>	<b>1 272 862</b>

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

## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000	2012 \$'000	2011 \$'000
<b>Current assets:</b>				
Cash and cash equivalents	24	538 976	694 978	412 212
Receivables	25	307 144	299 873	281 595
Inventories	26	13 319	10 981	7 912
Other assets	27	39 417	74 136	31 574
Non-current assets classified as held for sale	28	78 399	19 284	61 322
<b>Total current assets</b>		977 255	1 099 252	794 615
<b>Non-current assets:</b>				
Receivables	25	10 732	10 530	11 319
Other assets	27	23 700	26 697	19 983
Land, buildings and facilities	29	2 383 225	2 611 348	2 079 853
Plant and equipment	30	723 368	687 449	445 649
Network assets	31	17 568 647	16 793 799	16 290 979
Capital works in progress	32	2 463 559	1 585 759	996 654
Intangible assets	33	28 188	26 120	14 812
<b>Total non-current assets</b>		23 201 419	21 741 702	19 859 249
<b>Total assets</b>		24 178 674	22 840 954	20 653 864
<b>Current liabilities:</b>				
Payables	34	251 149	265 080	243 755
Borrowings	35	2 162	2 162	1 692
Employee benefits	36	29 333	27 184	29 655
Provisions	37	5 499	8 863	27 572
Other liabilities	38	23 629	35 466	8 843
<b>Total current liabilities</b>		311 772	338 755	311 517
<b>Non-current liabilities:</b>				
Payables	34	22 096	21 098	6 080
Borrowings	35	17 417	18 834	17 443
Employee benefits	36	69 609	72 081	62 859
Provisions	37	8 170	8 979	8 031
Other liabilities	38	30 413	33 838	28 251
<b>Total non-current liabilities</b>		147 705	154 830	122 664
<b>Total liabilities</b>		459 477	493 585	434 181
<b>Net assets</b>		23 719 197	22 347 369	20 219 683
<b>Equity:</b>				
Retained earnings		7 468 168	7 447 956	6 492 057
Revaluation surplus		14 075 469	13 387 869	12 690 334
Contributed capital		2 175 560	1 511 544	1 037 292
<b>Total equity</b>		23 719 197	22 347 369	20 219 683

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	42
Contingent assets and liabilities	43

**Statement of Changes in Equity  
for the year ended 30 June 2013**

	Note	Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011		1 037 292	12 686 065	6 479 243	20 202 600
Prior period - error corrections identified 2012-13	39	-	-	5 586	5 586
Prior period - error corrections identified 2011-12	39	-	4 269	7 228	11 497
Restated balance at 30 June 2011		1 037 292	12 690 334	6 492 057	20 219 683
Net result for 2011-12		-	-	568 524	568 524
Gain (Loss) on revaluation of property during 2011-12		-	240 130	-	240 130
Gain (Loss) on revaluation of network assets during 2011-12		-	318 803	-	318 803
Gain (Loss) on revaluation of plant and equipment during 2011-12		-	145 405	-	145 405
Total comprehensive result for 2011-12		-	704 338	568 524	1 272 862
Transfer between equity components:					
Equity transfer on asset disposals		-	(7 260)	7 260	-
Other		-	2	(11)	(9)
Transactions with SA Government as owner:					
Net assets transferred in as a result of an administrative restructure		-	-	412 404	412 404
Net assets transferred out as a result of an administrative restructure		-	-	(27 680)	(27 680)
Equity contribution received		484 015	-	-	484 015
Dividends paid		-	-	(1 706)	(1 706)
Equity contribution repaid		(9 763)	-	-	(9 763)
Balance at 30 June 2012		1 511 544	13 387 414	7 450 848	22 349 806
Prior period - error correction	39	-	455	(2 892)	(2 437)
Restated balance at 30 June 2012		1 511 544	13 387 869	7 447 956	22 347 369
Net result for 2012-13		-	-	306	306
Gain (Loss) on revaluation of property during 2012-13		-	(50 031)	-	(50 031)
Gain (Loss) on revaluation of network assets during 2012-13		-	772 830	-	772 830
Gain (Loss) on revaluation of plant and equipment during 2012-13		-	(10 718)	-	(10 718)
Total comprehensive result for 2012-13		-	712 081	306	712 387
Transfer between equity components:					
Equity transfer on asset disposals		-	(24 481)	24 481	-
Other		-	-	5	5
Transactions with SA Government as owner:					
Net assets transferred out as a result of an administrative restructure	41	-	-	(2 874)	(2 874)
Equity contribution received		683 249	-	-	683 249
Dividends paid		-	-	(1 706)	(1 706)
Equity contribution repaid		(19 233)	-	-	(19 233)
<b>Balance at 30 June 2013</b>		<b>2 175 560</b>	<b>14 075 469</b>	<b>7 468 168</b>	<b>23 719 197</b>

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

## Statement of Cash Flows for the year ended 30 June 2013

	2013	2012
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash outflows:		
Employee benefit payments	(220 590)	(197 160)
Payments for supplies and services	(1 014 772)	(1 090 454)
Payments of grants and subsidies	(105 745)	(137 368)
Interest paid	(1 344)	(1 114)
Construction work payments	(819 266)	(559 477)
GST paid to the ATO	(115 850)	(107 830)
Lease incentives	(2 426)	(2 228)
Other payments	(47 381)	(46 039)
<b>Cash used in operations</b>	<b>(2 327 374)</b>	<b>(2 141 670)</b>
Cash inflows:		
Fees and charges	565 752	557 065
Receipts from Commonwealth	111 703	740 194
Rental income	273 112	280 239
Sale of goods and services	327 320	327 153
Grants and subsidies	58 227	66 783
Interest received	6 070	4 814
Commissions	98	6 264
Construction work reimbursements	593 189	533 574
GST received from the ATO	260 969	240 919
Lease incentives	1 158	8 269
Other receipts	63 198	30 127
<b>Cash generated from operations</b>	<b>2 260 796</b>	<b>2 795 401</b>
Cash flows from SA Government:		
Receipts from SA Government	428 293	309 238
Payments to SA Government	(7 863)	(53 954)
<b>Cash generated from SA Government</b>	<b>420 430</b>	<b>255 284</b>
<b>Net cash provided by (used in) operating activities</b>	<b>353 852</b>	<b>909 015</b>
	44	
<b>Cash flows from investing activities:</b>		
Cash outflows:		
Purchase of property, plant and equipment	(339 453)	(268 465)
Purchase of network assets	(856 757)	(888 518)
<b>Cash used in investing activities</b>	<b>(1 196 210)</b>	<b>(1 156 983)</b>
Cash inflows:		
Proceeds from sale of property, plant and equipment	26 032	59 448
<b>Cash generated from investing activities</b>	<b>26 032</b>	<b>59 448</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(1 170 178)</b>	<b>(1 097 535)</b>
<b>Cash flows from financing activities:</b>		
Cash outflows:		
Payment of dividend to SA Government	(1 706)	(1 706)
Residential housing loan advancements	(336)	(338)
Repayment of borrowings	(412)	(242)
Repayment of finance leases	(1 851)	(1 810)
Net cash transfer out as a result of administrative restructure	-	(3 123)
Equity contribution repaid	(19 233)	(9 763)
<b>Cash used in financing activities</b>	<b>(23 538)</b>	<b>(16 982)</b>
Cash inflows:		
Equity contributions received	683 249	484 015
Principal repayments residential housing	613	647
Net cash transfer in as a result of administrative restructure	-	3 606
<b>Cash generated from financing activities</b>	<b>683 862</b>	<b>488 268</b>
<b>Net cash provided by (used in) financing activities</b>	<b>660 324</b>	<b>471 286</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(156 002)</b>	<b>282 766</b>
<b>Cash and cash equivalents at 1 July</b>	<b>694 978</b>	<b>412 212</b>
<b>Cash and cash equivalents at 30 June</b>	<b>538 976</b>	<b>694 978</b>
	24	



**Disaggregated Disclosures - Expenses and Income  
for the year ended 30 June 2013**

(Activities - refer note 5)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefit expenses	15 168	7 650	123 003	120 782	24 875	26 738	7 474	8 688
Supplies and services	9 202	3 001	398 063	385 679	16 517	13 964	10 661	9 838
Depreciation and amortisation expense	388	133	220 935	216 188	1 281	1 369	1 308	1 275
Grants and subsidies	1 271	1 338	4 132	92 339	-	-	39 466	39 033
Borrowing costs	-	-	1 097	1 016	3	25	-	24
Other expenses	220	77	111 430	80 601	92	542	85	436
<b>Total expenses</b>	<b>26 249</b>	<b>12 199</b>	<b>858 660</b>	<b>896 605</b>	<b>42 768</b>	<b>42 638</b>	<b>58 994</b>	<b>59 294</b>
<b>Income:</b>								
Fees and charges	4 855	4 792	40 085	46 696	15 924	15 184	2 486	2 433
Commonwealth revenues	-	-	106 971	736 301	-	-	4 755	4 715
Sale of goods and services	1 993	14	110 665	95 645	12 881	11 979	-	-
Rental income	-	-	213 318	207 578	-	-	-	-
Grants and subsidies	-	100	1 058	2 829	-	-	-	-
Interest	25	2	5 101	3 595	-	-	354	768
Commissions received	-	-	44	45	-	-	-	-
Net gain (loss) from disposal of non-current assets	-	(5)	(3 468)	(3 554)	-	-	-	-
Resources received free of charge	-	-	546	123 414	-	-	-	-
Other income	2 652	1 471	35 098	52 164	50	106	-	-
<b>Total income</b>	<b>9 525</b>	<b>6 374</b>	<b>509 418</b>	<b>1 264 713</b>	<b>28 855</b>	<b>27 269</b>	<b>7 595</b>	<b>7 916</b>
<b>Net revenue from (cost of) providing services</b>	<b>(16 724)</b>	<b>(5 825)</b>	<b>(349 242)</b>	<b>368 108</b>	<b>(13 913)</b>	<b>(15 369)</b>	<b>(51 399)</b>	<b>(51 378)</b>
(Activities - refer note 5)	5		6		7		8	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefit expenses	8 078	4 808	31 175	32 665	10 640	8 728	-	12 140
Supplies and services	8 889	7 104	347 412	339 152	13 456	8 105	-	11 975
Depreciation and amortisation expense	6 139	3 620	88 462	83 660	1 650	1 657	-	186
Grants and subsidies	23 736	17 603	14 881	17 121	22 359	2 844	-	-
Borrowing costs	261	165	-	19	-	36	-	-
Other expenses	183	15	1 394	845	55	25	-	31
<b>Total expenses</b>	<b>47 286</b>	<b>33 315</b>	<b>483 324</b>	<b>473 462</b>	<b>48 160</b>	<b>21 395</b>	<b>-</b>	<b>24 332</b>
<b>Income:</b>								
Fees and charges	5	37	75 807	81 344	426 058	204 444	-	205 026
Commonwealth revenues	494	-	233	-	-	-	-	-
Sale of goods and services	2 561	1 720	14 904	15 404	346	247	-	740
Rental income	147	207	312	136	-	-	-	-
Grants and subsidies	548	584	55 062	56 338	-	-	-	-
Interest	2	1	210	141	-	-	-	32
Commissions received	54	1	-	-	-	-	-	6 219
Net gain (loss) from disposal of non-current assets	-	-	(2 266)	(1 909)	-	-	-	-
Resources received free of charge	-	-	-	-	-	-	-	-
Other income	5 948	4 343	5 247	6 753	-	1	-	963
<b>Total income</b>	<b>9 759</b>	<b>6 893</b>	<b>149 509</b>	<b>158 207</b>	<b>426 404</b>	<b>204 692</b>	<b>-</b>	<b>212 980</b>
<b>Net revenue from (cost of) providing services</b>	<b>(37 527)</b>	<b>(26 422)</b>	<b>(333 815)</b>	<b>(315 255)</b>	<b>378 244</b>	<b>183 297</b>	<b>-</b>	<b>188 648</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013 (continued)

(Activities - refer note 5)	9		10		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	-	5 125	-	4 263	220 413	231 587
Supplies and services	-	13 305	-	5 753	804 200	797 876
Depreciation and amortisation expense	-	2 668	-	292	320 163	311 048
Grants and subsidies	-	-	-	2 959	105 845	173 237
Borrowing costs	-	-	-	-	1 361	1 285
Other expenses	-	40	-	21	113 459	82 633
<b>Total expenses</b>	-	21 138	-	13 288	1 565 441	1 597 666
<b>Income:</b>						
Fees and charges	-	-	-	69	565 220	560 025
Commonwealth revenues	-	-	-	-	112 453	741 016
Sale of goods and services	-	17 696	-	499	143 350	143 944
Rental income	-	794	-	-	213 777	208 715
Grants and subsidies	-	-	-	-	56 668	59 851
Interest	-	-	-	-	5 692	4 539
Commissions received	-	-	-	-	98	6 265
Net gain (loss) from disposal of non-current assets	-	-	-	-	(5 734)	(5 468)
Resources received free of charge	-	-	-	-	546	123 414
Other income	-	58	-	3 787	48 995	69 646
<b>Total income</b>	-	18 548	-	4 355	1 141 065	1 911 947
<b>Net revenue from (cost of) providing services</b>	-	(2 590)	-	(8 933)	(424 376)	314 281

**Disaggregated Disclosures - Assets and Liabilities  
as at 30 June 2013**

	(Activities - refer note 5)		1		2		3	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	581	3 713	306 869	246 119	2 826	40 177		
Inventories	-	-	5 777	4 755	1	-		
Other assets	-	52	61 130	98 974	171	358		
Non-current assets classified as								
held for sale	-	-	78 399	19 284	-	-		
Land, buildings and facilities	-	-	1 373 457	1 601 996	423	543		
Plant and equipment	1	347	59 230	55 044	346	523		
Network assets	-	-	16 441 160	15 679 996	-	-		
Capital works in progress	-	-	2 448 235	1 490 132	1 577	2 290		
Intangible assets	20	415	4 725	6 746	784	1 608		
<b>Total assets</b>	<b>602</b>	<b>4 527</b>	<b>20 778 982</b>	<b>19 203 046</b>	<b>6 128</b>	<b>45 499</b>		
<b>Liabilities:</b>								
Payables	143	2 509	242 469	229 908	3 678	6 913		
Borrowings	-	-	17 327	16 160	-	-		
Employee benefits	653	4 244	44 853	60 049	13 005	13 503		
Provisions	-	-	8 378	16 358	476	512		
Other liabilities	-	3	50 036	68 419	-	293		
<b>Total liabilities</b>	<b>796</b>	<b>6 756</b>	<b>363 063</b>	<b>390 894</b>	<b>17 159</b>	<b>21 221</b>		
	(Activities - refer note 5)		4		5		6	
	2013	2012	2013	2012	2013	2012		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	-	-	455	769	4 866	17 993		
Inventories	-	-	6	-	7 534	4 891		
Other assets	-	-	163	201	1 063	670		
Non-current assets classified as								
held for sale	-	-	-	-	-	-		
Land, buildings and facilities	-	-	264 025	265 026	742 965	743 783		
Plant and equipment	-	53	1 528	1 063	657 413	626 473		
Network assets	2 466	-	-	-	1 125 021	1 113 803		
Capital works in progress	-	-	-	-	11 587	91 983		
Intangible assets	51	72	-	-	12 086	6 355		
<b>Total assets</b>	<b>2 517</b>	<b>125</b>	<b>266 177</b>	<b>267 059</b>	<b>2 562 535</b>	<b>2 605 951</b>		
<b>Liabilities:</b>								
Payables	-	-	2 000	6 684	24 955	38 816		
Borrowings	-	-	2 252	2 665	-	-		
Employee benefits	-	-	1 918	1 856	30 742	10 278		
Provisions	-	-	240	202	4 082	324		
Other liabilities	-	-	109	13	3 866	516		
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>6 519</b>	<b>11 420</b>	<b>63 645</b>	<b>49 934</b>		

**Disaggregated Disclosures - Assets and Liabilities  
as at 30 June 2013 (continued)**

(Activities - refer note 5)	7		General/ Not attributable		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Assets:</b>						
Cash and cash equivalents	-	-	538 976	694 978	538 976	694 978
Receivables	-	-	2 279	1 632	317 876	310 403
Inventories	1	-	-	1 335	13 319	10 981
Other assets	-	-	590	578	63 117	100 833
Non-current assets classified as held for sale	-	-	-	-	78 399	19 284
Land, buildings and facilities	-	-	2 355	-	2 383 225	2 611 348
Plant and equipment	397	439	4 453	3 507	723 368	687 449
Network assets	-	-	-	-	17 568 647	16 793 799
Capital works in progress	-	-	2 160	1 354	2 463 559	1 585 759
Intangible assets	10 377	10 746	145	178	28 188	26 120
<b>Total assets</b>	<b>10 775</b>	<b>11 185</b>	<b>550 958</b>	<b>703 562</b>	<b>24 178 674</b>	<b>22 840 954</b>
<b>Liabilities:</b>						
Payables	-	-	-	1 348	273 245	286 178
Borrowings	-	-	-	2 171	19 579	20 996
Employee benefits	-	-	7 771	9 335	98 942	99 265
Provisions	-	-	493	446	13 669	17 842
Other liabilities	-	-	31	60	54 042	69 304
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>8 295</b>	<b>13 360</b>	<b>459 477</b>	<b>493 585</b>

## Notes to and forming part of the financial statements

### 1. Objectives of the Department of Planning, Transport and Infrastructure (the Department or DPTI)

DPTI has diverse responsibilities in relation to transport systems and services, infrastructure planning and provision, sporting infrastructure, and strategic land use for South Australia.

The Department ensures that South Australia's needs for the movement of people and freight, and the delivery of services across the transport and infrastructure sectors are met safely, efficiently, cost effectively and sustainably. The Department also plays a leadership role in the management of public sector building assets and infrastructure, elite sports pathways, administration of the State's lands title, and the State's land use and development planning for all South Australians.

### 2. Departmental organisation

The structure of the Department has been established in a manner that provides clear accountabilities and responsibilities for all offices and divisions and enables an open and steady flow of information between these areas.

The offices and groups of the Department as at 30 June 2013 are:

- Office of the Chief Executive
- Planning
- Public Transport
- Transport Services
- Business Services.

### 3. Summary of significant accounting policies

#### 3.1 Statement of compliance

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

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2013 (refer note 4).

#### 3.2 Basis of preparation

The preparation of the financial statements requires:

- (a) the use of certain accounting estimates and the exercise of judgment in the process of applying the Department's accounting policies. Any areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- (b) accounting policies have been selected and applied to ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- (c) compliance with APSs issued pursuant to section 41 of the PFAA.

In the interest of public accountability and transparency the following note disclosures are included in this financial statement:

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature
- (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
- (c) employee TVSP information
- (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

**3.2 Basis of preparation (continued)**

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that have been valued in accordance with specific applicable valuation policies described under this note. The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a 12 month operating cycle with amounts presented in Australian currency.

The accounting policies set below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

**3.3 Reporting entity**

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

The financial statements and accompanying notes include all the controlled activities of the Department. Transactions and balances relating to administered items are not recognised in this departmental financial statement.

As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements following the controlled departmental general purpose financial statements. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for departmental transactions.

**3.4 Comparative information**

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

Where presentation or classification of items in the financial statements have been amended, comparative figures have been adjusted unless impracticable. Where retrospective application of changes to accounting policies and recognition of errors has occurred, relevant comparative amounts have also been amended.

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

**3.5 Rounding**

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

**3.6 Business overheads**

The Department adopts a full cost approach to the costing of its infrastructure capital and recurrent works. This methodology entails the allocation of a proportionate share of overheads to these activities based on a regime of cost drivers. Costs that are typically allocated using these cost drivers include general engineering and field related expenses, and goods or services that support the resources directly engaged in working on these activities.

Business overheads relating to those functions or areas responsible for the management and control of property, building and ICT assets are allocated across the Department. Business areas incurring these costs allocate the costs to specific activities and programs in line with the Department's full cost approach methodology.

Costs normally associated with the establishment and operation of governance frameworks designed to support the role of executive management are not attributed to individual specific works and are borne by the Department as a whole.

**3.7 Taxation**

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

### 3.7 **Taxation (continued)**

With respect to GST, income, expenses and assets are recognised net of the amount of GST except:

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

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

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

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

With respect to tax equivalents, the Department is liable to pay income tax equivalents to the Consolidated Account in relation to the commercial operations of the Building Management Division.

In determining its tax equivalent commitments, the Department utilises the accounting profits model. Under this model, income tax expense is calculated separately for each taxable entity by applying the companies' income tax rate (currently 30%) to the accounting profit for the year.

### 3.8 **Events after the reporting period**

Adjustments are made to amounts recognised in the financial statements where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June and are material. Note disclosure is made about events between 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

### 3.9 **Transferred functions**

Assets, liabilities and contributed capital transferred to or from the Department under government restructuring arrangements are reported in accordance with APSs contained within APF II, AASB 1004 and Interpretation 1038.

Refer note 41 for details of the functions transferred to and from the Department during the year.

### 3.10 **Income**

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

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

The following are specific recognition criteria:

#### *Fees and charges*

Revenues from the levying of fees or charges set in accordance with various legislative acts (eg vehicle registration and drivers' licence fees) are recognised when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds.

#### *Sale of goods and services*

Revenues are derived from the provision of goods and services to other SA Government agencies and to the public. These revenues are driven by consumer demand and are recognised upon the delivery of those goods and services to the customers or by reference to the stage of completion, where possible.

*Grants received*

Grant revenue is recognised as income at the time the Department obtains control over the grant funds or obtains the right to receive the grant funds. For grants with unconditional stipulations, control generally occurs when the Department has been formally advised that the grant has been approved, the agreement has been signed and the grant has been received. For grants with conditional stipulations, control passes at the time the stipulations are satisfied or met.

Commonwealth grant revenues are received directly from the Federal Government or via DTF. These grants are usually subject to terms and conditions as set out in the contract, correspondence or legislation governing the provision of the grant.

*Net gain on non-current assets*

Gains or losses from the disposal of non-current assets are recognised on a net basis on the face of the Statement of Comprehensive Income when control of the asset has passed to the buyer. When revalued assets are sold, the revaluation surplus in equity in respect of the assets is transferred to retained earnings.

*Resources received free of charge*

Resources received free of charge may include assets (ie land, buildings or other property) contributed to the Department at no value or minimal value. Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value when control has passed to the Department. Contributions of services are recognised only when a fair value can be determined reliably and the services would have been purchased if they had not been donated.

*Revenues from SA Government*

Revenues from SA Government include monies appropriated to the Department under the *Appropriation Act* or other Acts. These appropriations are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt of those funds. Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the appropriation is recorded as contributed equity.

**3.11 Expenses**

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

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

The following are specific recognition criteria:

*Employee benefit expenses*

Employee benefit expenses include all costs related to employment of departmental staff. These costs are recognised when incurred and consist of wages and salaries, including amounts sacrificed, leave entitlements, employment on-costs such as payroll tax and superannuation, workers compensation payments, and other employee related expenses.

With respect to superannuation, the amount charged to the Statement of Comprehensive Income includes the contributions made by the Department to the superannuation plan in respect of current services provided by departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

*Depreciation and amortisation*

The useful life of an asset is generally determined on the basis of economic useful life to the Department. The useful lives of all major assets held by the Department are reassessed on an annual basis.

All non-current assets having a limited useful life are systematically depreciated/amortised over their estimated useful lives in a manner that reflects the consumption of their service potential. Land, unsealed roads (graded and formed), rail and road earthworks, non-current assets held for sale and works in progress are not depreciated.

The value of equipment assets under finance lease is amortised over the shorter of the lease term and the underlying asset's useful life. The value of building assets under finance lease is amortised over the asset's useful life. Capitalised software is amortised over the useful life of the intangible asset.



*Depreciation and amortisation (continued)*

Depreciation/Amortisation for non-current assets is determined as follows:

<i>Asset class</i>	<i>Depreciation method</i>	<i>Estimated useful life (years)</i>
Leased assets:		
Computers and network printers	Straight-line	3-4
Buildings and facilities:		
Buildings and facilities	Straight-line	3-154
Plant and equipment:		
Plant and equipment	Straight-line	3-116
Buses	Diminishing value	25
Metro rail and trailer cars	Straight-line	10-35
Information technology	Straight-line	3-10
Network assets:		
Roads (sealed surface)	Straight-line	19-29
Roads (sealed pavement)	Straight-line	40-58
Roads (sheeted)	Straight-line	15
Bridges and culverts	Straight-line	26-176
Rail and bus track	Straight-line	10-125
Other	Straight-line	28-100
Intangible assets:		
Software	Straight-line	3-14

*Grants and subsidies paid*

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

Grants provided by the Department to other entities are generally unconditional in nature and are recognised as expenses in the period in which they are paid.

*Borrowing costs*

In accordance with APF II, APS 3.6, borrowing costs are recognised as expenses in the period in which they are incurred.

*Resources provided free of charge*

Resources provided free of charge are recorded as expenditure in the Statement of Comprehensive Income at their fair value in the expense line items to which they relate. For example, assets contributed by the Department to other entities at no value or minimal consideration are disclosed separately under other expenses as donated assets.

*Payments to SA Government*

Payments to SA Government include the return of surplus cash pursuant to the cash alignment policy, payment for tax equivalents and regulatory fees received and paid to the Consolidated Account.

**3.12 Current and non-current classification**

Assets and liabilities are classified as either current or non-current in nature. Assets and liabilities that will be sold, consumed or realised as part of the 12 month operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**3.13 Assets**

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows include cash on hand and deposits at call that are readily converted to cash and are used in the day-to-day cash management function of the Department. Cash is measured at nominal value.

Administered cash is reported separately in the administered financial statements.

*Receivables*

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

- *Trade receivables*  
Trade receivables arise in the normal course of providing goods and services to other agencies and to the public. Trade receivables are usually settled within 30 days after the issue of an invoice or from when the goods/services have been provided under a contractual arrangement.

If payment from a debtor has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Department may be able to charge interest at commercial rates until the whole amount of the debt is paid.

The collectability of receivables is reviewed on an ongoing basis. The Department determines an allowance for doubtful debts based on an annual review of the balance of trade receivables. The allowance for doubtful debts is calculated as that amount of specific trade receivables where there is objective evidence that the Department will not be able to collect the debt. Bad debts are written off when identified.

- *Loan receivables*  
In accordance with the requirements of APF IV, the Department measures financial assets such as loan receivables at their historic cost, except interest free loans which are measured at the present value of expected repayments.
- *Finance lease receivables*  
The Department has entered into a number of finance lease arrangements as lessor for the purpose of providing housing and accommodation. Receivables to be derived from these lease arrangements have been brought to account in the Statement of Financial Position in accordance with the requirements of AASB 117.

#### *Inventories*

Inventories include goods and other property held either for sale, use or for distribution in the ordinary course of business and excludes depreciable assets.

Inventories held for distribution at no or nominal considerations, are measured at cost and are adjusted where applicable for any loss of service potential. The basis used in assessing loss of service potential includes current replacement cost and technological or functional obsolescence. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Inventories of roadside materials are measured at historic cost and stores are measured on a weighted average historic cost basis. Inventories held for works performed for clients external to the Department are measured at cost.

#### *Contracts in progress*

The Department acts as project manager for major capital works in relation to government buildings or government accommodation and for a range of minor capital works and maintenance type activities associated with the role of facilities manager.

Profits on these contracts are brought to account on a percentage of completion basis as determined under current engineering estimates and in accordance with AASB 111. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

The expenses incurred in undertaking these capital works and/or maintenance activities and the revenue from charging the respective government departments are transacted within the Statement of Financial Position. The net of the expenditure incurred and the revenue recovered is accounted for as a receivable or payable.

#### *Non-current assets held for sale*

Non-current assets classified as held for sale generally consist of land and buildings that have been declared surplus to the needs of the Department for which a plan of sale has been determined, the sale is highly probable and is expected to be completed within one year from the date of classification.

Non-current assets held for sale are measured at the lower of carrying amount and fair value less cost to sell in accordance with AASB 5, and are presented separately from the other assets in the Statement of Financial Position and are not subject to depreciation.

*Non-current assets - acquisition and recognition*

The Department capitalises non-current physical assets with an individual or grouped value of \$10 000 or greater in accordance with policies that are consistent with APF III and the requirements of AASB 116. Exceptions to this policy are assets under construction, land and buildings which are capitalised irrespective of their value.

Assets under construction are capitalised from capital works in progress to the appropriate asset classes at the completion of the project. Project costs that do not meet the recognition criteria of an asset are expensed.

In accordance with APF III, APS 9.7 the Department has elected not to recognise in its Statement of Financial Position the value of land under water because of the inherent difficulty in the reliable measurement of all land within this category.

APS 9.6 specifies that land under roads acquired before 1 July 2008 is not to be recognised by the Department as an asset. However, any land under roads acquired after 1 July 2008 has been recognised by the Department in accordance with paragraph 15 of AASB 1051 when the asset recognition criteria are met.

Buildings or other structures residing on land acquired for current road projects are not separately recognised in the Statement of Financial Position. The costs incurred in acquiring the buildings in these instances are deemed to be part of the costs of acquiring the land.

The Department separately recognises the components of specific assets it owns or controls only when the fair value of the asset at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Assets acquired and recognised by the Department are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs incurred with the acquisition.

Where the Department acquires assets at no cost, or minimal cost, these items are recorded at their fair value in the Statement of Financial Position. If the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor entity prior to the transfer.

*Revaluation of non-current assets*

In accordance with APF III, APSs 3.1 and 3.3, the Department revalues all its non-current physical assets to their estimated fair value. Revaluations are performed only in instances where the fair value of the asset or asset group at the time of acquisition is greater than \$1 million and the estimated useful life is greater than three years.

The Department revalues its assets every three years, depending on the nature or purpose for which that asset is held.

When depreciable non-current assets are revalued, the Department uses the gross method in accounting for most assets with the exception of land and buildings that are subject to commercial leases and held for provision of government agency accommodation and for provision of housing of government employees in remote areas.

If at any time the carrying amount of an asset materially differs from its fair value, the Department revalues the asset regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are either held at cost until the next valuation, or revalued if the fair value is likely to be materially different from the acquisition value.

Revaluation increments are credited directly to the revaluation surplus. If within an asset class, an increment reverses a revaluation decrement previously recognised as an expense in the Statement of Comprehensive Income within that class, the increment is recognised as revenue but only to the extent of the decrement previously recognised in this financial statement.

Revaluation decrements are offset against any previous revaluation surplus increment for a particular class of asset and any remaining balance is expensed.

When assets are sold or otherwise disposed of, the revaluation increments relating to those assets are transferred to retained earnings.

*Revaluation of non-current assets (continued)*

The valuation methodology applied to specific classes of non-current assets under revaluations is as follows:

- *Land, buildings and facilities*

Land and buildings that are subject to commercial leases and held for the provision of government agency accommodation are revalued every two years based on independent valuations.

Land and buildings that are subject to residential leases and held for the provision of housing of government employees in remote areas are revalued annually, using the Valuer-General's assessment.

All other land, (except land classified as held for major current road projects which is not subject to revaluation) is valued on a three year rolling program based on Valuer-General's assessments or from independent valuations.

All other buildings and facilities are valued on a three year rolling program at written down replacement cost (proxy for fair value) as determined by independent valuations or by suitably qualified valuation officers of the Department.

Where Valuer-General information is used to measure the value of buildings, that value is based on the Valuer-General's assessment of the building being the difference between the capital value and the site value of the property.

- *Road network assets*

With the exception of site preparation works (ie service relocation costs and earthworks), which are not subject to depreciation, all road network assets are valued at written down replacement cost either by independent valuers, or by suitably qualified officers of the Department. As these assets have no market they are measured at written down replacement cost which is considered to be their fair value.

Road network assets are revalued every three years with indexing applied during intervening years to roads, bridges and culverts. Indexing is applied using the Australian Bureau of Statistics' Road and Bridge Construction Price Index for South Australia.

The Department revalued its road network assets effective 1 July 2012. In performing the revaluation, the Department revised its network asset revaluation model to include major signs, traffic signals and road lighting. These assets were previously accounted for and revalued as separate asset groupings. In the model used for valuation, the road network is segmented into sections that have similar engineering and functional characteristics. Each segment is then characterised by a representative stereotype. Replacement unit rates, useful lives and residual values are calculated for each of these stereotypes and then applied to the surfacing/pavement area of the segments.

- *Rail network assets*

The Department revalued its rail assets in 2011-12. Assets were grouped to integrate with asset management and maintenance practice and are revalued every three years.

- *Plant and equipment*

Plant and equipment subject to revaluation is valued at fair value which is generally the written down replacement cost determined either by independent valuers or qualified departmental officers. Plant and equipment which does not meet the threshold for revaluation is recorded at historic cost. In these instances, historic cost is deemed to be the fair value of these assets.

- *Non-current capital works in progress*

Non-current capital works in progress are not revalued but recorded at historic cost.

- *Assets acquired under government restructures or other changes in administrative arrangements*

Former Australian National Rail land, buildings and facilities continue to be progressively defined, valued and recorded in the Department's asset register as assets that are vested in or transferred to the Minister for Transport and Infrastructure.

- *Timing of asset revaluations*

The following table shows the classes of assets held by the Department, when they were last revalued and by whom:

<b>Asset class</b>	<b>Last valued/revalued</b>	<b>By whom</b>
<b>Road network</b>		
Road pavements, road surface and ancillary items	1 July 2012	Mick Lorenz, BE (Civil)*
Earthworks	1 July 2012	Mick Lorenz, BE (Civil)*
Bridges/Culverts	1 July 2012	Tony Nobbs, BEng (Civil), MEng Sc*
Ferry landings	1 July 2012	Tony Nobbs, BEng (Civil), MEng Sc*
Drainage	1 July 2011	Rushton Valuers Pty Ltd
Weighbridges and weigh slabs	1 July 2011	Aqenta Consulting
<b>Rail and track</b>		
Busway interchanges	1 July 2010	Aqenta Consulting
Busway track and structures	1 July 2012	Tony Nobbs, BEng (Civil), MEng Sc*
Metro tram line	1 July 2011	Propell National Valuers
Metro rail lines track and structures	1 July 2011	Propell National Valuers
<b>Land</b>		
Government employee housing	30 June 2013	Valuer-General
Government agency accommodation**	30 June 2013	McGees
Ex Australian National Railways land	1 July 2012	Valuer-General
Metro rail stations, yards and corridors	1 July 2011	Propell National Valuers
Marine land	1 July 2011	Valuer-General
Bus depot land	1 July 2011	Propell National Valuers
Future road construction	1 July 2011	Valuer-General
Other departmental land (planning)	1 July 2012	Valuer-General
Land under roads	Not applicable	
<b>Buildings and facilities</b>		
Marine related	1 July 2010	Liquid Pacific Holdings Pty Ltd, Connell Wagner Pty Ltd, Herron Todd White Pty Ltd, Maloney Field Services Pty Ltd
Metro rail stations and yards	1 July 2011	Propell National Valuers
Ex Australian National Railways	30 June 2011	Valuer-General
Bus depots	1 July 2011	Propell National Valuers
Tram depot	1 July 2011	Propell National Valuers
Recreation and sport infrastructure	1 July 2012	Liquid Pacific Holdings Pty Ltd
Residential buildings:		
Government employee housing	30 June 2013	Valuer-General
Future road construction	1 July 2011	Valuer-General
Commercial buildings:		
Government agency accommodation**	30 June 2013	McGees
Future road construction	1 July 2010	Southwick Goodyear
Depots	30 June 2013	Valuer-General
<b>Plant and equipment</b>		
Buses	1 July 2012	Liquid Pacific Holdings Pty Ltd
Metro rail and trailer cars	1 July 2011	Propell National Valuers
Bus depot plant and equipment	1 July 2011	Propell National Valuers
Tram depot plant and equipment	1 July 2011	Propell National Valuers
Metro rail plant and equipment	1 July 2011	Propell National Valuers
Tall ships/Patrol boats	1 July 2011	Artemis Marine/Aqenta Consulting
Ferries (including modules)	1 July 2010	Artemis Marine/ John Cartwright, MSc, AE
Aids to navigation	1 July 2010	Spiros Dimas, BE (Hons), MIE (Aust), CP Eng*
Heavy plant	30 June 2011	Manheim Fowles

\* Valuation performed by suitably qualified officers of the Department.

\*\* Conducted on a biannual rolling basis.

*Non-current (capital) works in progress*

The Department is a key provider of infrastructure for the State and constructs or modifies assets as part of its role in coordinating or facilitating the delivery of transport related and other key strategic or priority projects.

When capitalised, works in progress result in the recognition of non-current assets such as network assets and other items of property, plant or equipment in the Statement of Financial Position.

In accordance with AASB 116, all works in progress arising from these activities are valued at cost.

*Intangible assets*

Intangible assets are measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation.

The acquisition or internal development of software is only capitalised when the expenditure meets the definition criteria and can be reliably measured in accordance with AASB 138 and with the guidance provided in APF III and when the amount of expenditure is greater than or equal to \$10 000.

Costs associated with the development or implementations of software applications that do not meet the criteria for asset recognition (eg training expenses, research costs etc) are expensed.

*Impairment*

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

*Remediation of non-current assets*

Land remediation undertaken by the Department is primarily designed to restore the asset to its original state or condition and would not normally meet the criteria for asset recognition under AASB 116.

Where remedial work is to be performed in response to a present obligation, either under legislation or under a contractual arrangement to a third party, the Department recognises a provision for any future work in accordance with the requirements of AASB 137. Other land remediation costs are therefore expensed in the period in which the obligation is recognised.

**3.14 Liabilities**

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

*Payables*

Payables include creditors, accrued expenses and employment on-costs. All payables are measured at their nominal amount and are unsecured.

- *Creditors*  
Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid where an invoice has been received. Creditors are normally settled within 30 days after the Department receives an invoice in accordance with TI 11.
- *Accrued expenses*  
Accrued expenses represent amounts owed by the Department for goods and services provided by other entities during the period that are unpaid at the end of the reporting period and where an invoice has not been received.
- *Employment on-costs*  
Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

The Department also makes contributions to several SA 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 these obligations have been assumed by the respective superannuation schemes. The only payable outstanding at reporting date relates to any contributions due but not yet paid.

### *Borrowings*

Borrowings consist of loans and finance leases.

Loans are recognised when issued at the full amount received and carried at this value less any repayments until the loan is settled.

Interest charges on loans and finance leases are not added to the balance of the loan due. These costs are recognised separately as borrowing costs in the Statement of Comprehensive Income.

### *Leases*

The Department has entered into finance leases and operating leases both as lessor and lessee and has recognised assets, liabilities, revenues and expenses associated with these business dealings in accordance with AASB 117 and the government leasing guidelines issued by DTF.

#### *Finance leases*

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

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

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

#### *Finance leases - the Department as lessor*

- *Recreational jetties*

The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment program where jetties have been leased to councils throughout the State. Peppercorn rentals of \$1 p.a. apply over the 25 or 99 year lease term for each lease.

Under the terms of the lease agreement, these leases have been categorised as finance leases due to the passing of risks and benefits incidental to ownership to the lessee. Since the leases provide no material revenue to the Department, the leases have nil value. The underlying assets have no value recorded in the financial statements.

- *Government employee housing*

The Department provides housing services on a leasehold basis to government employees based in remote areas of the State. As lessor, the Department recognises finance lease receivables in relation to these properties at an amount equal to the net investment in the lease.

Finance lease interest income is recognised based on the periodic rate of return on that net investment. Lease payments from the lessee are applied against the gross investment in the lease to reduce both the principal and the unearned interest income.

#### *Finance leases - the Department as lessee*

- *Government accommodation - Roma Mitchell Building*

The Department is responsible for the finance lease in relation to government office accommodation for Roma Mitchell House, North Terrace and has recognised assets and liabilities at the fair value of the leased property. Lease liabilities under these arrangements are classified as both current and non-current, with the minimum lease payments allocated between interest expense/borrowing costs and the reduction of lease liability for the period.

The 40 year lease on Roma Mitchell House commenced in July 1987. Ownership of the building will transfer to the Department on payment of a nominal sum at the end of the lease. Under the terms and conditions of the lease agreement, the Department is also liable to pay contingent rentals based on the Adelaide CPI.

- *Computer hardware and equipment*

The Department has entered into various lease arrangements as lessee with respect to the use of some of its computer hardware and equipment. Under the AASs and government leasing guidelines, such agreements are treated as finance leases.

### *Operating leases*

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

- *Operating leases - the Department as lessor*  
The Department leases commercial properties to external parties through operating leases. Income derived from these leases is recognised as rental income in the Statement of Comprehensive Income in the period in which it is earned, and is representative of the patterns of benefits derived from the leased assets.
- *Operating leases - the Department as lessee*  
The Department has a number of operating lease agreements as lessee for land, motor vehicles, office equipment, other plant and commercial and residential accommodation. Operating lease payments are charged to the Statement of Comprehensive Income on a basis that is representative of the pattern of benefits derived from the leased assets.
- *Lease incentives*  
All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received are recognised as a lease incentive liability. The aggregate benefits of the lease incentives received are recorded as a reduction of rental expense over the lease term on a straight-line basis. Incentives provided to sublessees are recognised as a lease incentive asset. This asset is amortised over the life of the lease and recognised as a reduction of rental revenue on a straight-line basis. Lease incentives in the form of leasehold improvements that are not subject to a sublease are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

### *Employee benefits*

Benefits accrue to employees as a result of services provided up to reporting date and generally consist of unpaid salaries and wages, annual leave and LSL.

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

The liability for annual leave and the skills and experience retention leave is expected to be payable within 12 months and is measured at the undiscounted amounts expected to be paid.

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

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

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

The LSL liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

- *Employee benefit on-costs*  
Related on-costs of payroll tax and superannuation are shown separately under the item payables in the Statement of Financial Position as employment on-costs.

### *Provisions*

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



### *Provisions*

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligations at reporting date.

Provisions have been reported to reflect workers compensation claims not settled, amounts provided for and payable under the tax equivalent regime and future remediation work required on land under the Ports Corp Business and Sale Agreement.

The workers compensation provision is an actuarial estimate of the outstanding liability as at the end of reporting date provided by a consulting actuary engaged by the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Department is responsible for the payment of workers compensation claims.

The provision for tax equivalent regime payments is based on the income tax expense payable at the current companies' income tax rate of 30% (refer note 3.7).

The land remediation provision has been calculated on the basis of revised project manager estimates of the value of future remedial work required to meet agreed environmental standards. Given that the remaining work has been scheduled to be completed in 2014-15, these estimates are discounted at their net present value in accordance with the requirements of paragraph 45 of AASB 137.

### *Other liabilities*

The Department receives monies in advance in the form of conditional grants to undertake specific infrastructure works in future periods (eg Commonwealth funds for specific projects). As these works are completed the amounts received are recognised as revenues in the Statement of Comprehensive Income. The balance of any unspent grant monies as at 30 June is recognised as a liability in the Statement of Financial Position.

The Department receives incentives from building owners in relation to leased accommodation, including accommodation occupied by other government agencies. The value of these incentives is recognised as a liability at the time the incentive is received, and the liability is amortised over the life of the relevant lease on a straight-line basis.

### **3.15 *Unrecognised contractual commitments and contingent assets and liabilities***

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are measured at their nominal amount (refer note 42).

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note, and if quantifiable, are measured at their nominal value (refer note 43).

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

### **3.16 *Transactions by the Government as owner***

Where monies have been appropriated to the Department under the *Appropriation Act* in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department. Monies issued or applied in this manner are therefore recorded as equity contributions from SA Government in accordance with TI 3.

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

### ***Accounting standards issued or amended but not yet effective***

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2013. The Department has assessed the impact of the new and amended standards and interpretations and considers that these amendments are not expected to have an impact on the Department's financial report.

## **5. Activities of the Department**

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

### ***Activity 1: Land Use Planning***

Administering the South Australian Planning and Development System, leading and presenting South Australia's strategic land use and development planning, and assessing applications for land use and development.

**Activity 2: Infrastructure Planning, Policy and Operations**

Development and provision of an effective policy framework, planning and investment advice and strategic planning services for State transport infrastructure including across-government reporting on progress of State infrastructure projects and facilitation of infrastructure investment.

**Activity 3: Land Services**

Provides statutory services and information to the community in relation to land titling, survey, valuation and advice on land administration issues, and development of specialist land administration policy.

**Activity 4: Road Safety**

Provision of policy and investment advice and community information on road safety and the provision of services on safe and sustainable road use and travel behaviour.

**Activity 5: Recreation, Sport and Racing**

Provision of strategic policy, programs, services, sporting infrastructure and elite sport pathways aimed at increasing participation, developing a sustainable sport and recreation sector and ensuring that all South Australians are able to enjoy lives enriched through participation in active recreation and sport. This program also includes the provision of strategic policy advice to the Minister for Recreation and Sport on matters relating to the South Australian racing industry.

**Activity 6: Public Transport Services**

Provision of efficient, equitable and accessible public transport services in metropolitan Adelaide and assisting regional councils and communities to deliver diverse passenger transport services to meet local needs.

**Activity 7: Driver, Licensing and Vehicle Regulations, Standards and Inspections**

Contributing towards the regulation of driver and vehicle access to the transport network.

**Activity 8: Service SA (to 31 December 2011)**

Government's single entry point for access to most government services and information through an integrated network of online, phone and face-to-face delivery channels.

**Activity 9: ICT Services (to 31 December 2011)**

Management of across-government ICT strategy and innovation, governance and investment, security and critical infrastructure protection, and strategic sourcing.

**Activity 10: Energy Policy and Regulation (to 31 December 2011)**

Provision of policy advice on energy issues, energy program delivery and regulatory services for the competitive, sustainable, safe and reliable supply and use of energy, for the benefit of the South Australian community.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2012 and 30 June 2013.

Activities 8, 9 and 10 included for comparative purposes only.

<b>6. Employee benefit expenses</b>	2013	2012
	\$'000	\$'000
Salaries and wages	155 994	167 320
Board and committee fees (refer below)	457	256
Employment on-costs <sup>(1)</sup>	31 057	29 604
Annual leave	16 960	16 922
LSL	5 276	11 472
Workers compensation expenses	2 950	1 106
TVSP payments (refer below)	3 271	3 951
Skills and experience retention leave	1 706	-
Other employee related expenses	2 742	956
Total employee benefit expenses	220 413	231 587

<sup>(1)</sup> Employment on-costs are made up of superannuation of \$19.466 million (\$19.214 million) and payroll tax of \$11.591 million (\$10.39 million).

<b>TVSPs</b>	2013	2012
Amounts paid to these employees:	\$'000	\$'000
TVSPs	3 271	3 951
Annual leave and LSL paid during the reporting period	1 023	1 133
	<hr/>	<hr/>
	4 294	5 084
Recovery from DTF	(3 279)	(4 331)
Net cost to agency	<hr/>	<hr/>
	1 015	753

The number of employees who received a TVSP during the reporting period was 29 (32).

The Department expects to recover \$76 000 (\$84 000) in relation to TVSPs as at 30 June 2013.

In addition there were executive termination payments of \$111 000 (\$191 000) paid during the year and subsequently recovered from DTF.

<b>Remuneration of employees</b>	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$134 000 - \$137 999*	n/a	8
\$138 000 - \$147 999	28	15
\$148 000 - \$157 999	25	16
\$158 000 - \$167 999	11	18
\$168 000 - \$177 999	9	7
\$178 000 - \$187 999	11	8
\$188 000 - \$197 999	7	5
\$198 000 - \$207 999	6	5
\$208 000 - \$217 999	6	3
\$218 000 - \$227 999	2	2
\$228 000 - \$237 999	2	-
\$238 000 - \$247 999	1	2
\$248 000 - \$257 999	1	1
\$258 000 - \$267 999	-	3
\$268 000 - \$277 999	-	1
\$278 000 - \$287 999	1	3
\$288 000 - \$297 999	1	1
\$308 000 - \$317 999	1	-
\$318 000 - \$327 999**	1	1
\$328 000 - \$337 999	2	-
\$378 000 - \$387 999	1	-
\$398 000 - \$407 999	-	1
\$428 000 - \$437 999**	1	-
\$458 000 - \$467 999**	1	-
Total	<hr/>	<hr/>
	118	100

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$21.5 million (\$18 million).

\*\* Includes TVSP for one employee.

**Remuneration of board and committee members**

Members that received remuneration for membership during the 2012-13 financial year were:

*Passenger Transport Standards Committee*

I G Bassham	K T Johnston	B King
D M King	J D B McKenzie	F W E Pearce
J M Tiddy	J Tideman	J Gould
C P Birch	M O'Dea	G R Burton
K Parry-Jones	V Madan	S A Hanlon
B E Hemming	A L Opie	
(appointed 1 December 2012)	(appointed 1 December 2012)	

Planning, Transport and Infrastructure

*Development Assessment Commission*

S M Fogarty (appointed 1 July 2012)	A J Ford (appointed 1 July 2012)	D L Brown
E M Byrt	M L Leydon	G M Loveday
C A Wigg		

*Building Advisory Committee*

B P Corby	P J Harmer	P R Neighbour
R V Sands		

*Local Heritage Advisory Committee*

J Schulz	A J Faunt	C A Wigg
D B Harry	P D Leadbeter	G J Leydon

*Boxing and Martial Arts Advisory Committee*

A Alexander	U F Artym	T Ferrauto
J Leondaris	M Leow	S F McDonald
R J Osborne	T L Robertson	Y L A Wong

*South Australian Boating Facility Advisory Committee*

R J Payze

*State Crewing Committee*

A A Anderson	P F Carr	
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*Building Rules Assessment Committee*

B Douflias	D P Poupoulas	D A Robinson
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*Development Policy Advisory Committee*

M Barone	S M Filby	R L Gagetti
S P Hooper	M J Klobas	G R Mavrinac
C A Muzyk	D P Poupoulas	C Vincent

*Kangaroo Island Futures Authority Advisory Board*

M J Jeffreys	J A Bates	C L Wickham
J M Harman		

*Port Adelaide Renewal Steering Committee\**

C V Duncan	J A Ford	A D Kearney
M S O'Brien	C Siegfriedt	P E Bicknell

*Expert Panel on Planning Reform\*\**

B R M Hayes (appointed 18 February 2013)	T S Maras (appointed 18 February 2013)	S C Hains (appointed 18 February 2013)
N Boujenko (appointed 18 February 2013)	S M Fogarty (appointed 18 February 2013)	

The number of members whose remuneration received/receivable falls within the following bands:	2013 Number	2012 Number
\$1 - \$9 999	55	95
\$10 000 - \$19 999	8	8
\$20 000 - \$29 999	4	1
\$30 000 - \$39 999	2	-
\$40 000 - \$49 999	1	-
Total	70	104

Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, FBT and other salary sacrifice arrangements. The total remuneration received by members was \$521 000 (\$288 000).

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

\* Effective from 23 March 2013 this board was transferred to the Urban Renewal Authority.

\*\* Effective from 18 February 2013 this board was established under the Planning Division.

7. <b>Supplies and services</b>		2013	2012
Supplies and services provided by entities within the SA Government:	Note	\$'000	\$'000
Rail Commissioner salary reimbursements		51 214	54 089
Loss on assumption of liability from Rail Commissioner		-	24 733
Other service contracts		2 867	72
Operating leases		10 427	7 785
Property expenses		3 545	4 702
Plant, equipment and vehicle expenses		6 017	6 289
IT		1 186	1 863
Utilities		4 114	2 410
Insurance		6 170	4 014
Legal services		1 564	3 460
Commissions		72	-
Auditor's remuneration	12	849	1 010
Administrative costs		3	2
Other		15 106	14 683
Total supplies and services - SA Government entities		103 134	125 112

Supplies and services provided by entities external to the SA Government:

Bus and rail service contracts	179 026	170 714
Major infrastructure maintenance contracts	51 727	51 600
Other service contracts	95 608	93 142
Consultants	986	757
Operating leases	137 132	135 537
Property expenses	98 607	94 931
Plant, equipment and vehicle expenses	7 247	5 526
IT	8 540	12 647
Materials and other purchases	31 823	40 587
Utilities	27 722	30 257
Insurance	3	14
Legal services	103	960
Commissions - transaction processing	2 606	2 848
Administrative costs	7 043	7 888
Other	52 893	25 356
Total supplies and services - non-SA Government entities	701 066	672 764
Total supplies and services	804 200	797 876

**Consultancies**

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2013	2012		
	Number	\$'000	Number	\$'000
Below \$10 000	3	21	16	83
\$10 000 - \$50 000	9	245	25	551
Above \$50 000	7	720	2	123
Total paid/payable to the consultants engaged	19	986	43	757

During 2012-13, the Department spent \$986 000 (\$757 000) on consultancies. Operating expenditure of \$986 000 (\$757 000) is reflected in the Statement of Comprehensive Income.

8. <b>Depreciation and amortisation expense</b>	2013	2012
Depreciation:	\$'000	\$'000
Network assets	213 222	206 116
Plant and equipment	62 733	63 827
Buildings and facilities	35 655	32 828
Total depreciation	311 610	302 771
Amortisation:		
Leased assets	1 695	1 501
Intangible assets	6 858	6 776
Total amortisation	8 553	8 277
Total depreciation and amortisation expense	320 163	311 048

**Change in depreciation due to a revision of accounting estimate**

In 2012-13 the Department reassessed the useful life of some of its assets. This review resulted in a decrease of \$482 000 in depreciation expense for the 2012-13 year relative to the amount that would have been expensed based on the previous estimate of the useful life. The revision is expected to result in a decrease of \$4.593 million depreciation expense for 2013-14.

<b>9.</b>	<b>Grants and subsidies</b>	2013	2012
	Grants and subsidies paid/payable to entities within the SA Government:	\$'000	\$'000
	Recurrent grants:		
	Contribution for policing services	36 664	35 736
	Payment to Service SA - registration and licensing collection	22 326	10 712
	Other	2 455	144
	Total grants and subsidies - SA Government entities	61 445	46 592
	Grants and subsidies paid/payable to entities external to the SA Government:		
	Recurrent grants:		
	Energy rebates	-	2 509
	Transport Subsidy Scheme	10 281	11 279
	Grants to local councils	6 988	2 458
	Transport concessions	4 600	5 045
	Adelaide Oval redevelopment - repayment of loan facility	-	85 000
	Grants by Office for Recreation and Sport	20 503	17 401
	Other	1 887	1 743
	Capital grants:		
	Grants to local councils	141	1 210
	Total grants and subsidies - non-SA Government entities	44 400	126 645
	Total grants and subsidies	105 845	173 237
<b>10.</b>	<b>Borrowing costs</b>		
	Interest paid/payable on borrowing costs:		
	Interest and guarantee fees	19	-
	Finance charges on finance leases	1 342	1 285
	Total borrowing costs	1 361	1 285
<b>11.</b>	<b>Other expenses</b>		
	Other expenses paid/payable to entities within the SA Government:		
	Rates, taxes and levies	9 257	14 935
	Donated assets*	85 458	40 911
	Indentured ports payable to DTF	11 776	18 815
	Other	2	17
	Total other expenses - SA Government entities	106 493	74 678
	Other expenses paid/payable to entities external to the SA Government:		
	Rates, taxes and levies	3 640	3 974
	Donated assets	1 754	1 169
	Bad and doubtful debts expense	384	842
	Write-off of an asset	497	578
	Other	691	1 392
	Total other expenses - non-SA Government entities	6 966	7 955
	Total other expenses	113 459	82 633
	* This includes \$81.83 million relating to the transfer of Adelaide Railway Station land and buildings to the Urban Renewal Authority in 2012-13.		
<b>12.</b>	<b>Auditor's remuneration</b>	2013	2012
	Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	\$'000	\$'000
	Total audit fees	849	1 010
		849	1 010

**Other services**

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

13. Fees and charges	2013	2012
Fees and charges received/receivable from entities within the SA Government:	\$'000	\$'000
Motor registrations	2 772	2 920
Land services fees	9 677	9 182
Other fees and charges	595	3 199
Total fees and charges - SA Government entities	13 044	15 301
Fees and charges received/receivable from entities external to the SA Government:		
Driver's licence fees	62 993	63 766
Metrotickets	75 381	80 089
Motor registrations	362 273	344 493
Marine related fees and charges	23 228	31 129
Land services fees	6 247	6 060
Other fees and charges	22 054	19 187
Total fees and charges - non-SA Government entities	552 176	544 724
Total fees and charges	565 220	560 025

**Road safety**

In accordance with the *Highways Act 1926*, \$10.499 million (\$10.628 million) being one-sixth of driver's licence collections and \$877 000 (\$795 000) being 1/100th of heavy vehicle registrations, was applied towards funding transport safety related initiatives under the transport safety, transport infrastructure services and driver licensing and vehicle registrations, standards and inspections activities.

14. Commonwealth revenues	2013	2012
Commonwealth revenues received/receivable from entities within the SA Government comprised:	\$'000	\$'000
Commonwealth grants received via DTF*	108 198	735 804
Total Commonwealth revenues - SA Government entities	108 198	735 804
Commonwealth revenues received/receivable from entities external to the SA Government comprised:		
<i>Nation Building Program (National Land Transport) Act 2009</i> **	3 375	3 859
Other Commonwealth revenues***	880	1 353
Total Commonwealth revenues - non-SA Government entities	4 255	5 212
Total Commonwealth revenues	112 453	741 016

\* Commonwealth grants received from DTF represent mainly *Nation Building Program (National Land Transport) Act 2009* and *Interstate Road Transport Act 1985* funding.

\*\* *Nation Building Program (National Land Transport) Act 2009* represents the Sturt Highway advance and Roads to Recovery funding.

\*\*\* Other Commonwealth revenue includes the National Safety Reform.

15. Sale of goods and services	2013	2012
Sale of goods and services received/receivable from entities within the SA Government:	\$'000	\$'000
IT and telecommunication services	-	13 541
Maintenance services	89 458	79 392
Other sale of goods	1 194	3 647
Other sale of services	13 780	14 413
Total sale of goods and services - SA Government entities	104 432	110 993
Sale of goods and services received/receivable from entities external to the SA Government:		
IT and telecommunication services	-	4 288
Other sale of goods	14 554	13 733
Other sale of services	24 364	14 930
Total sale of goods and services - non-SA Government entities	38 918	32 951
Total sale of goods and services	143 350	143 944

<b>16. Rental income</b>	2013	2012
Rental income received/receivable from entities within the SA Government:	\$'000	\$'000
Government accommodation	204 156	199 439
Property rents and recoveries	485	-
Other lease income	630	948
Total rental income - SA Government entities	<u>205 271</u>	<u>200 387</u>
Rental income received/receivable from entities external to the SA Government:		
Property rents and recoveries	3 248	3 472
Other lease income	5 258	4 856
Total rental income - non-SA Government entities	<u>8 506</u>	<u>8 328</u>
Total rental income	<u>213 777</u>	<u>208 715</u>
<b>17. Grants and subsidies</b>		
Grants and subsidies received/receivable from entities within the SA Government:		
Concessional passenger income	54 821	57 705
Other	26	100
Total grants and subsidies - SA Government entities	<u>54 847</u>	<u>57 805</u>
Grants and subsidies received/receivable from entities external to the SA Government:		
Concessional passenger income	241	272
Specific purpose grants	1 031	1 190
Grants received by Office for Recreation and Sport	549	584
Total grants and subsidies - non-SA Government entities	<u>1 821</u>	<u>2 046</u>
Total grants and subsidies	<u>56 668</u>	<u>59 851</u>
<b><i>Concessional passenger income</i></b>		
This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.		
<b>18. Interest</b>		
Interest received/receivable from entities within the SA Government:		
Interest from entities within the SA Government	5 689	4 536
Total interest - SA Government entities	<u>5 689</u>	<u>4 536</u>
Interest received/receivable from entities external to the SA Government:		
Interest from entities external to the SA Government	3	3
Total interest - non-SA Government entities	<u>3</u>	<u>3</u>
Total interest	<u>5 692</u>	<u>4 539</u>
<b>19. Commissions received</b>		
Commissions received from entities within the SA Government	98	6 264
Commissions received from entities external to the SA Government	-	1
Total commissions received	<u>98</u>	<u>6 265</u>
<b>20. Net gain (loss) from the disposal of non-current assets</b>		
Net gain (loss) from disposal of non-current assets received/receivable from entities external to the SA Government:		
Land, buildings and facilities:		
Proceeds from disposal	1 966	5 176
Net book value of assets disposed	(2 321)	(887)
Costs incurred to facilitate disposal	-	(3)
Net gain (loss) from disposal of land, buildings and facilities	<u>(355)</u>	<u>4 286</u>
Plant and equipment:		
Proceeds from disposal	153	2 411
Net book value of assets disposed	(799)	(3 997)
Net gain (loss) from disposal of plant and equipment	<u>(646)</u>	<u>(1 586)</u>
Network assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	(3 110)	(1 746)
Net gain (loss) from disposal of network assets	<u>(3 110)</u>	<u>(1 746)</u>



<b>20. Net gain (loss) from the disposal of non-current assets (continued)</b>		2013	2012	
Non-current assets held for sale:		\$'000	\$'000	
Proceeds from disposal		23 913	51 860	
Net book value of assets disposed		(24 984)	(57 652)	
Costs incurred to facilitate disposal		(552)	(630)	
Net gain (loss) from disposal of non-current assets held for sale		(1 623)	(6 422)	
Total assets:				
Proceeds from disposal		26 032	59 447	
Net book value of assets disposed		(31 214)	(64 282)	
Costs incurred to facilitate disposal		(552)	(633)	
Total net gain (loss) from disposal of non-current assets - non-SA Government entities		(5 734)	(5 468)	
Total net gain (loss) from disposal of non-current assets		(5 734)	(5 468)	
<b>21. Resources received free of charge</b>				
Resources received/receivable free of charge from entities external to the SA Government:				
Land, buildings and facilities - transferred to capital works in progress		-	117 139	
Land, buildings and facilities		351	6 139	
Plant and equipment		195	-	
Network assets		-	136	
Total resources received free of charge - external to the SA Government entities		546	123 414	
Total resources received free of charge		546	123 414	
This represents assets received by the Department for no consideration and recognised at fair value.				
<b>22. Other income</b>				
Other income received/receivable from entities within the SA Government:				
Recoveries and contributions		1 215	1 118	
Reimbursement works and external project contributions		8 492	6 164	
Intra-government transfers		16 284	15 097	
Total other income from SA Government entities		25 991	22 379	
Other income received/receivable from entities external to the SA Government:				
Recoveries and contributions		8 746	26 928	
Reimbursement works and external project contributions		14 202	20 127	
Sundry income		56	212	
Total other income from non-SA Government entities		23 004	47 267	
Total other income		48 995	69 646	
<b>23. Revenues from (Payments to) SA Government</b>		2013	2012	
Revenues from SA Government:	Note	\$'000	\$'000	
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>		271 260	148 052	
Appropriations from the Governor's Appropriation Fund		135 216	-	
Transfers from contingency provisions		21 817	161 185	
Total revenues from SA Government		428 293	309 237	
Payments to SA Government:				
Local government and income tax equivalent payments	3.7	2 245	2 536	
Other payments to Consolidated Account		1 366	52 458	
Total payments to SA Government		3 611	54 994	
<b>24. Cash and cash equivalents</b>		2013	2012	2011
		\$'000	\$'000	\$'000
Deposits at call - Westpac		537 736	693 731	412 013
Deposits with the Treasurer (accrual appropriation)		1 061	1 061	-
Imprest account		110	108	51
Other		69	78	148
Total cash		538 976	694 978	412 212

**Deposits with the Treasurer (accrual appropriation)**

Includes funds held in the Accrual Appropriation Excess Funds Account.

The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

**Other**

Includes petty cash floats, cashiers' floats and other cash on hand.

**Interest rate risk**

Cash and cash equivalents are both interest and non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

25. Receivables	2013	2012	2011
	\$'000	\$'000	\$'000
Current:			
Receivables	216 212	231 225	205 431
Allowance for doubtful debts	(2 573)	(2 051)	(1 506)
Finance lease receivables	647	605	636
GST input tax recoverable	9 751	8 898	4 623
Accrued revenues	82 371	58 598	65 986
Lease incentives	736	2 562	6 425
Other	-	36	-
Total current receivables	307 144	299 873	281 595
Non-current:			
Receivables	685	202	271
Finance lease receivables	7 262	7 581	7 859
Loan receivables	2 040	1 900	1 771
Lease incentives	745	847	1 418
Total non-current receivables	10 732	10 530	11 319
Total receivables	317 876	310 403	292 914
<b>Government/Non-government receivables</b>			
Receivables from SA Government entities:			
Receivables	166 870	195 461	170 887
Allowance for doubtful debts	(456)	(315)	(338)
Finance lease receivables	7 363	7 640	7 918
Accrued revenues*	63 482	55 919	60 375
Total receivables from SA Government entities	237 259	258 705	238 842
Receivables from non-SA Government entities:			
Receivables	50 027	35 966	34 815
Allowance for doubtful debts	(2 117)	(1 736)	(1 168)
Finance lease receivables	546	546	577
Loan receivables	2 040	1 900	1 771
GST input tax recoverable	9 751	8 898	4 623
Accrued revenues	18 889	2 679	5 611
Lease incentives	1 481	3 409	7 843
Other	-	36	-
Total receivables from non-SA Government entities	80 617	51 698	54 072
Total receivables	317 876	310 403	292 914

\* This amount includes \$35.819 million (\$36.269 million) relating to TRUMPS collections yet to be received by the Department.

**Movement in the allowance for doubtful debts**

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

<b>Movement in the allowance for doubtful debts (impairment loss)</b>	2013	2012	2011
	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 051	1 506	2 227
Provision acquired through restructure	-	39	-
Increase in the provision	781	891	155
Amounts written off	(259)	(385)	(876)
Carrying amount at 30 June	2 573	2 051	1 506

**Bad and doubtful debts**

The Department has recognised a bad and doubtful debts expense of \$384 000 (\$842 000) in the Statement of Comprehensive Income.

**Interest rate and credit risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days or from when goods or services have been provided under a contractual agreement. Receivables and accrued revenues are non-interest bearing.

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

- (a) Maturity analysis of receivables - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.

<b>26. Inventories</b>	2013	2012	2011
Current - held for distribution at no or nominal consideration:	\$'000	\$'000	\$'000
Road making material and stores at cost	5 786	6 091	7 651
Rail material and stores at cost	7 395	4 654	-
Total inventories held for distribution at no or nominal consideration	13 181	10 745	7 651
Current - other than those held for distribution at no or nominal consideration:			
Metrotickets at cost	138	236	261
Total inventories other than those held for distribution at no or nominal consideration	138	236	261
Total current inventories	13 319	10 981	7 912
<b>27. Other assets</b>			
Current:			
Prepayments	35 122	70 026	27 887
Lease incentives	4 295	4 110	3 687
Total current other assets	39 417	74 136	31 574
Non-current:			
Lease incentives	23 601	26 586	19 983
Prepayments	99	111	-
Total non-current other assets	23 700	26 697	19 983
Total other assets	63 117	100 833	51 557
<b>Government/Non-government other assets</b>			
Other assets from SA Government entities:			
Prepayments	1 064	1 400	1 555
Lease incentives	27 896	30 696	23 670
Other assets from SA Government entities	28 960	32 096	25 225
Other assets from non-SA Government entities:			
Prepayments	34 157	68 737	26 332
Other assets from non-SA Government entities	34 157	68 737	26 332
Total other assets	63 117	100 833	51 557

<b>28. Non-current assets classified as held for sale</b>	2013	2012	2011
Non-current assets classified as held for sale:	\$'000	\$'000	\$'000
Land, buildings and facilities	78 399	19 284	61 322
Total non-current assets classified as held for sale	78 399	19 284	61 322

The Department has identified \$78.399 million (\$19.284 million) of land, buildings and facilities that are surplus to the Department's requirements. The land, buildings and facilities are expected to be sold within 12 months by public tender or auction.

<b>29. Land, buildings and facilities</b>	2013	2012	2011
Land:	\$'000	\$'000	\$'000
Land at fair value	1 218 920	1 283 602	1 043 959
Total land	1 218 920	1 283 602	1 043 959
Land under roads:			
Land under roads at fair value	186	186	162
Total land under roads	186	186	162
Land for current projects:			
Land for current projects at fair value	25 187	21 237	20 894
Land for current projects at cost	86 266	90 279	82 569
Total land for current projects	111 453	111 516	103 463
Buildings and facilities:			
Buildings and facilities at fair value	1 475 592	1 733 289	1 422 094
Accumulated depreciation at 30 June	448 886	546 357	518 975
Total buildings and facilities	1 026 706	1 186 932	903 119
Buildings and improvements under lease:			
Buildings and improvements under lease (deemed fair value)	27 346	29 798	29 150
Accumulated amortisation at 30 June	1 386	686	-
Total buildings and improvements under lease	25 960	29 112	29 150
Total land, buildings and facilities	2 383 225	2 611 348	2 079 853

**Valuation of land, buildings and facilities**

Refer note 3.13 for details relating to the revaluation of land, buildings and facilities.

**Reconciliation of land, buildings and facilities**

The following table shows the movement of land, buildings and facilities during 2012-13:

	Land at fair value* \$'000	Land for current projects \$'000	Buildings & facilities \$'000	Buildings & imprvmnts under lease \$'000	2013 Total \$'000
Carrying amount at 1 July	1 283 085	111 516	1 186 432	29 112	2 610 145
Prior period - error correction - 2010-11	929	-	(698)	-	231
Prior period - error correction - 2011-12	(226)	-	1 198	-	972
Adjusted opening balance	1 283 788	111 516	1 186 932	29 112	2 611 348
Reclassification to (from) assets held for sale	(39 868)	123	(44 354)	-	(84 099)
Additions	7 785	404	15 151	-	23 340
Transfer from works in progress	-	374	12 675	379	13 428
Disposals	(1 660)	(613)	(48)	-	(2 321)
Resources received free of charge	111	240	-	-	351
Revaluation decrement	(13 708)	-	(33 492)	(2 831)	(50 031)
Depreciation and amortisation	-	-	(35 745)	(700)	(36 445)
Transfers due to reclassification of assets	122	(122)	(6 543)	-	(6 543)
Donated assets	(17 464)	(469)	(67 557)	-	(85 490)
Other movements	-	-	(313)	-	(313)
Carrying amount at 30 June	1 219 106	111 453	1 026 706	25 960	2 383 225

\* Includes land under roads at fair value.

**Reconciliation of land, buildings and facilities (continued)**

Total depreciation associated with land, buildings and facilities for 2012-13 was \$36.445 million (\$33.514 million). Of this amount, \$36.355 million (\$32.828 million) has been reported within the Statement of Comprehensive Income as operating expenditure of the Department. The remaining \$90 000 (\$0) relates to capital projects that have been reflected within the value of the Department's assets as at 30 June 2013.

<b>30. Plant and equipment</b>	2013	2012	2011
	\$'000	\$'000	\$'000
Plant and equipment:			
Plant and equipment (at fair value)	1 573 995	1 500 562	1 154 049
IT	18 932	11 244	45 265
IT under lease	4 795	4 921	5 260
	<u>1 597 722</u>	<u>1 516 727</u>	<u>1 204 574</u>
Accumulated depreciation:			
Plant and equipment	860 549	817 618	729 446
IT	10 841	8 720	26 264
IT under lease	2 964	2 940	3 215
	<u>874 354</u>	<u>829 278</u>	<u>758 925</u>
Total plant and equipment	<u>723 368</u>	<u>687 449</u>	<u>445 649</u>

**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment during 2012-13:

	Plant and equipment \$'000	IT \$'000	IT under lease \$'000	2013 Total \$'000
Carrying amount at 1 July	684 143	2 485	1 981	688 609
Prior period - error correction - 2010-11	63	-	-	63
Prior period - error correction - 2011-12	(1 262)	39	-	(1 223)
Adjusted opening balance	<u>682 944</u>	<u>2 524</u>	<u>1 981</u>	<u>687 449</u>
Additions	4 446	5 254	845	10 545
Transfer from works in progress	96 142	2 656	-	98 798
Disposals	(659)	(140)	-	(799)
Resources received free of charge	195	-	-	195
Transfers due to administrative restructures	-	14	-	14
Write-offs	(497)	-	-	(497)
Revaluation decrement	(10 718)	-	-	(10 718)
Depreciation and amortisation	(60 486)	(2 583)	(995)	(64 064)
Transfers due to reclassification of assets	2 079	366	-	2 445
Carrying amount at 30 June	<u>713 446</u>	<u>8 091</u>	<u>1 831</u>	<u>723 368</u>

**Depreciation of plant and equipment**

Total depreciation associated with plant and equipment for 2012-13 was \$64.064 million (\$65.227 million). Of this amount, \$63.728 million (\$63.827 million) has been reported within the Statement of Comprehensive Income as operating expenditure of the Department. The remaining \$336 000 (\$585 000) relates to capital projects that have been reflected within the value of the Department's assets as at 30 June 2013 (IT \$277 000 and plant and equipment \$59 000).

<b>31. Network assets</b>	2013	2012	2011
	\$'000	\$'000	\$'000
Network assets:			
Network assets (deemed fair value)	21 933 129	20 929 810	20 487 939
Rail and bus track (deemed fair value)	1 769 226	1 729 663	1 372 740
	<u>23 702 355</u>	<u>22 659 473</u>	<u>21 860 679</u>
Accumulated depreciation:			
Network	5 570 277	5 326 957	5 086 246
Rail and bus track	563 431	538 717	483 454
	<u>6 133 708</u>	<u>5 865 674</u>	<u>5 569 700</u>
Total network assets	<u>17 568 647</u>	<u>16 793 799</u>	<u>16 290 979</u>

**Valuation of network assets**

Refer note 3.13 for details relating to the revaluation of network assets.

**Reconciliation of network assets**

The following table shows the movement of network assets during 2012-13:

	Roads \$'000	Structures \$'000	Rail and bus track \$'000	2013 Total \$'000
Carrying amount at 1 July	14 174 461	1 422 596	1 191 683	16 788 740
Prior period - error correction - 2010-11	12	5 402	-	5 414
Prior period - error correction - 2011-12	384	(2)	(737)	(355)
Adjusted opening balance	14 174 857	1 427 996	1 190 946	16 793 799
Transfers from works in progress	177 614	2 597	35 747	215 958
Disposals	(456)	(664)	(1 990)	(3 110)
Donated assets	(1 723)	-	-	(1 723)
Revaluation increment (decrement)	772 470	(2 597)	2 957	772 830
Depreciation and amortisation	(155 276)	(31 966)	(25 980)	(213 222)
Transfers in due to reclassification of assets	16 219	(16 219)	4 115	4 115
Carrying amount at 30 June	14 983 705	1 379 147	1 205 795	17 568 647

**32. Capital works in progress**

	2013 \$'000	2012 \$'000	2011 \$'000
Land, buildings and facilities	350 995	153 855	27 953
Road network	1 182 131	788 837	412 347
Plant, equipment and intangibles	138 750	142 629	50 365
Rail and bus track	791 683	500 438	505 989
Total capital works in progress	2 463 559	1 585 759	996 654

**Valuation of capital works in progress**

Refer note 3.13 for details regarding capital works in progress valuations.

**Reconciliation of capital works in progress**

The following table shows the movement of capital works in progress during 2012-13:

	Road network \$'000	Plant and equipment/ intangibles \$'000	Building and facilities \$'000	Rail and bus track \$'000	2013 Total \$'000
Carrying amount at 1 July	788 822	143 305	154 070	500 438	1 586 635
Prior period - error correction - 2011-12	15	(676)	(215)	-	(876)
Adjusted opening balance	788 837	142 629	153 855	500 438	1 585 759
Additions	532 670	118 092	233 106	326 847	1 210 715
Transfers due to reclassification of assets	43 628	(21 033)	(22 538)	(57)	-
Transfer to capital	(180 211)	(100 539)	(13 428)	(35 747)	(329 925)
Transfer to operating	(2 793)	(273)	-	202	(2 864)
Other	-	(126)	-	-	(126)
Carrying amount at 30 June	1 182 131	138 750	350 995	791 683	2 463 559

**33. Intangible assets**

	2013 \$'000	2012 \$'000	2011 \$'000
Software:			
Computer software	75 189	66 176	47 899
Accumulated amortisation	47 001	40 056	33 087
Total intangible assets	28 188	26 120	14 812

**Valuation of intangible assets**

Refer note 3.13 for details on the valuation of intangible assets.

**Reconciliation of intangible assets**

The following table shows the movement of intangible assets during 2012-13:

	2013 \$'000
Carrying amount at 1 July	25 011
Prior period - error correction - 2010-11	(122)
Prior period - error correction - 2011-12	1 231
Adjusted opening balance	26 120
Additions	7 240
Transfer from works in progress	1 740
Amortisation	(6 895)
Transfer in due to reclassification of assets	(17)
Carrying amount at 30 June	28 188

**Amortisation of intangibles**

Total amortisation associated with intangibles for 2012-13 was \$6.895 million. Of this amount, \$6.858 million has been reported within the Statement of Comprehensive Income as operating expenditure of the Department. The remaining \$37 000 relates to capital projects that have been reflected within the value of the Department's assets as at 30 June 2013.

34. Payables	2013	2012	2011
Current:	\$'000	\$'000	\$'000
Creditors	70 354	76 881	84 614
Accrued expenses	165 520	171 532	149 184
Rail Commissioner - federally awarded employees	11 067	10 084	-
Employment on-costs	4 106	3 886	5 832
Lease incentives	47	2 654	4 125
Other	55	43	-
Total current payables	251 149	265 080	243 755
Non-current:			
Employment on-costs	6 427	7 662	5 490
Rail Commissioner - federally awarded employees	15 276	13 436	-
Lease incentives	393	-	590
Total non-current payables	22 096	21 098	6 080
Total payables	273 245	286 178	249 835

**Government/Non-government payables**

Payables to SA Government entities:

Creditors	12 805	12 350	754
Accrued expenses	43 658	54 015	33 436
Rail Commissioner - federally awarded employees	26 343	23 520	-
Employment on-costs	10 533	11 548	11 322
Lease incentives	440	2 654	4 715
Total payables to SA Government entities	93 779	104 087	50 227

Payables to non-SA Government entities:

Creditors	57 549	64 531	83 860
Accrued expenses	121 862	117 517	115 748
Other	55	43	-
Total payables to non-SA Government entities	179 466	182 091	199 608
Total payables	273 245	286 178	249 835

**Interest rate and credit risk**

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

**Employment on-costs**

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2012 rate of 40% and the average factor for the calculation of employer superannuation on-cost has changed from the 2012 rate of 10.3% to 10.2%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$32 000. The estimated impact on 2014 and 2015 is not expected to be materially different to the impact in 2013.

- (a) Maturity analysis of payables - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.

35. Borrowings	2013	2012	2011
Current:	\$'000	\$'000	\$'000
Borrowings from non-SA Government: <sup>(1)</sup>			
Balance as at 1 July	406	375	-
Transfers	41	31	-
Balance as at 30 June	447	406	-

<b>35. Borrowings (continued)</b>	2013	2012	2011
Current: (continued)	\$'000	\$'000	\$'000
Obligations under finance leases and plant hire contracts: <sup>(2)</sup>			
Balance as at 1 July	1 756	1 692	1 621
Net decrease in lease liabilities due to:			
New leases	267	365	418
Transfers	1 543	1 509	1 417
Repayments	(1 851)	(1 810)	(1 764)
Balance as at 30 June	<u>1 715</u>	<u>1 756</u>	<u>1 692</u>
Total current borrowings	<u>2 162</u>	<u>2 162</u>	<u>1 692</u>
Non-current:			
Borrowings from non-SA Government: <sup>(1)</sup>			
Balance as at 1 July	2 259	2 532	-
Transfers	(41)	(31)	-
Repayments	(412)	(242)	-
Balance as at 30 June	<u>1 806</u>	<u>2 259</u>	<u>-</u>
Borrowings from SA Government: <sup>(1)</sup>			
Balance as at 1 July	-	-	47 760
Repayments	-	-	(47 760)
Balance as at 30 June	<u>-</u>	<u>-</u>	<u>-</u>
Obligations under finance leases and plant hire contracts: <sup>(2)</sup>			
Balance as at 1 July	16 575	17 443	18 108
Net decrease in lease liabilities due to:			
New leases	579	641	752
Transfers	(1 543)	(1 509)	(1 417)
Balance as at 30 June	<u>15 611</u>	<u>16 575</u>	<u>17 443</u>
Total non-current borrowings	<u>17 417</u>	<u>18 834</u>	<u>17 443</u>
Total borrowings	<u>19 579</u>	<u>20 996</u>	<u>19 135</u>

(1) These borrowings represent loans relating to the Office for Recreation and Sport and are underwritten by the Department as guarantor to external organisations. The borrowings consist of two loans at fixed interest rates of 7.99% and 7.34% and have maturity dates of 2017 and 2018 respectively.

(2) Secured by the asset leased.

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

<b>Assets pledged as security</b>	Note	2013	2012	2011
The carrying amount of non-current assets pledged as security are:		\$'000	\$'000	\$'000
Leased land and buildings:				
Buildings and improvements under lease	29	25 960	29 112	29 150
Leased plant and equipment:				
Computer and office equipment	30	1 831	1 981	2 045
Total assets pledged as security		<u>27 791</u>	<u>31 093</u>	<u>31 195</u>

(a) Maturity analysis of borrowings - refer note 40.

(b) Categorisation of financial instruments and risk exposure information - refer note 40.

(c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

<b>36. Employee benefits</b>	2013	2012	2011
Current:	\$'000	\$'000	\$'000
Annual leave	20 601	20 424	17 737
LSL	7 163	6 739	5 148
Skills and experience retention leave	1 472	-	-
Accrued salaries and wages	97	21	6 770
Total current employee benefits	<u>29 333</u>	<u>27 184</u>	<u>29 655</u>



<b>36. Employee benefits (continued)</b>	2013	2012	2011
Non-current:	\$'000	\$'000	\$'000
LSL	69 609	72 081	62 859
Total non-current employee benefits	69 609	72 081	62 859
Total employee benefits	98 942	99 265	92 514

The total current and non-current employee liability (ie aggregate employee benefit plus related on-costs) for 2013 is \$33.439 million (\$31.07 million) and \$76.036 million (\$79.743 million) respectively.

**Annual leave**

Annual leave is classified as a current liability as employees are expected to take all annual leave within the year of entitlement.

The applicable salary inflation rate of 4% is unchanged from the 2012 rate. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**LSL**

AASB 119 describes the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from (3%) 2012 to (3.8%) 2013.

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

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is a reduction in the LSL liability of \$3.937 million and employee benefit on-cost expense of \$363 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

<b>37. Provisions</b>	2013	2012	2011
Current:	\$'000	\$'000	\$'000
Provision for workers compensation	1 399	1 383	1 469
Site remediation	3 801	2 929	2 429
Provision for indentured ports payment to the Treasurer	-	4 249	23 517
Other provisions - SA Government	299	302	157
Total current provisions	5 499	8 863	27 572
Non-current:			
Site remediation	2 851	3 791	3 082
Provision for workers compensation	5 319	5 188	4 949
Total non-current provisions	8 170	8 979	8 031
Total provisions	13 669	17 842	35 603

**Reconciliation of workers compensation**

The following table shows the movement of the workers compensation provision:

Carrying amount at 1 July	6 571	6 418	5 685
Provision acquired on restructure	-	849	-
Provision relinquished on restructure	-	(717)	-
Increase (Decrease) in provision due to revision of estimates	2 850	1 106	2 774
Reductions resulting from payments	(2 703)	(1 085)	(2 041)
Carrying amount at 30 June	6 718	6 571	6 418

<b>Reconciliation of site remediation</b>	2013	2012	2011
	\$'000	\$'000	\$'000
The following table shows the movement of the site remediation provision:			
Carrying amount at 1 July	6 720	5 511	5 537
Increase (Decrease) in provision due to revision of estimates	(7)	1 434	101
Reductions resulting from payments	(61)	(225)	(127)
Carrying amount at 30 June	6 652	6 720	5 511

**Reconciliation of indentured ports**

The following table shows the movement of the indentured ports provision:			
Carrying amount at 1 July	4 249	23 517	19 854
Increase (Decrease) in provision resulting from invoices raised	-	-	4 481
Reductions resulting from payments	(4 249)	(19 268)	(818)
Carrying amount at 30 June	-	4 249	23 517

**Reconciliation of other provisions**

The following table shows the movement of other provisions:			
Carrying amount at 1 July	302	157	2 752
Increase (Decrease) in provision due to revision of estimates	1 643	482	858
Reductions resulting from payments	(1 646)	(337)	(3 453)
Carrying amount at 30 June	299	302	157

**38. Other liabilities**

Current:

Deferred income - SA Government	13 272	23 519	703
Deferred income - non-SA Government	5 263	7 036	3 672
Other - SA Government	25	25	25
Lease incentives - non-SA Government	4 942	4 865	4 443
Other - non-SA Government	127	21	-
Total current other liabilities	23 629	35 466	8 843

Non-current:

Lease incentives - non-SA Government	30 413	33 834	28 251
Other - non-SA Government	-	4	-
Total non-current other liabilities	30 413	33 838	28 251
Total other liabilities	54 042	69 304	37 094

Deferred income (SA Government) in 2012-13 primarily consists of revenue received in advance on capital works performed by building management on behalf of government agencies.

Commonwealth funding received for specific projects (formerly AusLink Advance Account for Specific Projects Fund) includes Commonwealth grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional program. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on 30 June 2006, to initially be expended over the four year period between 2006-07 and 2009-10.

These funds have been disclosed as deferred income in accordance with APF V, APS 4.12.

**39. Adjustments to equity**

<b>Restatement of opening balances</b>	2013	2012	2011
	\$'000	\$'000	\$'000
Adjustments against retained earnings:			
Lease incentives - work in progress adjustment	-	-	(11 881)
Work in progress adjustment	(876)	(6 152)	(6 843)
Asset recognition - error correction	5 755	21 304	6 469
Lease incentives - error correction	-	-	6 800
Debtor derecognition - error correction	-	(7 312)	-
Other	(2 185)	(612)	6 148
Total adjustments against retained earnings	2 694	7 228	693

<b>Restatement of opening balances (continued)</b>	2013	2012	2011
	\$'000	\$'000	\$'000
Adjustments against revaluation surplus:			
Asset revaluation - error correction	455	4 269	(44 824)
Other	-	-	(3 015)
Total adjustments against revaluation surplus	455	4 269	(47 839)
Total adjustments to equity	3 149	11 497	(47 146)

The table above represents total adjustments to equity identified in each year. Adjustments totalling \$3.149 million (\$11.497 million) were identified in 2012-13 which affect 2011-12 and prior years.

**Adjustments against retained earnings**

**Work in progress adjustment**

A review of completed projects by the Department in 2012-13 identified costs of \$876 000 which were recognised within the capital works in progress asset balance at 30 June 2012 which did not meet the Department's asset recognition criteria. Recognising these costs within the balance of capital works in progress instead of as expenses in the year ended 30 June 2012 or a prior period is an error which was corrected in 2012-13 by an adjustment to retained earnings. The impact on the financial statements for 2011-12 is summarised below:

	2012	2011	Total
	\$'000	\$'000	\$'000
Network assets - work in progress	15	-	15
Land, buildings and facilities - work in progress	(215)	-	(215)
Plant and equipment - work in progress	(676)	-	(676)
Total work in progress adjustment	(876)	-	(876)

**Asset recognition - error correction**

Asset revaluation, reconciliation and stocktake procedures in 2012-13 identified assets totalling \$5.755 million which were not recognised or incorrectly recognised in prior years. The value of assets not recognised as at 30 June 2012 by asset class were:

	2012	2011	Total
	\$'000	\$'000	\$'000
Network assets	155	5 414	5 569
Land, buildings and facilities	7	231	238
Plant and equipment	(1 224)	63	(1 161)
Intangibles	1 231	(122)	1 109
Total asset recognition - error correction adjustment	169	5 586	5 755

**Other adjustments - error correction**

The value of the following adjustments, \$2.185 million, are mainly due to an adjustment to the first-time recognition of electrical asset inventory in 2011-12 and the movement between retained earnings and revaluation surplus resulting from revaluation accounting treatment errors occurring in prior years that have been corrected in the current year.

	2012	2011	Total
	\$'000	\$'000	\$'000
Inventories	(1 268)	-	(1 268)
Other liabilities	(306)	-	(306)
Revision of site remediation provision	(611)	-	(611)
Total other adjustments - error correction	(2 185)	-	(2 185)

**Adjustments against revaluation surplus**

**Asset revaluation - error correction**

An adjustment was made to the revaluation surplus account in 2012-13 of \$455 000. The adjustment is mainly attributed to the revaluation of network assets and residential properties.

	2012	2011	Total
	\$'000	\$'000	\$'000
Network assets	(510)	-	(510)
Land and buildings	965	-	965
Total asset revaluation - error correction	455	-	455

**40. Financial instruments**

**40.1 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 3.

	Note	Carrying amount/ fair value	
		2013 \$'000	2012 \$'000
<b>Financial assets</b>			
Cash and cash equivalents:			
Cash and cash equivalents	24	538 976	694 978
Loans and receivables:			
Receivables <sup>(1)</sup>	25	300 216	293 319
Finance lease receivable	25,42	7 909	8 186
Total financial assets		<u>847 101</u>	<u>996 483</u>
<b>Financial liabilities</b>			
Payables <sup>(1)</sup>	34	262 712	274 629
Borrowings	35	2 253	2 665
Finance lease payable	35,42	17 326	18 331
Total financial liabilities		<u>282 291</u>	<u>295 625</u>

<sup>(1)</sup> Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

**Terms, conditions and accounting policies**

*Financial assets*

The carrying amount of cash and cash equivalents represents fair value. Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in accordance with the terms specified in the contract.

*Financial liabilities*

Creditors and accruals are recognised for all amounts unpaid equal to the value of goods and services provided. Creditors are normally settled within 30 days.

Finance leases are recorded at amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments using a government borrowing rate. Lease payments are made in accordance with the schedules determined at the inception of each lease.

Borrowings are recognised at cost and are underwritten by the Department as guarantor to external organisations. The borrowings consist of two loans at fixed interest rates of 7.99% and 7.34% and have maturity dates of 2017 and 2018 respectively.

**Credit risk**

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in a financial loss to the Department. The Department has credit management policies and procedures in place to ensure business transactions continue to occur with customers with appropriate credit history.

**40.2 Ageing analysis of financial assets**

The following table discloses the ageing of financial assets that are past due:

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2013</b>				
Not impaired:				
Receivables <sup>(1)</sup>	28 316	2 742	11 196	42 254
<b>2012</b>				
Not impaired:				
Receivables <sup>(1)</sup>	25 078	9 461	15 509	50 048

<sup>(1)</sup> Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

#### 40.3 Maturity analysis of financial assets and liabilities

The following table discloses the maturity analysis of financial assets and financial liabilities:

	Carrying amount	Contractual maturities		
		Less than 1 year	1-5 years	More than 5 years
<b>2013</b>				
Financial assets:	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	538 976	538 976	-	-
Receivables <sup>(1)</sup>	300 216	296 746	1 430	2 040
Finance lease receivable	9 371	865	3 241	5 265
<b>Total financial assets</b>	<b>848 563</b>	<b>836 587</b>	<b>4 671</b>	<b>7 305</b>
Financial liabilities:				
Payables <sup>(1)</sup>	262 712	245 846	16 866	-
Borrowings	2 253	447	1 806	-
Finance lease payable	24 285	2 789	7 878	13 618
<b>Total financial liabilities</b>	<b>289 250</b>	<b>249 082</b>	<b>26 550</b>	<b>13 618</b>
<b>2012</b>				
Financial assets:				
Cash and cash equivalents	694 978	694 978	-	-
Receivables <sup>(1)</sup>	293 319	290 371	1 048	1 900
Finance lease receivable	10 974	975	3 428	6 571
<b>Total financial assets</b>	<b>999 271</b>	<b>986 324</b>	<b>4 476</b>	<b>8 471</b>
Financial liabilities:				
Payables <sup>(1)</sup>	274 629	261 193	13 436	-
Borrowings	2 665	406	2 166	93
Finance lease payable	26 120	2 837	8 097	15 186
<b>Total financial liabilities</b>	<b>303 414</b>	<b>264 436</b>	<b>23 699</b>	<b>15 279</b>

<sup>(1)</sup> Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

#### Liquidity risk

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. In relation to this risk, the Department's exposure is considered to be minimal. The continued existence of the Department in its present form and with its present programs is dependent on government policy, the operation of current fee and charges structures, and continuing appropriations from various acts.

#### Fair value (market) risk

The Department's exposure to fair value (market) risk is considered minimal. Financial instruments are disclosed at a carrying amount that approximates their net fair value.

The amount for financial assets approximates the net fair value due to the short-term to maturity of the items, or due to the assets being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

#### Foreign currency risk

The Department enters into business transactions that require the payment of goods or services in a foreign currency. Foreign currency risk associated with significant payments is minimised using a strategy of forward cover contract through SAFA. The forward cover aims to hedge against losses arising from any foreign currency price fluctuations at the date of settlement.

#### Interest rate risk

The Department's exposure to interest rate risk is measured with reference to the level of interest and non-interest bearing assets and liabilities held at reporting date.

Interest revenue from interest bearing assets is calculated using the Common Public Sector Interest Rate and/or other rates as determined by the Treasurer.

The interest expense implicit in any finance lease payment is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest and loan repayment commitments.

**41. Transferred functions**

**Transferred in**

**Office for Design and Architecture SA (ODASA)**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2013 effective 1 March 2013, transferred the financial arrangement and all employees employed in the operational unit known as ODASA from DPC to DPTI.

The effective date of the transfer was 1 March 2013.

Total income and expenses attributable to ODASA for 2012-13 were:

	DPC ODASA 01.07.12 to 28.02.13 \$'000	DPTI 01.03.13 to 30.06.13 \$'000	Total \$'000
Appropriation	-	-	-
Fees and charges	3	-	3
Grants and subsidies	202	-	202
Total income	205	-	205
Employee benefits expenses	962	321	1 283
Supplies and services	706	487	1 193
Depreciation and amortisation	3	2	5
Total expenses	1 671	810	2 481
Net result	(1 466)	(810)	(2 276)

On transfer of ODASA, the Department recognised the following assets and liabilities:

	ODASA 28.02.13 \$'000
Cash	-
Receivables	-
Plant and equipment	14
Land, buildings and facilities	-
Other assets	-
Total assets	14
Payables	-
Provisions	106
Employee benefits expense	41
Other liabilities	-
Total liabilities	147
Total net assets transferred	(133)

**SA Health**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2012 effective 2 October 2012, assigned employees of SA Health referred to in Schedule 1 and 2 of The South Australian Government Gazette notice dated 20 September 2012, and the Public Sector (Reorganisation of Public Sector Operations) Notice 2012 effective 19 November 2012 and 26 November 2012, assigned employees of SA Health referred to in Schedules 1, 2 and 3 of The South Australian Government Gazette notice dated 8 November 2012, were transferred to the Department.

The effective dates of the transfer were 2 October 2012, 19 November 2012, 26 November 2012 and 2 June 2013.

Total income and expenses attributable to SA Health for 2012-13 were:

	SA Health \$'000	DPTI \$'000	Total \$'000
Appropriation	-	-	-
Revenue from services	-	-	-
Other income	-	-	-
Total income	-	-	-
Employee benefit expenses	3 074	3 204	6 278
Supplies and services	-	-	-
Depreciation and amortisation	-	-	-
Other expenses	-	-	-
Total expenses	3 074	3 204	6 278
Net result	(3 074)	(3 204)	(6 278)

**SA Health (continued)**

On transfer of SA Health, the Department recognised the following assets and liabilities:

	SA Health \$'000
Cash	-
Receivables	-
Plant and equipment	-
Land, buildings and facilities	-
Other assets	-
Total assets	<u>-</u>
Payables	139
Provisions	-
Employee benefits expense	2 602
Other liabilities	-
Total liabilities	<u>2 741</u>
Total net assets transferred	<u>(2 741)</u>

**Total transferred in**

	ODASA \$'000	SA Health \$'000	Total \$'000
Cash	-	-	-
Receivables	-	-	-
Plant and equipment	14	-	14
Land, buildings and facilities	-	-	-
Other assets	-	-	-
Total assets	<u>14</u>	<u>-</u>	<u>14</u>
Payables	-	139	139
Provisions	106	-	106
Employee benefits expense	41	2 602	2 643
Other liabilities	-	-	-
Total liabilities	<u>147</u>	<u>2 741</u>	<u>2 888</u>
Total net assets transferred	<u>(133)</u>	<u>(2 741)</u>	<u>(2 874)</u>

**42. Unrecognised contractual commitments**

**Capital commitments**

	2013 \$'000	2012 \$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	1 139 506	1 473 604
Later than one year but no later than five years	288 185	819 625
Later than five years	-	-
Total capital commitments	<u>1 427 691</u>	<u>2 293 229</u>

The Department's capital commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks, the purchase of new public transport vehicles and the construction and upgrade of government buildings and facilities. Where this construction work is being done on behalf of other agencies the cost is recovered accordingly.

**Remuneration commitments**

	2013 \$'000	2012 \$'000
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	27 045	27 004
Later than one year but no later than five years	37 294	30 545
Total remuneration commitments	<u>64 339</u>	<u>57 549</u>

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

<b>Other commitments</b>	2013	2012
	\$'000	\$'000
Within one year	371 369	360 704
Later than one year but no later than five years	1 046 120	1 076 186
Later than five years	229 150	419 958
Total other commitments	<u>1 646 639</u>	<u>1 856 848</u>

The Department's other commitments include major service and supply contracts for road maintenance, ferry operations and bus and rail transport services. It also includes the outsourced facilities management contract which it manages on behalf of the Government. These costs are reimbursable from other agencies.

<b>Operating lease commitments as lessee</b>	2013	2012
	\$'000	\$'000
Commitments under operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	149 206	144 829
Later than one year but no later than five years	432 697	436 512
Later than five years	329 236	388 169
Total operating lease commitments as lessee	<u>911 139</u>	<u>969 510</u>

Representing:

Cancellable operating leases	13 415	13 990
Non-cancellable operating leases	897 724	955 520
Total operating lease commitments as lessee	<u>911 139</u>	<u>969 510</u>

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	141 484	137 301
Later than one year but no later than five years	427 542	430 857
Later than five years	328 698	387 362
Total non-cancellable operating lease commitments as lessee	<u>897 724</u>	<u>955 520</u>

The Department's operating lease commitments as lessee are for land, motor vehicles, office equipment, other plant and equipment and commercial and residential accommodation.

Commercial accommodation leases are non-cancellable with terms ranging from one to 15 years. Rental is payable in advance with no contingent rental provisions. Residential accommodation leases are cancellable with varying terms and have no option to renew.

Motor vehicle leases are cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement. Motor vehicle lease terms may be for three years (or 60 000 km whichever comes first) or five years (or 100 000 km whichever comes first).

Photocopier leases are non-cancellable with terms of four years, with rentals paid monthly.

<b>Operating lease commitments as sublessor</b>	2013	2012
	\$'000	\$'000
Commitments under operating subleases at the reporting date but not recognised as receivable in the financial report, as follows:		
Within one year	124 639	118 491
Later than one year but no later than five years	354 036	363 181
Later than five years	259 999	303 093
Total operating lease commitments as sublessor	<u>738 674</u>	<u>784 765</u>

The Department leases a number of properties from private landlords and sublets these properties to various tenants. The Department is therefore a sublessor of these properties.

<b>Operating lease commitments as lessor</b>	2013	2012
Commitments under operating leases at the reporting date but not recognised as receivable in the financial report, are as follows:		
Within one year	29 773	20 309
Later than one year but no later than five years	63 125	43 409
Later than five years	64 773	64 202
Total operating lease commitments as lessor	<u>157 671</u>	<u>127 920</u>



**Operating lease commitments as lessor (continued)**

The Department's operating lease commitments as lessor are for commercial properties and access rights to State owned land sites. Commercial accommodation leases are non-cancellable with terms ranging from one to 15 years. Rental is receivable in advance.

Leases transferred in as lessor from the Office for Recreation and Sport are non-cancellable leases of sporting venues and office accommodation leased to various sporting organisations. The leases have terms ranging from one to 25 years with some having a right of renewal.

<b>Finance lease commitments as lessee</b>	2013	2012
Future minimum lease payments under finance leases and hire purchase contracts	\$'000	\$'000
together with the present value of net minimum lease payments are as follows:		
Within one year	2 789	2 837
Later than one year but no longer than five years	7 878	8 097
Later than five years	13 618	15 186
Minimum lease payments	24 285	26 120
Future finance leases lease charges	(6 959)	(7 789)
Total finance lease commitments as lessee (recognised as a liability)	<u>17 326</u>	<u>18 331</u>

The present value of finance lease payable is as follows:

Within one year	1 726	1 756
Later than one year but no longer than five years	4 802	4 855
Later than five years	10 798	11 720
Present value of finance lease	<u>17 326</u>	<u>18 331</u>

Representing:

Current	1 726	1 756
Non-current	15 600	16 575
Total included in borrowings	<u>17 326</u>	<u>18 331</u>

The Department's finance leases as lessee relate to government accommodation and computer hardware and software.

The Department's computer and network printer equipment leases are non-cancellable with terms of three to four years. Each lease contains three options at the conclusion of the current term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value. In all cases the Department chooses to exercise its right to return the equipment. The weighted average interest rate implicit in the lease is 12.02%.

The lease for Roma Mitchell House is non-cancellable, for a term of 40 years. At the end of the lease term, the building becomes part of the Department's owned portfolio. Rental is payable monthly, in advance. A contingent rental provision exists, in which an amount is expensed after taking into account the principal reduction and interest expense from the monthly lease payment. This contingent rental expense was \$2.285 million in 2012-13 (\$2.129 million).

The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease in 2012-13 is 5.52% (5.52%).

<b>Finance lease commitments as lessor</b>	2013	2012
Finance lease receivables contracted for at the reporting date are as follows:	\$'000	\$'000
Within one year	865	975
Later than one year but no longer than five years	3 241	3 428
Later than five years	5 265	6 571
Minimum lease payments	9 371	10 974
Unearned finance income	(1 462)	(2 788)
Total finance lease commitments as lessor (recognised as an asset)	<u>7 909</u>	<u>8 186</u>

The present value of finance lease receivable is as follows:

Within one year	647	605
Later than one year but no longer than five years	2 554	2 210
Later than five years	4 708	5 371
Present value of finance lease	<u>7 909</u>	<u>8 186</u>

Representing:

Current	647	605
Non-current	7 262	7 581
Total included in receivables	<u>7 909</u>	<u>8 186</u>

**Finance lease commitments as lessor (continued)**

The Department's finance leases as lessor represents recreational jetties and residential properties (ie government employee housing). As the finance leases for recreational jetties provide no material revenues, amounts associated with these leases have not been recognised (refer note 3.14).

Residential property finance leases where the Department is the lessor are non-cancellable, for a term of 20 years. At the end of the lease term, the asset belongs to the lessee. Rent is paid one month in advance and there are no contingent rental provisions. The interest rate for the June 2013 quarter implicit in the lease is 2.86% (4.68%).

**43. Contingent assets and liabilities**

At 30 June 2013, the Department had:

- possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury
- received notification of other cases not yet subject to court action or formal claim, which may result in subsequent litigation in the future
- possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale.

Loans relating to the Office for Recreation and Sport are underwritten by the Department as guarantor. A potential liability may exist in meeting loan obligations (refer note 35).

In addition, the Department is awaiting the outcome of formal and informal proceedings which may result in possible material liabilities.

The Department believes that the extent of these contingent liabilities cannot be reliably measured at balance date.

The Department may be awarded the reimbursements of costs for some cases which are still subject to litigation.

The Department is not aware of any contingent assets.

**44. Cash flow reconciliation**

	2013	2012
	\$'000	\$'000
Reconciliation of cash and cash equivalents - cash at 30 June as per:		
Statement of Cash Flows	538 976	694 978
Statement of Financial Position	538 976	694 978

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

Net cash provided by operating activities	353 852	909 015
Revenues from SA Government	(428 293)	(309 237)
Payments to SA Government	3 611	54 849
Non-cash items:		
Net gain (loss) on sale or disposal of non-current assets	(5 734)	(5 468)
Depreciation/Amortisation expense of non-current assets	(320 163)	(311 048)
Assets written off	(497)	(578)
Assets donated	(87 212)	(42 080)
Resources received free of charge	546	123 414
Movements in assets/liabilities:		
Receivables	6 938	(21 789)
Inventories	2 338	4 337
Other assets	(2 800)	55 840
Payables and provisions	37 453	(74 510)
Employee benefits	323	(37 472)
Other liabilities	15 262	(30 992)
Net revenue from (cost of) providing services	(424 376)	314 281

**45. Indentured ports**

Funds for cargo services and harbour services charges are collected by the Department and applied to the maintenance of indentured ports. Any remaining funds are returned to the Consolidated Account. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

**45. Indentured ports (continued)**

The amounts paid to the Consolidated Account in 2012-13 included \$6.1 million relating to the SANTOS dispute resolution and \$18.815 million relating to cargo and harbour service charges collected in 2011-12 but not paid as at 30 June 2012.

A further \$9.857 million remains payable to the Consolidated Account representing \$9.097 million outstanding cargo and harbour service charges collected in 2012-13 and \$760 000 relating to the SANTOS dispute resolution collected but not paid as at 30 June 2013.

**46. Rail Transport Facilitation Fund**

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund, was proclaimed in December 2001. Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the Fund.

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	6 755	8 056
Total inflows	<u>6 755</u>	<u>8 056</u>
Outflows:		
Payments from the Fund	(4 000)	(4 236)
Total outflows	<u>(4 000)</u>	<u>(4 236)</u>
Net surplus (deficit)	<u>2 755</u>	<u>3 820</u>
Fund balance:		
Balance at 1 July	44 962	41 142
Net surplus (deficit)	2 755	3 820
Balance at 30 June	<u>47 717</u>	<u>44 962</u>

***Receipts into the Fund***

The receipts into the Fund in 2012-13 result predominantly from \$1.3 million (\$1.9 million) interest, \$5 million (\$4.4 million) rental and property income and \$700 000 (\$600 000) appropriation from DTF for the Port River Expressway - Stage 3 (Rail).

***Payments from the Fund***

The payments from the Fund in 2012-13 result predominantly from money being spent on non-metropolitan passenger rail services projects.

**47. Community Road Safety Fund**

The Community Road Safety Fund has been operative since 1 July 2003, and is currently funded by an appropriation from DTF. These funds are utilised for the purposes of road safety initiatives, including a payment to the South Australia Police of \$36.5 million (\$35.6 million) for safety related policing expenditure. The appropriation for 2012-13 was \$81.021 million (\$80.131 million).

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	81 451	81 000
Total inflows	<u>81 451</u>	<u>81 000</u>
Outflows:		
Payments from the Fund	(83 448)	(87 941)
Total outflows	<u>(83 448)</u>	<u>(87 941)</u>
Net surplus (deficit)	<u>(1 997)</u>	<u>(6 941)</u>
Fund balance:		
Balance at 1 July	5 605	12 546
Net surplus (deficit)	(1 997)	(6 941)
Balance at 30 June	<u>3 608</u>	<u>5 605</u>

**48. Commonwealth funding received for specific projects (formerly AusLink Advance Account for Specific Projects)**

The account includes Commonwealth grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional program. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on 30 June 2006, to initially be expended over the four year period between 2006-07 and 2009-10.

These funds have been disclosed as deferred income in accordance with APF V, APS 4.12 (refer note 38).

**Receipts into the Fund**

In 2012-13 the Fund includes Sturt Highway interest \$34 000, South Road Superway interest \$1.768 million and Gawler modernisation interest \$1.1 million.

**Payments from the Fund**

\$819 000 (\$901 000) relates to expenditure associated with the Sturt Highway. \$154.491 million relates to expenditure associated with the South Road Superway. During the year the Gawler Modernisation project was deferred and as a consequence \$10 million was agreed to be transferred to Seaford Rail Extension project and \$31.952 million (including interest) was paid back to the Federal Government for unspent funds.

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	2 607	197 358
Total inflows	<u>2 607</u>	<u>197 358</u>
Outflows:		
Payments from the Fund	(197 261)	(901)
Total outflows	<u>(197 261)</u>	<u>(901)</u>
Net surplus (deficit)	<u>(194 654)</u>	<u>196 457</u>
Fund balance:		
Balance at 1 July	197 214	2 300
Net surplus (deficit)	(194 654)	196 457
Opening balance adjustment	-	(1 543)
Balance at 30 June	<u>2 560</u>	<u>197 214</u>

**49. After balance date events**

Pursuant to the Public Sector (Reorganisation of Public Sector Operations) Notice 2013 under section 9(1) of the PSA effective 1 August 2013, nine employees from DPC transferred employment to DPTI.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefit expenses	A7	910	638
Supplies and services	A8	6 868	5 605
Grants and subsidies	A9	24 170	19 671
Disbursements on behalf of third parties	A10	914 791	913 864
Borrowing costs		110	124
Payments to Consolidated Account	A11	134 619	127 475
Other expenses		131	310
<b>Total expenses</b>		<u>1 081 599</u>	<u>1 067 687</u>
<b>Income:</b>			
Net revenues from SA Government	A13	4 685	12 023
Fees and charges	A14	154 145	138 157
Collections on behalf of third parties	A15	903 673	902 714
Grants and subsidies	A16	3 744	2 050
Commonwealth revenue	A17	-	210
Interest revenue	A18	877	876
Other income		11 502	709
<b>Total income</b>		<u>1 078 626</u>	<u>1 056 739</u>
<b>Net result</b>		<u>(2 973)</u>	<u>(10 948)</u>
<b>Other comprehensive income:</b>			
Change in revaluation surplus	A21	3 106	-
<b>Total comprehensive result</b>		<u>133</u>	<u>(10 948)</u>

**Statement of Administered Financial Position  
as at 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A19	103 533	89 695
Receivables	A20	3 413	4 761
<b>Total current assets</b>		106 946	94 456
<b>Non-current assets:</b>			
Receivables	A20	1 224	1 481
Property, plant and equipment	A21	11 265	8 159
<b>Total non-current assets</b>		12 489	9 640
<b>Total assets</b>		119 435	104 096
<b>Current liabilities:</b>			
Payables	A22	79 556	63 760
Borrowings	A23	255	588
<b>Total current liabilities</b>		79 811	64 348
<b>Non-current liabilities:</b>			
Borrowings	A23	1 224	1 481
<b>Total non-current liabilities</b>		1 224	1 481
<b>Total liabilities</b>		81 035	65 829
<b>Net assets</b>		38 400	38 267
<b>Equity:</b>			
Equity	A24	38 400	38 267
<b>Total equity</b>		38 400	38 267
Contingent assets and liabilities	A32		
Unrecognised contractual commitments	A33		

**Statement of Administered Changes in Equity  
for the year ended 30 June 2013**

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011		-	11 712	11 712
Prior period error correction		-	1 464	1 464
Restated balance at 30 June 2011		-	13 176	13 176
Net result for 2011-12		-	(10 948)	(10 948)
Total comprehensive result for 2011-12		-	(10 948)	(10 948)
Net assets received from an administrative restructure		-	36 039	36 039
Balance at 30 June 2012	A24	-	38 267	38 267
Net result for 2012-13		-	(2 973)	(2 973)
Gain on revaluation of land during 2012-13		3 106	-	3 106
Total comprehensive result for 2012-13		3 106	(2 973)	133
<b>Balance at 30 June 2013</b>	A24	<b>3 106</b>	<b>35 294</b>	<b>38 400</b>

## Statement of Administered Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit costs		(848)	(638)
Supplies and services		(9 147)	(5 079)
Grants and subsidies		(21 315)	(15 183)
Disbursements on behalf of third parties		(902 102)	(927 843)
Payments to Consolidated Account		(132 281)	(124 039)
<b>Total cash outflows</b>		(1 065 693)	(1 072 782)
Cash inflows:			
Receipts from SA Government		4 685	12 023
Receipts from fees and charges		155 461	131 625
Collections on behalf of third parties		903 673	902 723
Grants and subsidies		3 757	2 049
Commonwealth revenue		-	216
Interest		913	886
Other income		11 502	499
<b>Total cash inflows</b>		1 079 991	1 050 021
<b>Net cash inflows (outflows) from operating activities</b>	A26	14 298	(22 761)
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Repayment of loans - SA Government		(700)	(350)
<b>Total cash outflows</b>		(700)	(350)
Cash inflows:			
Cash proceeds from restructure activities		-	28 259
Repayment of loans - local government		240	226
<b>Total cash inflows</b>		240	28 485
<b>Net cash inflows (outflows) from financing activities</b>		(460)	28 135
<b>Net increase (decrease) in cash held</b>		13 838	5 374
<b>Cash and cash equivalents at 1 July</b>		89 695	84 321
<b>Cash and cash equivalents at 30 June</b>	A19	103 533	89 695



**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2013**

	Land Use Planning		Infrastructure Planning, Policy and Operations		Land Services		Recreation, Sport and Racing	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Expenses:</b>								
Employee benefit expenses	-	-	274	274	230	142	124	-
Supplies and services	3 411	2 369	2 648	2 571	629	665	-	-
Grants and subsidies	18 005	13 196	2 445	2 425	-	-	3 720	3 840
Disbursements on behalf of third parties	-	-	-	-	-	-	-	-
Borrowing costs	-	-	110	124	-	-	-	-
Payments to Consolidated Account	-	-	-	-	134 619	127 475	-	-
Other expenses	131	310	-	-	-	-	-	-
<b>Total expenses</b>	<b>21 547</b>	<b>15 875</b>	<b>5 477</b>	<b>5 394</b>	<b>135 478</b>	<b>128 282</b>	<b>3 844</b>	<b>3 840</b>
<b>Income:</b>								
Net revenues from								
SA Government	1 268	-	2 858	873	167	-	101	-
Fees and charges	16 559	8 037	2 324	2 320	135 262	127 800	-	-
Collections on behalf of third parties	-	-	-	-	-	-	-	-
Grants and subsidies	-	8	-	-	-	-	3 744	2 042
Commonwealth revenue	-	-	-	-	-	-	-	-
Interest revenue	566	447	110	124	199	305	-	-
Other income	4	-	199	553	3	-	-	156
<b>Total income</b>	<b>18 397</b>	<b>8 492</b>	<b>5 491</b>	<b>3 870</b>	<b>135 631</b>	<b>128 105</b>	<b>3 845</b>	<b>2 198</b>
<b>Net result</b>	<b>(3 150)</b>	<b>(7 383)</b>	<b>14</b>	<b>(1 524)</b>	<b>153</b>	<b>(177)</b>	<b>1</b>	<b>(1 642)</b>

	Public Transport Services		Driver, Licensing and Vehicle Regulations, Standards and Inspections		Energy Policy and Regulation		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Expenses:</b>								
Employee benefit expenses	282	222	-	-	-	-	910	638
Supplies and services	180	-	-	-	-	-	6 868	5 605
Grants and subsidies	-	-	-	-	-	210	24 170	19 671
Disbursements on behalf of third parties	591	64	914 200	913 800	-	-	914 791	913 864
Borrowing costs	-	-	-	-	-	-	110	124
Payments to Consolidated Account	-	-	-	-	-	-	134 619	127 475
Other expenses	-	-	-	-	-	-	131	310
<b>Total expenses</b>	<b>1 053</b>	<b>286</b>	<b>914 200</b>	<b>913 800</b>	<b>-</b>	<b>210</b>	<b>1 081 599</b>	<b>1 067 687</b>
<b>Income:</b>								
Net revenues from								
SA Government	291	-	-	11 150	-	-	4 685	12 023
Fees and charges	-	-	-	-	-	-	154 145	138 157
Collections on behalf of third parties	591	64	903 082	902 650	-	-	903 673	902 714
Grants and subsidies	-	-	-	-	-	-	3 744	2 050
Commonwealth revenue	-	-	-	-	-	210	-	210
Interest revenue	2	-	-	-	-	-	877	876
Other income	180	-	11 116	-	-	-	11 502	709
<b>Total income</b>	<b>1 064</b>	<b>64</b>	<b>914 198</b>	<b>913 800</b>	<b>-</b>	<b>210</b>	<b>1 078 626</b>	<b>1 056 739</b>
<b>Net result</b>	<b>11</b>	<b>(222)</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 973)</b>	<b>(10 948)</b>

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

The administered financial statements include income, expenses, assets and liabilities that the Department of Planning, Transport and Infrastructure (the Department) administers on behalf of the SA Government but does not control.

### A1. Objectives of the Department

The objectives of the Department, outlined in note 1 for controlled items, apply equally to the administered financial statements.

### A2. Department organisation

The organisational structure of the Department, outlined in note 2 for controlled items, applies to both the departmental and the administered financial statements.

### A3. Summary of significant accounting policies

The policies of the Department, outlined in note 3 for controlled items, apply equally to the administered financial statements.

The amount of GST payable/receivable incurred by the Department in relation to administered functions is recognised in the Statement of Financial Position for controlled items.

### A4. Changes in accounting policies

The changes in accounting policies, as outlined in note 4 for controlled items, apply equally to the administered financial statements. With respect to specific policies no changes have been noted for administered functions.

### A5. Activities of the Department

The activities of the Department, outlined in note 5 for controlled items, apply equally to the administered financial statements.

### A6. Administered items of the Department

The administered items of the Department as at 30 June 2013 comprised the following:

- asbestos and heritage
- contractors' deposits
- Emergency Services levy receipts
- expiation receipts including the Victims of Crime levy
- Hospital Fund - contribution
- Land Services regulatory fees
- land tax equivalent - Flinders Ports
- Lincoln Cove Marina
- major administered projects
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Ministers' salaries
- Motor Accident Commission receipts
- Passenger Transport Research and Development Fund
- Planning and Development Fund
- planning fees
- Real Property Act Assurance Fund
- Real Property Act Trust Accounts
- Recreation and Sport Fund
- Registrar-General and Surveyor-General Statutory Act revenues
- registration and licensing collections and disbursements
- South-Western Suburbs Drainage Scheme
- Sport and Recreation Fund
- stamp duties
- unclaimed salaries and wages
- Valuer-General (Special Act salaries)
- West Beach Trust (trading as Adelaide Shores) - tax equivalent regime
- Workers Liens Trust Account

<b>A7. Employee benefit expenses</b>	2013	2012
	\$'000	\$'000
Ministers' and Valuer-General salaries*	910	638
Total employee benefit expenses	<u>910</u>	<u>638</u>
* Employee benefit expenses are specific to the Minister for Transport and Infrastructure, the Minister for Transport Services, the Minister for Recreation and Sport and the Valuer-General.		
<b>A8. Supplies and services</b>		
Supplies and services paid/payable to entities within the SA Government:		
Project expenditure	2 783	2 667
Professional and technical services	1 869	1 536
Other <sup>(1)</sup>	1 556	578
Total supplies and services - SA Government entities	<u>6 208</u>	<u>4 781</u>
Supplies and services paid/payable to entities external to the SA Government:		
Project expenditure	594	674
Other	66	150
Total supplies and services - non-SA Government entities	<u>660</u>	<u>824</u>
Total supplies and services	<u>6 868</u>	<u>5 605</u>
<sup>(1)</sup> Includes audit fees paid/payable to the Auditor-General (refer note A12).		
<b>A9. Grants and subsidies</b>		
Grants and subsidies paid/payable to entities within the SA Government:		
Office for Recreation and Sport grants	3 720	3 840
Planning and Development Fund grant payments	7 699	4 436
West Beach Trust tax equivalent reimbursements	448	550
Lincoln Cove Marina (transfer to DTF)	120	105
Land tax equivalent - Flinders Ports (transfer to DTF)	2 324	2 320
Total grants and subsidies - SA Government entities	<u>14 311</u>	<u>11 251</u>
Grants and subsidies paid/payable to entities external to the SA Government:		
Energy Rebate Scheme	-	210
Planning and Development Fund grant payments	9 859	8 210
Total grants and subsidies - non-SA Government entities	<u>9 859</u>	<u>8 420</u>
Total grants and subsidies	<u>24 170</u>	<u>19 671</u>
<b>A10. Disbursements on behalf of third parties</b>		
Disbursements paid/payable to entities within the SA Government:		
Stamp duties - DTF	149 922	143 733
Hospital Fund - DTF	64 535	64 335
Emergency Services levy - South Australian Fire and Emergency Services Commission	42 798	42 681
Expiation notices - South Australia Police	-	22 363
Firearm licences - South Australia Police	-	1 434
Expiation notices - Courts Administration Authority	236	319
Third party insurance - Motor Accident Commission	630 615	604 658
Consumer and Business Services	-	838
South Australian Water Corporation	-	520
Other	590	9 290
Total disbursements on behalf of third parties paid/payable to entities within the SA Government	<u>888 696</u>	<u>890 171</u>
Disbursements paid/payable to entities external to the SA Government:		
Refunds	16 700	14 254
Federal registrations	9 395	9 282
Other	-	157
Total disbursements on behalf of third parties paid/payable to entities external to the SA Government	<u>26 095</u>	<u>23 693</u>
Total disbursements on behalf of third parties	<u>914 791</u>	<u>913 864</u>
<b>A11. Payments to Consolidated Account</b>		
Payments to Consolidated Account*	134 619	127 475
Total payments to Consolidated Account	<u>134 619</u>	<u>127 475</u>
* Payments made into the Consolidated Account pursuant to the <i>Real Property Act 1886</i> .		

	2013 \$'000	2012 \$'000
<b>A12. Auditor's remuneration</b>		
Auditor's remuneration - Planning and Development Fund	11	11
Total auditor's remuneration	11	11
<b>A13. Net revenues from SA Government</b>		
Revenues from SA Government:		
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	3 837	11 569
Special Acts	848	454
Total revenues from SA Government	4 685	12 023
Net revenues from SA Government	4 685	12 023
<b>A14. Fees and charges</b>		
Fees and charges received/receivable from entities external to the SA Government:		
Regulatory fees	151 821	135 837
Land tax equivalent - Flinders Ports	2 324	2 320
Total fees and charges - non-SA Government entities	154 145	138 157
Total fees and charges	154 145	138 157
<b>A15. Collections on behalf of third parties</b>		
Collections received/receivable on behalf of entities within the SA Government:		
Stamp duties - DTF	149 922	143 733
Hospital Fund - DTF	64 535	64 335
Emergency Services levy - South Australian Fire and Emergency Services Commission	31 682	31 531
Expiation notices - South Australia Police	-	22 363
Firearms licences - South Australia Police	-	1 434
Expiation notices - Courts Administration Authority	236	319
Third party insurance - Motor Accident Commission	630 615	604 658
Consumer and Business Services	-	838
South Australian Water Corporation	-	520
Other	590	9 162
Total collections on behalf of third parties within the SA Government	877 580	878 893
Collections on behalf of entities external to the SA Government:		
Refunds	16 698	14 254
Federal registrations	9 395	9 282
Other	-	285
Total collections on behalf of third parties external to the SA Government	26 093	23 821
Total collections on behalf of third parties	903 673	902 714
<b>A16. Grants and subsidies</b>		
Grants and subsidies received - non-SA Government entities:		
Office for Recreation and Sport grants received	3 744	2 042
Planning grants received to fund bodies	-	8
Total grants and subsidies received - non-SA Government entities	3 744	2 050
<b>A17. Commonwealth revenue</b>		
Renewable Remote Power Generation program - energy rebate contribution	-	210
Total Commonwealth revenue	-	210
<b>A18. Interest revenue</b>		
Interest revenue	877	876
Total interest revenue	877	876
<b>A19. Cash and cash equivalents</b>		
Deposits at call*	103 533	89 695
Total cash and cash equivalents	103 533	89 695

\* Department of Planning, Transport and Infrastructure administered cash includes cash collected by DPC on behalf of the Department through various payment channels managed by DPC including Bizgate and Australia Post.

<b>A20. Receivables</b>	2013	2012
Current:	\$'000	\$'000
Receivables	255	267
Accrued revenues	3 158	4 494
Total current receivables	<u>3 413</u>	<u>4 761</u>
Non-current:		
Receivables	1 224	1 481
Total non-current receivables	<u>1 224</u>	<u>1 481</u>
Total receivables	<u>4 637</u>	<u>6 242</u>

**Government/Non-Government receivables**

Receivables from SA Government entities:

Accrued revenues	3 158	4 210
Total receivables from SA Government entities	<u>3 158</u>	<u>4 210</u>

Receivables from non-SA Government entities:

Receivables	1 479	1 748
Accrued revenues	-	284
Total receivables from non-SA Government entities	<u>1 479</u>	<u>2 032</u>
Total receivables	<u>4 637</u>	<u>6 242</u>

- (a) Maturity analysis of receivables – refer note A25.  
 (b) Categorisation of financial instruments and risk exposure information – refer note A25.

**A21. Property, plant and equipment**

Land at fair value	11 265	8 159
Total property, plant and equipment	<u>11 265</u>	<u>8 159</u>

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2012-13:	2013
	\$'000
Carrying amount at 1 July	8 428
Prior period - error correction 2011-12	(269)
Adjusted opening balance	8 159
Revaluations	3 106
Carrying amount at 30 June	<u>11 265</u>

**Valuation of land**

Land was reviewed and revalued to fair value at 30 June 2013 in accordance with AASB 116. The valuation of land was performed by the Valuer-General. The valuer arrived at fair value based on recent market transactions for similar land in the area taking into account zoning and restricted use.

The next valuation is due to be carried out in 2015-16.

**Impairment**

There were no indications of impairment of property, plant and equipment at 30 June 2013.

<b>A22. Payables</b>	2013	2012
Current:	\$'000	\$'000
Creditors	59 964	46 903
Accrued expenses	19 592	16 857
Total current payables	<u>79 556</u>	<u>63 760</u>
Total payables	<u>79 556</u>	<u>63 760</u>

**Government/Non-government payables**

Payables to SA Government entities:

Creditors	59 440	46 444
Accrued expenses	7 139	13 967
Total payables to SA Government entities	<u>66 579</u>	<u>60 411</u>

<b>Government/Non-government payables (continued)</b>	2013	2012
Payables to non-SA Government entities:	\$'000	\$'000
Creditors	524	459
Accrued expenses	12 453	2 890
Total payables to non-SA Government entities	12 977	3 349
Total payables	79 556	63 760

- (a) Maturity analysis of payables - refer note A25.  
 (b) Categorisation of financial instruments and risk exposure information - refer note A25.

**A23. Borrowings**

Balance at 1 July	2 069	2 295
Increases in debt due to interest	110	124
Repayments:		
Woodville, Henley and Grange Drainage Scheme	(73)	(37)
South West Suburbs Drainage Scheme	(627)	(313)
Balance as at 30 June	1 479	2 069
Current	255	588
Non-current	1 224	1 481
Total borrowings	1 479	2 069

- (a) Maturity analysis of borrowings - refer note A25.  
 (b) Categorisation of financial instruments and risk exposure information - refer note A25.  
 (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

**A24. Equity**

Equity	38 400	38 267
Total equity	38 400	38 267

**Equity**

Balance at 1 July	38 267	11 712
Prior period error correction	-	1 464
Restated balance at 30 June	38 267	13 176
Net assets received from administrative restructure	-	36 039
Net result	(2 973)	(10 948)
Gain on revaluation of land during 2012-13	3 106	-
Balance at 30 June 2013	38 400	38 267

A prior period correction of \$269 000 has been made to the opening balance of land. In 2006-07 land located at Craighburn Farm was transferred to the City of Mitcham, however, the transfer was not reflected in the administered financial statements. This transfer of land to the City of Mitcham has been recognised in 2012-13 as a prior period error correction.

A prior period correction of \$1.733 million has been made to the opening balance of payables to correct the accounting treatment of funds held in the Real Property Assurance Fund.

**A25. Financial instruments**

**A25.1 Categorisation of financial instruments**

The financial instruments/financial risk management terms, conditions and accounting policies of the Department, outlined in note 40 for controlled items, apply equally to the administered financial statements.

		Carrying amount/ Fair value	
		2013	2012
		\$'000	\$'000
<b>Financial assets</b>	Note		
Cash and cash equivalents:			
Cash and cash equivalents	A19	103 533	89 695
Loans and receivables:			
Receivables	A20	4 637	6 242
Total financial assets - at cost		108 170	95 937

	Note	Carrying amount/ Fair value	
		2013 \$'000	2012 \$'000
<b>Financial liabilities</b>			
Payables	A22	79 556	63 760
Borrowings	A23	1 479	2 069
Total financial liabilities - at cost		81 035	65 829

**Credit risk**

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

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

**A25.2 Maturity analysis of financial assets and liabilities**

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	103 533	103 533	-	-
Receivables	3 158	3 158	-	-
Receivables - interest bearing	1 479	255	1 224	-
Total financial assets	108 170	106 946	1 224	-
Financial liabilities:				
Payables	79 556	79 556	-	-
Borrowings	1 479	255	1 224	-
Total financial liabilities	81 035	79 811	1 224	-
<b>2012</b>				
Financial assets:				
Cash and cash equivalents	89 695	89 695	-	-
Receivables	4 523	4 523	-	-
Receivables - interest bearing	1 719	238	1 120	361
Total financial assets	95 937	94 456	1 120	361
Financial liabilities:				
Payables	63 760	63 760	-	-
Borrowings	2 069	588	1 120	361
Total financial liabilities	65 829	64 348	1 120	361

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities represents the Department's maximum exposure to liquidity risk.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk will not arise on the administered interest bearing liabilities and interest bearing assets as the interest rate is fixed over the term of the loan.

<b>A26. Cash flow reconciliation</b>	2013	2012
Reconciliation of cash - cash at 30 June:	\$'000	\$'000
Statement of Cash Flows	103 533	89 695
Statement of Financial Position	<u>103 533</u>	<u>89 695</u>
Reconciliation of net cash inflows (outflows) from operating activities to net result:		
Net cash inflows (outflows) from operating activities	14 298	(22 761)
Non-cash items:		
Capitalised interest	(110)	(137)
Movements in assets/liabilities:		
Receivables	(1 365)	4 249
Payables	(15 796)	7 701
Net result	<u>(2 973)</u>	<u>(10 948)</u>

**A27. Victims of Crime levies**

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Public Transport Division of the Department collects Victims of Crime levies from expiation notices issued.

	2013	2012
	\$'000	\$'000
Balance at 1 July	17	17
Levies collected during the year	105	97
Amount paid to Attorney-General's Department	(105)	(97)
Amount payable to Attorney-General's Department	<u>17</u>	<u>17</u>

**A28. Passenger Transport Research and Development Fund**

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Public Transport Division of the Department administers, on behalf of the Minister for Transport and Infrastructure, the Passenger Transport Research and Development Fund (an interest bearing deposit account).

The fund may be applied by the Minister for Transport and Infrastructure for:

- the purpose of carrying out research into the taxi cab industry
- the purpose of promoting the taxi cab industry
- any other purpose considered by the Minister to be beneficial to the travelling public, in the interests of the passengers transport industry, and an appropriate application of money standing to the credit of the Fund.

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	2	-
Total inflows	<u>2</u>	<u>-</u>
Outflows:		
Payments from the Fund	-	(1)
Total outflows	<u>-</u>	<u>(1)</u>
Net surplus (deficit)	<u>2</u>	<u>(1)</u>
Fund balance:		
Balance at 1 July	11	12
Net surplus (deficit)	2	(1)
Balance at 30 June	<u>13</u>	<u>11</u>

**A29. West Beach Trust tax equivalent regime**

Pursuant to the *West Beach Recreation Reserve Act 1987*, the Department reimburses West Beach Trust for payments it makes under the tax equivalent regime in recognition of non-profit making activities undertaken on behalf of the Government. Conversely, the Department receives government appropriation to fund these payments. This fund is administered on behalf of the Minister for Planning.



**A29. West Beach Trust tax equivalent regime (continued)**

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	1 268	-
Total inflows	<u>1 268</u>	<u>-</u>
Outflows:		
Payments from the Fund	759	550
Total outflows	<u>759</u>	<u>550</u>
Net surplus (deficit)	<u>509</u>	<u>(550)</u>
Fund balance:		
Balance at 1 July (1 January for 2011-12)	530	1 080
Net surplus (deficit)	509	(550)
Balance at 30 June	<u>1 039</u>	<u>530</u>

**A30. Recreation and Sport Fund**

The Recreation and Sport Fund was established by section 17 of the *Soccer Football Pools Act 1981*. The Act has since been repealed. The continued existence of the Fund is attributable to section 16A of the *State Lotteries Act 1966*. The use of the funds is governed by the above legislation which states that the funds may be used for recreation and sport purposes. This Fund is administered on behalf of the Minister for Recreation and Sport.

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	257	128
Total inflows	<u>257</u>	<u>128</u>
Outflows:		
Payments from the Fund	(220)	(340)
Total outflows	<u>(220)</u>	<u>(340)</u>
Net surplus (deficit)	<u>37</u>	<u>(212)</u>
Fund balance:		
Balance at 1 July (1 December for 2011-12)	1 596	1 808
Net surplus (deficit)	37	(212)
Balance at 30 June	<u>1 633</u>	<u>1 596</u>

**A31. Sport and Recreation Fund**

The Office for Recreation and Sport has the responsibility for the Sport and Recreation Fund. The Sport and Recreation Fund was established by section 73A of the *Gaming Machines Act 1992*. The funding is used to fund the Active Club and Move It! grants programs, the State Facilities Fund and grant administration costs. The use of these funds is governed by the above legislation which states that they may be used for recreation and sport purposes. This fund is administered on behalf of the Minister for Recreation and Sport.

	2013	2012
	\$'000	\$'000
Inflows:		
Receipts into the Fund	3 500	2 042
Total inflows	<u>3 500</u>	<u>2 042</u>
Outflows:		
Payments from the Fund	(3 500)	(3 500)
Total outflows	<u>(3 500)</u>	<u>(3 500)</u>
Net surplus (deficit)	<u>-</u>	<u>(1 458)</u>
Fund balance:		
Balance at 1 July (1 December for 2011-12)	3 322	4 780
Net surplus (deficit)	-	(1 458)
Balance at 30 June	<u>3 322</u>	<u>3 322</u>

**A32. Contingent assets and liabilities**

The Department is not aware of any administered contingent assets or liabilities.

<b>A33. Unrecognised contractual commitments</b>	2013	2012
Grant commitments:	\$'000	\$'000
Within one year	8 397	11 446
Later than one year but not later than five years	4 000	3 150
Total unrecognised contractual commitments	<u>12 397</u>	<u>14 596</u>
 <b>A34. Transfer payments</b>		
Transfer payments to SA Government entities:		
DTF	351 520	337 967
South Australian Fire and Emergency Services Commission	42 798	42 681
South Australia Police	-	23 798
Courts Administration Authority	236	319
Motor Accident Commission	630 615	604 658
Other	18 665	21 097
 Transfer payment to Federal Government entities:		
Department of Infrastructure and Transport	9 395	9 282
 Transfer payment to local government:		
Councils	10 453	8 368
 Transfer payment to non-SA Government entities:		
Other	16 897	18 755
Total transfer payments	<u>1 080 579</u>	<u>1 066 925</u>

# Police Superannuation Scheme

## Functional responsibility

### Establishment

The Police Superannuation Scheme (the Scheme) and the Police Superannuation Board (the Board) were established under the *Police Superannuation Act 1990*. The Board is responsible to the Minister for Finance.

### Functions

The Board is responsible for administering the Scheme which provides for benefit payments to police officers who commenced employment before 1 June 1990. The Scheme comprises a Pension (Old Scheme) Division.

Police officers who commenced employment after 1 June 1990 are now members of the Southern State Superannuation (Triple S) Scheme which is administered by the South Australian Superannuation Board.

The main financial administration arrangements of the Scheme involve:

- the Police Superannuation Fund, established under the *Police Superannuation Act 1990*, which records receipts (members' contributions and revenue earned from investment of those monies) and payments (the employee share of benefit payments and administration costs)
- the Police Superannuation Employer Contribution Account (the Police Employer Account), established under the PFAA, which records employer contributions on behalf of the members and payments of the employer share of benefits paid and administration costs.

The Superannuation Funds Management Corporation of South Australia is responsible for the investment and management of the Police Superannuation Fund and the Police Employer Account.

Note 1 to the financial statements provides further details of the Scheme's administration and funding arrangements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

## Scope of the audit

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

During 2012-13 areas of review included:

- receipting and banking of contributions
- benefit payments
- administration expenses
- liability for accrued benefits.

The audit of the investment and management of the Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia audit.

## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the net assets of the Police Superannuation Scheme as at 30 June 2013 and changes in net assets for the year ended 30 June 2013 in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

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

### Communication of audit matters

The audit did not identify any notable matters requiring formal communication to the Board.

## Interpretation and analysis of the financial report

### Highlights of the financial report

In accordance with AAS 25, the Board has elected to present its financial report in the format of a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial statements.

	2013 \$'million	2012 \$'million
<b>Revenue</b>		
Contribution revenue	103	95
Investment revenue	158	26
<b>Total revenue</b>	<b>261</b>	<b>121</b>

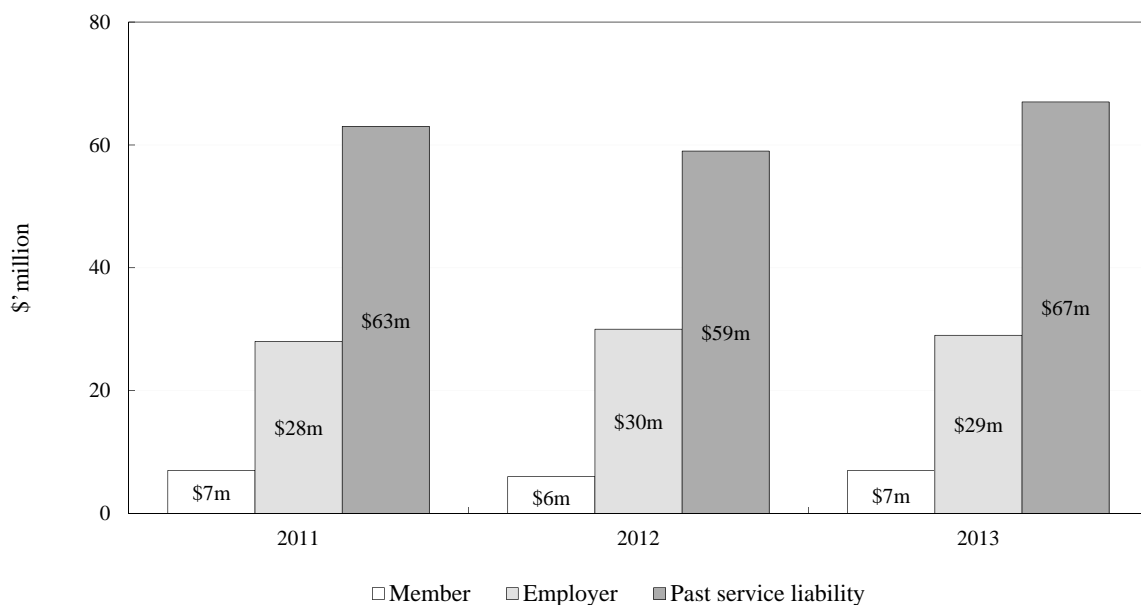
	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Benefits paid	68	68
Other expenses	7	5
<b>Total expenses</b>	<b>75</b>	<b>73</b>
<b>Net increase (decrease) in funds</b>	<b>186</b>	<b>48</b>
<b>Assets</b>		
Investments	1 091	903
Other assets	1	1
<b>Total assets</b>	<b>1 092</b>	<b>904</b>
<b>Total liabilities</b>	<b>2</b>	<b>-</b>
<b>Net assets available to pay benefits</b>	<b>1 090</b>	<b>904</b>

### Statement of Changes in Net Assets

#### Revenues

Investment activity for the year resulted in a positive return of \$158 million (\$26 million). The increase in investment revenue is due to higher returns for funds under management during 2012-13. This mainly reflects improving economic conditions. Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

The following chart shows an analysis of contribution revenue for the three years to 2013.



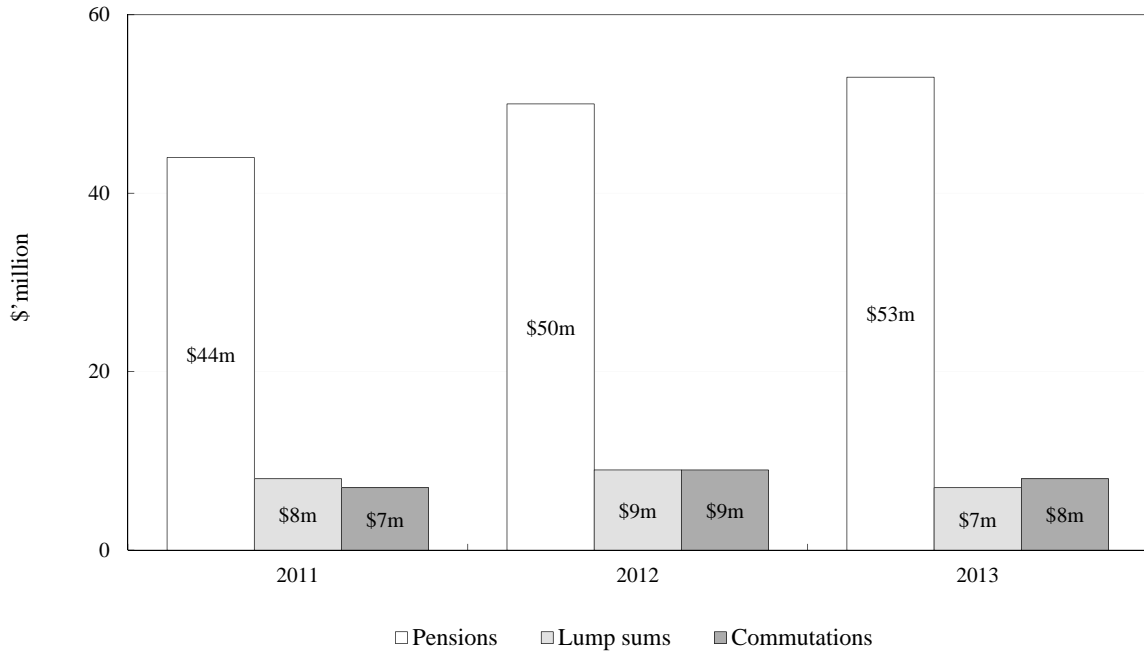
The chart shows that member and employer contributions have remained steady over the past three years.

Past service liability payments represent funding from the Government to meet accrued superannuation liabilities. The Government expects to fully fund liabilities by 30 June 2034.

**Expenses**

Benefits paid totalled \$68 million (\$68 million). Of this amount, \$53 million (\$50 million) was taken as pensions and \$15 million (\$18 million) as lump sum and commutation payments.

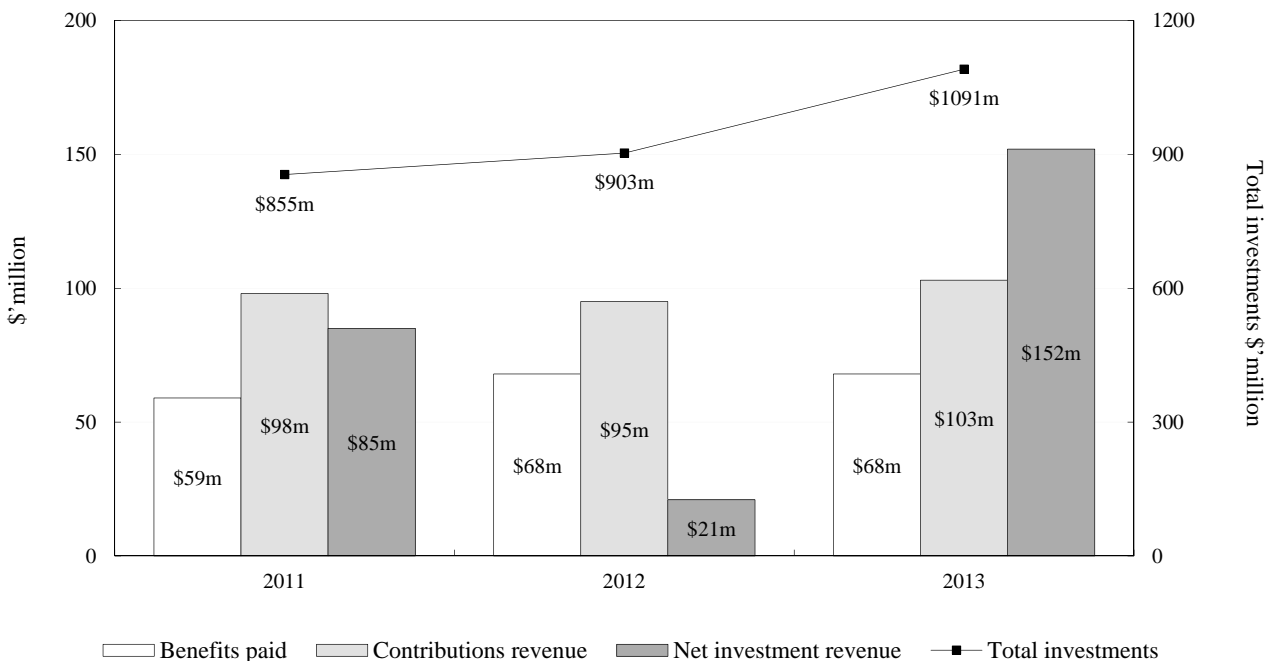
For the three years to 2013, the following chart shows an analysis of benefits paid.



Since 2011 there has been a steady increase in pensions. This is expected as the pensions paid are affected by increases in the number of pensioners, final salary and inflation adjustments. Note 11 to the financial statements provides a breakdown of benefits paid.

**Statement of Net Assets**

Investments increased by \$188 million to \$1091 million.



The change in investments is the result of investment revenue, benefits paid and contributions revenue. While benefits and contributions trend consistently from year to year, investment revenue can fluctuate significantly depending on prevailing market conditions. This can significantly impact on the level of total investments held.

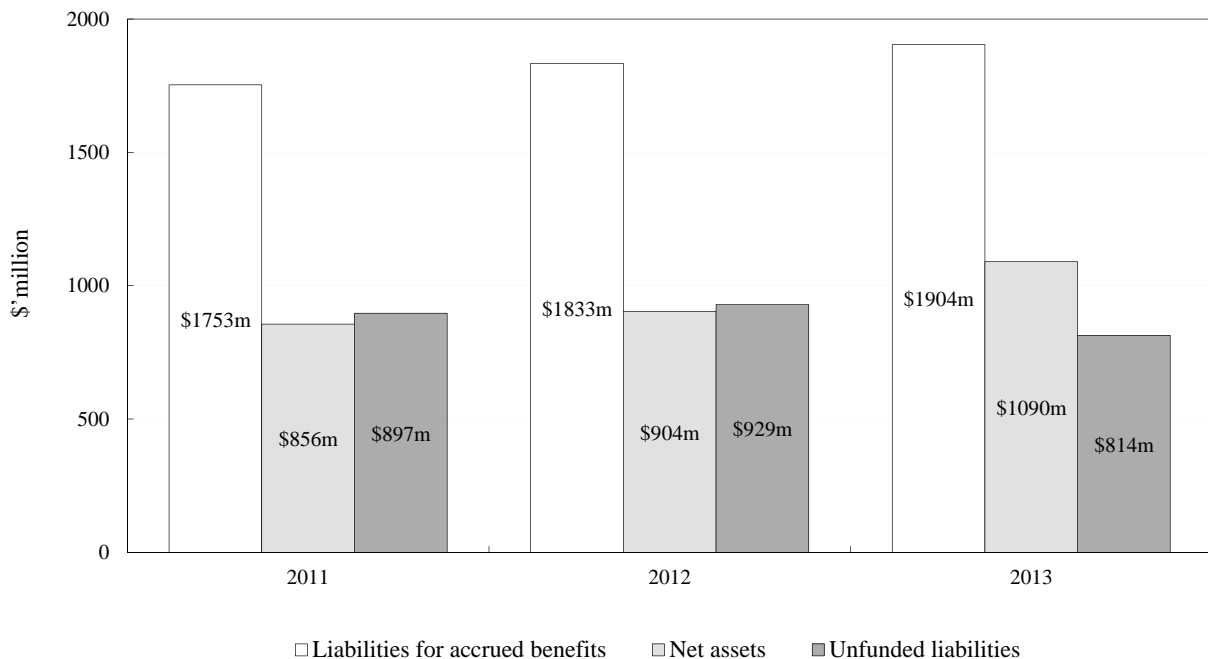
Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

## Further commentary on operations

### Liability for accrued benefits

The estimated liability for accrued benefits increased by \$71 million to \$1904 million for which net assets of \$1090 million (\$904 million) were available to pay benefits. This has resulted in an excess of liabilities over net assets of \$814 million (\$929 million), which represents the unfunded liability at 30 June 2013.

For the three years to 2013, the following chart shows an analysis of the liability for accrued benefits.



An actuarial review is undertaken every three years with assumptions from this review used to calculate the accrued liability in years between reviews. The 2011 triennial actuarial review resulted in revised demographic assumptions including a reduction in pensioner mortality rates and lower rates of age retirement resulting in a further increase in the liability for accrued benefits. Note 3 to the financial statements provides further details.

### Net assets available to pay benefits

At 30 June 2013 the unfunded liability of the Scheme was \$814 million.

Analysis of the Police Employer Account revealed net assets available to pay benefits of \$696 million compared to an accrued liability of \$1541 million. This represents a shortfall of net assets over accrued liabilities of \$845 million. The Government transferred \$67 million to the Police Employer Account as funding for the accrued past service liability.

Analysis of the Police Superannuation Fund revealed net assets available to pay benefits of \$394 million compared to an accrued liability of \$363 million.

**Pensioners**

The number of pensioners and pensions paid for the past three years were:

	2013	2012	2011
Pensioners	1 498	1 443	1 382
Pensions paid (\$'000)	53 351	49 576	44 593

**Contributions by members**

The number of contributors and contributions received from pension Old Scheme Division members for the past three years were:

	2013	2012	2011
Contributors (excludes preserved members)	1 429	1 506	1 589
Contributions received (\$'000)	6 785	6 488	6 836



**Statement of Changes in Net Assets  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Net assets available to pay benefits at 1 July</b>		903 823	856 068
<b>Revenue:</b>			
Investment revenue		157 970	25 417
Other income		32	52
Contributions revenue:	10		
Past service liability		67 100	59 300
Employer contributions		29 276	29 546
Member contributions		6 785	6 488
Government co-contributions		26	3
<b>Total contribution revenue</b>		<u>103 187</u>	<u>95 337</u>
<b>Total revenue</b>		<u>261 189</u>	<u>120 806</u>
<b>Expenses:</b>			
Direct investment expense	6	(5 974)	(4 596)
Administrative expense	6	(579)	(590)
Benefits paid:	11		
Pensions		(53 351)	(49 576)
Commutations		(7 725)	(8 926)
Lump sums		(7 316)	(9 360)
Government co-contributions		(26)	(3)
<b>Total benefits paid</b>		<u>(68 418)</u>	<u>(67 865)</u>
<b>Total expenses</b>		<u>(74 971)</u>	<u>(73 051)</u>
<b>Net increase (decrease) in funds</b>		<u>186 218</u>	<u>47 755</u>
<b>Net assets available to pay benefits at 30 June</b>		<u>1 090 041</u>	<u>903 823</u>

## Statement of Net Assets as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Investments:</b>			
Inflation linked securities A		83 097	85 174
Property A		161 954	140 575
Australian equities A		272 105	216 696
International equities A		296 867	217 704
Long-term fixed interest		18 623	23 036
Short-term fixed interest		8 993	14 818
Diversified strategies growth A		92 892	54 018
Diversified strategies income		144 789	117 367
Cash		11 404	33 395
<b>Total investments</b>	9	1 090 724	902 783
<b>Other assets:</b>			
Cash and cash equivalents		536	1 039
Contributions receivable		417	295
Sundry debtors		10	12
<b>Total other assets</b>		963	1 346
<b>Total assets</b>		1 091 687	904 129
<b>Current liabilities:</b>			
Benefits payable		1 519	156
Sundry creditors		127	150
<b>Total liabilities</b>		1 646	306
<b>Net assets available to pay benefits</b>		1 090 041	903 823

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

#### 1. Objectives and funding

##### (a) *Police Superannuation Scheme (the Scheme)*

The Scheme was created pursuant to the *Police Superannuation Act 1990* (the Act). The Act provides for superannuation benefits for police officers who are contributors to the Scheme.

Contributors to the Scheme are members of the old scheme who are entitled to a pension based benefit. The old scheme was closed to new members in May 1990.

Pursuant to the Act, contributors make contributions to the Scheme based on a percentage of their salary, with the standard contribution rate being between 5% and 6%. A contribution account is maintained for each contributor. There are no provisions under the Act for contributing members to purchase additional benefits.

The Act requires that contributions to the Scheme are paid to the Treasurer, who in turn deposits those contributions into the Police Superannuation Fund (the Fund). The Fund is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Fund is made up of one division, being the Old Scheme (Pension) Division. The division consists of the contributions and the accretions arising from the investment of those contributions.

##### (b) *Police Superannuation Board (the Board)*

The Board, established under the Act, is responsible for the administration of the Scheme. The Act also provides the Board with the necessary powers to administer the Scheme. The Board, with the approval of the relevant Minister, has contracted South Australia Police to provide administrative services.

**(b) Police Superannuation Board (the Board) (continued)**

Pursuant to the Act, the Board is required to determine a rate of return which is credited to each contribution account within the Fund at the end of the financial year. In determining the rate to be applied, the Act requires that the Board have regard to the net rate of return achieved by investment of the division of the Fund.

**(c) Funds SA**

Funds SA is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Fund and the Police Superannuation Scheme Employer Contribution Account (the Police Employer Account), reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in these financial statements are related to the investment activities of Funds SA, an SA Government entity.

**(d) Funding arrangements**

Pursuant to section 14 of the Act, all benefit payments are met from the Consolidated Account or a special deposit account established for that purpose which is then reimbursed from the Fund and the Police Employer Account. The Fund proportion is that amount charged against the contributor's contribution account. The prescribed proportion is determined by the Board, in accordance with section 14(3) of the Act, taking into account the most recent actuarial assessment.

The Treasurer may also seek reimbursement of the employer portion of the benefit payment from the employer contributions made by South Australia Police which are deposited into the Police Employer Account. Employer contributions are based on a percentage of salary at rates based on actuarial valuations. The rate for 2012-13 was 20.5%.

For 2012-13 the Employer and Fund's prescribed proportion of benefit payments for members of the Pension Scheme was to 81% and 19% respectively.

The rate of employer contribution and the Employer and Fund's prescribed proportion of benefit payments are in accordance with the recommendations of Mr G Keen, FIAA and Mr L Brett, FIAA of Brett and Watson Pty Ltd in the most recent triennial Actuarial Report as at 30 June 2011.

For the year ended 30 June 2013 \$29.3 million (\$29.5 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Since 30 June 1994 the Government adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employer contributions to meet the accruing liability for current employees. For the year ended 30 June 2013 the Government transferred a further \$67.1 million to the Police Employer Account to meet liabilities in respect of the Scheme (\$59.3 million).

**2. Summary of significant accounting policies****(a) Basis of accounting**

The financial report is a general purpose financial report prepared in accordance with relevant AASs and TIs and APSs promulgated under the provisions of the PFAA, except as provided below.

AAS 25 is the principal standard applied in preparing this financial report. Other accounting standards are also applied where necessary except to the extent that they differ from AAS 25. A number of AASs and interpretations that have recently been issued or amended, but are not yet effective, have not been adopted for the reporting period ending 30 June 2013. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report has been prepared on an accrual basis and in accordance with the historical cost convention, except for the valuation of investments, which are measured at net market value.

The financial report is presented in Australian currency and all amounts have been rounded to the nearest thousand dollars (\$'000).

**(b) Basis of valuations of assets and liabilities**

The basis for the valuation of assets and liabilities is provided below. Assets of the Scheme have been measured at net market value, which are provided by Funds SA.

- (i) *Inflation linked securities A*  
The inflation linked securities A portfolio comprises two subsectors:
- *Externally managed inflation linked securities*  
Externally managed inflation linked securities are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
  - *Internally managed inflation linked securities*  
Internally managed inflation linked securities, the returns of which are linked to movements in either the CPI or average weekly earnings, have been valued using the discounted cash flow method. The valuation as at the balance date was performed by an independent valuer.
- (ii) *Property A*  
The property A portfolio comprises two subsectors:
- *Listed property trusts*  
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
  - *Unlisted property vehicles*  
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this subsector have been valued in accordance with the valuations supplied by the managers.
- (iii) *Australian equities A*  
The Australian equities A portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.
- (iv) *International equities A*  
The international equities A portfolio comprises investments in equities listed on international share markets and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (v) *Long-term and short-term fixed interest*  
The long-term and short-term fixed interest portfolios are invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vi) *Diversified strategies growth A*  
The diversified strategies growth A portfolio comprises investments in domestic (Australian) and overseas private equity funds and domestic (Australian) and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (December 2012). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (vii) *Diversified strategies income*  
The diversified strategies income portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at the balance date where applicable.
- (viii) *Cash*  
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

**(c) Taxation**

The Scheme is a constitutionally protected superannuation fund in terms of section 295-15 of the *Income Tax Assessment Act 1997*, Regulation 995-1.04 (Schedule 4) and is exempt from income tax. Therefore no income tax has been brought to account in this financial report.

**(d) Revenue**

Superannuation contributions and other revenue are brought to account on an accrual basis.

Investment revenue represents the change in market value due to the movement in the value of funds invested with Funds SA.

**(e) Receivables and payables**

Contributions receivable are contributions relating to the 2012-13 financial year received by the Scheme after 30 June 2013.

Other receivables are carried at nominal amounts due which approximate fair value. Payables are recognised when the Scheme is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable relate to members who have ceased employment and provided the Scheme with appropriate notification prior to 30 June 2013 but who had not been paid until after 30 June 2013.

**(f) GST**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the Statement of Net Assets are shown inclusive of GST.

**(g) Comparative information**

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

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

**3. Liability for accrued benefits**

The present value of the accrued benefit liabilities of the Scheme has been determined by Mr G Keen, FIAA and Mr L Brett, FIAA of Brett & Watson Pty Ltd and is shown below.

The accrued benefit liabilities are the present values of expected future benefit payments arising from membership of the Scheme up to 30 June 2013 based on membership data as at 30 June 2013.

The expected future benefit payments have been determined using the 2011 triennial review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review's salary promotion scale has also been used, while general salary increases of 1.5% p.a. above the level of increase in the CPI have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5% p.a. above CPI has been applied.

	2013	2012
	Pension	Pension
	Scheme	Scheme
	Division	Division
	\$'million	\$'million
Changes in the liability for accrued benefits:		
Liability for accrued benefits at 1 July	1 833.3	1 753.1
Benefits expense	138.90	148.1
Benefits paid	(68.4)	(67.9)
Liability for accrued benefits at 30 June	1 903.8	1 833.3
Represented by:		
Police Superannuation Fund	362.9	348.3
Police Employer Account	1 540.9	1 485.0
Total	1 903.8	1 833.3

**3. Liability for accrued benefits (continued)**

Pursuant to the Act, actuarial reviews of the Scheme must be conducted every three years to address the cost of the Scheme to government and the proportion of future benefits that can be met from the Fund.

The last actuarial review as at 30 June 2011 was carried out by Mr G Keen, FIAA and Mr L Brett, FIAA of Brett & Watson Pty Ltd. The report dated 19 March 2012 was tabled in Parliament on 1 May 2012. The following recommendations were made in the report:

- (a) the funding proportion for the Fund Old Scheme Division to be increased from 17.5% to 19%
- (b) the Government contribution for future service liabilities for the Pension Scheme Division remains at the current level of 20.5%.

In line with the above recommendations the funding proportion for the Fund Old Scheme Division during 2012-13 was 19% and the Government contribution for future service liabilities for 2012-13 was 20.5%.

The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

**4. Vested benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Scheme and include benefits which members would be entitled to receive on termination of membership of the Scheme.

When members resign from the Scheme, they have two options. Firstly, they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively, they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below have been determined by Mr G Keen, FIAA and Mr L Brett, FIAA of Brett & Watson Pty Ltd based on the assumption that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits has then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

<i>Vested liabilities</i>	2013	2012
	Pension	Pension
	Scheme	Scheme
	Division	Division
	\$'million	\$'million
Police Superannuation Fund	361.4	340.4
Police Employer Account	1 533.8	1 451.5
Total	1 895.2	1 791.9

**5. Guaranteed benefits**

Contributors' benefit entitlements are set out in the Act.

**6. Administration and direct investment expenses**

Administration expenses incurred by the Board are financed in the first instance from the Police Employer Account through a special deposit account. Pursuant to section 10(7) of the Act, the Fund is required to meet a prescribed proportion, currently 30%, of the administration expenses incurred by the Scheme.

Administration expenses incurred by the Scheme for 2012-13 amounted to \$579 000 (\$590 000) of which the Fund is required to reimburse \$173 000 (\$177 000) to the Scheme through the Police Employer Account. Of the \$579 000, \$508 000 (\$465 000) was paid to SA Government entities.

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

**7. Remuneration of board members**

The following are members of the Board who served during 2012-13, along with the period served.

<i>Board member</i>	<i>Period served during 2012-13</i>
Michael Ramm	1 July 2012 to 30 June 2013
Keryl Howie*	1 July 2012 to 30 June 2013
Kingsley Oakley	1 July 2012 to 30 June 2013
James Tappin*	1 July 2012 to 23 May 2013
Bernadette Zimmermann*	1 July 2012 to 30 June 2013
Vacant	24 May 2013 to 30 June 2013

**7. Remuneration of board members (continued)****Deputy member**

Garry Powell\*

Ferdinand Pit\*

Linda Fellows\*

Julie Foley\*

David Reynolds\*

**Period served during 2012-13**

1 July 2012 to 30 June 2013

1 July 2012 to 30 June 2013

1 July 2012 to 30 June 2013

1 July 2012 to 30 June 2013

1 July 2012 to 30 June 2013

Members' remuneration is set according to State Government guidelines for statutory authorities.

\* In accordance with DPC Circular 16, members who are government employees do not receive remuneration for their board membership. Board members who are contributors of the Scheme contribute on the same terms as other contributors.

Total remuneration received or due and receivable by members of the Board in 2012-13 was \$9000 (\$9000). Total remuneration included superannuation of \$600 (\$600).

The number of board members whose remuneration was within the following bands is as follows:	2013 Number	2012 Number
\$1 - \$10 000	2	2

**8. Remuneration of auditors**

Amounts paid or payable to the Auditor-General's Department for auditing the accounts of the Board in 2012-13 total \$20 000 (\$20 000).

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

**9. Summary of investment holdings**

	Fund Old Scheme Division \$'000	Police Employer Account \$'000	2013 Total \$'000	2012 Total \$'000
Investments:				
Inflation linked securities A	30 051	53 046	83 097	85 174
Property A	58 568	103 386	161 954	140 575
Australian equities A	98 403	173 702	272 105	216 696
International equities A	107 358	189 509	296 867	217 704
Long-term fixed interest	6 735	11 888	18 623	23 036
Short-term fixed interest	3 252	5 741	8 993	14 818
Diversified strategies growth A	33 593	59 299	92 892	54 018
Diversified strategies income	52 361	92 428	144 789	117 367
Cash	4 124	7 280	11 404	33 395
Total investments	394 445	696 279	1 090 724	902 783

**10. Changes in net assets**

Transactions within each division are summarised below:

	Fund Old Scheme Division \$'000	Police Employer Account \$'000	2013 Total \$'000	Fund Old Scheme Division \$'000	Police Employer Account \$'000	2012 Total \$'000
Net assets available to pay benefits at 1 July	344 514	559 309	903 823	343 890	512 178	856 068
Revenue:						
Investment revenue	58 394	99 576	157 970	8 375	17 042	25 417
Other income	6	26	32	9	43	52
Contribution revenue:						
Past service liability	-	67 100	67 100	-	59 300	59 300
Employer contributions	-	29 276	29 276	-	29 546	29 546
Member contributions	6 785	-	6 785	6 488	-	6 488
Government co-contributions	-	26	26	-	3	3
Total contribution revenue	6 785	96 402	103 187	6 488	88 849	95 337
Total revenue	65 185	196 004	261 189	14 872	105 934	120 806

**10. Changes in net assets (continued)**

	Fund Old Scheme Division	Police Employer Account	2013 Total	Fund Old Scheme Division	Police Employer Account	2012 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses:						
Direct investment expense	(2 181)	(3 793)	(5 974)	(1 761)	(2 835)	(4 596)
Administration expense	(173)	(406)	(579)	(177)	(413)	(590)
Benefits paid:						
Pensions	(10 137)	(43 214)	(53 351)	(8 824)	(40 752)	(49 576)
Commutation lump sums	(1 468)	(6 257)	(7 725)	(1 574)	(7 352)	(8 926)
Lump sums	(1 450)	(5 866)	(7 316)	(1 912)	(7 448)	(9 360)
Government co-contributions	-	(26)	(26)	-	(3)	(3)
Total benefits paid	(13 055)	(55 363)	(68 418)	(12 310)	(55 555)	(67 865)
Total expenses	(15 409)	(59 562)	(74 971)	(14 248)	(58 803)	(73 051)
Net increase (decrease) in funds	49 776	136 442	186 218	624	47 131	47 755
Net assets available to pay benefits at 30 June	394 290	695 751	1 090 041	344 514	559 309	903 823

**11. Benefits paid**

All benefit payments were met in the first instance from the special deposit account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Fund and the employer share from the Police Employer Account.

	2013 Fund Old Scheme Division	2012 Fund Old Scheme Division
	\$'000	\$'000
<b>Pensions:</b>		
Funded from:		
Police Superannuation Fund	10 137	8 824
Police Employer Account	43 214	40 752
Gross scheme costs	53 351	49 576
<b>Commutation lump sums:</b>		
Funded from:		
Police Superannuation Fund	1 468	1 574
Police Employer Account	6 257	7 352
Gross scheme costs	7 725	8 926
<b>Lump sums:</b>		
Funded from:		
Police Superannuation Fund	1 450	1 912
Police Employer Account	5 866	7 448
Gross scheme costs	7 316	9 360
<b>Government co-contributions:</b>		
Funded from:		
Police Employer Account	26	3
Gross scheme costs	26	3
<b>Total benefits paid:</b>		
Funded from:		
Police Superannuation Fund	13 055	12 310
Police Employer Account	55 363	55 555
Gross scheme costs	68 418	67 865

**12. Financial instruments**

The Scheme's investments are managed by Funds SA predominantly by the appointment of investment managers as determined by the Funds SA Board. Each investment manager is required to invest the assets in accordance with the terms of a written mandate. The Funds SA Board has determined that the appointment of these managers is appropriate for the Scheme and is in accordance with the Scheme's investment strategy. The Funds SA Board obtains regular reports from each manager on the nature of the investments made on its behalf and the associated risks.

The allocation of assets between the various types of financial instruments is determined by the Funds SA Board. Divergence from target asset allocations and the composition of the portfolio is monitored by the Funds SA Board on a regular basis.



**12. Financial instruments (continued)**

The Scheme's investing activities expose it to the following risks from its use of financial instruments:

- market risk
- credit risk
- liquidity risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Funds SA Board has overall responsibility for the establishment and oversight of the Scheme's investment risk management framework. The investment risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Scheme's investment managers, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme's activities.

The Board receives regular reports from Funds SA concerning compliance with the Scheme's investment objectives.

**(a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Scheme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**(i) Currency risk**

Currency risk is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in foreign exchange rates.

The Scheme's currency risk is managed by Funds SA who has invested in assets denominated in foreign currencies.

Funds SA strategic policy for the management of its foreign currency exposure is as follows:

- Foreign currency exposures in the diversified strategies (growth), diversified strategies (income), property and fixed interest asset sectors are fully hedged to Australian dollars.
- Foreign currency exposures in the international equities asset sector are one-third hedged to Australian dollars.

For the purpose of managing foreign currency risk, within defined constraints, the exposure to foreign currency can be varied from the strategic policy stated above.

**(ii) Interest rate risk**

Interest rate risk is the risk that a movement in interest rates will cause the value of fixed interest securities to deviate from expectations.

Funds SA manages interest rate risk through:

- ensuring asset allocations of different investment products are consistent with the time horizon of each
- the use of specialist external investment managers to manage Funds SA's cash and fixed income portfolios.

**(iii) Other market price risk**

Other market price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

As the Scheme's financial instruments are valued at net market value (fair value) with changes in net market value recognised in the Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

(iii) *Other market price risk (continued)*

Funds SA manages the risk of financial market volatility through the adherence to two principles:

- ensuring a diversity of exposures to different financial markets and submarkets
- ensuring asset allocations for different investment products are consistent with the time horizon of each.

(iv) *Sensitivity analysis*

The Funds SA Board has determined that the forecast risk/return profile provide a reasonably possible change in the value of the investments in each investment option. These standard deviations provide the risk variable to be applied to each option in the year ahead. The following table illustrates the effect on change in investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation	Changes in investment assets
		%	\$'000
<b>2013</b>			
Growth	Nominal standard deviation	10.5	114 526
Total			<u>114 526</u>
<b>2012</b>			
Growth	Nominal standard deviation	10.3	92 986
Total			<u>92 986</u>

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Scheme's investment revenue, on the basis that all other variables remain constant.

Standard deviation is a useful historical measure of the variability of return earned by an investment portfolio. The standard deviations above provide a reasonable sensitivity variable to estimate each investment option's expected return in future years.

Actual movements in returns may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the underlying trusts invest. As a result, historic variations in rates of return are not a definitive indicator of future variations in rates of return.

(b) **Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme.

The net market value of financial assets included in the Statement of Net Assets represents the Scheme's maximum exposure to credit risk in relation to those assets. The Scheme does not have any significant exposure to any individual counterparty or industry. The credit risk is monitored by Funds SA through ongoing reviews of the investment managers.

The Scheme does not have any assets which are past due or impaired.

(c) **Liquidity risk**

Liquidity risk is the risk that the Scheme will not be able to meet its financial obligations as they fall due. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its payment of benefits to members and liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The Scheme's liquidity position is monitored on a daily basis. The Scheme's cash and liquidity policy is to have sufficient cash balances to meet anticipated weekly benefit payments, expenses and investing activities.

Funds SA manages liquidity risk as follows:

- by giving careful consideration to the expected net cash redemption requirements of Funds SA's clients. The allocation to cash in the strategic asset allocation of each investment product is set at a level sufficient to manage expected cash redemptions.
- a large proportion of each investment product is invested in highly liquid investments such as actively traded equities, unit trusts or securities with short-term maturities.

**(c) Liquidity risk (continued)**

The following tables summarise the expected maturity profile of the Scheme's financial liabilities based on the earliest date on which the Scheme can be required to pay. The amounts in the table are the contractual undiscounted cash flows.

	Less than three months \$'000	Total contractual cash flows \$'000	Carrying amount liabilities \$'000
<b>2013</b>			
Benefits payable	1 519	1 519	1 519
Sundry creditors	127	127	127
Vested benefits <sup>(i)</sup>	1 895 000	1 895 000	1 895 000
Total	<u>1 896 646</u>	<u>1 896 646</u>	<u>1 896 646</u>
<b>2012</b>			
Benefits payable	156	156	156
Sundry creditors	150	150	150
Vested benefits <sup>(i)</sup>	1 792 000	1 792 000	1 792 000
Total	<u>1 792 306</u>	<u>1 792 306</u>	<u>1 792 306</u>

<sup>(i)</sup> Vested benefits have been included in the less than three months column, as this is the amount that members could call upon as at balance date. This is the earliest date on which the Scheme can be required to pay members vested benefits, however, members may not necessarily call upon amounts vested to them during this time.

**(d) Fair value estimation**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (ie derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Financial assets at fair value through profit or loss**  
(Level 1 and Level 3 are not relevant to the Scheme)

Level 2  
\$'000

**2013**

Unlisted managed investments schemes:

Funds SA

1 090 724

1 090 724

**2012**

Unlisted managed investments schemes:

Funds SA

902 783

902 783

**(e) Derivative financial instruments**

Derivatives can be defined as financial contracts whose value depend on, or are derived from, assets, liabilities reference rates or indices. Funds SA uses derivatives to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. Funds SA uses a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by Funds SA's external investment managers for the purposes described above.

# Department of the Premier and Cabinet

## Functional responsibility

### Establishment

The Department of the Premier and Cabinet (the Department) is an administrative unit established pursuant to the PSA. For details of the Department's objectives refer note 1 to the financial statements.

### Changes in organisational arrangements

During the year the Office for Design and Architecture SA transferred from the Department to the Department of Planning, Transport and Infrastructure (effective 1 March 2013). Refer note 28 to the financial statements for further details.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of the audit

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

During 2012-13, specific areas of audit attention included:

- revenue, including invoicing and bank reconciliations
- expenditure, including accounts payable and payroll
- creditor account payment performance
- grants and subsidies
- property, plant and equipment
- general ledger
- SSSA and Service SA.

The audit also considered the nature of the review work undertaken by internal audit.

## **Audit findings and comments**

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

In my opinion, the financial report gives a true and fair view of the financial position of the Department of the Premier and Cabinet as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

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

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. The significant matters raised with the Chief Executive and the responses are detailed below.

#### ***Corporate***

##### *Creditor account payment performance*

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

The audit identified that for the period of review the monthly account payment performance report was not prepared. Further, the Department had not developed policies and procedures to ensure compliance with the revised TI 11 requirements could be met.

In response the Department advised that policies and procedures will be documented and account payment performance reports had been forwarded to the Minister since May 2013.

##### *Accounts payable*

The audit of accounts payable identified that improvements could be made to the timelines of review of Masterpiece user access. The audit also identified the need to develop a policy for the review of transactions processed by super and special delegates within Basware to ensure that an appropriate level of review is performed over these transactions and that responsibility for the review is specifically allocated to an officer.

In response the Department indicated that, in future, reviews of Masterpiece access would be undertaken within the required timeframe and that the policy regarding review of transactions processed by super and special delegates would be updated and promulgated to the relevant officers.

##### *Service level agreements*

The audit noted that service level agreements for 2012-13 were not in place for the State Library of South Australia, the Art Gallery Board and the Museum Board.

The Department indicated that service level agreements are being established and it will commence negotiations with the agencies in the second quarter of 2013-14.

***SafeWork SA***

An audit of licensing and grant activities at SafeWork SA revealed the following issues:

- policies and procedures in relation to various activities need to be developed or updated
- no review was undertaken over users who currently have access to the Infonet revenue system
- the reconciliation between the Infonet system and the general ledger could be improved
- improvements could be made to the processes used to ensure grant recipients complied with grant conditions.

In response the Department advised that action would be taken to address all the issues raised.

***Shared Services SA - remediation of control environments***

SSSA is responsible for processing the transactions for key financial areas of a large number of government agencies under service level arrangements.

The transactions are processed using a diversified number of systems, including the majority of systems that were transferred to SSSA from agencies when SSSA assumed responsibility for agencies' financial transactions processing. The main systems and control environments in which they operate relate to accounts payable (accounts receivable), payroll and general ledger financial functions.

Previous Reports have provided specific comment on deficiencies identified in relation to the SSSA systems and control environments, most notably the accounts payable and electronic payment control environments and payroll control environments. The Reports have also communicated the progress of remediation work being undertaken by SSSA to address the deficiencies.

In brief, the control deficiencies mainly relate to the segregation of duties and user access conflicts that expose SSSA to fraudulent activity. They were identified through a major focused review by Audit in 2009-10 and SSSA has been addressing the issues through dedicated user access and control projects covering the aforementioned specific control environments.

During the year both Audit and SSSA internal audit undertook review work of the SSSA systems and control environments, including follow-up review of previous years' audit results and the status of remediation actions. The following two sections of commentary summarise the results of the 2012-13 review activity of the notable system and control environments.

***Shared Services SA - accounts payable and electronic payment control environments***

*Introduction*

The accounts payable and electronic payment functions of SSSA mainly comprise:

- Readsoft invoice scanning and data capture
- e-Procurement (Basware) comprising access management, ordering, receiving and invoice processing

- Masterpiece accounts payable involving payment transaction processing and vendor master file processing
- EFT and cheque payment processing, including the external banking application
- Masterpiece general ledger update.

A key element of Basware is the electronic approval of transactions, importantly two agency officers (one an approver) must be involved in the processing of purchase order and non-order invoice transactions. Approvers are governed by the access regime established in the Basware application. Approved payment transactions from Basware are uploaded into Masterpiece for payment processing.

EFT payment processing is effected using an external banking application (either Westpac Corporate Online or Commbiz). For manual initiated payments through the external banking application an access and authorisation regime applies. From 2012-13, agencies are transitioning from Westpac Corporate Online to Commbiz.

#### *Internal audit reviews*

SSSA completed three detailed reviews covering aspects of process and control relating to the abovementioned functions and systems. They were 'Accounts Payable' (February 2013); 'Follow-up on User Access Review' (July 2013); and 'ICT Security Internal Audit' (July 2013).

The first noted review identified a number of inappropriate user access arrangements for Basware, Masterpiece and Westpac Corporate Online.

The second mentioned review followed up on a July 2012 internal audit review of remediation work implemented by SSSA to address segregation of duties and user access conflicts raised as a result of the 2009-10 review by Audit. While the July 2012 review confirmed that SSSA had developed segregation of duties matrices at a process/function level, it strongly recommended reviews of the matrices at a system transaction level. This recognised that using a process/function level approach may not adequately identify possible avenues of access to specific accounts payable and payment activities that may require segregated/restricted access.

The July 2013 follow-up review raised the importance of SSSA completing both the segregation of duties matrices review and associated remediation activities at the system transaction level. The review also noted the importance for SSSA to develop and monitor by appropriate system reporting user activities relating to sensitive access transactions.

The third mentioned internal audit review, in part, included a follow-up of actions taken by SSSA to address vulnerable IT security risks relating to database, operating system and network operations.

SSSA management has responded positively to the internal audit reviews. With particular reference to the July 2013 follow-up user access review, SSSA management is targeting December 2013 to complete remediation actions regarding reviews of the segregation of duties matrices and the review and reporting on sensitive transactions.

#### *Audit review*

Review by Audit of the accounts payable and electronic payment functions supports the internal audit findings and remediation actions taken or targeted for completion by SSSA. This is reflected in certain matters that were noted and/or communicated to the Department from the review activity conducted by Audit.

The main matters raised with the Department were:

- the need to develop a policy and procedure regarding the preparation of various reconciliations performed by different teams in SSSA
- processes around the follow-up of outstanding Basware user access reviews could be improved
- service level agreements in relation to accounts payable still had not been signed by two agencies. This issue has been raised in previous years
- there were no duplicate payments reports prepared for the Department of Planning, Transport and Infrastructure and the Department of Environment, Water and Natural Resources
- the need to improve the checking processes for manual payments which bypass the electronic approval system.

The Department responded advising the following actions to address the matters raised:

- a policy would be developed outlining team responsibilities for reconciliations
- procedures for the follow-up of outstanding user access reviews had been strengthened
- follow-up action on outstanding service level agreements is being undertaken and will be escalated to chief executive officer level if not satisfactorily resolved
- the two agencies without the duplicate payments report have agreed to give priority to the development and implementation of such a report
- staff have been reminded of the need to undertake appropriate checks on manual payments and to ensure sufficient supporting documentation is provided by agencies.

*Concluding comment*

As SSSA continues to progress remediation measures to address prior years' key control weaknesses certain actions are still required before the accounts payable and electronic payment control environments can be considered to be robust and effective. Of particular significance is the implementation by SSSA of actions to address the important matters recommended in the July 2013 internal audit follow-up user access review.

As mentioned previously, from 2012-13 agencies are transitioning from the Westpac Corporate Online to the Commbiz external banking application used for EFT payment processing. This is a major system changeover that impacts on the prevailing control environments within which the accounts payable and electronic payment systems operate and is currently being reviewed by Audit. Specific audit commentary on the system changeover is contained in Part A of this Report.

***Shared Services SA - payroll control environments***

*Introduction*

The payroll function of SSSA operates through various human resource management and payroll systems. The most notable systems are CHRIS 5 and CHRIS 21 (most government agencies), Valeo (Department for Education and Child Development), Empower (Department of Further Education, Employment, Science and Technology and TAFE SA) and SAPOL HRMS. Similar to accounts payable transactions, payroll payment transactions are processed using the external banking application and access and authorisation regime as explained above under 'Shared Services SA - accounts payable and electronic payment control environments'.



Last year's Report indicated that SSSA's remediation program to address segregation of duties and user access conflicts for SSSA payroll services was targeted for finalisation by 31 December 2012. The remediation program was completed in early 2013. In May 2013 SSSA internal audit undertook a review of the implementation of the remediation program. Internal audit also completed in May 2013 a security audit of the external service bureau that provides the CHRIS payroll application service to SSSA.

*Internal audit review - segregation of duties and user access*

The review confirmed that SSSA implemented significant remediation actions during the year to address segregation of duties and user access conflicts for SSSA payroll systems and services. The notable actions taken and described in the internal report were as follows:

- developed a user access policy which covers the procedure to be followed for user access requests, approval, monitoring and review of user access rights, responsibilities of system administrators, reviewers and managers
- developed an approval tree for user access management which clearly defines responsibility for approving user access requests
- developed a policy which requires account expiration dates attached to contractors so that access is automatically revoked at the end of the contract period
- created user profiles in each payroll system, based on job titles
- developed segregation of duties matrices across payroll systems
- reviewed and re-assigned user profiles to users within payroll systems based on job titles and with consideration of segregation of duties matrices.

While confirming the implementation of the remediation measures, internal audit raised certain matters that also required attention. These related to risk exposures associated with the potential to edit payroll payment files and timely review of systems' access for terminated employees and temporary staff. The internal audit report indicated SSSA management actions that would be taken, to address the matters raised, by 31 December 2013 or earlier.

*Internal audit review - external service bureau*

The CHRIS system continues to be the payroll system for the majority of government agencies. Processing of information using the system is facilitated by an external service provider to government under a bureau services agreement. The agreement is managed by SSSA.

Last year's Report mentioned that SSSA intended to undertake a security and control audit of the external bureau service's computer processing environment. The audit was completed in May 2013 and included a follow-up of issues raised in a 2011 audit. Last year's Report also advised of the commencement of planning of the migration of government agencies on CHRIS 5 (legacy system) to CHRIS 21 (current system). As a legacy system CHRIS 5 has security limitations that have not been remediated in consideration of the planned migration to CHRIS 21. The internal audit report made specific observations and comment regarding the CHRIS 5 limitations.

The report of the internal audit review generally indicated, with the exception comment for the CHRIS 5 limitations, that the external bureau service operated with suitable controls in place.

The planned migration from CHRIS 5 to CHRIS 21 is yet to commence.

*Concluding comment*

While SSSA implemented significant remediation action during the year to address segregation of duties and user access conflicts across payroll systems and services, it was not effective throughout the entire year. As such the payroll control environments could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21 which would address security limitations has not yet commenced.

The planned migration from CHRIS 5 to CHRIS 21 is one important element of a payroll reform strategy to be implemented by SSSA. The nature of the reform strategy will impact the prevailing control environments within which the payroll systems operate and necessitate continual audit scrutiny to ensure effective and controlled implementation of reform changes. Specific audit commentary on the payroll reform strategy is contained in Part A of this Report.

***Service SA - T-Recs and review of Service SA centres***

*T-Recs*

Service SA provides significant service obligations to the public through its Service SA centres, involving millions of dollars of transactions each year for mainly driver licence and motor vehicle registrations.

A significant development concerning the operation of Service SA was the introduction of the T-Recs automated reconciliation system in July 2011. The system was implemented to address reconciliation issues associated with the collection and disbursement of monies involving the financial transactions of Service SA.

Last year's Report noted significant internal audit activity over T-Recs operation and reported an overall satisfactory control result. Notwithstanding, certain issues were raised for attention, including the need to develop business and disaster recovery plans and an associated up-to-date risk assessment. These matters were satisfactorily resolved by Service SA during 2012-13.

Audit also completed a review of the T-Recs in-built logging facility during 2013. The review found that the arrangements in place for the management and review of logs needed to be formalised. In particular, Service SA needed to develop a risk assessment to identify high risk transactions from a segregation of duties viewpoint and appropriate supporting policy and procedural documentation to support the ongoing T-Recs log review process. The Department responded that these matters would be addressed by March 2014.

*Internal audit review of Service SA centres*

Last year's Report also contained commentary on a May 2012 internal audit review conducted at Service SA centres concerning aspects of controls over cash and transaction management and source and auditable document management. The report noted a lack of procedures to support a number of important processes regarding cash management, instances where certain cashier actions were not taken or were undertaken in an inconsistent manner, weaknesses in security and integrity of cash floats and weaknesses in securing source documents.

The Department is planning to complete a follow-up review of previously raised issues and corrective actions taken by February 2014. Due to the importance of the internal audit findings and that remedial actions were to be finalised by the end of December 2012 Audit considers it important that the internal audit follow-up review be completed by the targeted time.

**Office of the Chief Information Officer (OCIO) - an update of government voice and data telecommunication charging arrangements**

Previous Reports have included specific comment on focused telecommunication reviews within government.

Last year's Report included commentary on government telecommunications management and billing arrangements within selected agencies and StateNet. StateNet is the generic name for all of the across-government ICT networks and is managed by a directorate of the OCIO. In addition, last year's Report included the results of two telecommunication reviews conducted by an external telecommunication specialist firm commissioned by the OCIO.

These telecommunications reviews highlighted deficiencies in invoice verification processes, supporting call collection data and the internal recharging of telecommunication costs to agencies. The reviews also noted that telecommunication services costs could be reduced. In essence Audit concluded that deficiencies in government telecommunications management exposed the government and agencies to unnecessary costs and/or overcharging.

In 2012-13 Audit sought remediation status updates from the OCIO of many of the issues raised as a result of the telecommunications reviews. Audit also sought an understanding of the developments associated with the operation of a Ministerial telecommunications taskforce that was commissioned in early 2013 by the then Minister for the Public Sector.

Details regarding Audit's 2012-13 review are contained in Part A of this report.

**Interpretation and analysis of the financial report**

The Department was subject to organisational changes in 2011-12 and further changes in 2012-13. As a result there have been significant increases in the Department's income, expenses, assets and liabilities mainly on account of the full year effect of transfers into the Department of Service SA, SSSA and OCIO in 2011-12.

The highlights from the financial report are presented below.

**Highlights of the financial report - controlled**

	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Employee benefits	175	131
Supplies and services	123	86
Grants and subsidies	141	134
Other expenses	18	13
<b>Total expenses</b>	<b>457</b>	<b>364</b>
<b>Income</b>		
Fees and charges	187	97
Grants	12	16
Other	12	13
<b>Total income</b>	<b>211</b>	<b>126</b>

	2013 \$'million	2012 \$'million
<b>Revenues from (payments to) SA Government</b>		
Revenues from SA Government	245	243
Payments to SA Government	(9)	14
<b>Total revenues from (payments to) SA Government</b>	236	229
<b>Net result</b>	(10)	(9)
Changes in revaluation surplus	19	-
<b>Total comprehensive result</b>	9	(9)
<b>Net cash provided by (used in) operating activities</b>	6	13
<b>Net cash provided by (used in) investing activities</b>	(8)	(20)
<b>Assets</b>		
Current assets	82	88
Non-current assets	221	211
<b>Total assets</b>	303	299
<b>Liabilities</b>		
Current liabilities	53	55
Non-current liabilities	40	43
<b>Total liabilities</b>	93	98
<b>Total equity</b>	210	201

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

As previously mentioned the Department was subject to organisational changes in 2011-12. As a result there has been a significant increase in the Department's administered income and expenses reflecting notably the full year's activities of Service SA which was taken over by the Department from 1 January 2012.

The highlights from the financial report are presented below.

<b>Highlights of the financial report - administered</b>	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Disbursement on behalf of third parties	479	231
Intra-government transfers	169	142
Grants and subsidies	22	11
Other expenses	7	8
<b>Total expenses</b>	677	392
<b>Income</b>		
Collections on behalf of third parties	479	231
Advances and grants	169	142
Revenues from SA Government	21	16
Other	4	10
<b>Total income</b>	673	399
<b>Net result</b>	(4)	7
Changes in revaluation surplus	3	-
<b>Total comprehensive result</b>	(1)	7

<b>Net cash provided by (used in) operating activities</b>	-	1
<b>Net cash provided by (used in) investing activities</b>	(1)	-
<b>Net cash provided by (used in) financing activities</b>	-	4
<b>Assets</b>		
Current assets	51	50
Non-current assets	7	4
<b>Total assets</b>	<b>58</b>	<b>54</b>
<b>Liabilities</b>		
Current liabilities	9	4
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>9</b>	<b>4</b>
<b>Total equity</b>	<b>49</b>	<b>50</b>

### Statement of Administered Comprehensive Income

#### *Disbursements and collections on behalf of third parties*

The Department, through Service SA, collects various fees on behalf of third parties and then disburses those amounts collected to the responsible recipient agency. The main amounts collected and disbursed related to registrations, licences and other fees collected on behalf of the Department of Planning, Transport and Infrastructure (\$425 million) and expiation notices and firearms licences on behalf of South Australia Police (\$51 million).

#### *Advances and grants/Intra-government transfers*

The Department receives grants from the Commonwealth which are paid to the South Australian Local Government Grants Commission. The South Australian Local Government Grants Commission then facilitates the payment of these monies to local government agencies. The amounts received and disbursed for 2012-13 were \$167 million.

## Statement of Comprehensive Income for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefits	6	174 733	130 725
Supplies and services	7	122 625	85 853
Grants and subsidies	8	141 488	134 106
Depreciation and amortisation	9	16 917	11 452
Net loss from disposal of non-current assets	10	245	34
Other expenses	11	1 118	770
Resources provided free of charge	12	-	1 560
<b>Total expenses</b>		457 126	364 500
<b>Income:</b>			
Fees and charges	14	187 315	97 011
Commonwealth revenues	15	3 642	5 331
Grants	16	12 175	16 236
Interest		663	470
Resources received free of charge	17	22	2 246
Community Development Fund		900	900
Recoveries from administered items		1 184	516
Other income	18	5 570	3 304
<b>Total income</b>		211 471	126 014
<b>Net cost of providing services</b>		245 655	238 486
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	19	245 038	243 664
Payments to SA Government	19	(9 709)	(14 320)
<b>Net revenues from (payments to) SA Government</b>		235 329	229 344
<b>Net result</b>		(10 326)	(9 142)
<b>Other comprehensive income:</b>			
Changes in revaluation surplus		19 378	-
<b>Total other comprehensive income</b>		19 378	-
<b>Total comprehensive result</b>		9 052	(9 142)

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

## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	20	51 168	52 870
Receivables	21	31 270	35 058
Inventories		35	46
<b>Total current assets</b>		82 473	87 974
<b>Non-current assets:</b>			
Receivables	21	125	125
Property, plant and equipment	22	209 640	198 667
Works of art	22	5 180	4 698
Intangible assets	23	5 953	7 300
<b>Total non-current assets</b>		220 898	210 790
<b>Total assets</b>		303 371	298 764
<b>Current liabilities:</b>			
Payables	24	28 795	31 710
Employee benefits	25	21 349	17 285
Provisions	26	2 865	5 203
Other liabilities	27	379	962
<b>Total current liabilities</b>		53 388	55 160
<b>Non-current liabilities:</b>			
Payables	24	2 960	3 213
Employee benefits	25	31 559	34 507
Provisions	26	3 252	3 858
Other liabilities	27	1 980	1 263
<b>Total non-current liabilities</b>		39 751	42 841
<b>Total liabilities</b>		93 139	98 001
<b>Net assets</b>		210 232	200 763
<b>Equity:</b>			
Contributed capital		45 221	45 221
Revaluation surplus		33 922	14 544
Retained earnings		131 089	140 998
<b>Total equity</b>		210 232	200 763
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	29		
Contingent assets and liabilities	30		

### Statement of Changes in Equity for the year ended 30 June 2013

	Contributed equity \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011	45 221	14 544	92 137	151 902
Net result for 2011-12	-	-	(9 142)	(9 142)
Total comprehensive result for 2011-12	-	-	(9 142)	(9 142)
Transactions with SA Government as owner:				
Net assets transferred in as a result of administrative restructures	-	-	50 458	50 458
Post-restructure equity adjustments	-	-	(754)	(754)
Net assets distributed from administrative restructures	-	-	3 177	3 177
Gains taken to equity	-	-	5 122	5 122
Balance at 30 June 2012	45 221	14 544	140 998	200 763
Net result for 2012-13	-	-	(10 326)	(10 326)
Gain on revaluation of land and buildings	-	18 833	-	18 833
Gain on revaluation of artwork	-	545	-	545
Total comprehensive result for 2012-13	-	19 378	(10 326)	9 052
Transactions with SA Government as owner:				
Net assets transferred in as a result of administrative restructures	-	-	132	132
Prior period adjustment	-	-	278	278
Post-restructure equity adjustments	-	-	7	7
<b>Balance at 30 June 2013</b>	<b>45 221</b>	<b>33 922</b>	<b>131 089</b>	<b>210 232</b>

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



## Statement of Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits		(174 071)	(116 834)
Supplies and services		(142 443)	(98 347)
Grants and subsidies		(148 488)	(134 106)
GST paid to the ATO		-	(2 856)
Other payments		(667)	(580)
<b>Cash used in operations</b>		<u>(465 669)</u>	<u>(352 723)</u>
Cash inflows:			
Fees and charges		210 001	102 563
Commonwealth revenues		3 642	5 331
Grants		12 175	16 236
Interest received		663	470
Community Development Fund		900	900
Recoveries from administered items		1 184	516
GST recovered from the ATO		2 430	6 843
Other receipts		5 570	3 304
<b>Cash generated from operations</b>		<u>236 565</u>	<u>136 163</u>
Cash flows from SA Government:			
Receipts from SA Government		245 038	243 664
Payments to SA Government		(9 709)	(14 320)
<b>Cash generated from SA Government</b>		<u>235 329</u>	<u>229 344</u>
<b>Net cash provided by (used in) operating activities</b>	31	<u>6 225</u>	<u>12 784</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(7 895)	(19 622)
Purchase of intangible assets		(32)	(24)
<b>Cash used in investing activities</b>		<u>(7 927)</u>	<u>(19 646)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(7 927)</u>	<u>(19 646)</u>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Cash received from restructuring activities		-	24 899
<b>Cash generated from financing activities</b>		<u>-</u>	<u>24 899</u>
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>24 899</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(1 702)</u>	<u>18 037</u>
<b>Cash and cash equivalents at 1 July</b>		<u>52 870</u>	<u>34 833</u>
<b>Cash and cash equivalents at 30 June</b>	20	<u>51 168</u>	<u>52 870</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013

(Activities - refer note 5)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits	5 805	6 183	5 378	7 877	961	1 430	621	477
Supplies and services	1 499	1 646	7 823	6 315	704	1 620	97	73
Grants and subsidies	264	258	1 963	6 530	2	243	-	-
Depreciation and amortisation	20	62	13	13	3	8	3	-
Net loss from disposal of non-current assets	-	-	-	-	-	-	-	-
Other expenses	-	-	1	-	-	-	-	-
Resources provided free of charge	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>7 588</b>	<b>8 149</b>	<b>15 178</b>	<b>20 735</b>	<b>1 670</b>	<b>3 301</b>	<b>721</b>	<b>550</b>
<b>Income:</b>								
Fees and charges	249	92	1 852	526	3	7	-	-
Commonwealth revenues	-	-	-	538	-	-	-	-
Grants	-	-	202	1 207	202	1 144	276	263
Interest	-	-	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	-	-	-
Community Development Fund	-	-	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	-	-	-	-
Other income	-	-	271	453	-	-	(24)	5
<b>Total income</b>	<b>249</b>	<b>92</b>	<b>2 325</b>	<b>2 724</b>	<b>205</b>	<b>1 151</b>	<b>252</b>	<b>268</b>
<b>Net cost of providing services</b>	<b>7 339</b>	<b>8 057</b>	<b>12 853</b>	<b>18 011</b>	<b>1 465</b>	<b>2 150</b>	<b>469</b>	<b>282</b>
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government	-	-	-	-	-	-	-	-
Payments to SA Government	-	-	-	-	-	-	-	-
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>(7 339)</b>	<b>(8 057)</b>	<b>(12 853)</b>	<b>(18 011)</b>	<b>(1 465)</b>	<b>(2 150)</b>	<b>(469)</b>	<b>(282)</b>

(Activities - refer note 5)	5		6		7		8	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefits	791	688	18 807	17 932	499	504	3 001	3 281
Supplies and services	749	765	11 857	10 788	709	590	1 513	1 473
Grants and subsidies	-	-	4 823	2 226	34 171	31 868	36 436	26 937
Depreciation and amortisation	130	130	335	96	20	20	213	29
Net loss from disposal of non-current assets	-	-	102	14	-	-	-	-
Other expenses	92	93	607	343	-	-	-	-
Resources provided free of charge	-	-	-	-	-	265	-	437
<b>Total expenses</b>	<b>1 762</b>	<b>1 676</b>	<b>36 531</b>	<b>31 399</b>	<b>35 399</b>	<b>33 247</b>	<b>41 163</b>	<b>32 157</b>
<b>Income:</b>								
Fees and charges	98	96	1 766	781	1	16	630	894
Commonwealth revenues	-	-	-	-	-	-	-	-
Grants	-	-	-	475	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Resources received free of charge	-	-	-	-	-	2 246	22	-
Community Development Fund	-	-	-	-	-	-	-	-
Recoveries from administered items	-	-	-	-	-	-	-	-
Other income	1	1	474	908	150	4	252	12
<b>Total income</b>	<b>99</b>	<b>97</b>	<b>2 240</b>	<b>2 164</b>	<b>151</b>	<b>2 266</b>	<b>904</b>	<b>906</b>
<b>Net cost of providing services</b>	<b>1 663</b>	<b>1 579</b>	<b>34 291</b>	<b>29 235</b>	<b>35 248</b>	<b>30 981</b>	<b>40 259</b>	<b>31 251</b>
<b>Revenues from (Payments to) SA Government:</b>								
Revenues from SA Government	-	-	102 499	101 554	22 123	21 356	38 477	37 189
Payments to SA Government	-	-	(9 709)	(14 320)	-	-	-	-
<b>Net revenues from (payments to) SA Government</b>	<b>-</b>	<b>-</b>	<b>92 790</b>	<b>87 234</b>	<b>22 123</b>	<b>21 356</b>	<b>38 477</b>	<b>37 189</b>
<b>Net result</b>	<b>(1 663)</b>	<b>(1 579)</b>	<b>58 499</b>	<b>57 999</b>	<b>(13 125)</b>	<b>(9 625)</b>	<b>(1 782)</b>	<b>5 938</b>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013 (continued)

	(Activities - refer note 5)		9		10		11		12	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	2 618	2 547	6 383	7 251	61 975	25 658	34 604	23 120		
Supplies and services	1 791	2 055	3 772	3 834	40 395	20 270	52 763	31 410		
Grants and subsidies	61 816	59 270	3 897	3 404	-	-	6 930	6 399		
Depreciation and amortisation	5 349	5 302	129	126	2 942	1 260	6 972	3 537		
Net loss from disposal of non-current assets	85	-	-	-	-	-	51	20		
Other expenses	-	-	-	2	52	177	191	-		
Resources provided free of charge	-	858	-	-	-	-	-	-		
<b>Total expenses</b>	<b>71 659</b>	<b>70 032</b>	<b>14 181</b>	<b>14 617</b>	<b>105 364</b>	<b>47 365</b>	<b>101 511</b>	<b>64 486</b>		
<b>Income:</b>										
Fees and charges	8 316	5 068	41	68	100 603	44 956	81 344	45 420		
Commonwealth revenues	500	1 105	7	173	-	-	-	7		
Grants	-	-	214	1 039	-	-	-	-		
Interest	-	-	26	37	599	397	38	36		
Resources received free of charge	-	-	-	-	-	-	-	-		
Community Development Fund	900	900	-	-	-	-	-	-		
Recoveries from administered items	-	-	1 199	469	-	-	-	-		
Other income	669	975	61	-	180	-	3 676	1 786		
<b>Total income</b>	<b>10 385</b>	<b>8 048</b>	<b>1 548</b>	<b>1 786</b>	<b>101 382</b>	<b>45 353</b>	<b>85 058</b>	<b>47 249</b>		
<b>Net cost of providing services</b>	<b>61 274</b>	<b>61 984</b>	<b>12 633</b>	<b>12 831</b>	<b>3 982</b>	<b>2 012</b>	<b>16 453</b>	<b>17 237</b>		
<b>Revenues from (Payments to)</b>										
<b>SA Government:</b>										
Revenues from SA Government	71 571	69 093	-	-	4 129	6 924	8 280	9 369		
Payments to SA Government	-	-	-	-	-	-	-	-		
<b>Net revenues from (payments to)</b>										
<b>SA Government</b>	<b>71 571</b>	<b>69 093</b>	<b>-</b>	<b>-</b>	<b>4 129</b>	<b>6 924</b>	<b>8 280</b>	<b>9 369</b>		
<b>Net result</b>	<b>10 297</b>	<b>7 109</b>	<b>(12 633)</b>	<b>(12 831)</b>	<b>147</b>	<b>4 912</b>	<b>(8 173)</b>	<b>(7 868)</b>		

	(Activities - refer note 5)		13		14		15		16	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits	3 460	3 488	27 897	29 393	1 756	1 599	246	-		
Supplies and services	1 324	1 055	12 290	14 603	432	222	108	-		
Grants and subsidies	15	16	3 721	4 314	223	1 205	-	-		
Depreciation and amortisation	11	9	777	860	-	-	-	-		
Net loss from disposal of non-current assets	-	-	7	-	-	-	-	-		
Other expenses	-	-	190	155	-	-	-	-		
Resources provided free of charge	-	-	-	-	-	-	-	-		
<b>Total expenses</b>	<b>4 810</b>	<b>4 568</b>	<b>44 882</b>	<b>49 325</b>	<b>2 411</b>	<b>3 026</b>	<b>354</b>	<b>-</b>		
<b>Income:</b>										
Fees and charges	856	765	17 131	14 733	126	-	44	-		
Commonwealth revenues	-	-	2 999	3 508	136	-	-	-		
Grants	-	-	11 281	11 200	-	1 634	-	-		
Interest	-	-	-	-	-	-	-	-		
Resources received free of charge	-	-	-	-	-	-	-	-		
Community Development Fund	-	-	-	-	-	-	-	-		
Recoveries from administered items	-	21	139	26	-	-	-	-		
Other income	-	3	2	-	27	139	-	-		
<b>Total income</b>	<b>856</b>	<b>789</b>	<b>31 552</b>	<b>29 467</b>	<b>289</b>	<b>1 773</b>	<b>44</b>	<b>-</b>		
<b>Net cost of providing services</b>	<b>3 954</b>	<b>3 779</b>	<b>13 330</b>	<b>19 858</b>	<b>2 122</b>	<b>1 253</b>	<b>310</b>	<b>-</b>		
<b>Revenues from (Payments to)</b>										
<b>SA Government:</b>										
Revenues from SA Government	-	-	-	-	-	193	-	-		
Payments to SA Government	-	-	-	-	-	-	-	-		
<b>Net revenues from (payments to)</b>										
<b>SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>193</b>	<b>-</b>	<b>-</b>		
<b>Net result</b>	<b>(3 954)</b>	<b>(3 779)</b>	<b>(13 330)</b>	<b>(19 858)</b>	<b>(2 122)</b>	<b>(1 060)</b>	<b>(310)</b>	<b>-</b>		

**Disaggregated Disclosures - Expenses and Income  
for the year ended 30 June 2013 (continued)**

(Activities - refer note 5)	17		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefits	(69)	(703)	174 733	130 725
Supplies and services	(15 201)	(10 866)	122 625	85 853
Grants and subsidies	(12 773)	(8 564)	141 488	134 106
Depreciation and amortisation	-	-	16 917	11 452
Net loss from disposal of non-current assets	-	-	245	34
Other expenses	(15)	-	1 118	770
Resources provided free of charge	-	-	-	1 560
<b>Total expenses</b>	<b>(28 058)</b>	<b>(20 133)</b>	<b>457 126</b>	<b>364 500</b>
<b>Income:</b>				
Fees and charges	(25 745)	(16 411)	187 315	97 011
Commonwealth revenues	-	-	3 642	5 331
Grants	-	(726)	12 175	16 236
Interest	-	-	663	470
Resources received free of charge	-	-	22	2 246
Community Development Fund	-	-	900	900
Recoveries from administered items	(154)	-	1 184	516
Other income	(169)	(982)	5 570	3 304
<b>Total income</b>	<b>(26 068)</b>	<b>(18 119)</b>	<b>211 471</b>	<b>126 014</b>
<b>Net cost of providing services</b>	<b>(1 990)</b>	<b>(2 014)</b>	<b>245 655</b>	<b>238 486</b>
<b>Revenues from (Payments to)</b>				
<b>SA Government:</b>				
Revenues from SA Government	(2 041)	(2 014)	245 038	243 664
Payments to SA Government	-	-	(9 709)	(14 320)
<b>Net revenues from (payments to)</b>				
<b>SA Government</b>	<b>(2 041)</b>	<b>(2 014)</b>	<b>235 329</b>	<b>229 344</b>
<b>Net result</b>	<b>(51)</b>	<b>-</b>	<b>(10 326)</b>	<b>(9 142)</b>

## Disaggregated Disclosures - Assets and Liabilities for the year ended 30 June 2013

(Activities - refer note 5)	1		2		3		4	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-	(220)	-	-	-	-
Receivables	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Property, plant and equipment	73	74	39	106	-	27	7	-
Works of art	-	-	-	-	-	-	-	-
Intangible assets	49	24	-	-	-	-	-	-
<b>Total assets</b>	<b>122</b>	<b>98</b>	<b>39</b>	<b>(114)</b>	<b>-</b>	<b>27</b>	<b>7</b>	<b>-</b>
<b>Liabilities:</b>								
Payables	-	-	-	345	-	-	-	-
Employee benefits	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>345</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(Activities - refer note 5)	5		6		7		8	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	40 537	50 480	687	237	1 434	718
Receivables	-	-	7 942	6 720	277	434	572	1 001
Inventories	-	-	20	35	-	-	-	-
Property, plant and equipment	5 212	3 176	8 118	8 494	3 340	2 462	7 014	5 754
Works of art	-	-	27	27	7	5	33	8
Intangible assets	-	-	153	-	-	-	-	-
<b>Total assets</b>	<b>5 212</b>	<b>3 176</b>	<b>56 797</b>	<b>65 756</b>	<b>4 311</b>	<b>3 138</b>	<b>9 053</b>	<b>7 481</b>
<b>Liabilities:</b>								
Payables	-	-	16 302	18 942	550	317	1 005	745
Employee benefits	21	-	15 493	14 418	218	207	974	1 024
Provisions	-	-	5 492	7 731	6	9	85	132
Other liabilities	-	-	-	-	-	4	14	1
<b>Total liabilities</b>	<b>21</b>	<b>-</b>	<b>37 287</b>	<b>41 091</b>	<b>774</b>	<b>537</b>	<b>2 078</b>	<b>1 902</b>

(Activities - refer note 5)	9		10		11		12	
	2013	2012	2013	2012	2013	2012	2013	2012
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2 224	768	-	-	-	-	6 286	887
Receivables	849	1 166	2	4	18 292	18 394	8 635	15 312
Inventories	-	-	-	-	-	-	15	11
Property, plant and equipment	137 259	133 461	4 763	4 709	2 547	3 122	32 258	32 819
Works of art	5 113	4 658	-	-	-	-	-	-
Intangible assets	407	-	-	-	2 539	4 253	2 832	3 016
<b>Total assets</b>	<b>145 852</b>	<b>140 053</b>	<b>4 765</b>	<b>4 713</b>	<b>23 378</b>	<b>25 769</b>	<b>50 026</b>	<b>52 045</b>
<b>Liabilities:</b>								
Payables	1 778	814	-	-	4 955	5 254	11 430	13 666
Employee benefits	704	669	-	-	19 020	18 112	9 111	9 925
Provisions	20	29	-	-	-	-	-	646
Other liabilities	-	-	-	-	2 340	1 802	5	418
<b>Total liabilities</b>	<b>2 502</b>	<b>1 512</b>	<b>-</b>	<b>-</b>	<b>26 315</b>	<b>25 168</b>	<b>20 546</b>	<b>24 655</b>

## Disaggregated Disclosures - Assets and Liabilities for the year ended 30 June 2013 (continued)

	(Activities - refer note 5)		13		14		15		16	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	11	139	-	-	-
Inventories	-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	15	26	9 014	4 437	5	-	-	-	-	-
Works of art	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	7	-	-	-	-	-	-
<b>Total assets</b>	<b>15</b>	<b>26</b>	<b>9 014</b>	<b>4 444</b>	<b>16</b>	<b>139</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Liabilities:</b>										
Payables	-	-	873	1 753	249	1 074	-	-	-	-
Employee benefits	-	-	6 857	6 857	510	580	-	-	-	-
Provisions	-	-	514	514	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>8 244</b>	<b>9 124</b>	<b>759</b>	<b>1 654</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	(Activities - refer note 5)				17		Total			
					2013	2012	2013	2012		
					\$'000	\$'000	\$'000	\$'000		
<b>Assets:</b>										
Cash and cash equivalents					-	-	51 168	52 870		
Receivables					(5 185)	(7 987)	31 395	35 183		
Inventories					-	-	35	46		
Property, plant and equipment					(24)	-	209 640	198 667		
Works of art					-	-	5 180	4 698		
Intangible assets					(27)	-	5 953	7 300		
<b>Total assets</b>					<b>(5 236)</b>	<b>(7 987)</b>	<b>303 371</b>	<b>298 764</b>		
<b>Liabilities:</b>										
Payables					(5 387)	(7 987)	31 755	34 923		
Employee benefits					-	-	52 908	51 792		
Provisions					-	-	6 117	9 061		
Other liabilities					-	-	2 359	2 225		
<b>Total liabilities</b>					<b>(5 387)</b>	<b>(7 987)</b>	<b>93 139</b>	<b>98 001</b>		

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

#### 1. Objectives of the Department of the Premier and Cabinet (the Department)

The Department is the principal government agency in South Australia. It delivers specialist policy advice to the Premier and Ministers, supports the Cabinet process and provides direction and leadership to the South Australian public service, with a particular focus on the government's seven strategic priorities.

The Department leads the implementation of South Australia's Strategic Plan and the Government's strategic priorities, has overarching responsibility for Commonwealth-State relations and drives key government initiatives across a range of services benefiting other government agencies and the community.

The Department works with these groups to develop policies and deliver programs in areas including Aboriginal wellbeing, economic and international coordination, the arts and cultural development, industrial relations, occupational health and safety, shared services, services to the community through information communication technologies, public sector management and government records access and preservation.

## 2. Summary of significant accounting policies

### 2.1 Statement of compliance

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ended 30 June 2013 (refer note 4).

### 2.2 Basis of preparation

The preparation of the financial statements requires:

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and comparative information presented for the year ended 30 June 2012.

### 2.3 Reporting entity

The Department is a government department of the State of South Australia established pursuant to the PSA. The Department is an administrative unit acting on behalf of the Crown. The financial statements and accompanying notes encompass all the controlled activities of the Department.

#### *Administered resources*

The Department administers, but does not control, certain resources on behalf of the SA Government. It is accountable for the transactions involving those administered resources, but does not have the discretion to deploy the resources for achievement of the Department's objectives. For these resources, the Department acts only on behalf of the Commonwealth Government and SA Government.

Transactions and balances relating to these administered resources are not recognised as departmental income, expense, assets and liabilities. As administered items are significant in relation to the Department's overall financial performance and position, they are disclosed in the administered financial statements attached to the general purpose financial statements. Except as otherwise disclosed, administered items are recognised on the same basis and using the same accounting policies as for the departmental items.

#### **2.4 Comparative information**

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

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

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

Following a review of Service SA's administered function, the collections and disbursements included in the Statement of Administered Comprehensive Income now reflect those transactions which the Department administers as custodian on behalf of other third parties. As a result the comparatives have also been restated.

#### **2.5 Rounding**

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

#### **2.6 Taxation**

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

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

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

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

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

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

The Department prepares a business activity statement on behalf of clients to which it provides business services, under the grouping provisions of the GST legislation. Under the grouping provisions, the Department is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in the Department's Statement of Financial Position and the GST cash flows recorded in the Statement of Cash Flows.

#### **2.7 Income**

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

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

The following are specific recognition criteria:

##### *Fees and charges*

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

##### *Grants*

Grants are recognised as income when the Department obtains control of the income or when the agreement or contract has been approved and executed or income received. Grants received by the Department with unconditional stipulations attached have been recognised as an asset and income upon receipt.



*Community Development Fund*

Income is received on an annual basis from the State Government's Community Development Fund. The Community Development Fund was established under the *Gaming Machines Act 1992*. Money paid into this Fund is to be applied towards financial assistance for community development and the provision of government health, welfare or education services.

*Resources received free of charge*

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

*Revenues from SA Government*

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

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

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

*Other income*

Other income consists of refunds and other recoveries.

**2.8 Expenses**

Expenses are recognised when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

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

*Employee benefits expenses*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents contributions made by the Department to the superannuation plan in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability, for schemes operated by the State Government in the whole-of-government financial statements.

*Grants and subsidies*

Grants and subsidies that the Department pays to other entities 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 or subsidy. These entities may be other SA Government agencies, non-government organisations or the public. The grants and subsidies given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. For contributions payable, the contribution will be recognised as a liability and expense when the Department has a present obligation to pay the contribution.

Grants and subsidies paid by the Department generally have conditional stipulations attached.

*Depreciation and amortisation of non-current assets*

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

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

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

Land is not depreciated.

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and improvements	5-100
Transportable accommodation	10-20
Furniture and fittings	5-10
Plant and equipment	3-20
Office equipment	3-30
IT equipment	3-10
PABX equipment	3-7
Transmission equipment	5-40
Water, sewerage and drainage	20-80
StateNet core	5
Motor vehicles	4
Intangibles - computer software	1-15

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

*Net loss on disposal of non-current assets*

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

*Resources provided free of charge*

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

*Payments to SA Government*

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

**2.9 Current and non-current classification**

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore, assets and liabilities that will be sold, consumed or 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.

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

**2.10 Assets**

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

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

*Cash and cash equivalents*

Cash and cash equivalents as reported in the Statement of Financial Position include cash on hand and deposits held at call. Cash and cash equivalents in the Statement of Cash Flows comprise cash and cash equivalents as defined above. Cash is measured at nominal value.

*Receivables*

Receivables include amounts receivable from goods and services, prepayments and other accruals.

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

*Receivables (continued)*

Other debtors arise outside the normal course of selling goods and services to other government 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 the debtor, the Department is able to charge interest at commercial rates until the whole amount of the debt is paid.

The Department determines the allowance for doubtful debts based on a review of balances within receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue. Bad debts are written off when identified.

*Inventories*

Inventories are measured at the lower of cost or their net realisable value.

*Non-current asset acquisition and recognition*

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

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

In accordance with APF III, APS 2.15:

- all non-current tangible assets with a value of \$10 000 or greater are capitalised
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

*Revaluation of non-current assets*

All non-current physical assets are valued at written down current cost (a proxy for fair value). Revaluation of non-current assets or groups of assets is performed when their fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every five 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.

An independent valuation of the land, buildings and artwork was conducted as at 30 June 2013 by Valcorp Australia Pty Ltd. The valuation of land and buildings as at 30 June 2013 was prepared on a fair value basis in accordance with AASB 116.

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

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

*Impairment of assets*

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

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

*Intangible assets*

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

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

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised.

**2.11 Liabilities**

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

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

*Payables*

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

Creditors represent the amounts owing for goods and services received before 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 processed.

All amounts are measured at their nominal amount and are normally settled within 30 days after the Department receives an invoice.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, skills and experience retention 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. DTF centrally recognises the superannuation liability for schemes operated by the State Government, in the whole-of-government financial statements.

*Employee benefits*

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

(i) *Salaries and wages*

Liabilities for salaries and wages are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

(ii) *Annual leave*

A liability for annual leave is calculated by determining the amount unpaid at the reporting date and estimating the nominal amount that is expected to be paid when the obligation is settled. In the unusual event where annual leave is payable later than 12 months, the liability will be measured at present value.

(iii) *Employment on-costs*

Employment on-costs (payroll tax, superannuation and workers compensation) are recognised separately under payables and provisions.

*(iv) LSL*

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

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

*(v) Skills and experience retention leave*

A liability for skills and experience retention leave is calculated by determining the amount unpaid at the reporting date at remuneration rates current at reporting date. The liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where skills and experience retention leave is payable later than 12 months, the liability will be measured at present value.

*(vi) Sick leave*

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

*Workers compensation provision*

The Department is an exempt employer under the WRCA. Under a scheme arrangement, the Department is responsible for the management of workers rehabilitation and compensation.

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an annual actuarial assessment as at 30 June 2013 performed by the consulting actuaries to the Public Sector Workforce Relations Division of the Department.

The workers compensation provision 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.

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137 and the WorkCoverSA guidelines for actuarial assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

*Copyright provision*

The *Commonwealth Copyright Act 1968* allows governments to copy copyrighted material for the services of government without infringing the Act if it pays equitable remuneration to a declared collecting society. State Records of South Australia (State Records) has responsibility for negotiating the amount payable for the State's copying of printed and electronic publications. The provision represents copyright licensing fees for print and electronic publications for the SA Government.

**2.12 Contributed/Distributed capital**

Where the investing activities of the Department are not funded through appropriations, operating receipts, proceeds of assets sales or grants, government funding is provided via a capital contribution.

Capital distributed include the return of surplus cash pursuant to the Government's cash alignment policy, paid directly to the Consolidated Account. Where agencies have equity contributions from the Treasurer, part or all transfers of cash may be deemed a return of equity.

**2.13 Leases***Department as lessee*

The Department has entered into a number of operating lease agreements for buildings, motor vehicles and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases. Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Comprehensive Income in the periods in which they are incurred.

*Department as lessor*

The Department leases the Adelaide Festival Centre and Her Majesty's Theatre to the Adelaide Festival Centre Trust through an operating lease.

Income from operating leases is recognised as rental income in the period incurred and is representative of the pattern of benefits derived from the leased assets.

**2.14 Unrecognised contractual commitments and contingent assets and liabilities**

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

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

**3. Hedging arrangements**

In accordance with government policy, the Department enters into hedges for all contracted expenditure in a foreign currency over A\$100 000. SAFA manages the foreign currency hedges on the Department's behalf.

The Department did not have any outstanding hedges at 30 June 2013.

**4. New and revised accounting standards**

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2013. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

**5. Activities of the Department**

The Department has identified 17 major classes of activities that it delivers to the community and the Premier. The identity and description of each major activity class for the Department during the year ended 30 June 2013 are summarised below (refer to the Department's disaggregated disclosures).

**Activity 1: Cabinet Office**

Coordination and leadership of across government policy proposals for the consideration of the Premier and Cabinet; leadership in relation to South Australia's Strategic Plan and Strategic Priorities in government and the wider community; support to the Premier in intergovernmental relations; and provision of support to Cabinet and its committees.

**Activity 2: State Development**

Central agency leadership on key issues that affect South Australia's future prosperity, including the provision of quality economic and policy advice to support the government's strategic priorities, maximising the value and outcomes from the State's international relationships, and through identifying international best practice and policy approaches that can be applied in South Australia.

**Activity 3: Office for Design and Architecture SA**

The Office for Design and Architecture SA has been established to connect, enhance and leverage design expertise locally, nationally and internationally as well as assist the development of innovative and best practice processes for development initiatives.

As a result of restructuring of administrative arrangement outlined in The South Australian Government Gazette on 31 January 2013, the Department relinquished responsibility for Office for Design and Architecture SA. Assets and liabilities relating to this business unit were transferred to the Department of Planning, Transport and Infrastructure effective 1 March 2013 (refer note 28).

**Activity 4: Capital City**

Support the Capital City Committee, a legislated partnership between the Adelaide City Council and the SA Government, by providing executive and strategic support to the committee and ensuring coordination between the strategic objectives of the State and the Council to identify opportunities for the City of Adelaide.

- Activity 5: Agent-General's Office**  
The Agent-General's Office represents the Premier and the SA Government in the United Kingdom and Europe to advance the State's development objectives as expressed in South Australia's Strategic Plan. The office aims to increase awareness of Adelaide and drive preference for all the State has to offer, principally as a destination for foreign investment, migrants, students, tourists and as a producer of premium wine.
- Activity 6: Support Services and Community Programs**  
Provision of support services including commercial advice and the management and monitoring of corporately administered grant programs.
- Activity 7: Library and Information Services**  
Provision of information from library and resource centres to the public, industry and government agencies, and funding of services provided by Public Library Services to public libraries.
- Activity 8: Access to Art, Museum and Heritage Services and Preservation of State Collections**  
Provision of museum, visual arts and preservation services that enable the State's cultural, heritage and arts assets to be maintained and kept accessible to the community.
- Activity 9: Arts Industry Development and Access to Artistic Product**  
Provision of services that enhance opportunities for artists, cultural tourism, festivals and events and provide for productions, exhibitions, tours and events to the community.
- Activity 10: Aboriginal Affairs and Reconciliation**  
Provision of leadership in Aboriginal policy and program development, drives coordination and implementation of policies for Aboriginal affairs across government; develops strategies to improve service outcomes for Aboriginal people in urban, regional and remote areas of South Australia; facilitates the protection and preservation of Aboriginal heritage and culture; and supports the state's Aboriginal land holding authorities.
- Activity 11: Shared Services SA**  
Provision of a comprehensive, cost efficient range of corporate and business services, including the provision of payroll, accounting, financial and ICT services to various government agencies and business units.
- Activity 12: Community and Government Services**  
Provision of specialised services, support and information to the community, government, industry and the Minister in the areas of ICT services, archives, records management and government publishing.
- Activity 13: Public Sector Performance**  
Provision of leadership to the revitalisation and reform of the public sector.
- Activity 14: Industrial Relations**  
Provision of workplace industrial relations, safety advisory and regulatory services to the general community and the public sector.
- Activity 15: State/Local Government Relations**  
The Office for State/Local Government Relations is responsible for providing policy and other advice to the Minister for State/Local Government Relations on:
- the constitution and operations of the local government system, in particular the legislative framework for councils' operation, including the statutory authorities for which the Minister is responsible - the Outback Communities, the Local Government Grants Commission, the Adelaide Cemeteries Authority and the Boundary Adjustment Facilitation Panel
  - whole-of-government policy and legislative frameworks as they affect local government
  - the constructive relationship between the State Government and councils and other associated representative groups.

**Activity 16: Industry Participation Advocate**

The role of the Industry Participation Advocate is to increase the number and diversity of local businesses securing economic benefit from government contracts.

**Activity 17: General/Non-Attributable**

General/Non-attributable reflects internal transactions undertaken within the Department.

6. Employee benefits	2013 \$'000	2012 \$'000
Salaries and wages	129 500	94 188
LSL	4 650	7 737
Annual leave	11 731	5 648
Skills and experience retention leave	736	-
Employment on-costs - superannuation	15 926	11 677
Employment on-costs - other	8 129	5 879
TVSPs (refer below)	1 226	1 584
Board and committee fees	912	960
Other employment related expenses	1 923	3 052
Total employee benefits	174 733	130 725
<b>TVSPs</b>		
Amounts paid to these employees:		
TVSPs	1 226	1 584
Annual leave and LSL paid during 2012-13	382	464
	1 608	2 048
Recovery from DTF	1 787	1 425
Net cost to the Department	(179)	623

The number of employees who received a TVSP during the reporting period was 10 (17).

**Remuneration of employees**

The table below includes employees who received remuneration of \$138 000 (\$134 000) or more during the year paid by the Department. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. Termination payments have been included if employees meet the \$138 000 threshold.

The total remuneration received by employees listed in the table below, for the year was \$15.7 million (\$16.9 million).

The table includes the TVSP component paid where the employee meets the \$138 000 threshold on normal remuneration. In 2012-13, two employees included in the table received a TVSP.

The number of employees who received remuneration of \$138 000 or more during the year, falls within the following bands:	2013 Number	2012 Number
\$134 000 - \$137 999*	-	3
\$138 000 - \$147 999**	9	9
\$148 000 - \$157 999	14	10
\$158 000 - \$167 999	6	9
\$168 000 - \$177 999**	12	12
\$178 000 - \$187 999	11	11
\$188 000 - \$197 999	4	3
\$198 000 - \$207 999	2	3
\$208 000 - \$217 999	2	5
\$218 000 - \$227 999	1	2
\$228 000 - \$237 999	3	2
\$238 000 - \$247 999	3	2
\$248 000 - \$257 999	4	2
\$268 000 - \$277 999	1	2
\$278 000 - \$287 999	1	-
\$288 000 - \$297 999**	1	1
\$298 000 - \$307 999	1	1



**Remuneration of employees (continued)**

	2013 Number	2012 Number
\$318 000 - \$327 999	1	1
\$328 000 - \$337 999**	1	-
\$348 000 - \$357 999**	2	-
\$358 000 - \$367 999	-	1
\$418 000 - \$427 999	1	-
\$428 000 - \$437 999	-	1
\$468 000 - \$477 999	-	1
\$508 000 - \$517 999**	-	1
\$548 000 - \$557 999**	-	1
\$588 000 - \$597 999**	-	1
Total	80	84

\* This band has been included for the purpose of reporting the comparative figures based on the executive base level remuneration rate for 2011-12.

\*\* These bands include employees that have received termination payments.

**7. Supplies and services**

	2013 \$'000	2012 \$'000
Accommodation	27 286	16 201
Telecommunication	5 068	2 884
Staff development and recruitment	1 934	2 113
General administration and consumables	11 967	12 268
Promotion and marketing	4 307	3 305
Repairs, maintenance and minor equipment purchases	11 033	7 320
IT and computing charges	18 250	9 741
Outsourced contracts	3 075	1 747
Contractors and temporary staff	27 204	14 985
Consultants	2 950	2 618
Cost of goods sold	552	475
Community infrastructure	219	1 746
Projects	1 404	1 310
Intra-government transfers	2 248	4 543
Other supplies and services	5 128	4 597
Total supplies and services	122 625	85 853

## Supplies and services provided by entities within the SA Government:

Accommodation	24 730	14 535
Telecommunication	368	231
Staff development and recruitment	135	137
General administration and consumables	1 368	2 331
Promotion and marketing	92	123
Repairs, maintenance and minor equipment purchases	1 688	2 937
IT and computing charges	1 568	1 936
Community infrastructure	13	1 635
Intra-government transfers	2 248	4 543
Other supplies and services	1 801	1 351
Total supplies and services provided by entities within the SA Government	34 011	29 759

**Payments to consultants**

	2013		2012	
The number and dollar amount of consultants paid/payable (included in supplies and services) that fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	14	54	32	146
Between \$10 000 and \$50 000	22	465	26	611
Above \$50 000	18	2 431	12	1 861
Total	54	2 950	70	2 618

**8. Grants and subsidies**

	2013 \$'000	2012 \$'000
Grants and subsidies	141 488	134 106
Total grants and subsidies	<u>141 488</u>	<u>134 106</u>
Grants and subsidies paid to entities within the SA Government	109 544	97 777
Total grants and subsidies paid to entities within SA Government	<u>109 544</u>	<u>97 777</u>
Grants and subsidies consists of the following:		
Libraries Board of South Australia	33 940	31 518
Adelaide Festival Centre Trust	16 720	15 081
Art Gallery Board	14 877	9 149
Museum Board	13 278	10 145
Adelaide Festival Corporation	8 251	5 623
History Trust of South Australia	5 843	5 007
Arts Industry assistance	5 855	6 865
Country Arts SA	5 785	5 987
South Australian Film Corporation	5 127	5 752
Aboriginal Land Rights	2 496	2 099
State Theatre Company of South Australia	2 388	2 340
South Australian Youth Arts Board	2 351	2 336
Adelaide Symphony Orchestra	1 868	1 850
Arts Project assistance	1 691	2 343
Adelaide Fringe	1 629	1 122
State Opera of South Australia	1 533	1 500
Aboriginal Community assistance	1 376	1 070
Carrick Hill Trust	1 440	808
University College London	1 292	771
Australian Dance Theatre	1 115	986
Adelaide Film Festival	1 083	1 075
Local Government Association	208	1 089
Australian Children's Performing Arts Company (Windmill Performing Arts)	1 007	1 333
Timor Leste Basic Skills Training Project	-	1 104
Workplace Partnership program	985	507
JamFactory Contemporary Craft and Design	970	819
WorkCoverSA	788	1 400
Tandanya	771	810
Safe Work Australia	710	685
Australian Festival for Young People	643	291
Premier's Community Initiatives	590	250
State Governor's Establishment	-	484
OHS&W Commissioned Research grants	384	467
Working Women's Centre SA Inc	354	383
Flinders University	320	-
Work, health and safety grants	225	743
COAG Reform Council jurisdictional contribution	213	230
University of South Australia	163	280
University of Adelaide	120	359
Sundrop Farms	-	276
Rualus Plantation Timbers study grant	-	255
ACPPFG Regione Puglia	-	224
Other grants and subsidies	3 099	8 690
Total grants and subsidies	<u>141 488</u>	<u>134 106</u>

**9. Depreciation and amortisation**

Depreciation:		
Buildings and improvements	7 060	6 770
Plant and equipment	7 568	4 347
Total depreciation	<u>14 628</u>	<u>11 117</u>
Amortisation:		
Intangible assets	2 289	335
Total amortisation	<u>2 289</u>	<u>335</u>
Total depreciation and amortisation	<u>16 917</u>	<u>11 452</u>

<b>10. Net loss from disposal of non-current assets</b>	2013	2012
Net book value of non-current assets disposed:	\$'000	\$'000
Land, buildings and improvements	101	20
Plant and equipment	51	14
Intangible assets	7	-
Works of art	86	-
Total net loss from disposal of non-current assets	245	34
No proceeds were received on disposal of these assets.		
<b>11. Other expenses</b>		
Bad and doubtful debts	173	146
Contributions	370	-
Revaluation decrement	148	-
Other	427	624
Total other expenses	1 118	770
Other expenses paid/payable to entities within the SA Government:		
Bad and doubtful debts	-	146
Other	95	93
Total other expenses - SA Government entities	95	239
<b>12. Resources provided free of charge</b>		
Donated assets	-	1 560
Total resources provided free of charge	-	1 560
<b>13. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	661	559
Total audit fees	661	559
<i>Other services</i>		
No other services were provided by the Auditor-General's Department.		
<b>14. Fees and charges</b>		
SSSA	83 687	33 907
Service SA	22 440	10 151
Regulatory fees	13 983	11 727
Fees for services	47 781	27 549
Rental income	6 008	4 339
Service provision	3 011	1 391
Arts industry related fees	1 011	1 539
Sale of goods	1 950	1 763
Other	7 444	4 645
Total fees and charges	187 315	97 011
Fees and charges received/receivable from entities within the SA Government:		
SSSA	83 687	31 127
Service SA	22 440	10 151
Fees for services	34 276	26 029
Rental income	5 940	4 153
Arts industry related fees	903	1 028
Other	3 318	4 158
Total fees and charges from entities within SA Government	150 564	76 646
<b>15. Commonwealth revenues</b>		
Commonwealth revenues	3 642	5 331
Total Commonwealth revenues	3 642	5 331

Commonwealth revenues include the provision of industrial relations services to the Office of the Fair Work Ombudsman.

	2013	2012
	\$'000	\$'000
<b>16. Grants</b>		
Recurrent grant	11 335	14 702
Sponsorship	52	134
In-kind revenue	788	1 400
Total grants	12 175	16 236
Grants received/receivable from entities within the SA Government:		
Recurrent grant	10 894	11 990
Sponsorship	40	30
In-kind revenue	788	1 400
Total grants - SA Government entities	11 722	13 420
<b>17. Resources received free of charge</b>		
Donated assets	22	2 246
Total resources received free of charge	22	2 246
<b>18. Other income</b>		
Lease income	3 189	1 474
Other	2 381	1 830
Total other income	5 570	3 304
Other income received/receivable from entities within the SA Government:		
Lease income	2 307	792
Other	494	653
Total other income - SA Government entities	2 801	1 445
<b>19. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	245 038	243 664
Total revenues from SA Government	245 038	243 664
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy (refer note 2.12)	9 709	14 320
Total payments to SA Government	9 709	14 320
Total revenues from (payments to) SA Government	235 329	229 344
<b>20. Cash and cash equivalents</b>		
Deposits at call	45 773	52 476
Deposits with the Treasurer	5 248	230
Other short-term deposits	147	164
Total cash and cash equivalents	51 168	52 870
<b><i>Deposits with the Treasurer</i></b>		
Includes funds held in the Accrual Appropriation Excess Funds Account. The balances of these funds are not available for general use, ie funds can only be used once the Treasurer's/Under Treasurer's approval is received.		
<b><i>Interest rate risk</i></b>		
Deposits at call includes funds held for the Aboriginal Heritage Fund which earns a floating interest rate based on daily bank deposit rates. All other deposits at call are non-interest bearing.		
The carrying amount of cash and cash equivalents represents fair value.		
<b>21. Receivables</b>	2013	2012
Current:	\$'000	\$'000
Receivables	22 430	28 822
Allowance for doubtful debts	(317)	(361)
Prepayments	1 785	1 767
Accrued income	6 308	4 830
GST receivable	1 064	-
Total current receivables	31 270	35 058

<b>21. Receivables (continued)</b>	2013	2012
Non-current:	\$'000	\$'000
Receivables	125	-
Prepayments	-	125
Total non-current receivables	125	125
Total receivables	31 395	35 183
Receivables from entities within the SA Government:		
Receivables	18 296	21 489
Prepayments	10	-
Accrued income	5 373	3 342
Total receivables - SA Government entities	23 679	24 831

**Interest rate and credit risk**

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

Receivables are normally settled within 30 days. Receivables, prepayments and accrued income are non-interest bearing. Other than recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Note 32 contains information regarding:

- (a) categorisation of financial instruments - refer note 32(a)
- (b) ageing analysis of receivables - refer note 32(b)
- (c) maturity analysis of receivables - refer note 32(c).

**Allowance for doubtful debts**

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

	2013	2012
Movements in the allowance for doubtful debts (impairment loss) are as follows:	\$'000	\$'000
Carrying amount at 1 July	361	179
Increase (Decrease) in the allowance	173	182
Amounts written off	(217)	-
Carrying amount at 30 June	317	361

**22. Property, plant and equipment****Valuations of land and buildings**

An independent valuation of the land and buildings was conducted as at 30 June 2013 by Valcorp Australia Pty Ltd. The valuation of land and buildings at 30 June 2013 was prepared on a fair value basis in accordance with AASB 116.

All other non-current assets controlled by the Department have been deemed to be held at fair value.

**Impairment**

There were no indications of impairment of property, plant and equipment, and intangible assets held at 30 June 2013.

	2013	2012
Land, buildings and improvements:	\$'000	\$'000
Land at fair value	33 083	24 245
Buildings and improvements at fair value	360 647	259 514
Accumulated depreciation	(220 433)	(124 245)
Total land, buildings and improvements	173 297	159 514
Plant and equipment:		
Plant and equipment at fair value	73 709	66 718
Accumulated depreciation	(46 853)	(40 537)
Total plant and equipment	26 856	26 181

<b>Impairment (continued)</b>	2013	2012
Work in progress:	\$'000	\$'000
Work in progress at cost	9 487	12 972
Total work in progress	9 487	12 972
Total property, plant and equipment	209 640	198 667
Works of art:		
Works of art at fair value	5 180	4 698
Total works of art	5 180	4 698

**23. Intangible assets**

Computer software	10 980	10 912
Accumulated amortisation	(8 236)	(6 592)
Other intangibles	7 355	6 693
Accumulated amortisation	(4 146)	(3 713)
Total intangible assets	5 953	7 300

**Reconciliation of non-current assets**

The following table shows the movement of non-current assets during 2012-13:

2013	Land, buildings & imprvmnts \$'000	Plant and equipment \$'000	Work in progress	Works of art	Total tangible assets \$'000	Computer software \$'000	Other intangibles \$'000	Total intangible assets \$'000
Book value at 1 July	283 759	66 718	12 972	4 698	368 147	10 912	6 693	17 605
Additions	199	301	7 938	22	8 460	32	14	46
Transfers to (from) WIP	1 843	8 030	(10 555)	-	(682)	33	648	681
Other (includes reclassifications, disposals and retirements)	(557)	(1 126)	-	(85)	(1 768)	(481)	-	(481)
Revaluation increment (decrement)	108 369	(311)	-	545	108 603	-	-	-
Transfer out as a result of administrative restructure	-	(25)	-	-	(25)	-	-	-
Prior period adjustment	152	122	(869)	-	(595)	511	-	511
Other changes	(35)	-	1	-	(34)	(27)	-	(27)
Balance at 30 June	393 730	73 709	9 487	5 180	482 106	10 980	7 355	18 335
Accumulated depreciation/ amortisation balance as at 1 July	(124 245)	(40 537)	-	-	(164 782)	(6 592)	(3 713)	(10 305)
Other (includes reclassifications, disposals and retirements)	457	1 075	-	-	1 532	474	-	474
Revaluation increment (decrement)	(89 536)	163	-	-	(89 373)	-	-	-
Depreciation/Amortisation	(7 060)	(7 568)	-	-	(14 628)	(1 856)	(433)	(2 289)
Transfer out as a result of administrative restructure	-	8	-	-	8	-	-	-
Prior period adjustment	(49)	(5)	-	-	(54)	(255)	-	(255)
Other changes	-	11	-	-	11	(7)	-	(7)
Balance at 30 June	(220 433)	(46 853)	-	-	(267 286)	(8 236)	(4 146)	(12 382)
Net book value at 30 June 2013	173 297	26 856	9 487	5 180	214 820	2 744	3 209	5 953
<b>2012</b>								
Book value at 1 July	218 619	11 785	47 835	4 698	282 937	1 668	128	1 796
Additions	8 668	625	9 675	-	18 968	24	-	24
Transfers to (from) WIP	49 577	3 993	(54 725)	-	(1 155)	1 155	-	1 155
Other (includes reclassifications, disposals and retirements)	(343)	(86)	-	-	(429)	-	-	-
Transfer in as a result of administrative restructure	7 238	50 401	11 827	-	69 466	8 065	6 565	14 630
Other changes	-	-	(1 640)	-	(1 640)	-	-	-
Balance at 30 June	283 759	66 718	12 972	4 698	368 147	10 912	6 693	17 605
Accumulated depreciation/ amortisation balance as at 1 July	(114 079)	(8 856)	-	-	(122 935)	(1 505)	(96)	(1 601)
Other (includes reclassifications, disposals and retirements)	343	72	-	-	415	-	-	-
Depreciation/Amortisation	(6 770)	(4 347)	-	-	(11 117)	(335)	-	(335)
Transfer in as a result of administrative restructure	(3 739)	(27 406)	-	-	(31 145)	(4 752)	(3 617)	(8 369)
Balance at 30 June	(124 245)	(40 537)	-	-	(164 782)	(6 592)	(3 713)	(10 305)
Net book value at 30 June 2012	159 514	26 181	12 972	4 698	203 365	4 320	2 980	7 300

<b>24. Payables</b>	2013	2012
Current:	\$'000	\$'000
Creditors	18 938	16 123
Accrued expenses	7 020	13 186
Employment on-costs	2 837	2 152
GST payable	-	249
Total current payables	<u>28 795</u>	<u>31 710</u>
Non-current:		
Employment on-costs	2 960	3 213
Total non-current payables	<u>2 960</u>	<u>3 213</u>
Total payables	<u>31 755</u>	<u>34 923</u>
Payables to entities within the SA Government:		
Creditors	4 611	1 278
Accrued expenses	5 036	5 522
Employment on-costs	2 752	1 706
Total current payables - SA Government entities	<u>12 399</u>	<u>8 506</u>
Non-current:		
Employment on-costs	1 626	1 759
Total non-current payables - SA Government entities	<u>1 626</u>	<u>1 759</u>
Total payables - SA Government entities	<u>14 025</u>	<u>10 265</u>

**Employment on-costs**

DTF has performed an actuarial assessment of LSL as at 30 June 2013. The percentage of the proportion of LSL taken as leave remains unchanged from the 30 June 2012 percentage rate of 40% and the average factor for the calculation of employer superannuation on-cost is 10.2% (10.3%). These rates are used in the employment on-cost calculation.

The financial effect of the change in the superannuation on-cost rate on employment on-costs and employee benefit expense is immaterial.

**Interest rate and credit risk**

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

Note 32 contains information regarding:

- (a) categorisation of financial instruments - refer note 32(a)
- (b) maturity analysis of payables - refer note 32(c).

<b>25. Employee benefits</b>	2013	2012
Current:	\$'000	\$'000
Annual leave	12 673	11 987
LSL	7 940	5 298
Skills and experience retention leave	736	-
Total current employee benefits	<u>21 349</u>	<u>17 285</u>
Non-current:		
LSL	31 559	34 507
Total non-current employee benefits	<u>31 559</u>	<u>34 507</u>
Total employee benefits	<u>52 908</u>	<u>51 792</u>

AASB 119 contains the calculation methodology for LSL liability. This year, the actuarial assessment performed by DTF has provided a set level of liability rather than a benchmark for the measurement of LSL. The effect of the change relating to the current period is immaterial.

AASB 119 requires the use of the yield on long-term Commonwealth bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased in 2013 to 3.75% (3%).

**25. Employee benefits**

The salary inflation rate remained unchanged at 4%.

The public sector skills and experience retention leave entitlement applies as from 1 July 2012 to public sector employees who have completed 15 or more years of effective service who are employed under the PSA.

The skills and experience retention leave entitlement provides eligible employees up to two working days transitional entitlement for 2011-12, and up to two working days entitlement for 2012-13. Eligible employees are able to apply for and take the leave on or after 1 July 2013.

<b>26. Provisions</b>	2013	2012
Current:	\$'000	\$'000
Provision for workers compensation	921	1 042
Provision for copyright	1 944	4 161
Total current provisions	<u>2 865</u>	<u>5 203</u>
Non-current:		
Provision for workers compensation	3 252	3 858
Total non-current provisions	<u>3 252</u>	<u>3 858</u>
Total provisions	<u>6 117</u>	<u>9 061</u>
Provision for workers compensation movement:		
Carrying amount at 1 July	4 900	3 968
Amounts transferred in on restructure	-	646
Increase (Decrease) in provision recognised	(727)	286
Carrying amount at 30 June	<u>4 173</u>	<u>4 900</u>
Provision for copyright movement:		
Carrying amount at 1 July	4 161	-
Reduction due to copyright payments	(2 597)	-
Increase in provision recognised	380	4 161
Carrying amount at 30 June	<u>1 944</u>	<u>4 161</u>
Total carrying amount at 30 June	<u>6 117</u>	<u>9 061</u>
<b>27. Other liabilities</b>		
Current:		
Unearned income	19	447
Lease incentive	360	515
Total current other liabilities	<u>379</u>	<u>962</u>
Non-current:		
Lease incentive	1 980	1 263
Total non-current other liabilities	<u>1 980</u>	<u>1 263</u>
Total other liabilities	<u>2 359</u>	<u>2 225</u>

**28. Transferred functions****2012-13 Transferred out**

As a result of restructuring of administrative arrangements outlined in The South Australian Government Gazette (the Government Gazette) on 31 January 2013, the Department relinquished responsibility for the Office for Design and Architecture SA (ODASA). Assets and liabilities relating to this business unit were transferred to the Department of Planning, Transport and Infrastructure effective 1 March 2013.

<b>Net assets transferred out</b>	ODASA	Total
	\$'000	\$'000
Current assets:		
Cash and cash equivalents	-	-
Receivables	-	-
Non-current assets:		
Receivables	-	-
Property, plant and equipment	14	14
Total assets	<u>14</u>	<u>14</u>



<b>Net assets transferred out (continued)</b>	ODASA \$'000	Total \$'000
Current liabilities:		
Payables	35	35
Employee benefits	47	47
Non-current liabilities:		
Payables	5	5
Employee benefits	59	59
Total liabilities	<u>146</u>	<u>146</u>
Net assets transferred out	<u>(132)</u>	<u>(132)</u>

**2011-12 Transferred out**

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 1 December 2011, the Department relinquished responsibility for the Social Inclusion Unit (SIU). Assets and liabilities relating to this business unit were transferred to Department for Communities and Social Inclusion effective 1 December 2011. Further outlined in the Government Gazette on 1 December 2011, the Department relinquished responsibility for Renewables SA (RSA) and in the Government Gazette on 8 December 2011, the Department relinquished responsibility for the Sustainability and Climate Change Division (SCCD). Assets and liabilities relating to the RSA business unit were transferred to the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) effective 1 January 2012. In addition, assets and liabilities relating to the SCCD business unit were transferred to the Department of Environment and Natural Resources (DENR) effective 1 January 2012.

<b>Net assets transferred out</b>	SIU \$'000	RSA \$'000	SCCD \$'000	Total \$'000
Current assets:				
Cash and cash equivalents	-	-	-	-
Receivables	-	-	-	-
Non-current assets:				
Receivables	-	-	-	-
Property, plant and equipment	-	-	-	-
Total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current liabilities:				
Payables	2 449	6	12	2 467
Employee benefits	177	45	89	311
Non-current liabilities:				
Payables	11	9	15	35
Employee benefits	112	97	155	364
Total liabilities	<u>2 749</u>	<u>157</u>	<u>271</u>	<u>3 177</u>
Net assets transferred out	<u>(2 749)</u>	<u>(157)</u>	<u>(271)</u>	<u>(3 177)</u>

**2011-12 Transferred in**

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 1 January 2012, the Department took on responsibility for the Office of State and Local Government Relations (OSLGR), Economic and Strategic Policy Functions (ESPF), Office of Chief Information Officer (OCIO) and SSSA. As a result of restructuring of administrative arrangements outlined in the Government Gazette on 1 February 2012, the Department took on responsibility for SSSA. Assets and liabilities relating to these business units were transferred to the Department effective as per the gazetted date.

<b>Net assets transferred in</b>	OSLGR \$'000	ESPF \$'000	OCIO \$'000	Service SA \$'000	SSSA \$'000	Total \$'000
Current assets:						
Cash and cash equivalents	-	-	-	3 123	21 776	24 899
Receivables	1	-	9 306	1 156	20 233	30 696
Inventories	-	-	127	17	-	144
Other	-	-	-	25	-	25
Total current assets	<u>1</u>	<u>-</u>	<u>9 433</u>	<u>4 321</u>	<u>42 009</u>	<u>55 764</u>

<b>Net assets transferred in (continued)</b>	<b>OSLGR</b>	<b>ESPF</b>	<b>OCIO</b>	<b>Service SA</b>	<b>SSSA</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets:</b>						
Receivables	-	-	-	-	11	11
Land and buildings	-	-	3 318	268	-	3 586
Property, plant and equipment	-	-	20 864	3 149	2 973	26 986
Intangible assets	-	-	1 831	178	4 967	6 976
Other	-	-	-	38	-	38
Total non-current assets	-	-	26 013	3 633	7 951	37 597
Total assets	1	-	35 446	7 954	49 960	93 361
<b>Current liabilities:</b>						
Payables	35	14	5 412	3 599	4 118	13 178
Employee benefits	151	96	629	1 451	5 310	7 637
Provisions	-	-	6	78	279	363
Other	-	-	92	-	110	202
Total current liabilities	186	110	6 139	5 128	9 817	21 380
<b>Non-current liabilities:</b>						
Payables	18	8	238	293	1 070	1 627
Employee benefits	204	96	2 727	3 352	12 246	18 625
Provisions	-	-	20	546	370	936
Other	-	-	-	-	335	335
Total non-current liabilities	222	104	2 985	4 191	14 021	21 523
Total liabilities	408	214	9 124	9 319	23 838	42 903
Net assets transferred in	(407)	(214)	26 322	(1 365)	26 122	50 458

Net assets assumed by the Department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer. The net assets transferred were treated as a contribution by the Government as owner.

<b>Net assets transferred in</b>	<b>DPLG<sup>(1)</sup></b>		<b>DPC</b>		<b>Total</b>
	<b>OSLGR - 1 January 2012</b>				
	<b>01.07.11</b>	<b>to 31.12.11</b>	<b>01.01.12</b>	<b>to 30.06.12</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues from SA Government	-	-	-	-	-
Other income	-	-	939	-	939
Total income	-	-	939	-	939
Employee benefits	-	-	695	944	1 639
Supplies and services	-	-	218	183	401
Grants and subsidies	-	-	70	1 205	1 275
Total expenses	-	-	983	2 332	3 315
Net result	-	-	(983)	(1 393)	(2 376)

<sup>(1)</sup> Department of Planning and Local Government.

<b>OCIO and Service SA - 1 January 2012</b>	<b>DPTI<sup>(1)</sup></b>		<b>DPC</b>		<b>Total</b>
	<b>01.07.11 to 31.12.11</b>		<b>01.01.12 to 30.06.12</b>		
	<b>OCIO</b>	<b>Service SA</b>	<b>OCIO</b>	<b>Service SA</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues from fees and charges	20 543	211 985	16 699	17 441	266 668
Other income	58	2 996	1 683	41	4 778
Total income	20 601	214 981	18 382	17 482	271 446
Employee benefits	5 586	10 937	6 427	12 004	34 954
Supplies and services	13 479	13 855	14 025	8 120	49 479
Depreciation	2 667	186	2 959	344	6 156
Net loss on disposal of assets	-	-	-	20	20
Other expenses	39	28	-	-	67
Total expenses	21 771	25 006	23 411	20 488	90 676
Net result	(1 170)	189 975	(5 029)	(3 006)	180 770

<sup>(1)</sup> Department of Planning, Transport and Infrastructure.

<i>Economic and Strategic Policy Function of the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) - 1 January 2012</i>	DMITRE <sup>(1)</sup>		DPC	Total
	01.07.11 to 31.12.11	01.01.12 to 30.06.12		
	\$'000	\$'000	\$'000	\$'000
Employee benefits	477	500		977
Grants and subsidies	-	4		4
Supplies and services	9	49		58
Total expenses	486	553		1 039
Net result	(486)	(553)		(1 039)

<sup>(1)</sup> Department for Manufacturing, Innovation, Trade, Resources and Energy.

<i>SSSA - 1 February 2012</i>	DTF		DPC	Total
	01.07.11 to 31.01.12	01.02.12 to 30.06.12		
	\$'000	\$'000	\$'000	\$'000
Revenues from fees and charges	53 494	37 920		91 414
Interest	680	398		1 078
Other income	46	-		46
Total income	54 220	38 318		92 538
Employee benefits	36 046	25 657		61 703
Supplies and services	23 574	15 618		39 192
Depreciation	1 810	1 260		3 070
Other expenses	1	177		178
Total expenses	61 431	42 712		104 143
Net result	(7 211)	(4 394)		(11 605)

## 29. Unrecognised contractual commitments

<i>Remuneration commitments</i>	2013	2012
	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	12 298	14 025
Later than one year but no later than five years	21 389	22 428
Later than five years	-	71
Total remuneration commitments	33 687	36 524

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

### *Operating lease commitments*

#### *Department as lessee*

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

Within one year	20 779	12 423
Later than one year but no later than five years	53 242	48 888
Later than five years	17 551	28 358
Total operating lease commitments	91 572	89 669
Representing:		
Non-cancellable operating leases	91 572	89 669
Total operating lease commitments	91 572	89 669

At the reporting date, the Department's operating leases are for the lease of office accommodation and motor vehicles.

- Office accommodation is leased from the Real Estate Management business unit of the Department of Planning, Transport and Infrastructure. The leases are non-cancellable with terms ranging from two to 15 years, with some leases having right of renewal. The rental amount is based on floor space and the time period of the lease, with the rental rate review taking into account movements in market rental values or CPI. Rental is payable in advance.

*Department as lessee (continued)*

- Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

For the current financial year, the total amount of rental expense for minimum lease payments for operating leases was \$24.7 million (\$14.6 million).

<i>Department as lessor</i>	2013	2012
Lease receivable contracted for at the reporting date but not recognised as assets:	\$'000	\$'000
Within one year	6 065	5 917
Later than one year but no later than five years	25 816	25 186
Later than five years	76 881	83 575
Total operating lease commitments	<u>108 762</u>	<u>114 678</u>
Representing:		
Non-cancellable operating leases	108 762	114 678
Total operating lease commitments due as lessor	<u>108 762</u>	<u>114 678</u>

The Department's lease as lessor relates to the Adelaide Festival Centre and Her Majesty's Theatre leased to the Adelaide Festival Centre Trust. The lease is non-cancellable for 20 years with the right of renewal.

<i>Capital commitments</i>	2013	2012
	\$'000	\$'000
Within one year	343	-
Later than one year but no later than five years	86	-
Total capital commitments	<u>429</u>	<u>-</u>

<i>Other commitments</i>	2013	2012
Within one year	27 287	11 748
Later than one year but no later than five years	40 677	22 484
Later than five years	-	17 412
Total other commitments	<u>67 964</u>	<u>51 644</u>

The Department's other commitments include:

- support for Brand SA
- Microsoft Enterprise Agreement regarding a three year instalment payment agreement
- Microsoft Enterprise Agreement regarding a three year across-government software assurance
- Masterpiece software licence and maintenance support.

**30. Contingent assets and liabilities***Contingent assets**South Australian Government Salary Sacrificing Arrangement Panel Agreement (Public Sector Workforce Relations)*

In 2012, the Government entered into a salary sacrificing agreement with Maxxia Pty Ltd. The agreement allows the Minister or his delegate to withdraw up to a total of \$10 million when an unconditional financial undertaking is present to fund any interim measures to avoid disruption to the salary sacrifice arrangements provided to employees.

*Contingent liabilities**Legal proceedings (SafeWork SA)*

The Department is involved in prosecuting breaches under the *Work Health Safety and Welfare Act 2012*, *Fair Work Act 1994*, *Explosives Act 1936* and *Dangerous Substances Act 1979*. At balance date there were an average of 30 matters before the Industrial Relations Court that are yet to be resolved. In the event decisions are not awarded in favour of the Department, the contingent liability is estimated to be \$600 000 for the court and prosecution costs.

*Alice Springs to Darwin railway (commercial advice)*

The Australasia Railway Corporation (the Corporation) is the joint SA/NT Government body, which managed the awarding of a build, own, operate and transfer back concession for the Alice Springs to Darwin railway and protects the two Governments' investments in the railway for the 50 year concession term. Guarantees and indemnities have been provided by the Corporation under the various project documents. The SA and NT Governments jointly guarantee the obligations of the Corporation.

*Alice Springs to Darwin railway (commercial advice) (continued)*

The SA and NT Governments each accept responsibility for breach of an indemnity that is caused by its act or omission, to the extent to which it caused the event. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites and environmental assessment processes.

The project documents provide for the early termination of the concession arrangement by the concession holder in certain circumstances that would give rise to the payment of an early termination amount. The amount is calculated by reference to the market value of the business.

In December 2010, Genesee & Wyoming Inc. purchased the assets of the railway business, including rights and responsibilities under the concession, for \$334 million.

Changes to documentation were required to reflect the new company structure and to novate and transfer all the rights and assets to the new owner. It is considered that the Corporation and the two Governments are in an improved position, compared with the original deal. The level of risk has been reduced to ensure that the remedy is within the control of either the Corporation or the Governments. Also, the potential of the railway is more likely to be achieved by the new operator.

The prospect of any one of the Alice Springs to Darwin railway contingent liabilities arising is considered to be highly remote.

*Glenthorne Farm (commercial advice)*

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation, with the assistance of a grant from the SA Government in May 2001. A contract signed by the SA Government and the University of Adelaide resulted in the former assuming liability for any possible third party claims resulting from any contamination which may be discovered on the property.

The South Australian and Commonwealth Governments agreed by exchange of letters that, in the event of such a claim, the State Government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

*Copyright payments (State Records of South Australia)*

The *Commonwealth Copyright Act 1968* allows governments to copy copyrighted material for the services of government without infringing the Act if it pays equitable remuneration to a declared collecting society.

State Records has responsibility for negotiating the amount payable for the State's copying of printed and electronic publications. Negotiations between State Records and the copyright agency are still in progress and therefore the amount payable cannot be reliably measured as at 30 June 2013.

*Impact of High Court of Australia decision regarding appeal by the Public Service Association (Public Sector Workforce Relations)*

Following the 2010 State Budget, the Public Service Association lodged industrial and appeal proceedings related to the State Budget decisions to make changes to LSL, annual leave loading and the security of employment. On 15 March 2011, the Full Supreme Court dismissed the Public Service Association's application concerning a decision of the Full Commission of the Industrial Relations Commission. The High Court in July 2012 considered the Public Service Association's appeal application and determined that the Full Supreme Court had jurisdiction to hear and determine the Public Service Association's application, remitted the matter to the Full Supreme Court and made an order in favour of the Public Service Association for the costs of its High Court proceedings.

On 28 February 2013, the Full Court of the Supreme Court of South Australia delivered its judgment and ordered that the amended summons seeking judicial review be dismissed and that the Public Service Association pay the costs for that proceeding. The High Court costs will in part be offset by the Full Supreme Court costs. As at 30 June 2013 these costs cannot be measured reliably.

<b>31. Cash flow reconciliation</b>	2013	2012
<i>Reconciliation of cash and cash equivalents</i>	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	51 168	52 870
Cash and cash equivalents disclosed in the Statement of Cash Flows	51 168	52 870

<b>Reconciliation of net cash provided by (used in) operating activities to net cost of providing services</b>	2013	2012
	\$'000	\$'000
Net cash provided by (used in) operating activities	6 225	12 784
Revenues from SA Government	(245 038)	(243 664)
Payments to SA Government	9 709	14 320
Non-cash items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(16 917)	(11 452)
Resources provided free of charge	-	(1 560)
Resources received free of charge	22	2 246
Bad and doubtful debts expense	44	(182)
Other non-cash items	(834)	(112)
Net gain (loss) on disposal of assets	(244)	(34)
Net transfers from administrative restructures	-	8 812
Movements in assets/liabilities:		
Receivables	(3 472)	24 585
Inventories	(11)	22
Payables	3 168	(6 352)
Employee benefits	(1 116)	(30 832)
Provisions	2 943	(5 093)
Other liabilities	(134)	(1 974)
Net cost of providing services	<u>(245 655)</u>	<u>(238 486)</u>

### 32. Financial instruments

#### (a) Categorisation of financial instruments

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

	Note	2013		2012	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash and cash equivalents	20	51 168	51 168	52 870	52 870
Loans and receivables:					
Receivables <sup>(1)</sup>	21	28 382	28 382	33 291	33 291
<b>Financial liabilities</b>					
Financial liabilities at cost:					
Payables <sup>(1)</sup>	24	25 958	25 958	21 135	21 135
Other liabilities	27	2 359	2 359	2 225	2 225

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

#### Credit risk

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

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

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets.

Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 21 for information on the allowance for impairment in relation to receivables.

**(b) Ageing analysis of financial assets**

The following table discloses the ageing of financial assets and the ageing of impaired assets past due:

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2013</b>				
Receivables	21 297	315	462	22 074
<b>2012</b>				
Receivables	24 230	1 797	2 434	28 461

**(c) Maturity analysis of financial assets and liabilities**

The following table discloses the maturity analysis of financial assets and liabilities:

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2013</b>				
Financial assets:				
Cash and cash equivalents	51 168	51 168	-	-
Receivables	22 074	22 074	-	-
Accrued income	6 308	6 308	-	-
Total financial assets	79 550	79 550	-	-
Financial liabilities:				
Creditors	17 053	17 053	-	-
Accrued expenses	6 440	6 440	-	-
Unearned income	19	19	-	-
Other financial liabilities	2 340	360	1 440	540
Total financial liabilities	25 852	23 872	1 440	540
<b>2012</b>				
Financial assets:				
Cash and cash equivalents	52 870	52 870	-	-
Receivables	28 461	28 461	-	-
Accrued income	4 830	4 830	-	-
Total financial assets	86 161	86 161	-	-
Financial liabilities:				
Creditors	6 244	6 244	-	-
Accrued expenses	12 839	12 839	-	-
Unearned income	447	447	-	-
Other financial liabilities	1 778	515	1 161	102
Total financial liabilities	21 308	20 045	1 161	102

**Liquidity risk**

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

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

**Market risk**

The Department has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

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

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

The Department administers a number of boards and committees where members receive or are entitled to receive remuneration for their membership. Members during the year that were entitled to receive remuneration for membership during the 2012-13 financial year were:

***Capital City Committee***

J Weatherill*	M Hender	P Conlon*
S Yarwood	T Koutsantonis*	
J Rau*	N Malani	

***Playford Memorial Trust Inc***

C Brown	D Hopgood	K Yates
D Bursill*	D Standish	K Delaporte
S Herzberg	H Nankivell	D Day
R Lawson	D Watson	

***Public Sector Grievance Review Commission***

A Burgess*	D Stevens
K McEvoy	J Walsh

***Remuneration Tribunal***

D Prior	D Smythe	J Obst
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***South Australia's Strategic Plan Audit Committee***

W Cossey	L Read	L Hallahan
D Bursill*	A Mundkur	G Niedorfer
T Kelly	D Bowley	

***SA Strategic Plan Community Engagement Board***

A Inglis	P Gale	R Hirst
N Halsey	K Simpson	P Joy
P Blacker	R Sharp	H Lamont*
H Le	D O'Loughlin*	A Edwards
M Wagstaff	N Long	

***Aboriginal Lands Trust***

K Abdulla	B Miller	Y Edwards
C Coleman	K Peters	M McKenzie
H Davey	P Rigney	H Miller
R Dodd	G Tongerie	S Walker
I Johnson	G Walker	L Warren
C Lennon	T Abdulla	D Wilton
M Lochowiak	G Cooley	
I McKenzie	G Dodd	

***South Australian Aboriginal Advisory Council***

S Miller	T Ritchie*	D Bond*
P A Agius	L Bassani*	W Miller
M Sumner	A Turner	
P Kinnear*	A Stuart	

***State Records Council***

M Anderson*	S Marsden	S Vreugdenberg*
P Crush	M Moore	J Fetherstonhaugh
S Froude*	G Thompson*	J Browne

***Asbestos Advisory Committee***

A Amorosi	J Giles	J Barkla*
C Brown	D Roberts	B Adams*
C Jones*	S Mangas*	J Flavel
T Miller	J Quarton	



**State Emergency Management Committee**

S Ashby*	D Place*	J Rishworth*
W Campana	B Rowse*	J Schultz*
R Creen*	M Hanson*	V Smyth*
K Braunack*	A Lawson*	R Hook*
G Burns*	G Nettleton*	I Nightingale*
J Hallion*	C Beattie*	A Circelli*
A Holmes*	J Ringham*	T Donaghy*
V Faggotter*	D Swan*	J Meakins*
M Hyde*	A Harrison*	M Smith*
G Lupton*	A Johnson*	J Gemmell*
J Frittum*	P Koritsa	B Killmier*
J Mazel*	D Plowman*	

**Work Life Balance Advisory Committee (dissolved 12 March 2013)**

R Buckler	M Hogan*	J Spoehr
E Dabars	C Hudson	B Wood*
S Dann	R Owens	B Cowey*
T Champion	K Peters	

**Aboriginal Heritage Act 1979 Aboriginal Heritage Committee**

P Clarke*	M McKenzie	S Sparrow
R Hillman	V McKenzie	A Starkey
M McBride	H Richards	

**Literature Peer Assessment Panel**

C Kennelly	P Graham	C Raynes
P Butterss	J Jones	B Chandler
S Sheridan	S Fleming	

**Privacy Committee of South Australia**

B Quirke*	T Ryan*	A Mills*
N Rogers*	A Stanley	D Billich

**Industries Relations Advisory Committee**

D Blairs	J McMahan	C Starr
F Donaghy	S Hills	A Story
T Evans	A Moeller	R Cairney
D Gray	R Wortley*	W Campana
J Hanson*	B Russell*	J Rau*

**Mining and Quarrying Occupational Health and Safety Committee**

G Day	M Sexton	B Wilson
W Hanson	A Cartledge	G Murray
E McInerney	M Howard	H O'Neil
M O'Malley	F Mateos	M Hanson
S Rowett*	G Sauer*	

**Aboriginal Lands Trust Act 1966 Review Reference Group**

P Agius	H Davey	K Thomas*
J Chester*	H Miller	K Wanganeen

**Aboriginal Heritage Act 1988 Aboriginal Heritage Committee**

S Sparrow	A Stuart	S Meagher
R Callaghan	L Wright	C Waye
C Smith	Y Agius	K Telfer
H Smith	V Summer	

**Aboriginal & Torres Strait Islander Arts Development Program Peer Assessment Panel**

S Dodd	J Thomas
A Franklin	D Siwes

**Work Health and Safety Act 2012 Review Committee Panels**

D Black	T Evans	N Kitchin
R Cairney	A Fairley	B Mitropoulos
J Cavanough	J Giles	A Moeller
C Cini	A Gleeson	V Moore
M Donald	R Harding	D Roberts
T Earls	D Hegarty	R Wormald
T E Evans	S Hills	

**Adelaide Festival Centre Trust**

S Clearihan	B Fitzpatrick	C Mtichell
C Namblard	Z Flanagan	W Spurr
C Cordeaux	I Kowalick	
J Hazel	H Le*	

**Disability Arts Peer Assessment Panel**

L Beasley	S Lush*	C Pickering
P Hoban	R Maurovic	C Wainwright

**Boundary Adjustment Facilitation Panel**

G Aldridge	C Procter	M Braes*
J Maitland	M Wagstaff	

**Minister's State/Local Government Forum**

W Campana	G Henderson	F Lewis
G Gago*	K Hildyard	B McHugh
J Hallion*	D O'Loughlin*	R Wortley*

**Organisations Assessment Panel**

B Cook	L Newton	R Myers
L Kroetsch	J Sweeney	C Reid
B McQueen	A Beare	
E Pak-Poy	R Hervey	

**Economic Development Board**

G Belchamber	M Keating	C Namblard
R Chapman	K Osborn	B Pocock
I Gould	L Read	N Roos
J Hallion*	R Spencer	B Pocock
R Hawke	D Thomas	
M Hickinbotham	L Worrall*	

**Adelaide Festival Corporation Board**

C Anthoney*	R Ryan	S Brown
P Goers	G Walters	A Duthie
T Pribanic*	S Yarwood	

**Adelaide Film Festival Board**

A Bovell	S Maslin	J Thompson
G Knagge	S Sdraulig	S White
W Lewis	L Thomas	

**Country Arts SA Grant Assessment Panel**

C Cantlon	M Hart	C Veldhuyzen
S Chapman	T Milner-Nichols	M Corbin
C Durant	L Owens	
E Gardner	J Pana	
M Harris	D Rogers	

**Arts Organisations Community Peer Assessment Panel**

G Anderson	M Rankin	S Tooth
G Davill*	S Riley	
S Grey-Gardner	M Sawtell	

**Australian Children's Performing Arts Company (Windmill Performing Arts)**

J Andrews*	M Potts	M Walters
G Fitzpatrick	J Elliot	
M Ormsby	D Spear	

**Carclew Youth Arts Inc Board**

S Fawkes*	J Sutherland-Shaw*	J Doyle
C Hatzi*	B Sugars*	G Archer
V Purman	A Baker	J Meiners

**Art for Public Places Committee**

B Powles	B Parkes	W Keates
D O'Connor*	M Knights	R Ananda
M Tadic	L Simeoni	
L Torr	D Ferretti*	

**Performing Arts Peer Assessment Panel**

J Meiners	S Collins	J Barry-Knox
S Healy	A Currie	R Seidel
A Pak Poy	C Broad	N Bloom
M Hill	S Bleby	
N English	C Anderson	

**South Australian Country Arts Trust**

A Aughey	D McEwen	R Stephenson*
J Cleary	L Owens	K Telfer
B Green	S Winter-Dewhurst*	
M Jennings	W Pelz	

**South Australian Film Corporation**

C Bart	D Monaghan	C Ward
R Clark	S Mitchell	V Skinner
B Ikin	J Potter	J Yuile
A Maras	A Tisato	

**SafeWork SA Advisory Council**

D Blairs	M Heylen	J Quarton
J Cavanough	M O'Malley	C Vincent
J Giles	T Phillips	B Russell*
B Grant	R Thomson*	G McCarthy*

**Contemporary Music Peer Assessment Panel**

A Dundon	A Fraser	G Shaw
N Bates	S Aldridge	A Shepherd
R Kradolfer	A Tripodi	S Dodd
M Mayo	A Poulton	

**Disability Information and Resources Centre Inc Board**

I Bagshaw	M Politis	C Staker
M Faull	M O'Rourke	
P Gosnold	M Pyyvaara	

**JamFactory Contemporary Craft and Design Inc Board**

T Horton*	E Raupach	J Carreker
K Lawrence	P Vaughan	
J Lomax-Smith	J Ranaldo	

**State Theatre Company of South Australia Board**

T Crawford*	J Jamieson	B Halliday
C Guille	J Levy	
J Irving	L Reynolds	

**State Opera of South Australia Board**

P Brooks	S Hatcher	C Rothauser
J Bruce	L Nicholson	J Wilson
A Bryant	E Raupach	M de Read

**Tandanya National Aboriginal Cultural Institute Board of Management**

P Rigney	J Thomas	S Miller
A Sloan	J Chester*	T Stewart
N Harkin	R Green*	K Wanganeen
J Alberts	D Hincks*	Y Robson-McInerney
C Egan*	T Lovegrove	
S Meagher	H Mac	

**Visual Arts, Craft and Design Peer Assessment Panel**

J Barwick	M Rackham	H Freeman
D But-Husaim	T Richardson	B French
A Hughes	J Fanning	D Paauwe
G Bisetto	J Dodd	
K Coelho	N Folland	

The number of members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
\$0 - \$9 999	382	474
\$10 000 - \$19 999	73	12
\$20 000 - \$29 999	2	4
\$30 000 - \$39 999	1	-
\$40 000 - \$49 999	9	7
\$60 000 - \$69 999	-	2
\$70 000 - \$79 999	2	-
\$80 000 - \$89 999	1	-
Total	<u>470</u>	<u>499</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$980 000 (\$941 000).

Amount paid to a superannuation plan for board/committee members was \$68 000 (\$81 000).

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

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

**34. Events after balance date**

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

Note disclosure is made about events between 30 June 2013 and the date the financial statements are authorised for issue where the event relates to a condition which arose after 30 June 2013 and which may have a material impact on the results of subsequent years.

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 1 August 2013, the Department relinquished administered responsibility for the Outback Communities Authority and the Local Government Grants Commission. Assets and liabilities relating to these business units transferred to the Department of Primary Industries and Regions effective 1 August 2013.

The Department also transferred 14 employees employed by the Office of State/Local Government Relations (OSLGR), a unit of the Department to the Attorney-General's Department (three employees), the Department of Transport, Planning and Infrastructure (nine employees) and the Department of Primary Industries and Regions (two employees) respectively effective 1 August 2013.

The Department received Invest in South Australia, a unit of the Department for Manufacturing, Innovation, Trade, Resources and Energy (six employees) effective 5 September 2013.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefits	A2	1 512	2 583
Grants and subsidies	A3	169 453	142 089
Intra-government transfers	A4	22 347	10 861
Supplies and services	A5	4 730	5 582
Disbursements on behalf of third parties	A6	479 081	241 183
Depreciation	A7	276	132
Net loss on disposal of assets	A8	5	-
Other		9	-
<b>Total expenses</b>		677 413	402 430
<b>Income:</b>			
Revenues from SA Government	A13	20 609	15 861
Revenues from Commonwealth Government	A9	1 811	1 502
Advances and grants	A10	169 368	141 969
Other	A11	-	7 285
Collections on behalf of third parties	A12	479 081	241 183
Net gain from disposal of assets	A8	-	41
Interest		1 335	1 352
Fees and charges		1 120	152
<b>Total income</b>		673 324	409 345
<b>Net result</b>		(4 089)	6 915
<b>Other comprehensive income</b>			
Changes in revaluation surplus		2 927	-
<b>Total other comprehensive income</b>		2 927	-
<b>Total comprehensive result</b>		(1 162)	6 915

**Statement of Administered Financial Position  
as at 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A14	48 896	49 769
Receivables	A15	1 758	431
<b>Total current assets</b>		50 654	50 200
<b>Non-Current Assets:</b>			
Property, plant and equipment	A16	7 345	4 193
<b>Total non-current assets</b>		7 345	4 193
<b>Total assets</b>		57 999	54 393
<b>Current liabilities:</b>			
Payables	A18	7 721	3 327
Employee benefits	A19	158	88
Provisions	A20	-	28
Other liabilities		741	335
<b>Total current liabilities</b>		8 620	3 778
<b>Non-current liabilities:</b>			
Payables	A18	25	13
Employee benefits	A19	266	145
Provisions	A20	1	120
<b>Total non-current liabilities</b>		292	278
<b>Total liabilities</b>		8 912	4 056
<b>Net assets</b>		49 087	50 337
<b>Equity:</b>			
Retained earnings		46 160	50 337
Revaluation surplus		2 927	-
<b>Total equity</b>		49 087	50 337
Unrecognised contractual commitments	A22		
Contingent assets and liabilities	A23		

**Statement of Administered Changes in Equity  
for the year ended 30 June 2013**

	Retained earnings \$'000	Revaluation Surplus \$'000	Total \$'000
Balance at 30 June 2011	35 261	-	35 261
Total comprehensive result for 2011-12	6 915	-	6 915
Net assets distributed from administrative restructures	8 161	-	8 161
Balance at 30 June 2012	50 337	-	50 337
Net comprehensive result for 2012-13	(4 089)	-	(4 089)
Revaluation of assets	-	2 927	2 927
Total comprehensive result for 2012-13	(4 089)	2 927	(1 162)
Prior period correction	(88)	-	(88)
<b>Balance at 30 June 2013</b>	<b>46 160</b>	<b>2 927</b>	<b>49 087</b>

## Statement of Administered Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits		(1 301)	(2 633)
Grants and subsidies		(169 453)	(142 089)
Intra-government transfers		(22 347)	(10 943)
Supplies and services		(345)	(4 713)
Disbursements on behalf of third parties		(479 081)	(241 183)
Other payments		(1 074)	(132)
<b>Cash used in operations</b>		<u>(673 601)</u>	<u>(401 693)</u>
Cash inflows:			
Revenues from SA Government		20 609	15 861
Revenues from Commonwealth Government		1 811	1 502
Fees and charges		1 120	152
Advances and grants		169 368	141 969
Collections on behalf of third parties		479 081	241 183
Interest		1 335	1 352
Other receipts		-	854
<b>Cash generated from operations</b>		<u>673 324</u>	<u>402 873</u>
<b>Net cash provided by (used in) operating activities</b>	A24	<u>(277)</u>	<u>1 180</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(699)	(373)
<b>Cash used in investing activities</b>		<u>(699)</u>	<u>(373)</u>
Cash inflows:			
Proceeds from sale of property, plant and equipment		103	191
<b>Cash generated from investing activities</b>		<u>103</u>	<u>191</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(596)</u>	<u>(182)</u>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Cash received from restructuring activities		-	4 276
<b>Cash generated from financing activities</b>		<u>-</u>	<u>4 276</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(873)</u>	<u>5 274</u>
<b>Cash and cash equivalents at 1 July</b>		<u>49 769</u>	<u>44 495</u>
<b>Cash and cash equivalents at 30 June</b>	A14	<u>48 896</u>	<u>49 769</u>



**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2013**

(Activities - refer note A1)	Special Act salary and allowances		Bank of Tokyo cultural and social exchange		SA Okayama account		Promotion of the State	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Expenses:</b>								
Employee benefits	420	492	-	-	-	-	-	-
Grants and subsidies	-	-	-	15	-	-	-	-
Intra-government transfers	-	-	-	-	-	-	-	21
Supplies and services	-	-	-	-	-	-	1 937	1 783
Disbursements on behalf of third parties	-	-	-	-	-	-	-	-
Depreciation and amortisation expense	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-
Net loss from the disposal of assets	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>420</b>	<b>492</b>	<b>-</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>1 937</b>	<b>1 804</b>
<b>Income:</b>								
Revenues from Commonwealth Government	-	-	-	-	-	-	-	-
Advances and grants	-	-	12	6	-	-	-	-
Other	-	-	-	-	-	-	-	-
Collections on behalf of third parties	-	-	-	-	-	-	-	-
Revenues from SA Government	776	418	-	-	-	-	1 748	1 705
Net gain from the disposal of assets	-	-	-	-	-	-	-	-
Interest revenue	-	-	2	3	-	-	-	-
Fees and charges	-	-	-	-	-	-	249	61
<b>Total income</b>	<b>776</b>	<b>418</b>	<b>14</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>1 997</b>	<b>1 766</b>
<b>Net result</b>	<b>356</b>	<b>(74)</b>	<b>14</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>(38)</b>

(Activities - refer note A1)	APY Lands		Aboriginal Affairs administered		Government Workers Compensation Fund		Service SA	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Expenses:</b>								
Employee benefits	-	-	-	-	(147)	1 754	-	-
Grants and subsidies	56	35	53	-	-	-	-	-
Intra-government transfers	9 281	5 290	1 950	1 841	-	-	11 116	5 550
Supplies and services	26	196	641	-	-	140	226	-
Disbursements on behalf of third parties	-	-	-	-	-	-	479 081	241 183
Depreciation and amortisation	-	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-	-
Net loss from the disposal of assets	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>9 363</b>	<b>5 521</b>	<b>2 644</b>	<b>1 841</b>	<b>(147)</b>	<b>1 894</b>	<b>490 423</b>	<b>246 733</b>
<b>Income:</b>								
Revenues from Commonwealth Government	-	-	1 640	1 502	-	-	-	-
Advances and grants	-	14	-	-	-	-	-	-
Other	-	-	-	-	-	7 285	-	-
Collections on behalf of third parties	-	-	-	-	-	-	479 081	241 183
Revenues from SA Government	5 876	5 730	-	-	-	2 298	11 116	5 550
Net gain from the disposal of assets	-	-	-	-	-	-	-	-
Interest revenue	703	-	510	1 263	-	-	-	-
Fees and charges	-	-	-	-	2	-	495	-
<b>Total income</b>	<b>6 579</b>	<b>5 744</b>	<b>2 150</b>	<b>2 765</b>	<b>2</b>	<b>9 583</b>	<b>490 692</b>	<b>246 733</b>
<b>Net result</b>	<b>(2 784)</b>	<b>223</b>	<b>(494)</b>	<b>924</b>	<b>149</b>	<b>7 689</b>	<b>269</b>	<b>-</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2013 (continued)**

(Activities - refer note A1)	Local Government taxation equivalents funds		Outback Communities Authority		South Australian Local Governments Grants Commission		Total	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<b>Expenses:</b>								
Employee benefits	-	-	880	214	359	123	1 512	2 583
Grants and subsidies	1 020	1 438	895	663	167 429	139 938	169 453	142 089
Intra-government transfers	-	-	-	-	-	-	22 347	10 861
Supplies and services	-	-	1 574	1 541	326	81	4 730	5 582
Disbursements on behalf of third parties	-	-	-	-	-	-	479 081	241 183
Depreciation and amortisation	-	-	276	132	-	-	276	132
Other expenses	-	-	9	-	-	-	9	-
Net loss from the disposal of assets	-	-	5	-	-	-	5	-
<b>Total expenses</b>	<b>1 020</b>	<b>1 438</b>	<b>3 639</b>	<b>2 550</b>	<b>168 114</b>	<b>140 142</b>	<b>677 413</b>	<b>402 430</b>
<b>Income:</b>								
Revenues from Commonwealth Government	-	-	171	-	-	-	1 811	1 502
Advances and grants	995	703	1 048	612	167 313	140 634	169 368	141 969
Other	-	-	-	-	-	-	-	7 285
Collections on behalf of third parties	-	-	-	-	-	-	479 081	241 183
Revenues from SA Government	-	-	608	160	485	-	20 609	15 861
Net gain from the disposal of assets	-	-	-	41	-	-	-	41
Interest revenue	13	19	53	34	54	33	1 335	1 352
Fees and charges	-	-	368	91	6	-	1 120	152
<b>Total income</b>	<b>1 008</b>	<b>722</b>	<b>2 248</b>	<b>938</b>	<b>167 858</b>	<b>140 667</b>	<b>673 324</b>	<b>409 345</b>
<b>Net result</b>	<b>(12)</b>	<b>(716)</b>	<b>(1 391)</b>	<b>(1 612)</b>	<b>(256)</b>	<b>525</b>	<b>(4 089)</b>	<b>6 915</b>

**Schedule of Assets and Liabilities**  
**attributable to Administered Activities**  
**as at 30 June 2013**

(Activities - refer note A1)	Special Act salary and allowances		Bank of Tokyo cultural and social exchange		SA Okayama account		Promotion of the State	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents	1 021	674	90	76	48	48	2 292	2 421
Receivables	-	-	-	-	-	-	-	50
Property, plant and equipment	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>1 021</b>	<b>674</b>	<b>90</b>	<b>76</b>	<b>48</b>	<b>48</b>	<b>2 292</b>	<b>2 471</b>
<b>Liabilities:</b>								
Payables	40	49	-	-	-	-	-	238
Employee benefits	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>40</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>238</b>

(Activities - refer note A1)	APY Lands		Aboriginal Affairs administered		Government Workers Compensation Fund		Service SA	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents	23 123	23 571	16 948	17 012	2 527	2 527	285	-
Receivables	54	76	1 684	79	-	-	-	-
Property, plant and equipment	444	-	-	-	-	-	-	-
<b>Total assets</b>	<b>23 621</b>	<b>23 647</b>	<b>18 632</b>	<b>17 091</b>	<b>2 527</b>	<b>2 527</b>	<b>285</b>	<b>-</b>
<b>Liabilities:</b>								
Payables	4 522	1 765	2 390	355	-	1	16	-
Employee benefits	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	148	-	-
Other	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>4 522</b>	<b>1 765</b>	<b>2 390</b>	<b>355</b>	<b>-</b>	<b>149</b>	<b>16</b>	<b>-</b>

(Activities - refer note A1)	Local Government taxation equivalents funds		Outback Communities Authority		South Australian Local Governments Grants Commission		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>								
Cash and cash equivalents	6	19	1 749	2 437	807	984	48 896	49 769
Receivables	1	-	17	221	2	5	1 758	431
Property, plant and equipment	-	-	6 901	4 193	-	-	7 345	4 193
<b>Total assets</b>	<b>7</b>	<b>19</b>	<b>8 667</b>	<b>6 851</b>	<b>809</b>	<b>989</b>	<b>57 999</b>	<b>54 393</b>
<b>Liabilities:</b>								
Payables	-	-	699	909	79	23	7 746	3 340
Employee benefits	-	-	309	137	115	96	424	233
Provisions	-	-	1	-	-	-	1	148
Other	-	-	741	335	-	-	741	335
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1 750</b>	<b>1 381</b>	<b>194</b>	<b>119</b>	<b>8 912</b>	<b>4 056</b>

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

**A1. Summary of significant accounting policies**

All Department accounting policies are contained in note 2. The policies outlined in note 2 apply to both the Department's and administered financial statements.

**Administered items**

The following funds and financial transactions were administered by the Department as at 30 June 2013. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements of the Department.

- Special Act payments
- Bank of Tokyo cultural and social exchange
- SA Okayama account
- Promotion of the State
- APY Lands
- Aboriginal Affairs administered
- Government Workers Compensation Fund
- South Australian Local Government Grants Commission
- Outback Communities Authority
- Local Government taxation equivalents funds
- Service SA collections and disbursements.

**A2. Employee benefits**

	2013	2012
	\$'000	\$'000
Salaries and wages	1 127	710
LSL	162	-
Annual leave	81	28
Skills and experience retention leave	6	-
Employment on-costs - superannuation	94	27
Employment on-costs - other	57	15
Board and committee fees	102	48
Other employment related expenses	(117)	1 755
Total employee benefits	<u>1 512</u>	<u>2 583</u>

**Remuneration of employees**

	2013	2012
	Number	Number
The number of employees who received remuneration falls within the following bands:		
\$258 000 - \$267 999	-	1
\$408 000 - \$417 999	1	-
Total	<u>1</u>	<u>1</u>

The table includes all staff who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of staff reflects all costs including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and other salary sacrifice benefits. The total remuneration received by these staff members for the year was \$415 000 (\$260 000).

**A3. Grants and subsidies**

	2013	2012
	\$'000	\$'000
Grants and subsidies	169 453	142 089
Total grants and subsidies	<u>169 453</u>	<u>142 089</u>

Grants and subsidies consist of the following:

South Australian Local Government Grants Commission	167 429	139 938
Office of Local Government administered items	-	1 438
Outback Communities Authority	895	510
Other grants and subsidies	1 129	203
Total grants and subsidies	<u>169 453</u>	<u>142 089</u>

**A4. Intra-government transfers**

Other intra-government transfers	22 347	10 861
Total intra-government transfers	<u>22 347</u>	<u>10 861</u>

<b>A5. Supplies and services</b>	2013 \$'000	2012 \$'000
Accommodation	331	130
Telecommunications	38	-
Staff development and recruitment	10	-
Marketing	2 001	1 815
Administration	75	-
IT services and computing charges	43	-
Repairs and maintenance	252	196
Community infrastructure	869	1 792
Service level agreements	87	-
Contractors and consultants	568	432
Temporary and casual staff	38	-
Other supplies and services	418	1 217
Total supplies and services	4 730	5 582

## Supplies and services provided by entities within the SA Government:

Accommodation	80	28
Telecommunications	28	-
Marketing	1 438	574
Administration	4	-
IT services and computing charges	6	-
Repairs and maintenance	1	18
Community infrastructure	346	1 502
Service level agreements	87	-
Contractors and consultants	2	-
Other supplies and services	93	115
Total supplies and services - SA Government entities	2 085	2 237

**A6. Disbursements on behalf of third parties**

## Registrations, licences and other fees - Department of Planning,

Transport and Infrastructure	424 537	215 377
Firearms licences - South Australia Police	48 695	22 912
Expiation notices - South Australia Police	2 431	1 146
Office of Business and Consumer Affairs	1 397	743
South Australian Water Corporation	1 198	581
Emergency Services levy - South Australian Fire and Emergency Services	178	71
Other	645	353
Total disbursements on behalf of third parties	479 081	241 183

## Disbursements paid to entities within the SA Government:

Registrations, licences and other fees - Department of Planning, Transport and Infrastructure	424 537	215 377
Firearms licences - South Australia Police	48 695	22 912
Expiation notices - South Australia Police	2 431	1 146
Office of Business and Consumer Affairs	1 397	743
South Australian Water Corporation	1 198	581
Emergency Services levy - South Australian Fire and Emergency Services	178	71
Other	501	320
Total disbursements on behalf of third parties - SA Government entities	478 937	241 150

During 2012-13 certain administered collections and disbursements formerly reported by Service SA were reclassified as transactions directly administered by the Department of Planning, Transport and Infrastructure (DPTI) effective from 1 January 2012. Comparative information was also reclassified, see note A21.

**A7. Depreciation**

	2013 \$'000	2012 \$'000
Plant and equipment	69	32
Buildings and infrastructure	142	67
Water, sewerage and drainage	65	33
Total depreciation	276	132

<b>A8. Net gain (loss) from disposal of assets</b>	2013	2012
Land and buildings:	\$'000	\$'000
Proceeds from disposal	-	-
Net book value of assets disposed	-	(51)
Net gain (loss) from disposal of land and buildings	-	(51)
Plant and equipment:		
Proceeds from disposal	103	191
Net book value of assets disposed	(108)	(99)
Net gain (loss) from disposal of plant and equipment	(5)	92
Total net gain (loss) from disposal of assets	(5)	41
		-
<b>A9. Revenues from Commonwealth Government</b>		
Commonwealth revenues	1 811	1 502
Total revenues from Commonwealth Government	1 811	1 502
<b>A10. Advances and grants</b>		
Commonwealth grants	167 649	140 843
Other grants	1 719	1 126
Total advances and grants	169 368	141 969
<b>A11. Other</b>		
Government Workers Compensation Fund	-	7 285
Total other	-	7 285
Relates to the closure of the Government Workers Compensation Fund except for some minor outstanding liabilities (refer note A20).		
<b>A12. Collections on behalf of third parties</b>		
Registrations, licences and other fees - Department of Planning,		
Transport and Infrastructure	424 537	215 377
Expiation notices - South Australia Police	48 695	22 912
Firearms licences - South Australia Police	2 431	1 146
Office of Business and Consumer Affairs	1 397	743
South Australian Water Corporation	1 198	581
Emergency Services levy - South Australian Fire and Emergency Services	178	71
Other	645	353
Total collections on behalf of third parties	479 081	241 183
Collections on behalf of entities within the SA Government:		
Registrations, licences and other fees - Department of Planning,		
Transport and Infrastructure	424 537	215 377
Expiation notices - South Australia Police	48 695	22 912
Firearms licences - South Australia Police	2 431	1 146
Office of Business and Consumer Affairs	1 397	743
South Australian Water Corporation	1 198	581
Emergency Services levy - South Australian Fire and Emergency Services	178	71
Other	501	320
Total collections on behalf of third parties - SA Government entities	478 937	241 150
During 2012-13 certain administered collections and disbursements formerly reported by Service SA were reclassified as transactions directly administered by DPTI effective from 1 January 2012. Comparative information was also reclassified, see note A21.		
<b>A13. Revenues from SA Government</b>	2013	2012
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	20 609	15 861
Total revenues from SA Government	20 609	15 861
<b>A14. Cash and cash equivalents</b>		
Deposits with the Treasurer	48 896	49 769
Total cash and cash equivalents	48 896	49 769

<b>A15. Receivables</b>	2013	2012
Current:	\$'000	\$'000
Receivables	1 666	400
Allowance for doubtful debts	(9)	-
Accrued revenue	101	31
Total current receivables	<u>1 758</u>	<u>431</u>
Total receivables	<u>1 758</u>	<u>431</u>
Receivables from SA Government entities:		
Receivables	423	400
Accrued revenue	101	31
Total receivables - SA Government entities	<u>524</u>	<u>431</u>
Receivables from non-SA Government entities		
Receivables	1 234	-
Total receivables - non-SA Government entities	<u>1 234</u>	<u>-</u>
Total receivables	<u>1 758</u>	<u>431</u>

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables and accrued revenues are non-interest bearing. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

<b>A16. Property, plant and equipment</b>	2013	2012
Land, buildings and infrastructure:	\$'000	\$'000
Land at fair value	17	15
Buildings and infrastructure at fair value	7 393	3 781
Accumulated depreciation	(2 101)	(1 362)
Total land, buildings and infrastructure	<u>5 309</u>	<u>2 434</u>
Water, sewerage and drainage		
Water, sewerage and drainage assets at fair value	2 294	2 294
Accumulated depreciation	(1 000)	(934)
Total water, sewerage and drainage	<u>1 294</u>	<u>1 360</u>
Plant and equipment:		
Plant and equipment at fair value	395	500
Accumulated depreciation	(194)	(148)
Total plant and equipment	<u>201</u>	<u>352</u>
Work in progress:		
Work in progress	541	47
Total work in progress	<u>541</u>	<u>47</u>
Total property, plant and equipment	<u>7 345</u>	<u>4 193</u>

#### ***Reconciliation of property, plant and equipment***

The following table shows the movement of property, plant and equipment during 2012-13:

	Land	Buildings & infra- structure	Water, sewerage & drainage	Plant & equipment	WIP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>						
Carrying amount at 1 July	15	2 419	1 360	352	47	4 193
Additions	-	35	-	-	541	576
Transfers from work in progress	-	47	-	-	(47)	-
Other adjustments	-	8	(1)	26	-	33
Revaluation increment (decrement)	2	2 925	-	-	-	2 927
Disposals	-	-	-	(108)	-	(108)
Depreciation	-	(142)	(65)	(69)	-	(276)
Carrying amount at 30 June	<u>17</u>	<u>5 292</u>	<u>1 294</u>	<u>201</u>	<u>541</u>	<u>7 345</u>

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

	Land \$'000	Buildings & infra- structure \$'000	Water, sewerage & drainage \$'000	Plant & equipment \$'000	WIP \$'000	Total \$'000
<b>2012</b>						
Carrying amount at 1 July	-	-	-	-	-	-
Additions	-	-	-	227	47	274
Transfers from work in progress	-	-	30	-	(30)	-
Transfers in from administrative restructure	15	2 539	1 363	256	30	4 203
Disposals	-	(53)	-	(99)	-	(152)
Depreciation	-	(67)	(33)	(32)	-	(132)
Carrying amount at 30 June	15	2 419	1 360	352	47	4 193

**Valuation of land, buildings and infrastructure, and water, sewerage and drainage assets**

A valuation of land, buildings and infrastructure was performed by independent valuers from Valcorp Pty Ltd as at 30 June 2013 and water, sewerage and drainage was performed by independent valuers from Liquid Pacific Pty Ltd and Maloney Field Services as at 30 June 2008. The valuers arrived at fair value based on recent market transactions for similar land, buildings and infrastructure in the area taking into account zoning and restricted use.

**Impairment**

There were no indications of impairment of property, plant and equipment and infrastructure at 30 June 2013.

<b>A17. Auditor's remuneration</b>	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	\$'000	\$'000
	80	41
Total audit fees	80	41
<b>A18. Payables</b>		
Current:		
Creditors	7 699	3 315
Employment on-costs	22	12
Total current payables	7 721	3 327
Non-current:		
Employment on-costs	25	13
Total non-current payables	25	13
Total payables	7 746	3 340
Payables to entities within SA Government:		
Creditors	7 342	597
Employment on-costs	9	5
Total current payables - SA Government entities	7 351	602
Non-current:		
Employment on-costs	14	7
Total non-current payables to entities within SA Government	14	7
Total payables - SA Government entities	7 365	609
<b>A19. Employee benefits</b>		
Current:		
LSL	68	35
Skills and experience retention leave	6	-
Annual leave	84	53
Total current employee benefits	158	88
Non-current:		
LSL	266	145
Total non-current employee benefits	266	145
Total employee benefits	424	233



A20. Provisions	2013	2012
	\$'000	\$'000
Current:		
Provisions for workers compensation	-	28
Total current provisions	-	28
Non-current:		
Provisions for workers compensation	1	120
Total non-current provisions	1	120
Total provisions	1	148

### A21. Transferred functions

#### *Service SA administered items*

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 proclaimed that effective from 1 January 2012 the Service SA administered items would transfer from DPTI to the Department.

As the transition occurred during the year, it is a requirement of the AASs that the income and expenses attributable to Service SA administered items are disclosed.

	DPTI	DPC	Total
	01.07.11 to 31.12.11	01.01.12 to 30.06.12	
	\$'000	\$'000	\$'000
Collections on behalf of third parties*	254 881	241 183	496 064
Total income	254 881	241 183	496 064
Disbursements on behalf of third parties*	254 881	241 183	496 064
Total expenses	254 881	241 183	496 064
Net result	-	-	-

\* During 2012-13 certain administered collections and disbursements formerly reported by Service SA were reclassified as transactions directly administered by DPTI effective from 1 January 2012 (also see notes A12 and A6). As a result the reported collections and disbursements now reflect those transactions to which the Department administers as custodian on behalf of other third parties.

#### *Office for State/Local Government Relations administered items*

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 proclaimed that the Office for State/Local Government Relations administered items comprising the Office of Local Government Fund, the South Australian Local Government Grants Commission and the Outback Communities Authority would transfer from the Department of Planning and Local Government (DPLG) to the Department. Agreement between chief executives of both departments deemed the transfer date to be effective as at 1 January 2012.

As the transition occurred during the year, it is a requirement of the AASs that the income and expenses attributable to DPLG administered items are disclosed.

	DPLG			DPC			Total
	01.07.11 to 31.12.11			01.01.12 to 30.06.12			
	Office of Local Government Fund \$'000	Outback Communities Authority \$'000	SA Local Government Grants Commission \$'000	Office of Local Government Fund \$'000	Outback Communities Authority \$'000	SA Local Government Grants Commission \$'000	\$'000
Revenues from							
SA Government	921	-	-	-	160	-	1 081
Fees and charges	-	7	7	-	-	-	14
Interest	30	34	53	19	34	33	203
Advances and grants	689	672	66 035	703	612	140 634	209 345
Net gain from disposal of assets	-	51	-	-	41	-	92
Other income	-	601	481	-	91	-	1 173
Total income	1 640	1 365	66 576	722	938	140 667	211 908
Employee benefits	-	281	112	-	214	123	730
Supplies and services	-	485	73	-	1 541	81	2 180
Grants and subsidies	-	271	66 425	1 438	663	139 938	208 735
Depreciation and amortisation	-	133	-	-	132	-	265
Other expenses	921	-	-	-	-	-	921
Total expenses	921	1 170	66 610	1 438	2 550	140 142	212 831
Net result	719	195	(34)	(716)	(1 612)	525	(923)

**Office for State/Local Government Relations administered items (continued)**

On transfer the Department recognised the following assets and liabilities:

	Office of Local Government Fund \$'000	Outback Communities Authority \$'000	SA Local Government Grants Commission \$'000	Service SA \$'000	Total \$'000
Assets:					
Cash	735	1 886	1 655	-	4 276
Receivables	-	37	11	-	48
Property, plant and equipment	-	4 203	-	-	4 203
Total assets	735	6 126	1 666	-	8 527
Liabilities:					
Payables	-	70	12	-	82
Employee benefits	-	192	91	-	283
Provisions	-	1	-	-	1
Total liabilities	-	263	103	-	366
Net assets transferred	735	5 863	1 563	-	8 161

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount.

<b>A22. Unrecognised contractual commitments</b>	2013	2012
<i>Operating lease commitments</i>	\$'000	\$'000
Commitments in relation to operating leases contracted at reporting date but not recognised as liabilities are payable as follows:		
Within one year	52	11
Later than one year but no later than five years	174	1
Total operating lease commitments	226	12
Representing:		
Non-cancellable operating leases	226	12
Total operating lease commitments	226	12

Operating leases relate to property and accommodation occupied by the Outback Communities Authority. This lease is non-cancellable, with rental payable monthly in advance. Contingent rental provisions within the lease agreement allow for the review of lease payments every year.

<i>Other commitments</i>	2013	2012
	\$'000	\$'000
Within one year	446	113
Later than one year but no later than five years	28	108
Total other commitments	474	221

The Department's other commitments are for agreements for maintenance and other service contracts outstanding at the end of the reporting period.

**A23. Contingent assets and liabilities**

The Department is not aware of any contingent assets or liabilities affecting the administered activities of the Department as at 30 June 2013.

<b>A24. Cash flow reconciliation</b>	2013	2012
Reconciliation of cash and cash equivalents:	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	48 896	49 769
Cash and cash equivalents disclosed in the Statement of Cash Flows	48 896	49 769

<b>Reconciliation of net cash provided by (used in) operating activities to net result of administered items:</b>	2013	2012
	\$'000	\$'000
Net cash provided by (used in) operating activities	(277)	1 180
Non-cash items:		
Depreciation and amortisation of property, plant and equipment and intangibles	(276)	(132)
Bad and doubtful debts expense	9	-
Other non-cash items:	(11)	(115)
Net loss on disposal of assets	(5)	(41)
Net transfers from administrative restructures	-	414
Movements in assets/liabilities:		
Receivables	1 327	(766)
Payables	(4 406)	(342)
Employee benefits	(191)	(233)
Provisions	147	7 285
Other liabilities	(406)	(335)
Net result of administered items	<u>(4 089)</u>	<u>6 915</u>

#### A25. Events after balance date

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

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

As a result of restructuring of administrative arrangements outlined in the Government Gazette on 1 August 2013, the Department relinquished administered responsibility for the Outback Communities Authority and the Local Government Grants Commission. Assets and liabilities relating to these business units transferred to the Department of Primary Industries and Regions effective 1 August 2013.

#### A26. Remuneration of board and committee members

Members that were entitled to receive remuneration during the year are listed as follows:	2013	2012
	\$'000	\$'000
\$0 - \$9 999	10	9
\$10 000 - \$19 999	3	1
\$20 000 - \$29 999	1	-
Total	<u>14</u>	<u>10</u>

Remuneration of members reflects all costs of performing board/committee members duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$112 000 (\$59 000).

Amount paid to a superannuation plan for board/committee members was \$10 000 (\$5000).

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

#### **South Australian Local Government Grants Commission**

Gascoigne C J	Patetsos M	Ross J S
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#### **Outback Communities Authority**

Bauer T N	Frahm F L W	McIntosh W R
Beltchev G	Heylen M	
Cleary J*	Katnich P L	

#### **Andamooka Town Management Committee**

Allen P A	Sutton M*
Hancock R D	Woolford C

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

# Department of Primary Industries and Regions

## Functional responsibility

### Establishment

The Department of Primary Industries and Regions (the Department or PIRSA) is an administrative unit established under the PSA.

### Functions

The Department's main responsibilities include ensuring the sustainable development of the State's regions and primary industries in accordance with South Australia's Strategic Plan.

For more information about the Department's role and objectives refer note 1.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

During 2012-13 specific areas of audit attention included:

- financial accounting and reporting
- fixed assets
- expenditure:
  - goods and services procurement
  - purchasing and processing
  - payroll
  - grants and subsidies
- cash at bank
- financial management compliance program including a review of corporate governance

- revenue:
  - Masterpiece accounts receivable debtor management system and Reculver cash receipting
  - grants and advances - the South Australian Research and Development Institute (SARDI) and Rural Solutions SA (RSSA)
  - fisheries licensing income

The audit included consideration of control arrangements implemented by the Department and SSSA.

## **Audit findings and comments**

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

In my opinion, the financial report gives a true and fair view of the financial position of the Department of Primary Industries and Regions as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

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

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department and the Executive Director, SSSA. Major matters raised with the Department and SSSA and the related responses are detailed below.

### **Expenditure**

The 2012-13 audit review of the systems used by SSSA and the Department to process departmental expenditure incorporated:

- review of the control arrangements implemented by the Department and SSSA
- detailed testing of transactions processed through the accounts payable module
- a review of purchase card controls and transactions processed through the e-Crow system
- testing of transactions processed through Basware and e-Procurement.

The audit identified the following matters:

- The updated 'Basware Delegations Audit Procedure' and 'Process for Validating Super and Special Delegation Activity and Transferred Without Delegation Activity' procedure were not formally approved.
- There were a number of instances where the officer receipting the goods initiated the requisition and/or raised the purchase order.

- The Department has not established policies and procedures specifying accepted departmental practice for receipting goods. Audit noted divisions may have procedures for the receipting of goods that focus on divisional specific processes.
- Approval for additions/changes/deletions to vendor files was not restricted to nominated authorised officers.
- PIRSA did not have a documented policy or procedure describing the required checking processes for manual payments. The SSSA payment team does not check all manual payments for appropriate authority but rely on the agency approval and review process before processing payments.
- The approved process for review of the 'Transferred Without Delegation Check' report had not been established or documented and Audit also could not sight evidence the report was reviewed.
- A new purchase card procedure, to reflect new purchase card processes and practices, was being drafted but was not finalised.

The Department responded that:

- the 'Basware Delegations Audit' procedure was approved in July 2013 and the 'Process for Validating Super and Special Delegations Activity and Transferred Without Delegation Activity' procedure was approved in June 2013 by the Manager Procurement and Security and were made available to all procurement advisory unit officers
- it would review whether the further segregation of receipting of goods duties is practical to strengthen the receipting function and, if necessary, would make any changes deemed appropriate
- a framework for the receipting of goods would be incorporated within PIRSA's procurement policy and procedure and communicated to relevant staff
- current practices relating to vendor amendments will be reviewed and appropriate changes implemented as necessary
- a review of current practices and relevant procedures for processing manual payments will be performed
- a process for the 'Transferred Without Delegation Check' report was approved by the Manager Procurement and Security in June 2013 as part of the 'Validating Super and Special Delegations' procedure. This procedure will be reviewed and amended where appropriate to include evidence of reviews
- the purchase card procedure was approved by PIRSA Executive in July 2013 and was made available to relevant staff.

***Shared Services SA – accounts payable and electronic payment control environments***

SSSA processes transactions on behalf of PIRSA under a service level determination. The SSSA accounts payable function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses certain actions are still required before the control environments can be considered to be robust and effective.

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

#### ***Creditor account payment performance***

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

The audit identified that for the period of review, the monthly account payment performance report provided to the Minister did not incorporate all information specified by TI 11.

The Department responded that the monthly reporting format and content has been updated.

#### ***Payroll***

The 2012-13 audit included a review of control arrangements implemented by the Department and the testing of transactions processed through the CHRIS system. Specific areas of focus included:

- recording, hiring and terminating personnel
- time and attendance recording
- payroll calculation and disbursement
- maintenance of employee data within the CHRIS system
- reconciliations between CHRIS and the general ledger
- review of prior year findings.

Review of the Department's control environment in 2012-13 considered the effectiveness of management's review of bona fide certificates and leave returns and noted there were inconsistent practices in the review of bona fide certificates and leave returns. The audit findings for 2012-13 were consistent with previous years.

Follow-up of action proposed by PIRSA in 2011-12 noted that online training of pay point managers in the application of bona fide guidelines, leave return guidelines and human resource delegations, which was intended to address previous audit findings, was not completed.

In response PIRSA advised a whole-of-agency communicate would be developed and disseminated reinforcing the requirements of the bona fide certificate and leave recording procedures. It further advised that all pay point managers have been enrolled in online training for the application of bona fide guidelines, leave return guidelines and human resource delegations with the monitoring of training, and any non-compliance, to be escalated.

The audit of time recording practices within the Department found its time and attendance policy was due for review and update and implementation of the Timewise time and attendance system had not progressed as planned. Audit also identified instances where managers' certification of time attendance was not evidenced.

Audit review of Timewise reports identified significant instances where timesheets were not certified by managers and where leave applications were not approved.

In response to the audit findings with respect to time and attendance recording PIRSA advised that:

- it is progressively implementing the Timewise time and attendance system across the Department with the remaining PIRSA divisions scheduled to transition throughout 2013-14 with an expected completion date of June 2014
- to assist with the more timely approval of timesheets and other payroll requests PIRSA will distribute the Manager Reminder Report monthly and a whole-of-agency communique will be developed and disseminated to all staff on the requirements of timesheet recording and leave approval
- it has initiated a quarterly reconciliation process between Timewise and CHRIS, to be completed within six weeks at the end of each quarter, with all discrepancies investigated and reported to SSSA where appropriate for correction. PIRSA is also currently testing an interface function between CHRIS and Timewise to reduce manual data entry errors
- a number of policy and procedures have been revoked, others have been finalised and scheduled for Executive endorsement and others are out for consultation due to changes made. Expected completion date is November 2013.

Testing of leave recording identified a number of discrepancies between leave recorded in attendance records and the CHRIS leave module. This audit also identified that:

- the Department does not regularly match attendance records to CHRIS
- not all managers regularly certify monthly leave returns as correct
- not all managers regularly certify bona fide certificates as correct.

The audit findings support a conclusion that the CHRIS system may not provide a complete and accurate record of leave taken by departmental employees, and reinforces the importance of implementing the proposed remedial action described above.

#### ***Shared Services SA – CHRIS payroll control environment***

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of PIRSA in accordance with a service level determination with SSSA.

The audit of payroll transactions considered the payroll process and control environments of SSSA and the external bureau provider of the CHRIS HRMS payroll service to SSSA.

Review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access and certain security limitations of the CHRIS 5 application provided by the bureau service.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such the process and control environment could not be considered robust and effective for the 2012-13 financial year. Also the planned migration of payroll processing from CHRIS 5 to CHRIS 21, which would address security limitations, is yet to occur.

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



***Masterpiece accounts receivable (MPAR) and Reculver systems***

The audit for 2012-13 included consideration of the control arrangements implemented by the Department and SSSA and the testing of transactions processed through the MPAR and Reculver systems. Specific areas of focus included:

- the review of policies and procedures by the Department and SSSA
- cash receipting
- invoice processing
- debtor management
- reconciliation of revenue feeder systems to MPAR
- reconciliation of MPAR to the general ledger.

The review of the MPAR to general ledger reconciliation noted:

- long outstanding uncleared items on the reconciliation
- action to clear reconciling items was not documented
- the basis of preparing the reconciliation adopted by SSSA was inappropriate for the period July 2012 to January 2013.

In response PIRSA advised it had worked with SSSA to investigate and rectify reconciling items and to ensure that SSSA document actions required to investigate and clear current reconciling items as part of the year to date reconciliation process undertaken each month.

Audit's review of documented policies and procedures noted that:

- PIRSA's debt management and invoicing policy was outdated
- receipting procedures at SSSA had not been reviewed and updated since the PIRSA accounts receivable function transitioned to SSSA in 2008.

The Department advised that it had finalised the review and update of the debt management and invoicing policy and procedures and SSSA advised that it had completed the PIRSA receipting procedures.

The audit of receipting transactions noted that invoice batches and cash and cheques banked by SSSA were not independently checked. SSSA advised a standard process was implemented to provide evidence of independent review of invoice batches to confirm all cash and cheques received are banked.

***Fisheries licensing revenue***

In 2012-13 the audit of the revenue collected by the Fisheries Division of the Department included:

- review of the governing legislation
- review of policies and procedures
- calculating and raising licence fee invoices and processing adjustments to invoices
- cash receipting
- review of the reconciliation of the Primary Industries Information Management System revenue system and MPAR.

The audit identified that the daily banking reconciliation checklist did not:

- require an independent check of all cash, cheques and EFTs received to receipts processed in the Department's cash receipting system (GRL 32)
- provide for the business services consultant to sign the checklist as evidence of reconciling cash receipts to monies banked.

The Department responded that from February 2013 the daily banking reconciliation checklist was updated to include an independent check of all cheques, EFT and cash received for the day to GRL 32. The checklist also includes a section for the preparer and reviewer to sign as evidence that the daily banking reconciliation was completed.

#### ***Fixed assets***

The review for 2012-13 included consideration of control arrangements implemented by the Department and SSSA and the testing of transactions processed through the Masterpiece fixed asset system (MPFA), with a focus on the recording of asset acquisitions and disposals, calculating and recording depreciation, maintaining the fixed asset register and reconciling the register to the general ledger.

The review of policy and procedure documentation noted a number of PIRSA fixed asset policies and procedures required update, including the requirement to annually review depreciation rates. The audit also identified:

- long outstanding reconciling items on the fixed asset to general ledger reconciliation. SSSA had investigated and identified the reconciling items and was working with PIRSA to determine the accounting treatment for the reconciling items.
- the MPFA was not reconciled to the Department of Planning, Transport and Infrastructure's Strategic Asset Management Information System (SAMIS) database. The reconciliation of the two records would ensure that the database provided for future asset revaluations is complete and accurate and that the descriptions in MPFA match the SAMIS descriptions.

The Department responded that the fixed asset policies and procedures were currently under review and would be amended to provide for the annual review of depreciation rates. SSSA advised that they would work with PIRSA to rectify reconciling items. The Department also advised that they would investigate opportunities to implement a process to reconcile SAMIS with the MPFA on a more regular basis.

#### ***Financial accounting***

The 2012-13 audit considered the control arrangements implemented by SSSA and the Department to provide assurance that:

- access to cash is restricted
- cash is completely and accurately reconciled on a regular basis
- transactions recorded in subsidiary systems are completely and accurately recognised in the general ledger
- transactions recorded in general ledger suspense and clearing accounts are reviewed and resolved promptly

- journals are appropriately authorised and accurately processed to the general ledger
- access to the general ledger is appropriate.

The audit identified:

- suspense and clearing accounts were not cleared in a timely manner
- the bank reconciliation recognised a number of long outstanding unrepresented cheques.

The Department and SSSA advised that the suspense and clearing accounts identified by Audit were reviewed and items were cleared with only a few items remaining as at June 2013. The Department also advised that SSSA had recently implemented new project arrangements at a whole-of-government level to improve the follow-up of unrepresented cheques and accounting for unclaimed monies. This project would also address the matter of the review of long outstanding cheques.

#### ***Grants and advances revenue - RSSA***

The audit of control arrangements implemented by RSSA and the testing of transactions processed through the Standard Invoicing System (SIS) considered the adequacy of policies and procedures, segregation of duties, user access and maintenance of the SIS database, the maintenance of customer masterfiles and reconciling SIS and MPAR. Consideration was also given to arrangements for revenue raising associated with contracts for provision of services including:

- establishment and approval of revenue contracts
- raising and approval of invoices and adjustment/credit notes
- review of milestones due/overdue review
- follow-up of debtors.

The audit noted:

- policies and procedures had not been prepared for the update of SIS user access
- the role and responsibilities of the SIS administrator in creating, amending and deleting SIS user access was not clear
- the 'Planview Project Manager Reference' manual was regularly updated but not formally approved or promulgated.

In addition, Audit noted that invoice request forms approvals were inconsistent with PIRSA's debt management and invoicing policy and procedures and the invoice authorisation limits within SIS were inconsistent with PIRSA's financial and procurement authorisations.

In response to the audit findings the Department advised:

- it would work with SSSA to clarify the SIS administrator's role and responsibilities and formulate appropriate documentation
- RSSA would formally endorse the 'Planview Project Manager Reference' manual through the executive team and develop a process for regular updates and subsequent re-endorsement
- RSSA had changed the current practice of invoice authorisation to align with the Department's policy and the invoice request format was standardised to match other PIRSA invoice request forms
- PIRSA would review invoice limits within SIS and consider any changes required to identify the most effective functional outcomes.

**Grants and advances revenue – SARDI**

The audit of SARDI revenue for 2012-13 considered control arrangements implemented by the Department and the testing of transactions processed through the SIS system. Specific areas of focus included whether policies and procedures for managing funding were up-to-date, arrangements for initiating grant programs and processes for establishing and approving new grant agreements, arrangements for monitoring and evaluating grant programs and for raising and receipting of revenue.

Review of arrangements for monitoring project performance noted divisions had ceased to regularly review the monthly 'Project by Milestone' report in November 2012 and the bi-monthly 'Balances Scorecard' report in March 2013. This followed the amalgamation of divisions which required the re-allocation of funding programs in the system. It was noted that, since March 2013, milestones were monitored on an ad hoc basis.

The audit also found:

- accepted practice for securing and banking receipts was not documented in policies and procedures and in some instances cheques were not banked promptly
- SARDI SIS user access was not regularly reviewed
- authorisation limits within SIS were inconsistent with PIRSA financial and procurement authorisation
- a number of invoices and credit note adjustments were approved by officers without appropriate payment authority.

In response to the audit findings the Department advised:

- regular distribution of the 'Project by Milestone' and 'Balanced Scorecard' reports had re-commenced for 2013-14 and the need for diligent follow-up had been reinforced with officers. Responsibilities related to milestone reporting were added to the SARDI contract pathways document
- the need to promptly bank receipts was reinforced with relevant SARDI staff and it intends, in December 2013, to review its policies and procedures for receipting income and including documentation regarding security and banking of receipts
- SARDI would pilot a new regular SIS user access review process. The process would be reviewed and revised following discussions with other divisions and SSSA on the broader SIS administrator role and responsibilities
- it would review invoice limits within SIS and consider any changes required to achieve the most effective functional outcomes
- SARDI had amended its approval processes to ensure only appropriately authorised staff approved invoices and credit note adjustments.

**Corporate governance**

The governance arrangements implemented by the Department to enable the Chief Executive to demonstrate compliance with obligations imposed by key legislation, PSA and PFAA, were considered as part of the PIRSA audit. Notable matters arising from the corporate governance review were:

- no authorised strategic plan was established for 2012-13 and the strategic directions statement, Towards 2017, was in draft and awaiting endorsement by the new Chief Executive

- divisional business plans for 2012-13 were drafted for the period March 2013 - June 2014 but were not formally approved
- the legal compliance framework had not been reviewed since 2010 and required updating to reflect current practices and current legislative responsibilities
- the fraud and corruption policy and whistleblowers policy and procedure had not been updated since 2009 and the risk management framework and risk management guidelines had not been updated since 2008
- the internal audit approach for 2012-13 was not finalised and an internal audit plan for 2012-13 had not been prepared and approved
- requirements of the Audit and Risk Management Committee terms of reference, approved in December 2012, were not met in terms of the number of independent members and meetings held.

Audit acknowledged the audit findings may reflect the influence of machinery of government changes and the appointment of a new Chief Executive during 2012-13.

The Department advised:

- the corporate plan 2013-15 was endorsed by the Chief Executive in July 2013 and has been promulgated across PIRSA. It is expected that a strategic plan for each financial year will be prepared as an integral component of PIRSA's planning and budgeting cycle
- divisional business plans were prepared for the period March 2013 to June 2014. While not formally endorsed by the Chief Executive they were used to monitor performance against activities and outcomes. 2013-14 divisional business plans were in the final stages of development and, following review of all draft plans by Executive Directors for consistency and appropriateness, would be formally endorsed by the Chief Executive
- the legal compliance policy and procedure is scheduled for review in September 2013
- the fraud and corruption and whistleblowers policy and procedures were under review. To conform with the *Independent Commissioner Against Corruption Act 2012* the policy and procedure will include education and awareness training
- the risk management framework, including PIRSA policies, procedures and reporting templates were approved by PIRSA Executive in April 2013. Workshops were held with stakeholders from each division to identify divisional risks using the new framework
- the PIRSA internal audit policy and governance and compliance audit guideline were still under review and expected to be finalised in December 2013. A 2014 audit program will be drafted once all risks and internal controls have been assessed and the 2013-14 audit program will be finalised before December 2013
- an earlier Audit and Risk Management Committee terms of reference document was endorsed by the former Chief Executive in December 2012 and a subsequent version was endorsed in April 2013 by PIRSA Executive. The document was tabled for discussion at the August 2013 Audit and Risk Management Committee meeting and it is anticipated that the terms of reference will be endorsed by the Chief Executive in September 2013
- four formal meetings of the Audit and Risk Management Committee were scheduled for 2013 and a process implemented to report the outcomes of each meeting to the Chief Executive.

## Interpretation and analysis of the financial report

### Highlights of the financial report - controlled items

	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Employee benefit expenses	90	108
Grants and subsidies	22	24
Supplies and services	53	62
Other expenses	7	9
<b>Total expenses</b>	<b>172</b>	<b>203</b>
<b>Income</b>		
Fees and charges	21	28
Advances and grants	45	49
Commonwealth revenues	1	8
Other income	12	11
<b>Total income</b>	<b>79</b>	<b>96</b>
<b>Net cost of providing services</b>	<b>93</b>	<b>107</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	95	112
Payments to SA Government	(4)	(7)
<b>Net result</b>	<b>(2)</b>	<b>(2)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>-</b>	<b>(1)</b>
<b>Assets</b>		
Current assets	117	121
Non-current assets	116	111
<b>Total assets</b>	<b>233</b>	<b>232</b>
<b>Liabilities</b>		
Current liabilities	47	46
Non-current liabilities	25	26
<b>Total liabilities</b>	<b>72</b>	<b>72</b>
<b>Total equity</b>	<b>161</b>	<b>161</b>

### Statement of Comprehensive Income

#### *Employee benefit expenses*

Employee benefit expenses reduced from \$108 million to \$90 million in 2012-13 mainly due to the full year effect of the transfer of staff associated with the functional transfers between the Department and the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) effective from 1 January 2012.

#### *Supplies and services*

Supplies and services reduced from \$62 million to \$53 million due to decreases in professional and technical services, vehicle lease and operating costs, computing and communications costs and administrative and operating costs mainly as a result of the full year impact of the functional transfers with DMITRE.

**Grants and subsidies expense**

Total grants and subsidies reduced by \$2 million to \$22 million in 2012-13 mainly due to a reduction of \$7 million in exceptional circumstances interest rate subsidies paid. This reduction in grants paid was offset by increased grants and subsidies of \$3 million paid for the Riverland Sustainable Futures program, \$2 million paid for the Regional Development Australia program and \$2.5 million for the Upper Spencer Gulf and Outback Enterprise Zone Fund reflecting the full year impact of the functional transfers from DMITRE.

**Revenues from fees and charges**

Fees and charges decreased by \$7 million to \$21 million in 2012-13 due to a reduction of \$6 million in mining and petroleum application fees, rental and licences, as this function was transferred to DMITRE effective from 1 January 2012 and a \$2.7 million decrease in consultancies and service fees from Rural Solutions. These decreases were offset by a \$1.4 million increase in SARDI consultancies and service fees.

**Commonwealth grants**

Commonwealth revenue decreased by \$7 million principally due to reduced funding provided for the exceptional circumstances interest rate subsidies program.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2013.

	2013 \$'million	2012 \$'million	2011 \$'million	2010 \$'million
<b>Net cash flows</b>				
Operating	-	(1)	24	2
Investing	(2)	(17)	(8)	(6)
Financing	(1)	8	4	1
Change in cash	(3)	(10)	20	(3)
Cash at 30 June	85	88	98	78

**Highlights of the financial report - administered items**

	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Grants and subsidies	25	25
Payments of royalties to Consolidated Account	-	83
Other expenses	4	6
<b>Total expenses</b>	29	114
<b>Income</b>		
Fees and charges	24	23
Levies collections	2	3
Royalties	-	83
Other income	1	2
<b>Total income</b>	27	111
<b>Net cost of providing services</b>	(2)	(3)
<b>Revenues from (Payments to) SA Government</b>	4	4
<b>Net result</b>	2	1
<b>Net cash provided by (used in) operating activities</b>	(18)	15

	2013 \$'million	2012 \$'million
<b>Assets</b>		
Current assets	28	46
<b>Total assets</b>	28	46
<b>Liabilities</b>		
Current liabilities	6	26
<b>Total liabilities</b>	6	26
<b>Total equity</b>	22	20

#### Statement of Administered Comprehensive Income

##### *Income from fees and charges/Payment of grants and subsidies*

Fees and charges principally reflect licence fees and contributions from members of different industry groups. Funds collected are disbursed as grants and subsidies to support promotion, research and development and other activities to benefit the different industries.

##### *Royalties*

Income from royalties decreased by \$83 million as the collection of royalties was transferred to DMITRE effective from 1 January 2012. Therefore no payments of royalties to the Consolidated Account were made by PIRSA during 2012-13.

#### Statement of Administered Financial Position

Decreased payables are principally due to a decrease in funds payable to DMITRE of \$18 million as at 30 June 2013. Mining and petroleum application fees, rental and licences are collected by PIRSA on behalf of DMITRE and then remitted to DMITRE at the end of each month.



## Statement of Comprehensive Income for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefit expenses	6	89 508	108 140
Supplies and services	7	53 474	61 603
Depreciation and amortisation expense	8	5 408	6 276
Grants and subsidies	9	22 070	24 400
Borrowing costs	10	790	390
Net loss from disposal of non-current assets	18	95	-
Other expenses	11	700	1 875
<b>Total expenses</b>		172 045	202 684
<b>Income:</b>			
Revenues from fees and charges	13	21 224	27 802
Advances and grants	14	45 224	49 077
Commonwealth revenues (National Partnership payments)	15	780	8 456
Interest revenues	16	2 722	2 784
Sale of goods	17	3 062	2 951
Net gain from disposal of non-current assets	18	-	239
Net gain from disposal of other assets	18(a)	1	-
Other income	19	5 586	5 078
<b>Total income</b>		78 599	96 387
<b>Net cost of providing services</b>		93 446	106 297
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	20	95 263	111 513
Payments to SA Government	20	(4 100)	(6 865)
<b>Net revenues from (payments to) SA Government</b>		91 163	104 648
<b>Net result</b>		(2 283)	(1 649)
<b>Other comprehensive income:</b>			
Changes in property, plant and equipment revaluation surplus	26	2 558	-
<b>Total other comprehensive income</b>		2 558	-
<b>Total comprehensive result</b>		275	(1 649)

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

## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash	21	84 761	87 571
Receivables	22	30 377	31 486
Inventories	23	2 086	2 214
		117 224	121 271
Non-current assets classified as held for sale	25	-	48
<b>Total current assets</b>		117 224	121 319
<b>Non-current assets:</b>			
Receivables	22	231	296
Financial assets	24	4 501	4 579
Property, plant and equipment	26	107 341	103 061
Intangible assets	27	3 146	2 967
Inventories	23	161	184
<b>Total non-current assets</b>		115 380	111 087
<b>Total assets</b>		232 604	232 406
<b>Current liabilities:</b>			
Payables	28	9 062	7 438
Employee benefits	30	8 078	8 260
Financial liabilities/Borrowings	29	17 103	17 848
Provisions	31	544	541
Other current liabilities	32	12 401	11 997
<b>Total current liabilities</b>		47 188	46 084
<b>Non-current liabilities:</b>			
Payables	28	1 953	2 044
Employee benefits	30	20 416	21 417
Provisions	31	1 897	1 777
Other non-current liabilities	32	271	480
<b>Total non-current liabilities</b>		24 537	25 718
<b>Total liabilities</b>		71 725	71 802
<b>Net assets</b>		160 879	160 604
<b>Equity:</b>			
Retained earnings	33	121 239	123 522
Revaluation surplus	33	39 640	37 082
<b>Total equity</b>		160 879	160 604
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	35		
Contingent assets and liabilities	36		

## Statement of Changes in Equity for the year ended 30 June 2013

		Revaluation surplus	Retained earnings	Committed grants reserve	Total
	Note	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2011		49 288	126 455	516	176 259
Prior period correction		-	1 203	-	1 203
Restated balance at 30 June 2011		49 288	127 658	516	177 462
Net result for 2011-12		-	(1 649)	-	(1 649)
Transfer from reserve		-	340	(340)	-
Reduction of revaluation surplus		(12 206)	12 206	-	-
Total comprehensive result for 2011-12		(12 206)	10 897	(340)	(1 649)
Transactions with SA Government as owner:					
Net assets received from an administrative restructure	34	-	(306)	-	(306)
Net assets transferred as a result of an administrative restructure	34	-	(14 735)	-	(14 735)
Balance at 30 June 2012	33	37 082	123 514	176	160 772
Prior period correction		-	8	(176)	(168)
Restated balance at 30 June 2012	33	37 082	123 522	-	160 604
Net result for 2012-13		-	(2 283)	-	(2 283)
Gain on revaluation of land during 2012-13	26	1 261	-	-	1 261
Gain on revaluation of building infrastructure during 2012-13	26	1 297	-	-	1 297
Total comprehensive result for 2012-13		2 558	(2 283)	-	275
<b>Balance at 30 June 2013</b>	33	<b>39 640</b>	<b>121 239</b>	<b>-</b>	<b>160 879</b>

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

## Statement of Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee benefit payments		(90 216)	(104 223)
Supplies and services		(52 105)	(68 136)
Grants and subsidies		(21 319)	(25 416)
Interest paid		(745)	(248)
GST payments to the ATO		(44)	(94)
GST paid to suppliers		(8 552)	(7 977)
Payments for Paid Parental Leave Scheme		(243)	(118)
Other payments		(584)	(739)
<b>Cash used in operations</b>		<u>(173 808)</u>	<u>(206 951)</u>
Cash inflows:			
Fees and charges		20 504	24 025
Sale of goods		1 136	1 694
Commonwealth revenues (National Partnership payments)		803	9 522
Advances and grants		46 668	47 295
Security deposits		-	3 241
Interest received		1 717	2 304
GST receipts from customers		5 129	4 930
GST recovered from the ATO		2 956	3 472
Receipts for Paid Parental Leave Scheme		234	141
Other receipts		3 370	4 398
<b>Cash generated from operations</b>		<u>82 517</u>	<u>101 022</u>
Cash flows from SA Government:			
Receipts from SA Government		95 263	111 513
Payments to SA Government		(4 100)	(6 865)
<b>Cash generated from SA Government</b>		<u>91 163</u>	<u>104 648</u>
<b>Net cash provided by (used in) operating activities</b>	38	<u>(128)</u>	<u>(1 281)</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(4 457)	(5 018)
Loans advanced to rural sector and industry		(1 846)	(13 967)
Purchase of inventories		(434)	(463)
Purchase of intangibles		(776)	(1 167)
<b>Cash used in investing activities</b>		<u>(7 513)</u>	<u>(20 615)</u>
Cash inflows:			
Loans repaid by the rural sector and industry		3 672	1 132
Proceeds from the sale of property, plant and equipment and intangibles		274	514
Proceeds from the disposal of investments		79	-
Sale of inventories		1 412	1 257
Lease incentive received		139	532
<b>Cash generated from investing activities</b>		<u>5 576</u>	<u>3 435</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(1 937)</u>	<u>(17 180)</u>

**Statement of Cash Flows**  
**for the year ended 30 June 2013 (continued)**

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Repayment of borrowings		(2 591)	(704)
Cash transferred as a result of restructuring activities		-	(7 393)
<b>Cash used in financing activities</b>		<u>(2 591)</u>	<u>(8 097)</u>
Cash inflows:			
Proceeds from borrowings		1 846	13 967
Cash transferred as a result of restructuring activities		-	1 909
<b>Cash generated from financing activities</b>		<u>1 846</u>	<u>15 876</u>
<b>Net cash provided by (used in) financing activities</b>		<u>(745)</u>	<u>7 779</u>
<b>Net increase (decrease) in cash</b>		<u>(2 810)</u>	<u>(10 682)</u>
<b>Cash at 1 July</b>		87 571	98 253
<b>Cash at 30 June</b>	21	<u>84 761</u>	<u>87 571</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013

(Activities - refer note 5)	1		2		3	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	87 390	95 302	1 255	1 474	863	365
Supplies and services	52 862	55 363	304	429	308	224
Depreciation and amortisation expense	5 398	5 691	-	-	10	-
Grants and subsidies	8 722	18 227	-	-	13 348	5 570
Borrowing costs	790	390	-	-	-	-
Net loss from disposal of non-current assets	95	-	-	-	-	-
Other expenses	700	1 875	-	-	-	-
<b>Total expenses</b>	<b>155 957</b>	<b>176 848</b>	<b>1 559</b>	<b>1 903</b>	<b>14 529</b>	<b>6 159</b>
<b>Income:</b>						
Revenues from fees and charges	21 224	21 451	-	-	-	-
Advances and grants	45 224	49 077	-	-	-	-
Commonwealth revenues	780	8 456	-	-	-	-
Interest revenues	2 722	2 784	-	-	-	-
Sales of goods	3 062	2 882	-	-	-	-
Net gain from disposal of non-current assets	-	239	-	-	-	-
Net gain from disposal of non-other assets	1	-	-	-	-	-
Other income	5 586	4 960	-	(2)	-	-
<b>Total income</b>	<b>78 599</b>	<b>89 849</b>	<b>-</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Net cost of providing services</b>	<b>77 358</b>	<b>86 999</b>	<b>1 559</b>	<b>1 905</b>	<b>14 529</b>	<b>6 159</b>
<b>Revenues from (Payments to)</b>						
<b>SA Government:</b>						
Revenues from SA Government	79 175	92 215	1 559	1 905	14 529	6 159
Payments to SA Government	(4 100)	(6 865)	-	-	-	-
<b>Net revenues from (payments to)</b>						
<b>SA Government</b>	<b>75 075</b>	<b>85 350</b>	<b>1 559</b>	<b>1 905</b>	<b>14 529</b>	<b>6 159</b>
<b>Net result</b>	<b>(2 283)</b>	<b>(1 649)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Disaggregated Disclosures - Expenses and Income  
for the year ended 30 June 2013 (continued)**

(Activities - refer note 5)	Transfer to DMITRE <sup>(2)</sup> Olympic Dam Taskforce		Transfer to DMITRE <sup>(2)</sup> Minerals and Energy Resources		Total <sup>(1)</sup>	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	-	254	-	10 745	89 508	108 140
Supplies and services	-	242	-	5 345	53 474	61 603
Depreciation and amortisation expense	-	8	-	577	5 408	6 276
Grants and subsidies	-	-	-	603	22 070	24 400
Borrowing costs	-	-	-	-	790	390
Net loss from disposal of non-current assets	-	-	-	-	95	-
Other expenses	-	-	-	-	700	1 875
<b>Total expenses</b>	<b>-</b>	<b>504</b>	<b>-</b>	<b>17 270</b>	<b>172 045</b>	<b>202 684</b>
<b>Income:</b>						
Revenues from fees and charges	-	-	-	6 351	21 224	27 802
Advances and grants	-	-	-	-	45 224	49 077
Commonwealth revenues	-	-	-	-	780	8 456
Interest revenues	-	-	-	-	2 722	2 784
Sales of goods	-	-	-	69	3 062	2 951
Net gain from disposal of non-current assets	-	-	-	-	-	239
Net gain from disposal of non-other assets	-	-	-	-	1	-
Other income	-	1	-	119	5 586	5 078
<b>Total income</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>6 539</b>	<b>78 599</b>	<b>96 387</b>
<b>Net cost of providing services</b>	<b>-</b>	<b>503</b>	<b>-</b>	<b>10 731</b>	<b>93 446</b>	<b>106 297</b>
<b>Revenues from (Payments to)</b>						
<b>SA Government:</b>						
Revenues from SA Government	-	503	-	10 731	95 263	111 513
Payments to SA Government	-	-	-	-	(4 100)	(6 865)
<b>Net revenues from (payments to)</b>						
<b>SA Government</b>	<b>-</b>	<b>503</b>	<b>-</b>	<b>10 731</b>	<b>91 163</b>	<b>104 648</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2 283)</b>	<b>(1 649)</b>

<sup>(1)</sup> Comparatives for 2012 have been restated to include prior period adjustments.

<sup>(2)</sup> The operational activities of the Minerals and Energy Resources Division and the Olympic Dam Taskforce transferred from the Department of Primary Industries and Regions (PIRSA) to the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) on 1 January 2012.

## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2013

(Activities - refer note 5)	1		2		3	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>						
Cash	55 857	55 837	-	-	-	-
Receivables	29 584	28 842	-	-	3	5
Inventories	2 086	2 214	-	-	-	-
Non-current assets classified as held for sale	-	48	-	-	-	-
<b>Total current assets</b>	<b>87 527</b>	<b>86 941</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5</b>
<b>Non-current assets:</b>						
Receivables	214	285	-	-	-	-
Other financial assets	4 501	4 579	-	-	-	-
Property, plant and equipment	95 625	85 486	-	-	-	-
Intangible assets	2	4	-	-	-	-
Inventories	161	184	-	-	-	-
<b>Total non-current assets</b>	<b>100 503</b>	<b>90 538</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>188 030</b>	<b>177 479</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>5</b>
<b>Current liabilities:</b>						
Payables	5 320	4 605	425	61	46	86
Employee benefits	6 629	6 316	130	139	70	93
Financial liabilities/Borrowings	17 103	17 848	-	-	-	-
Provisions	447	448	1	1	-	-
Other current liabilities	12 279	11 807	-	-	-	20
<b>Total current liabilities</b>	<b>41 778</b>	<b>41 024</b>	<b>556</b>	<b>201</b>	<b>116</b>	<b>199</b>
<b>Non-current liabilities:</b>						
Payables	1 537	1 481	41	57	20	26
Employee benefits	16 070	15 559	429	559	210	248
Provisions	1 560	1 519	3	2	1	-
Other non-current liabilities	-	-	-	-	-	-
<b>Total non-current liabilities</b>	<b>19 167</b>	<b>18 559</b>	<b>473</b>	<b>618</b>	<b>231</b>	<b>274</b>
<b>Total liabilities</b>	<b>60 945</b>	<b>59 583</b>	<b>1 029</b>	<b>819</b>	<b>347</b>	<b>473</b>
<b>Net assets</b>	<b>127 085</b>	<b>117 896</b>	<b>(1 029)</b>	<b>(819)</b>	<b>(344)</b>	<b>(468)</b>



## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2013 (continued)

(Activities - refer note 5)	General/		Total	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>				
Cash	28 904	31 734	84 761	87 571
Receivables	790	2 639	30 377	31 486
Inventories	-	-	2 086	2 214
Non-current assets classified as held for sale	-	-	-	48
<b>Total current assets</b>	29 694	34 373	117 224	121 319
<b>Non-current assets:</b>				
Receivables	17	11	231	296
Other financial assets	-	-	4 501	4 579
Property, plant and equipment	11 716	17 575	107 341	103 061
Intangible assets	3 144	2 963	3 146	2 967
Inventories	-	-	161	184
<b>Total non-current assets</b>	14 877	20 549	115 380	111 087
<b>Total assets</b>	44 571	54 922	232 604	232 406
<b>Current liabilities:</b>				
Payables	3 271	2 686	9 062	7 438
Employee benefits	1 249	1 712	8 078	8 260
Financial liabilities/Borrowings	-	-	17 103	17 848
Provisions	96	92	544	541
Other current liabilities	122	170	12 401	11 997
<b>Total current liabilities</b>	4 738	4 660	47 188	46 084
<b>Non-current liabilities:</b>				
Payables	355	480	1 953	2 044
Employee benefits	3 707	5 051	20 416	21 417
Provisions	333	256	1 897	1 777
Other non-current liabilities	271	480	271	480
<b>Total non-current liabilities</b>	4 666	6 267	24 537	25 718
<b>Total liabilities</b>	9 404	10 927	71 725	71 802
<b>Net assets</b>	35 167	43 995	160 879	160 604

The 2012 comparatives have been restated for prior years adjustments.

Note: Assets and liabilities are only attributed to activities where this can be done reliably.

Certain amounts like cash and taxation amounts receivable and due from operating transitions are not allocated.

Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by that activity. Where this criteria is not met the asset value is unallocated.

In the construction of this report a negative net assets position may result for a program from the allocation method used and/or non-attribution of assets and liabilities to programs. However, total net assets reconciles to the Statement of Financial Position.

## Notes to and forming part of the financial statements

### 1. Objectives of the Department of Primary Industries and Regions (PIRSA or the Department)

PIRSA has the lead role in implementing and coordinating the Government's strategic priority of premium food and wine from our clean environment. PIRSA also aims to grow sustainable, competitive regions. These objectives reflect targets in South Australia's Strategic Plan, including growing the contribution made by the South Australian food industry to \$20 billion by 2020.

To assist in achieving these aims, PIRSA has the additional objectives of:

- securing sustainable access to resources such as land, water and stock
- enhancing and growing the efficiency and value of production
- ensuring and expanding access to markets
- working with South Australia's regional communities to enhance sustainable economic prosperity.

PIRSA contributes to the productivity growth of our agriculture, food and fisheries by: enforcing strict biosecurity measures to keep our crops and farm animals free of many pests and diseases (eg South Australia is fruit fly and phylloxera free); preparing food safety standards which make our produce some of the safest in the world, and providing strong research and innovation capabilities. PIRSA develops and implements policies and programs that ensure South Australia remains competitive, profitable and sustainable.

### 2. Summary of significant accounting policies

#### (a) *Statement of compliance*

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

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

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2013. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

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

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosure that have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration, inclusive of any TVSPs paid, is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

**(b) Basis of preparation (continued)**

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

**(c) Reporting entity**

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

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

In the process of reporting on the Department as a single unit, all internal transactions have been eliminated in full.

**(d) Transferred functions**

2011-12

Public Sector (Reorganisation of Public Sector Operations) Notices issued in 2011 declared that, effective from 1 January 2012, the:

- Regional Development team would transfer from the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) to PIRSA (gazetted 8 December 2011) - refer note 34
- operational units of the Minerals and Energy Resources Division and the Olympic Dam Taskforce would transfer from PIRSA to DMITRE (gazetted 15 December 2011) - refer note 34
- Investment and Strategic Projects team would transfer from PIRSA to DMITRE (gazetted 1 December 2011) - refer note 34
- Policy and Planning team would transfer from PIRSA to DMITRE (gazetted 15 December 2011) - refer note 34.

*Administered transfers*

Along with the transfer of the operational units of the Minerals and Energy Resources Division, administered activities, royalties, native title royalties and Mintabie camp fees transferred to DMITRE effective from 1 January 2012.

*Transfer of Ministerial office*

As part of the Ministerial portfolio changes that occurred on 21 October 2011, and pursuant to the PSA sections 9(3) and (4) employees of the following ministerial offices were transferred between agencies:

- *Transfers to:*
  - DTF (Minister O'Brien's staff)
  - DMITRE (Minister Koutsantonis's staff)
- *Transfers from:*
  - Attorney-General's Department (Minister Gago's staff)

(e) **Comparative information**

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

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

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

(f) **Rounding**

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

(g) **Taxation**

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

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

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

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

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

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

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

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

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

(i) **Income and expenses**

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

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

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

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

The following are specific recognition criteria:

*Revenues from (Payments to) SA Government*

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

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

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

Amounts appropriated to the Department for transfer to eligible beneficiaries in accordance with legislation or other authoritative requirements are not available to the Department for use in achieving its objectives and therefore are not recognised as revenues, but are reported as revenues in the administered financial statements schedule. Similarly, the amounts transferred are not recognised as expenses, but are reported as administered expenses in the administered financial statements schedule.

*Fees and charges*

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

*Contributions received/paid*

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

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

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

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

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

*Resources received/provided free of charge*

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Comprehensive Income at their fair value.

Resources provided free of charge (contributions of services) are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated. These are recorded in the expense line items to which they relate.

*Administered - royalty receipts*

Royalty revenue relates to minerals and petroleum production and is collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971* and the *Petroleum and Geothermal Energy Act 2000*. Royalty revenue is recognised as income when received. Royalties transferred to DMITRE effective from 1 January 2012.

*Administered - contributions received from industry*

Under the *Primary Industry Funding Schemes Act 1998* certain administered industry funds may impose a levy on industry participants to raise funds for the conduct of approved projects to advance research or development in the industry sector. For each industry fund, regulations under the *Primary Industry Funding Schemes Act 1998* specify the amount and nature of levies payable. Revenue from this source is recognised as income when received.

*Administered - licence fee revenue*

Revenue is recognised at the date of grant of a new licence and on any subsequent renewal, at the date of commencement of the new licence period. The operations of fisheries and aquaculture are largely cost recovered and annual licence fee revenue collections fund legislative compliance, research and other industry specific projects, in accordance with strategic plans developed by the industry.

*Net gain non-current assets*

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

*Employee benefit expenses*

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

*Superannuation*

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

*Depreciation and amortisation of non-current assets*

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

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

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

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

Land, heritage assets and assets held for sale are not depreciated.

Depreciation/Amortisation is calculated on a straight-line basis either over the estimated useful life of the asset, where this can be reasonably determined, or a class rate taken from the table below:

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings and infrastructure	20-70
Leasehold improvements	10
Plant and equipment	3-20
Intangibles	1-4

*Borrowing costs*

All borrowing costs are recognised as expenses.

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

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

**(k) Assets**

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

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

**(k) Assets (continued)**

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

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and foreign currencies

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

Cash is measured at nominal value.

*Receivables*

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

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

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

*Other financial assets*

The Department measures financial assets at historical cost, except for increments in publicly listed companies, which are revalued to their market price at the end of the reporting period. Gains or losses are recognised in the Statement of Comprehensive Income.

*Inventories*

Biological assets and agricultural produce

Biological assets are livestock, vines and fruit trees and are valued at fair value less estimated costs to sell. Agricultural produce, including wool, fruit and harvested crops, is valued at fair value less estimated costs to sell. Gains and losses resulting from measurement at fair value, and from changes in fair value, are recognised in the Statement of Comprehensive Income.

Fair value for biological assets and agricultural produce has been determined by reference to quoted prices in the markets in which the produce is ordinarily sold, reduced by estimated point of sale costs that include commissions, packing and handling, brokerage selling charges and levies from regulatory bodies.

*Other inventories*

Other inventories are measured at the lower of cost or their net realisable value.

Inventories include chemicals, seed stocks and other goods and property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciating assets.

Inventories held for distribution, for no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential.

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

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

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

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

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

*Non-current asset acquisition and recognition*

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

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

All non-current tangible assets with a value of \$10 000 or greater are capitalised. Componentisation of complex assets is only performed when the asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

*Revaluation of non-current assets*

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

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

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

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

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

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

(i) *Land and buildings*

Land, buildings and infrastructure were independently reviewed to fair value as at 30 June 2013. Valuations comprised independent valuations received from Liquid Pacific who valued the Department's assets located in the metropolitan and near country areas. Valuation increments/decrements were recorded where applicable for land, buildings and infrastructure, which represents roads, fencing, signage etc.

(ii) *Leasehold improvements*

Leasehold improvements are brought to account at cost and are revalued in accordance with the valuation processes outlined above.

(iii) *Plant and equipment*

In accordance with APF III all plant and equipment below the revaluation threshold are deemed to have been revalued to their fair values immediately following recognition at cost.



### *Impairment*

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

For revalued assets an impairment loss is offset against the respective revaluation surplus for that class of asset.

### *Construction and works in progress*

Works in progress relate to costs associated with systems development, purchases of plant and equipment and other developments.

### *Intangible assets*

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

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

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

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

Water licences that are tradeable in an active open market are valued at fair value by reference to current market values for water trading at the locations where the licences are held. Other water licences are valued at fair value by reference to the current cost of water in the market where the licence is held and the costs incurred to acquire the right to access the resource. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised.

Any subsequent internal expenditure cannot be reliably measured. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

## **(l) Liabilities**

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

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

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

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

### *Payables*

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

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

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

Employment benefits on-costs include payroll tax, WorkCover levies and superannuation contributions with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

*Payables (continued)*

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

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

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

*Borrowings/Financial liabilities*

The Department measures debt at historical cost.

*Leases*

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

- *Operating leases*  
Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis that is representative of the pattern of benefits derived from the leased assets.
- *Lease incentives*  
All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

Lease incentives that provide benefits up to a stipulated maximum amount in a mixed form are first recognised as a convertible lease right. These incentives generally provide for certain agreed capital improvement works to be undertaken within a specified time, after commencement of the lease agreement, with an option to take any remainder of the benefit as a cash payout or a rent free period.

As capital projects are completed the value of the right is reduced and a leasehold improvement asset is recognised and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

*Financial guarantees*

The Department may accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced.

These financial guarantees are recognised as contingent assets (refer note 36) as the Department only has claim to the funds in the event that a borrower defaults on the conditions of a loan agreement.

*Employee benefits*

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

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

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

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

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

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

The conditional portion of LSL reflects the amount of LSL expected to be taken in the next 12 months, based on historical data.

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

#### *Provisions*

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value (refer note 36).

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

#### **(n) Reserves**

The committed grants reserve for Prudential and Rural Financial Services was established to provide for grant commitments which are committed but not advanced as at the end of the financial year.

#### **(o) Trust funds**

The Department has received monies in a trustee capacity for trusts as set out in note 37. As the Department performs only a custodial role in respect of these monies, and because the monies cannot be used for achievement of the Department's objectives, the revenues and expenditures are only disclosed by way of note and are not brought to account in the Department's financial statements.

The Extractive Areas Rehabilitation Fund transferred along with the operational units of the Minerals and Energy Resources Division, from PIRSA to DMITRE, effective from 1 January 2012.

### **3. Financial instruments/Financial risk management**

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (deposits with the Treasurer and loans to the rural sector) and liabilities (borrowings from the SA Government).

#### **Credit risk**

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

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure transactions occur with customers with appropriate credit history.

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 39 represents the Department's maximum exposure to financial liabilities.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates is monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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

**4. Changes in accounting policies**

The Department did not voluntarily change any of its accounting policies during 2012-13.

**5. Activities of the Department**

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

**Activity 1: Agriculture, Food and Fisheries**

Leading in the development and delivery of the Government's key priority of 'premium food and wine from our clean environment' to drive growth and sustainable development of the State's primary industry resources.

**Activity 2: Forestry Policy**

Support the sustainable development of an internationally competitive forest industry, regional development and the provision of services from State Government forest estate.

**Activity 3: Regional Development**

Grow sustainable, competitive regions and work with South Australia's regional communities to enhance economic prosperity. Assist in building social capital, promote and support economic development initiatives and regional infrastructure investment.

The Regional Development program's key outcome is to facilitate strong, vibrant and sustainable regional industries and communities. It supports regional economic development by facilitating the creation of new regional employment and the attraction of new investment; facilitating cross-sector and cross-government activities that are strategically important for the State, our regions, and major industry sectors; facilitating activities that directly support the Government in delivering its seven key priorities, particularly premium food and wine from our clean environment; growing advanced manufacturing; and realising the benefits of mining for all.

The disaggregated disclosure schedule presents expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2012 and 30 June 2013.

Certain items of the Department's Statement of Financial Position are not allocated to activities and are reported as general/not attributable.

Assets and liabilities are only attributed to activities where this can be done reliably. Property, plant and equipment assets are only allocated where there is exclusive custody, control and regulation of the use of the asset, by a specific activity. Where this criteria is not met the asset value is classified as general/not attributable.

6. Employee benefit expenses	2013 \$'000	2012 \$'000
Salaries and wages	64 972	75 934
TVSPs (refer below)	4 074	4 307
Annual leave	5 736	6 758
LSL	1 376	5 930
Skills and experience retention leave	436	-
Employment on-costs - superannuation	7 424	8 935
Employment on-costs - other	4 007	4 876
Workers compensation	711	379
Board and committee fees	204	178
Other employee related expenses	568	843
Total employee benefit expenses	89 508	108 140
<b>TVSPs</b>		
Amount paid to these employees:		
TVSPs	4 074	4 307
Annual leave and LSL paid during the reporting period	1 398	1 393
Total amount paid	5 472	5 700
Recovery from DTF <sup>(1)</sup>	(3 890)	(5 530)
Net cost to agency	1 582	170

The number of employees who were paid TVSPs during the reporting period was 38 (40).

<sup>(1)</sup> Reimbursement for expenditure incurred by government agencies for payment of TVSPs is paid in arrears on an acquittal basis, and is recognised as revenue when received. At 30 June 2013 the Department had submitted to DTF acquittals for \$284 000. The outstanding amount will be recognised as revenue in 2013-14.

<b>Remuneration of employees</b>	2013	2012
The number of employees whose total remuneration received or receivable falls within the following bands:	Number	Number
\$134 000 - \$137 999*	n/a	4
\$138 000 - \$147 999	8	13
\$148 000 - \$157 999	8	3
\$158 000 - \$167 999	3	4
\$168 000 - \$177 999	3	3
\$178 000 - \$187 999	1	1
\$188 000 - \$197 000	3	-
\$198 000 - \$207 999	3	2
\$208 000 - \$217 999	2	1
\$218 000 - \$227 999	1	1
\$228 000 - \$237 999	2	1
\$238 000 - \$247 999	-	2
\$248 000 - \$257 999	4	-
\$258 000 - \$267 999	3	-
\$278 000 - \$287 999	-	2
\$299 000 - \$307 999	1	-
\$328 000 - \$337 999	1	-
\$358 000 - \$367 999	-	1
\$368 000 - \$377 999	-	1
\$378 000 - \$387 999	1	-
\$388 000 - \$397 999	1	-
\$398 000 - \$407 999	1	1
\$418 000 - \$427 999	1	-
Total	47	40

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2011-12.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, reportable fringe benefit amounts and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$9.876 million (\$7.487 million).

**Remuneration of employees (continued)**

Analysis of the above table of remuneration of employees categorised by the number of executive and non-executive employees is provided below:

	2013 Number	2012 Number
Executives	22	19
Non-executives	25	21
Total	47	40

**7. Supplies and services**

	2013 \$'000	2012 \$'000
Supplies and services provided by entities within SA Government:		
Professional and technical services <sup>(1)</sup>	1 005	902
Administrative and operating costs	559	17
Utility and property costs	3 476	2 978
Computing and communications costs	1 583	2 000
Shared services costs	2 205	2 412
Vehicle lease and operating costs <sup>(3)</sup>	2 679	4 372
Operating lease costs - accommodation costs	3 890	4 272
Other vehicle and equipment operating costs	143	101
Property and risk insurance	410	499
Total supplies and services - SA Government entities	15 950	17 553

Supplies and services provided by entities external to the SA Government:

Professional and technical services <sup>(1)</sup>	12 343	14 494
Administrative and operating costs	9 361	11 186
Utilities and property costs	4 346	4 887
Computing and communications costs	5 742	6 560
Travel <sup>(2)</sup>	3 210	4 268
Vehicle and equipment operating costs	920	991
Staff development and safety <sup>(2)</sup>	1 470	1 531
Operating lease costs	132	133
Total supplies and services - non-SA Government entities	37 524	44 050
Total supplies and services	53 474	61 603

(1) Includes consultancies costs which are further broken down below and audit fees payable to the Auditor-General's Department (refer note 12).

(2) Includes payments to SA Government entities less than \$100 000.

(3) Includes all payments to Fleet SA and LeasePlan for leasing, operating and maintaining vehicles under short and long-term hire agreements.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2013		2012	
	Number	\$'000	Number	\$'000
Below \$10 000	6	29	9	42
Between \$10 000 - \$50 000	7	155	10	240
Above \$50 000	2	163	3	310
Total paid/payable to the consultants engaged	15	347	22	592

**8. Depreciation and amortisation expense**

	2013 \$'000	2012 \$'000
Depreciation:		
Plant and equipment	2 273	2 474
Buildings and infrastructure	2 228	2 319
Core trays	-	58
Total depreciation	4 501	4 851

Amortisation:

Leasehold improvements	449	463
Intangibles	458	962
Total amortisation	907	1 425
Total depreciation and amortisation expense	5 408	6 276

	2013	2012
<b>9. Grants and subsidies</b>		
Grants and subsidies paid/payable to entities within the SA Government:	\$'000	\$'000
Dog fence State contribution	509	-
Payments individually valued at less than \$500 000	412	1 549
Total grants and subsidies - SA Government entities	921	1 549
Grants and subsidies paid/payable to entities external to the SA Government:		
Riverland sustainable futures <sup>(1)</sup>	6 890	3 598
Regional Development Australia <sup>(1)</sup>	3 983	1 825
Upper Spencer Gulf and Outback Enterprise Zone Fund	2 475	-
Food innovation business capability	702	-
South Australia's contribution to national eradication programs	616	626
Exceptional circumstances (interest rate subsidies)	390	7 677
Marketing development management	58	845
Rural assistance programs	-	849
All other payments individually valued at less than \$500 000	6 035	7 431
Total grants and subsidies - non-SA Government entities	21 149	22 851
Total grants and subsidies	22 070	24 400

<sup>(1)</sup> Effective from 1 January 2012, the Regional Development function transferred from DMITRE to PIRSA.

<b>10. Borrowing costs</b>		
Interest payable on borrowings	705	361
Guarantee fees	85	29
Total borrowing costs	790	390

<b>11. Other expenses</b>		
Other expenses paid/payable to entities external to the SA Government:		
Publications, seed and miscellaneous stocks - cost of sales	93	176
Deemed cost of produce consumed <sup>(1)</sup>	349	356
Property, plant and equipment derecognised	13	68
Water licence revaluation	-	122
Bad debts and allowances for doubtful debts	-	121
Royalty payments	110	212
Workers compensation provision movement	(85)	152
Workers compensation liability revaluation	208	169
Assumption of liabilities (recognition) <sup>(2)</sup>	-	486
Other <sup>(3)</sup>	12	13
Total other expenses - non-SA Government entities	700	1 875
Total other expenses	700	1 875

<sup>(1)</sup> Publications, seed and other miscellaneous stocks are disclosed separately from the cost of sales of agricultural and livestock. This line predominantly represents the value of the inventory movement within the year and excludes the cost of crop harvesting from the use of internal resources. These amounts are included within the financial statements under the notes for employee benefit expenses and supplies and services.

<sup>(2)</sup> Pursuant to the PSA a public sector agency may by agreement with another public sector agency, under section 9(3), transfer an employee or groups of employees of the agency to other employment within the public sector on conditions that maintain the substantive remuneration level of the employee or are agreed to by the employee. This may result in the recognition/derecognition of employee leave entitlements between respective agencies and can occur as a cash settlement or as an assumption of liabilities. Where the transfer is within the same government sector adjustment of employee entitlements generally occurs as an assumption of liabilities. These transactions fall outside of machinery of government transfers.

<sup>(3)</sup> Includes payments to SA Government entities less than \$100 000.

<b>12. Auditor's remuneration</b>	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	\$'000	\$'000
Total auditor's remuneration	303	312

#### **Other services**

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

<b>13. Revenues from fees and charges</b>	2013	2012
User fees and charges received/receivable from entities within SA Government:	\$'000	\$'000
Agriculture and Fisheries - consultancies and services	4	22
Rural Solutions - consultancies and services	3 215	2 842
South Australian Research and Development Institute - consultancies and services	31	17
Other	2 521	1 186
Total revenues from fees and charges - SA Government entities	<u>5 771</u>	<u>4 067</u>
User fees and charges received/receivable from entities external to SA Government:		
Agriculture and Fisheries - consultancies and services	3 398	3 432
Rural Solutions - consultancies and services	7 021	10 130
South Australian Research and Development Institute - consultancies and services	4 982	3 537
Mining and petroleum application fees, rentals and licences <sup>(1)</sup>	-	6 368
Other	52	268
Total revenues from fees and charges - non-SA Government entities	<u>15 453</u>	<u>23 735</u>
Total revenues from fees and charges	<u>21 224</u>	<u>27 802</u>

User fees and charges are categorised to reflect the nature of the income received and the division delivering the services sought.

<sup>(1)</sup> Effective from 1 January 2012, the Minerals and Energy Resources function transferred from PIRSA to DMITRE.

<b>14. Advances and grants</b>	2013	2012
	\$'000	\$'000
State grants	18 859	22 046
Commonwealth grants	3 106	2 237
Industry grants	23 259	24 794
Total advances and grants revenue	<u>45 224</u>	<u>49 077</u>

The above advances and grants are allocated to a large range of projects involving the Commonwealth, other state government departments and industry groups. Advances and grants were applied to the following business sectors:

	2013	2012
Advances and grants received/receivable from entities within SA Government:	\$'000	\$'000
South Australian Research and Development Institute <sup>(1)</sup>	5 722	8 085
Fisheries <sup>(1)</sup>	7 253	7 246
Biosecurity	2 464	2 093
Aquaculture <sup>(1)</sup>	1 485	1 413
Rural Solutions	75	21
Other	3	203
Total advances and grants revenue - SA Government entities	<u>17 002</u>	<u>19 061</u>
Advances and grants received/receivable from entities external to SA Government:		
South Australian Research and Development Institute	24 752	25 868
Fisheries	185	212
Biosecurity	2 869	3 694
Aquaculture	326	143
Agriculture and wine	20	-
Other	70	99
Total advances and grants revenue - non-SA Government entities	<u>28 222</u>	<u>30 016</u>
Total advances and grants revenue	<u>45 224</u>	<u>49 077</u>

<sup>(1)</sup> Costs recovered from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund for the administration of licences and registration are applied to the delivery of projects in compliance, research and fishing industry development in the divisions of Fisheries, South Australian Research and Development Institute and Aquaculture.

In 2012-13 the amount received from the Fisheries Research and Development Fund and the Aquaculture Resource Management Fund was \$13.187 million (\$13.205 million).



<b>14. Advances and grants (continued)</b>	2013	2012
The major contributions received during 2012-13, with a value exceeding \$500 000, were for the following projects and programs:	\$'000	\$'000
Fishwatch Management	5 650	5 623
Aquaculture Program Management	1 486	1 455
Implementing Feral Camel National Action Plan	1 356	666
SA Abalone Fishery	1 124	1 208
Rock Lobster Fishery	1 052	1 049
Marine Scale Fishery	798	805
Ovine Johne's Disease Program	767	-
National Variety Trials	761	1 345
Sustain Energy Second Generation Biofuel	609	-
SA Integrated Marine Observing System - Education Investment Fund	547	-
Spencer Gulf Prawn Fishery	529	-
Molecular Diagnostics Centre	510	-
National Livestock Identification Scheme	504	-
Sheep Disease Control	-	1 539
Branched Broomrape Management	-	1 077
National Collaborative Research Infrastructure Strategy - Photobioreactor Facility	-	768
Implementing Feral Camel State Action Plan	-	700
National Oat Breeding Program	-	641
Diagnostic Tests for Soil-Borne Pathogens - International Collaboration	-	627
Irrigation Research, Technical Diffusion and Education Services	-	626
Sequencing Low Rainfall Areas	-	621
All other projects with an individual value of less than \$500 000	29 531	30 327
Total advances and grants revenue	<u>45 224</u>	<u>49 077</u>
<b>15. Commonwealth revenues (National Partnership payments)</b>		
Commonwealth revenue:		
Exceptional circumstances/Drought assistance	457	7 158
Branched Broomrape Eradication Program	300	1 298
Exotic pest diseases preparedness	23	-
Total Commonwealth revenues <sup>(1)</sup>	<u>780</u>	<u>8 456</u>
<sup>(1)</sup> Commonwealth funding for specific projects and to facilitate and/or reward states that deliver on nationally significant reforms are classified as National Partnership payments. These payments are received by the Department through DTF.		
<b>16. Interest revenues</b>	2013	2012
	\$'000	\$'000
Interest from entities within the SA Government	1 660	2 256
Loans to the rural sector	1 054	513
Other	8	15
Total interest revenues	<u>2 722</u>	<u>2 784</u>
<b>17. Sale of goods</b>		
Sale of goods received/receivable from entities external to SA Government:		
Publications, books, maps and compact discs	17	125
Livestock	1 412	1 257
Agriculture produce	1 130	1 029
Other	503	540
Total sale of goods <sup>(1)</sup>	<u>3 062</u>	<u>2 951</u>
<sup>(1)</sup> Includes revenues from SA Government entities less than \$100 000.		
<b>18. Net gain (loss) from disposal of non-current assets</b>		
Land and buildings:		
Proceeds from disposal	19	360
Disposal and demolition costs	(12)	-
Net book value of assets disposed	(262)	(188)
Net gain (loss) from disposal of land and buildings	<u>(255)</u>	<u>172</u>

<b>18. Net gain (loss) from disposal of non-current assets (continued)</b>	2013	2012
Plant and equipment:	\$'000	\$'000
Proceeds from disposal	255	154
Net book value of assets disposed	(95)	(87)
Net gain (loss) from disposal of plant and equipment	160	67
Total assets:		
Total proceeds from disposal	274	514
Disposal and demolition costs	(12)	-
Total value of assets disposed	(357)	(275)
Total net gain (loss) from disposal of non-current assets	(95)	239
<b>(a) Net gain (loss) from the disposal of other assets</b>		
Other:		
Proceeds from disposal	79	-
Net book value of assets disposed	(78)	-
Total net gain (loss) from the disposal of other assets	1	-
<b>19. Other income</b>		
Other income received/receivable from entities within SA Government:		
Reimbursement/Recoveries	344	195
Total other income - SA Government entities	344	195
Other income received/receivable from entities external to SA Government:		
Seed and other royalties	1 147	1 140
Reimbursements/Recoveries	1 561	1 931
Sponsorship contributions	112	187
Gains (Losses) from changes in fair value of biological assets <sup>(1)</sup>	(174)	48
Reduction in provision for doubtful debts	85	-
Diesel fuel rebates	87	80
Dividends	1	-
Assumption of liabilities (derecognition) <sup>(2)</sup>	-	1 180
Gain from revaluation of shares	-	28
Assets recognised on revaluation <sup>(3)</sup>	2 171	-
Other	252	289
Total other income - non-SA Government entities	5 242	4 883
Total other income	5 586	5 078
<sup>(1)</sup> The changes in fair values of livestock are reconciled along with the movement in inventory in note 23.		
<sup>(2)</sup> Pursuant to the PSA a public sector agency may by agreement with another public sector agency, under section 9(3), transfer an employee or groups of employees of the agency to other employment within the public sector on conditions that maintain the substantive remuneration level of the employee or are agreed to by the employee. This may result in the recognition/derecognition of employee leave entitlements between respective agencies and can occur as a cash settlement or as an assumption of liabilities. Where the transfer is within the same government sector adjustment of employee entitlements generally occurs as an assumption of liabilities. These transactions fall outside of machinery of government transfers.		
<sup>(3)</sup> Consists of building and infrastructure assets identified by the valuer during site inspections and land at Monarto recognised under the title of the Minister for Primary Industries.		
<b>20. Revenues from (Payments to) SA Government</b>	2013	2012
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	88 713	105 934
Appropriations received from the Treasurer's Contingency Fund (TVSPs) <sup>(1)</sup>	3 890	5 530
Appropriation received from the Treasurer's Contingency Fund (other)	2 660	49
Total revenues from SA Government	95 263	111 513
Payments to SA Government:		
Return of surplus cash pursuant to cash alignment policy	(4 100)	(6 865)
Total payments to SA Government	(4 100)	(6 865)
Net revenues from (payments to) SA Government	91 163	104 648

**20. Revenues from (Payments to) SA Government (continued)**

Total revenue from government for operational and capital funding consisted of \$88.713 million (\$105.934 million), net of appropriation transferred under administrative restructures, appropriated to the Department under the annual *Appropriation Act*. In 2012-13, the original amount appropriated to the Department under the annual *Appropriation Act* was not varied however an additional advance of \$55 000 was received from the Treasurer via the Governor's Appropriation Fund. Additional amounts were also received during the year from the Treasurer's Contingency Fund. At the end of the year \$4.1 million (\$6.865 million) was returned to DTF from the surplus cash working account.

<sup>(1)</sup> Reimbursement for expenditure incurred by government agencies for payment of TVSPs is paid in arrears on an acquittal basis, and is recognised as revenue when received. At 30 June 2013 the Department had submitted to DTF acquittals for \$284 000. The outstanding amount will be recognised as revenue in 2013-14.

<b>21. Cash</b>	2013	2012
	\$'000	\$'000
Deposits with the Treasurer	84 751	87 557
Imprest account and cash on hand	10	14
Total cash	<u>84 761</u>	<u>87 571</u>

Deposits with the Treasurer include the following fund balances that have restricted conditions:

Funds held in the accrual appropriation excess funds account. The balance of these funds is not available for general use (ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval)	8 591	7 824
Funds held pursuant to the <i>Rural Industry Adjustment and Development Act 1985</i> and other State and Commonwealth schemes for rural financial assistance	55 847	55 825
External funds held in the nature of grants or under cooperative agreements where unspent funds may be returned to the funder	16 395	11 058
Deposits with the Treasurer held as working capital, but subject to DTF budget and cash alignment policies	3 918	12 850
Total deposits with the Treasurer	<u>84 751</u>	<u>87 557</u>

**Interest rate risk**

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

<b>22. Receivables</b>	2013	2012
Current:	\$'000	\$'000
Receivables	9 531	9 098
Allowance for doubtful debts	(42)	(211)
	<u>9 489</u>	<u>8 887</u>
Loans receivable	<u>17 103</u>	<u>17 897</u>
Workers compensation recoveries	22	17
Accrued interest on loans and deposits	429	386
Other accrued revenue	2 418	2 858
GST receivable	773	1 115
Prepayments	143	326
	<u>3 785</u>	<u>4 702</u>
Total current receivables	<u>30 377</u>	<u>31 486</u>
Non-current:		
Loans receivable	153	224
Workers compensation recoveries	78	72
Total non-current receivables	<u>231</u>	<u>296</u>
Total receivables	<u>30 608</u>	<u>31 782</u>
Receivables from SA Government entities:		
Receivables	1 128	1 835
Accrued interest revenues	128	177
Other accrued revenue	125	1 887
Total receivables from SA Government entities	<u>1 381</u>	<u>3 899</u>

<b>22. Receivables (continued)</b>	2013	2012
Receivables from non-SA Government entities:	\$'000	\$'000
Receivables	8 361	7 052
GST receivables	773	1 115
Other accrued revenues	2 293	971
Accrued interest revenues	301	209
Loan receivables	17 256	18 121
Other	243	415
Total receivables from non-SA Government entities	29 227	27 883
Total receivables	30 608	31 782

**Interest rate and credit risk**

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

- (a) Maturity analysis of receivables - refer note 39.
- (b) Categorisation of financial instruments and risk exposure information - refer note 39.

In accordance with the APSs contained in APF IV, the Department measures loans at historical cost. Where there is objective evidence that a loan is impaired, a provision equal to the difference between the carrying value and the present value of expected future repayments is made.

**Allowance for doubtful debts**

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

<b>Movement in the allowance for doubtful debts (impairment loss)</b>	2013	2012
	\$'000	\$'000
Carrying amount at 1 July	211	215
Restructuring transfer <sup>(1)</sup>	-	(100)
Increase (Decrease) in the allowance	(85)	121
Amounts written off	(84)	(25)
Carrying amount at 30 June	42	211

- (1) The allowance was reduced by \$100 000 in relation to debts related the Minerals and Energy Resources Division that transferred to DMITRE on 1 January 2012.

**23. Inventories**

Current inventories:

    Biological assets:

Livestock (at fair value less estimated costs to sell)	1 461	1 834
Agricultural produce (at fair value less estimated costs to sell)	252	175
Total biological assets	1 713	2 009

    Other inventories:

Chemicals and other (at the lower of cost and realisable value)	311	153
Fuel and related items (at the lower of cost and realisable value)	62	52
Total other inventories	373	205
Total current inventories	2 086	2 214

Non-current inventories:

Orchards and vineyards (at fair value less estimated costs to sell)	161	184
Total non-current inventories	161	184
Total inventories	2 247	2 398

**23. Inventories (continued)**

	Orchards, vineyards & agricultural produce \$'000	Livestock \$'000
Balance at 1 July	175	1 834
Increase due to acquisitions	98	434
Decrease due to sales	(641)	(1 159)
Used as feed stock	(302)	-
Harvests transferred to inventories	920	-
Increase (Decrease) due to natural accretion	-	527
Inventory changes (biological growth)	-	(1)
Change in fair value less estimated costs to sell	2	(174)
Balance at 30 June	<u>252</u>	<u>1 461</u>
Current	252	1 461
Non-current	161	-
	<u>413</u>	<u>1 461</u>

Agricultural activities are carried on to assist with research, but are conducted on a commercial basis. At 30 June 2013 inventory included 10 130 sheep, 1451 cattle, 1030 tonnes of crops and grain and 41.04 hectares of vines and fruit trees.

Production for the year included 334 tonnes of grapes and fruit, 6997 lambs, 194 calves, 58 tonnes of wool and 4663 tonnes of other grain crops.

**24. Other financial assets**

	2013 \$'000	2012 \$'000
Non-current:		
Investments in shares	4 501	4 579
Total other financial assets	<u>4 501</u>	<u>4 579</u>

Investments are primarily held to secure long-term benefits from research partnerships and access to resources (water entitlements). The Department's investments include:

- ordinary shares in Australian Grain Technologies Pty Ltd, a joint venture entity involved in research to assist wheat breeding programs. The purchase consideration for these shares consisted of a mixture of cash and leased facilities. The Department holds joint control along with the University of Adelaide, Grains Research and Development Corporation and Vilmorin & CIE SA. The Department's 14.8% (14.8%) shareholding has been recognised at cost
- an allocation of shares in Barossa Infrastructure Limited (\$12 500), acquired in 2000-01, to secure a water entitlement for the Department's research farm located at Nuriootpa. The investment has an associated 15 year water infrastructure levy payable (\$81 750) under a fixed schedule until 2014-15, calculated on the megalitres of water allocated under the scheme. The remaining commitment under the schedule is reflected under note 35
- common stock in Viterra Inc (incorporate in Canada), originated from tolls/shares to farmers based on the volume (tonnes) of grain sold. The value of the shareholding was previously revalued to its listed market price at the end of the reporting period and gains and losses in value were recognised through the Statement of Comprehensive Income. During 2012-13 under a plan of consideration arrangement between Viterra Inc and Glencore International effective from 17 December 2012 Viterra shares were revoked and a consideration payment was made to security holders.

Impairment of financial assets is assessed by reviewing external or internal evidence for indicators of changes that occurred in the period, or are expected to occur in the near future, in the technological, market, economic or legal environment of the investee.

**Movement in financial assets**

	2013 \$'000	2012 \$'000
Carrying amount at 1 July	4 579	4 551
Valuation movements	-	28
Investment disposed of	(78)	-
Carrying amount at 30 June	<u>4 501</u>	<u>4 579</u>

- (a) Maturity analysis of financial assets - refer note 39.  
(b) Categorisation of financial instruments and risk exposure information - refer note 39.

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

	2013 \$'000	2012 \$'000
Plant and equipment	-	48
Total non-current assets classified as held for sale	<u>-</u>	<u>48</u>

The Department reviews its asset base annually. Property, plant and equipment that is surplus to requirements or no longer meets current business needs are regularly disposed of by sale or auction.

**Reconciliation of non-current assets classified as held for sale**

The following table shows the movement of non-current assets held for sale during 2012-13:

	2013 \$'000	2012 \$'000
Carrying amount at 1 July	48	198
Transfer to property, plant and equipment	(46)	-
Disposals	(2)	(150)
Carrying amount at 30 June	<u>-</u>	<u>48</u>

**26. Property, plant and equipment**

Land and buildings:

Land at cost	40	40
Land at fair value	25 889	22 942
Buildings and infrastructure at cost	2 095	3 678
Buildings and infrastructure at fair value	61 215	67 116
Accumulated depreciation - land and buildings	(30)	(9 001)
Construction and work in progress at cost	620	351
Total land and buildings	<u>89 829</u>	<u>85 126</u>

Leasehold improvements:

Leasehold improvements at cost	4 323	4 347
Accumulated amortisation	(1 767)	(1 329)
Total leasehold improvements	<u>2 556</u>	<u>3 018</u>

Plant and equipment:

Plant and equipment at cost (deemed fair value)	34 792	33 817
Accumulated depreciation - plant and equipment	(20 275)	(18 986)
Constructions and works in progress	390	37
Total plant and equipment	<u>14 907</u>	<u>14 868</u>

Heritage assets:

Heritage assets at fair value	49	49
Total heritage assets	<u>49</u>	<u>49</u>
Total property, plant and equipment	<u>107 341</u>	<u>103 061</u>

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2012-13:

	Land \$'000	Buildings & infra- structure \$'000	Leasehold imprvmts \$'000	Plant & equipment \$'000	Construc- tions & works in progress \$'000	Heritage assets \$'000	Total \$'000
Carrying amount at 1 July	23 050	61 837	3 018	15 214	388	49	103 556
Prior period adjustment <sup>(1)</sup>	(68)	(44)	-	(383)	-	-	(495)
Carrying amount after prior period correction	22 982	61 793	3 018	14 831	388	49	103 061
Acquisitions	-	597	-	2 006	2 220	-	4 823
Disposals	-	(262)	-	(95)	-	-	(357)
Revaluation increment (decrement)	1 261	1 297	-	-	-	-	2 558
First time recognition	1 686	485	-	-	-	-	2 171
Assets written down <sup>(2)</sup>	-	-	(13)	-	-	-	(13)
Depreciation/Amortisation expense	-	(2 228)	(449)	(2 273)	-	-	(4 950)
Transfer between classes	-	-	-	48	-	-	48
Transfers in	-	1 598	-	-	-	-	1 598
Transfers out	-	-	-	-	(1 598)	-	(1 598)
Carrying amount at 30 June	<u>25 929</u>	<u>63 280</u>	<u>2 556</u>	<u>14 517</u>	<u>1 010</u>	<u>49</u>	<u>107 341</u>

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

- (1) A prior period adjustment has been applied to derecognise land transferred to DMITRE (\$68 000), an adjustment to buildings to correct the depreciation of assets for 2011-12 (\$44 000) and an adjustment to plant and equipment related to the derecognition of Southern Australian Integrated Marine Observing System and adjustments to depreciation which resulted in a net change of \$383 000.
- (2) Part derecognition of leasehold improvement asset at 101 Grenfell Street, due to reduction in the lease area held following restructuring and consolidation of accommodation.

**Valuation of land, buildings and infrastructure**

During 2012-13 land, buildings and infrastructure were independently reviewed and revalued to fair value as at 30 June 2013, by Liquid Pacific, in accordance with AASB 116. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

**Heritage assets**

During 2009 the Department received assets from the former Department of Trade and Economic Development. These are assets in use and are valued at fair value, taking into account their present condition. The assets were last valued on 12 May 2008 by Bonhams & Bruce, approved valuers of the Auctioneers and Valuers Association of Australia.

**Impairment**

There were no indications of impairment of property, plant and equipment, infrastructure and intangible assets at 30 June 2013.

27. Intangible assets	2013	2012
Software:	\$'000	\$'000
Computer software	9 522	9 191
Accumulated amortisation	(8 489)	(8 180)
Total software	1 033	1 011
Computer software development (works in progress)	1 365	1 069
Water and convertible accommodation lease rights at fair value <sup>(1)</sup>	748	887
Total water and convertible accommodation lease rights at fair value <sup>(1)</sup>	748	887
Total intangible assets	3 146	2 967

**Reconciliation of intangibles**

The following table shows the movement of intangibles during 2012-13:

	Computer software \$'000	Computer software development \$'000	Water and convertible accomm lease rights \$'000	Total \$'000
Carrying amount at 1 July	947	1 119	887	2 953
Prior period adjustment <sup>(2)</sup>	64	(50)	-	14
Carrying amount after prior period correction	1 011	1 069	887	2 967
Additions	153	623	-	776
Disposals	-	-	(139)	(139)
Transfers in	327	-	-	327
Transfers out	-	(327)	-	(327)
Amortisation expense	(458)	-	-	(458)
Carrying amount at 30 June	1 033	1 365	748	3 146

- (1) An agreement secures access to water resources for the research farm operated by the South Australian Research and Development Institute at Nuriootpa. This provides a perpetual right to an annual water allocation. This right is valued at fair value by reference to the current cost of water in the market where the licence is held, the cost incurred to acquire the right to access the resource and the value of infrastructure levy contributions to facilitate the development of the service. Where water use restrictions apply within the year the value of the resource is diminished and an impairment allowance is recognised, conversely where there are no restrictions the impairment is removed. Water allowances are now at 100% (100%), with no rationing.
- (2) A prior period adjustment has been applied to recognise software that was incorrectly classified as plant and equipment in 2011-12.

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

<b>28. Payables</b>	2013	2012
Current:	\$'000	\$'000
Creditors	3	465
Accrued expenses	7 647	5 478
Accrued interest on borrowings	193	142
Paid Parental Leave Scheme	14	22
Employment on-costs	1 205	1 331
Total current payables	<u>9 062</u>	<u>7 438</u>
Expected to be paid more than 12 months after reporting date:		
Employment on-costs	1 953	2 044
Total expected to be paid more than 12 months after reporting date	<u>1 953</u>	<u>2 044</u>
Total payables	<u>11 015</u>	<u>9 482</u>
<b>Government/Non-government payables</b>		
Payables to SA Government entities:		
Creditors	-	460
Accrued expenses	2 456	2 023
Accrued interest on borrowings	193	142
Employment on-costs	1 658	1 693
Total payables to SA Government entities	<u>4 307</u>	<u>4 318</u>
Payables to non-SA Government entities:		
Creditors	3	5
Accrued expenses	5 191	3 455
Paid Parental Leave Scheme	14	22
Employment on-costs	1 500	1 682
Total payables to non-SA Government entities	<u>6 708</u>	<u>5 164</u>
Total payables	<u>11 015</u>	<u>9 482</u>

The employer superannuation on-cost rate has increased from the 2012 rate of 10.94% to 11%, reflecting the superannuation mix of the Department's employee profile at 30 June 2013.

**Interest rate risk**

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

- (a) Maturity analysis of payables - refer note 39.
- (b) Categorisation of financial instruments and risk exposure information - refer note 39.

<b>29. Financial liabilities/Borrowings</b>	2013	2012
(a) Borrowings consist of:	\$'000	\$'000
Indebtedness to SAFA	-	91
Indebtedness to the Treasurer	17 103	17 757
Total financial liabilities/borrowings	<u>17 103</u>	<u>17 848</u>
(b) Balance of borrowings outstanding classifications:		
Current	17 103	17 848
Total financial liabilities/borrowings	<u>17 103</u>	<u>17 848</u>

Borrowings have no maturity date and are recognised at cost in accordance with APF IV, APS 2.1. The interest rate is determined by the Treasurer at the time of settling the loan approval and remains fixed over its term. The weighted average interest rate for borrowings as at 30 June 2013 is 3.74% (4.73%).

- (a) Maturity analysis of borrowings - refer note 39.
- (b) Categorisation of financial instruments and risk exposure information - refer note 39.
- (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

<b>Movement in financial liabilities/borrowings</b>	2013	2012
	\$'000	\$'000
Carrying amount at 1 July	17 848	4 585
Additional borrowings during the year	1 846	13 967
Repayments of borrowings	(2 591)	(704)
Carrying amount at 30 June	<u>17 103</u>	<u>17 848</u>



<b>30. Employee benefits</b>	2013	2012
Current:	\$'000	\$'000
Annual leave	5 654	5 831
LSL	1 987	2 429
Accrued salaries and wages	1	-
Skills and experience retention leave	436	-
Total current employee benefits	<u>8 078</u>	<u>8 260</u>
Non-current:		
LSL	20 416	21 417
Total non-current employee benefits	<u>20 416</u>	<u>21 417</u>
Total employee benefits	<u>28 494</u>	<u>29 677</u>

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (3%) to 2013 (3.75%).

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

The net financial effect of the changes in the current financial year is a decrease in the LSL liability of \$921 000 and an immaterial change in the employee benefit expense. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

<b>31. Provisions</b>	2013	2012
Current:	\$'000	\$'000
Provision for workers compensation	544	541
Total current provisions	<u>544</u>	<u>541</u>
Non-current:		
Provision for workers compensation	1 897	1 777
Total non-current provisions	<u>1 897</u>	<u>1 777</u>
Total provisions	<u>2 441</u>	<u>2 318</u>
Carrying amount at 1 July	2 318	2 308
Additional provisions recognised	876	777
Reductions arising from payments	(753)	(455)
Reductions arising from restructuring transfers	-	(312)
Carrying amount at 30 June	<u>2 441</u>	<u>2 318</u>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

<b>32. Other liabilities</b>	2013	2012
Current:	\$'000	\$'000
Lease incentive <sup>(1)</sup>	122	170
Unearned revenue	12 279	11 827
Total current other liabilities	<u>12 401</u>	<u>11 997</u>
Non-current:		
Other liabilities	72	70
Lease incentive <sup>(1)</sup>	199	410
Total non-current other liabilities	<u>271</u>	<u>480</u>
Total other liabilities	<u>12 672</u>	<u>12 477</u>

<sup>(1)</sup> Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. Arising from further consolidation of accommodation in PIRSA, the lease incentive and convertible accommodation lease right held by PIRSA for 101 Grenfell Street, was reduced for the leased accommodation areas that became the responsibility of other departments.

<b>33. Equity</b>	2013	2012
	\$'000	\$'000
Retained earnings	121 239	123 522
Revaluation surplus	39 640	37 082
Total equity	<u>160 879</u>	<u>160 604</u>

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

**34. Transferred functions**

**2012-13**

There were no transferred functions during the 2012-13 financial year.

**2011-12**

Pursuant to the PSA the Premier may, under section 9(1), in order to reorganise public sector operations, by notice in The South Australian Government Gazette, transfer employees in the public sector; and a public sector agency may by agreement with another public sector agency, under section 9(3), transfer an employee of the agency to other employment within the public sector on conditions that maintain the substantive remuneration level of the employee or are agreed by the employee.

Public Sector (Reorganisation of Public Sector Operations) Notices issued in 2011 declared that, effective from 1 January 2012, the:

- Regional Development team would transfer from DMITRE to PIRSA (gazetted 8 December 2011)
- operational units of the Minerals and Energy Resources Division and the Olympic Dam Taskforce would transfer from PIRSA to DMITRE (gazetted 15 December 2011)
- Investment and Strategic Projects team would transfer from PIRSA to DMITRE (gazetted 1 December 2011)
- Policy and Planning and Industry and Community Engagement team would transfer from PIRSA to DMITRE (gazetted 15 December 2011).

In addition to the above gazettals, by agreement between the chief executives of both PIRSA and DMITRE, some corporate services staff transferred to support the operations of the Minerals and Energy Resources Division.

*Transferred in*

• *Regional Development*

The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (dated 8 December 2011) announced that effective from 1 January 2012 the functions of the Regional Development team, under DMITRE, would be transferred to PIRSA.

Total income and expenditure attributed to Regional Development for 2011-12 were:

	DMITRE 01.07.11 to 31.12.11 \$'000	PIRSA 01.01.12 to 30.06.12 \$'000	Total \$'000
Employee benefit expenses	405	359	764
Supplies and services	206	238	444
Grants and subsidies	2 858	5 553	8 411
Other expenses	-	1	1
Total expenses	<u>3 469</u>	<u>6 151</u>	<u>9 620</u>
Commonwealth revenues	36	-	36
Total income	<u>36</u>	<u>-</u>	<u>36</u>
Net cost of providing services	<u>(3 433)</u>	<u>(6 151)</u>	<u>(9 584)</u>

- Regional Development (continued)*

On transfer of the Regional Development team the Department recognised the following assets and liabilities:

	PIRSA 01.01.12 to 30.06.12		Total
	\$'000		\$'000
Current liabilities:			
Payables	14		14
Employee benefits	105		105
	<u>119</u>		<u>119</u>
Non-current liabilities:			
Payables	15		15
Employee benefits	172		172
	<u>187</u>		<u>187</u>
Total liabilities	<u>306</u>		<u>306</u>
Total net assets received	<u>(306)</u>		<u>(306)</u>

Net assets received by the Department as a result of an administrative restructure are at the carrying amount. The net assets received were treated as a distribution to the Government as owner.

*Transferred out*

- Mineral and Energy Resources Division and the Olympic Dam Taskforce*  
The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (gazetted 15 December 2011) announced that effective from 1 January 2012 the functions of the Minerals and Energy Resources Division and the Olympic Dam Taskforce transferred from PIRSA to DMITRE.
- Investment and Strategic Projects*  
The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (gazetted 1 December 2011) announced that effective from 1 January 2012 the functions of the Investment and Strategic Projects team transferred from PIRSA to DMITRE.
- Policy and Planning and Industry and Community Engagement*  
The Public Sector (Reorganisation of Public Sector Operations) Notice 2011 (gazetted 15 December 2011) announced that effective from 1 January 2012 the functions of the Policy and Planning and Industry and Community Engagement team transferred from PIRSA to DMITRE.

	Transferred to DMITRE		Total
	Minerals & Energy Resources Division & corporate support	Investment & Strategic Projects, Policy & Planning and Industry & Community Engagement	
	\$'000	\$'000	\$'000
Assets:			
Current assets:			
Cash	7 393	-	7 393
Receivables	1 976	31	2 007
Inventory	27	-	27
Total current assets	<u>9 396</u>	<u>31</u>	<u>9 427</u>
Non-current assets:			
Receivables	7	-	7
Property, plant and equipment	21 101	-	21 101
Intangibles	474	-	474
Total non-current assets	<u>21 582</u>	<u>-</u>	<u>21 582</u>
Total assets	<u>30 978</u>	<u>31</u>	<u>31 009</u>
Liabilities:			
Current liabilities:			
Payables	419	27	446
Employee benefits	1 639	198	1 837
Provisions	72	-	72
Other liabilities	8 237	-	8 237
Total current liabilities	<u>10 367</u>	<u>225</u>	<u>10 592</u>

Transferred out (continued)

	Transferred to DMITRE		
	Minerals & Energy Resources Division & corporate support	Investment & Strategic Projects, Policy & Planning and Industry & Community Engagement	Total
	\$'000	\$'000	\$'000
Non-current liabilities:			
Payables	387	73	460
Employee benefits	4 196	786	4 982
Provisions	240	-	240
Total non-current liabilities	4 823	859	5 682
Total liabilities	15 190	1 084	16 274
Total net assets transferred	15 788	(1 053)	14 735

Net assets transferred by the Department as a result of an administrative restructure are at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

35. Unrecognised contractual commitments	2013	2012
<i>Operating lease commitments</i>	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	3 208	5 009
Later than one year and not later than five years	7 134	17 288
Later than five years	1 047	4 167
Total operating lease commitments	11 389	26 464
Representing:		
Non-cancellable operating leases	11 389	26 464
Total operating lease commitments	11 389	26 464

Operating leases relate to property, which are non-cancellable leases, with rental payable monthly in advance. Contingent rental provisions within the lease agreements allow for the review of lease payments every two years. Any changes in lease payments would be based on market rates. Options exist to renew the leases at the end of their terms.

Non-cancellable operating leases have also been entered into for plant and office equipment. Rental is generally payable in advance. The rental period may continue beyond the expiry date expressed in the initial agreement, in which case, the agreement extends until either party gives written notice of their intention to terminate the agreement.

<i>Capital commitments</i>	2013	2012
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:	\$'000	\$'000
Within one year	28	-
Total capital commitments	28	-

Capital commitments relate to current contractual agreements for the development and supply of plant and equipment.

**Remuneration commitments**

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts for executives in existence at the reporting date, and TVSP contracts signed at the reporting date, but not recognised as liabilities. The Department does not offer fixed-term remuneration contracts greater than five years.

	2013	2012
	\$'000	\$'000
Within one year	6 169	4 974
Later than one year but not later than five years	10 893	8 959
Total remuneration commitments	17 062	13 933

<b>Other commitments</b>	2013	2012
	\$'000	\$'000
Within one year	2 359	1 712
Later than one year but not later than five years	998	1 415
Total other commitments	<u>3 357</u>	<u>3 127</u>

The Department's other commitments include agreements with LeasePlan for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

### 36. Contingent assets and contingent liabilities

#### Contingent assets

The Department owns intangible assets consisting of intellectual property from its core research activities. These assets are not recognised in the financial statements due to difficulties in determining reliable fair values.

The Department may also accept bank guarantees or other forms of securities like mortgages over land as security for loans advanced. Bank guarantees held at 30 June 2013, have a potential realisable value of \$17.2 million (\$18 million). The Department may claim on these funds if the borrower defaults on the conditions of the loan agreement.

#### Contingent liabilities

The nature of activities that the Department is involved in can create potential exposure to environmental matters, which the Department may be required to remedy in the future. The Department has some potential outstanding litigation in a number of these areas.

Certain matters associated with contaminants such as contaminated land and hazardous materials have been identified and are managed in accordance with recognised standards, minimising the likelihood of future environmental risks to government. Work is progressing to determine any liabilities that may be associated with this role. At this time, the financial impact cannot be reliably estimated.

### 37. Trust funds

#### Pleuro Pneumonia Fund

This Fund consists of monies belonging to all state governments and the Federal Government. The Fund is controlled by the Standing Committee of Agriculture and all expenditure is subject to the approval of the Chairman. Funds are to be used principally for publication of the history of the Pleuro Pneumonia Eradication Campaign and are held in a Section 21 Deposit Account.

	Total	
	2013	2012
	\$'000	\$'000
Operations:		
Revenue	3	1 528
Expenditure	-	(109)
Net operating surplus	<u>3</u>	<u>1 419</u>
Net assets:		
Cash at bank	93	90
Net assets	<u>93</u>	<u>90</u>
Funds:		
Balance of funds at 1 July	90	14 723
Net receipts	3	1 419
Transfers out due to administrative restructure <sup>(1)</sup>	-	(16 052)
Fund balance at 30 June	<u>93</u>	<u>90</u>

<sup>(1)</sup> Comparatives include values for the Extractive Areas Rehabilitation Fund that were transferred along with the operational units of the Minerals and Energy Resources Division from PIRSA to DMITRE, effective from 1 January 2012.

<b>38. Cash flow reconciliation</b>	2013	2012
Reconciliation of cash at 30 June:	\$'000	\$'000
Statement of Cash Flows	84 761	87 571
Statement of Financial Position	84 761	87 571

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

Net cash provided by (used in) operating activities	(128)	(1 281)
Revenue from SA Government	(95 263)	(111 513)
Return to Consolidated Account	4 100	6 865
Non-cash items:		
Depreciation and amortisation	(5 408)	(6 276)
Gain on disposal of investments	1	-
Gain (Loss) on disposal of assets	(95)	171
Gain on inventories	253	794
Gain on foreign exchange	3	-
Net gain on restructuring	-	(14 735)
Recognition and derecognition of assets upon valuation	2 157	-
Lease incentives	134	170
Doubtful debts recognised	85	(121)
Other non-cash items	(46)	1 546
Movements in assets/liabilities:		
Receivables	818	15 225
Inventories	352	73
Payables and provisions	(1 601)	7 453
Employee benefits	1 193	(2 125)
Other liabilities	(1)	(2 543)
Net cost of providing services	(93 446)	(106 297)

**39. Financial instruments/Financial risk management**

**Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 3 of the significant accounting policies.

	Note	2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>		\$'000	\$'000	\$'000	\$'000
Cash	21	84 761	84 761	87 571	87 571
Loans and receivables - at cost:					
Loans and receivables <sup>(1)</sup>	22	25 617	25 617	25 173	25 173
Investments - at cost:					
Other financial assets	24	4 501	4 501	4 579	4 579
Total financial assets		114 879	114 879	117 323	117 323
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables <sup>(1)</sup>	28	3	3	5	5
Interest bearing liabilities	29	17 103	17 103	17 848	17 848
Total financial liabilities		17 106	17 106	17 853	17 853

<sup>(1)</sup> Amount of receivables and payables disclosed here excludes statutory receivables and payables (amounts owing from/to SA Government and GST input tax credit payable and recoverable). They are carried at cost.

Currently the Department does not hold any collateral as security to any of its financial assets.

**Ageing analysis of financial assets**

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2013</b>				
Not impaired:				
Receivables	545	207	624	1 376
Impaired:				
Receivables	-	-	42	42
Total financial assets	545	207	666	1 418
<b>2012</b>				
Not impaired:				
Receivables	216	375	61	652
Impaired:				
Receivables	-	-	211	211
Total financial assets	216	375	272	863

**Maturity analysis of financial assets and liabilities**

	Carrying amount \$'000	Contractual maturities		
		Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2013</b>				
Financial assets:				
Cash	84 761	84 761	-	-
Loans and receivables	25 617	25 464	153	-
Other financial assets	4 501	4 501	-	-
Total financial assets	114 879	114 726	153	-
Financial liabilities:				
Payables	3	3	-	-
Interest bearing liabilities	17 103	17 103	-	-
Total financial liabilities	17 106	17 106	-	-
<b>2012</b>				
Financial assets:				
Cash	87 571	87 571	-	-
Loans and receivables	25 173	24 949	224	-
Other financial assets	4 579	4 579	-	-
Total financial assets	117 323	117 099	224	-
Financial liabilities:				
Payables	5	5	-	-
Interest bearing liabilities	17 848	17 848	-	-
Total financial liabilities	17 853	17 853	-	-

**40. Events after balance date**

No events have occurred after balance date that would affect the financial statements of PIRSA as at 30 June 2013.

The Public Sector (Reorganisation of Public Sector Operations) Notice 2013 (dated 30 July 2013) proclaimed that effective from 1 August 2013 eight employees from DPC - Outback Communities Authority and three employees from DPC - Local Government Grants Commission will transfer to PIRSA's administered items, and two employees from DPC will transfer to PIRSA.

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

Members of boards/committees relating to the ongoing activities of PIRSA who were entitled to receive remuneration during the 2012-13 financial year are listed below in the following summary table:

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

The number of members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
\$0	107	158
\$1 - \$9 999	83	124
\$10 000 - \$19 999	6	3
\$20 000 - \$29 999	2	-
\$30 000 - \$39 999	1	1
Total	199	286

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$221 440 (\$177 481).

Amounts paid to a superannuation plan for members totalled \$15 790 (\$12 781).

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

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

***Aquaculture Tenure Allocation Board***

Braxton-Smith P A	Day B M	Treize M G (DM)
Cooper C S	Healy R C	White M (DM)
Davis G S	Rigg C L	

***South Australian Deer Advisory Group***

Cox A R*	Kasprzak N	Tuckwell C D
Delaine M J	Schulz J L	Varcoe J R
Gottfried E J	Stevens M S	

***South Australian Goat Advisory Group***

Bartlett A*	Evans C	Kahl G A
Crawford P	Falkenhagen J T	Lauterbach P C

***South Australian Horse Industry Advisory Group***

Axon J E (retired)	Hale S G	Miller D*
Carr M R*	Horridge P S	Milton K J
Cavanagh D R	Holland-Clarke E	Taylor M L (retired)
Fieldler J	Hunt W A	

***PIRSA Risk and Audit Committee***

Camburn S*	Harvey A E	Mooney P A*
Casement D*	Mader T*	Sneddon Y
Gramola B*		

***South Australian Alpaca Advisory Group***

Crocker R	Mossop W*	Sadler L
Duncker B	Schmaal B	Wheeler J

***Aquaculture Advisory Committee***

Abbott K A	Mitchell M P (retired)	Fulcher H M (DM)
Anderson G I (retired)	Montgomerie H L (retired)*	Hitchcock D E (DM) (retired)
Coates J L	Payne S G	Ingerson T (DM)*
Cooper C S	Stehr H	Lawrie R A (DM)
Dolan P*	Rusby T*	Sloan E (DM)
Doroudi M*	Clarke S M (DM) (retired)	Luckens T (DM)
Dyer A M	Stehr M A (DM)	Healy R (DM)
Grady M A	Davey D (DM) (retired)	Rosenberg L F (DM)
Jeffriess B C	Ellis D (DM)	Walters A (DM)*



**Genetically Modified Crops Advisory Committee**

Ankeny R A	Hughes J E	Pontifex N
Annison G	Levy J A W	Rhodes C
Baldock H L*	McMullen G P	Way R J
Bowden M S		

**Meat Food Safety Advisory Committee**

Ackland T M	Koumi S	Smith G R
Bourne S L	Martin G L	Wedd R B
Dunn E	Penhall M	Zammit L O
Fell L	Raven G D*	Martin G (DM)*
Jenkins F*	Rock M	Nirmalaraja B (DM)
Knoll F P	Sandercock P	

**PIRSA Animal Ethics Committee**

Anderson C	Hocking-Edwards J*	McGrath K
Cooper J G	Jones D	McNicholl J E
Glatz P*	Kennedy E	Rudiger S*
Herde P (retired)*	Maddocks S*	

**Fisheries Council of South Australia**

Barnett C J	Grady M A	Sherriff R J
Brooks K J	Morison J B (retired)	Smith A D M
Cooper C S	Schahinger B M	Stevens R A
Doroudi M*	Schnierer S B	Wright L
Ferguson D L	Sevaly S	

**Rock Lobster Fish Management Advisory Board**

Dichmont C	James G (retired)	Rowe S R
Ferguson K L (retired)	Jones A*	Stevens R A
Fistr A (retired)*	Leppa K*	Warhurst K (retired)
Green J A	Moran T J	
Gregory T C	Redman J R	

**SA Forest Industry Advisory Board**

Calvert J	Fargher J D	Pidcock C
Carmichael A W	Lloyd P	Smith R
Dunstone A S	McDonnell I	Smith T W

**Rural Solutions SA Advisory Board (disbanded 30 June 2013)**

Ashby S W (retired)*	Filby S M (retired)	Nightingale I (retired)*
Cooper C S (retired)	Hills D G W (retired)	Sneddon Y (retired)

**Forest Industry Development Board**

Barnett C J (retired)	Forster K A (retired)	Peterson C (retired)
Dunstone A S (retired)	McCormack R J (retired)	Pinder L K (retired)
Fargher J D (retired)		

**Eyre Peninsula Farming System Board**

Bates A	James C R	Smith B
Dunn M	Kulmann P (retired)	Stanley M
Fitzgerald M	Maddocks S (retired)*	Thomas G (retired)
Guerin S	Mayfield S	Tillbrook A*
Heddle B	McDonald G	Wilksch J
Hunt E		

**Branched Broomrape Eradication Program Ministerial Advisory Committee**

Arney J T (retired)	Marks R K (retired)	Saunders J (retired)
Berger J A (retired)	McGorman J (retired)	Thiele M L (retired)
Cartwright D (retired)*	Piggott A (retired)	Zacharin W (retired)*
Cole M (retired)		

*Primary Industries and Regions*

***Rural Assistance Appeals Committee***

Hollands D (retired)

Hylton-Keele L (retired)\*

Long J (retired)

***Regional Communities Consultative Council***

Agnew D

Braes M (retired)

Herraman A

Beltchev G

Crisp A (retired)

Matthias K

Blacker P

Duffy K

Woodberry M

Boehm B

\* Government employees

DM Deputy Member

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefits expenses	A4	398	414
Supplies and services	A5	1 837	1 640
Depreciation and amortisation expense	A6	1	5
Grants and subsidies	A7	24 880	25 175
Levies payments	A8	2 237	3 166
Payment of royalties to Consolidated Account	A15	-	82 867
Other expenses	A9	120	826
<b>Total expenses</b>		<u>29 473</u>	<u>114 093</u>
<b>Income:</b>			
Revenue from fees and charges	A11	23 913	22 701
Advances and grants	A12	718	714
Interest revenue	A13	550	759
Levies collection	A14	2 213	3 090
Royalties	A15	-	82 867
Other income	A16	57	879
<b>Total income</b>		<u>27 451</u>	<u>111 010</u>
<b>Net cost of providing services</b>		<u>2 022</u>	<u>3 083</u>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	A17	3 772	3 747
<b>Net revenues from (payments to) SA Government</b>		<u>3 772</u>	<u>3 747</u>
<b>Net result</b>		<u>1 750</u>	<u>664</u>
<b>Other comprehensive income:</b>			
Changes in property, plant and equipment revaluation surplus	A21	10	-
<b>Total other comprehensive income</b>		<u>10</u>	<u>-</u>
<b>Total comprehensive result</b>		<u>1 760</u>	<u>664</u>

**Statement of Administered Financial Position  
as at 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash	A18	27 555	45 277
Receivables	A19	775	680
Inventories	A20	149	212
<b>Total current assets</b>		28 479	46 169
<b>Non-current assets:</b>			
Property, plant and equipment	A21	70	39
<b>Total non-current assets</b>		70	39
<b>Total assets</b>		28 549	46 208
<b>Current liabilities:</b>			
Payables	A22	5 661	23 545
Other current liabilities		911	2 446
<b>Total current liabilities</b>		6 572	25 991
<b>Total liabilities</b>		6 572	25 991
<b>Net assets</b>		21 977	20 217
<b>Equity:</b>			
Retained earnings	A23	21 967	20 217
Revaluation surplus	A23	10	-
<b>Total equity</b>		21 977	20 217

**Statement of Administered Changes in Equity  
for the year ended 30 June 2013**

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011		-	19 063	19 063
Prior period correction		-	412	412
Restated balance at 30 June 2011		-	19 475	19 475
Net result for 2011-12		-	664	664
Total comprehensive result for 2011-12		-	664	664
Transaction with SA Government as owner:				
Net assets transferred as a result of administrative restructure	A24	-	(33)	(33)
Balance at 30 June 2012	A23	-	20 106	20 106
Prior period correction		-	111	111
Restated balance at 30 June 2012	A23	-	20 217	20 217
Net result for 2012-13		-	1 750	1 750
Gain on revaluation of buildings during 2012-13		10	-	10
Total comprehensive result for 2012-13		10	1 750	1 760
<b>Balance at 30 June 2013</b>	A23	10	21 967	21 977

## Statement of Administered Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>	Note		
Cash outflows:			
Employee benefit payments		(399)	(356)
Supplies and services		(1 876)	(1 666)
Grants and subsidies		(20 650)	(25 381)
Payment of royalties to Consolidated Account		-	(91 024)
Levy payments		(7 570)	(2 651)
Other payments		(106)	(1 695)
Payments of royalties to DMITRE (due at end of previous year)		(22 586)	-
<b>Cash used in operations</b>		<u>(53 187)</u>	<u>(122 773)</u>
Cash inflows:			
User fees and charges		23 898	22 695
Advances and grants		718	754
Interest received		564	769
Levy collections		2 042	3 013
Royalties		-	82 867
Other receipts		57	879
Collections (net) held on behalf of DMITRE at 30 June		4 436	22 586
<b>Cash generated from operations</b>		<u>31 715</u>	<u>133 563</u>
Cash flows from SA Government:			
Receipts from SA Government		3 772	3 747
<b>Cash generated from SA Government</b>		<u>3 772</u>	<u>3 747</u>
<b>Net cash provided by (used in) operating activities</b>	A27	<u>(17 700)</u>	<u>14 537</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(22)	-
<b>Cash used in investing activities</b>		<u>(22)</u>	<u>-</u>
Cash inflows:			
Proceeds from the sale of property, plant and equipment		-	30
<b>Cash generated from investing activities</b>		<u>-</u>	<u>30</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(22)</u>	<u>30</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Cash transferred from restructuring activities		-	(20 016)
<b>Cash used in financing activities</b>		<u>-</u>	<u>(20 016)</u>
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>(20 016)</u>
<b>Net increase (decrease) in cash</b>		<u>(17 722)</u>	<u>(5 449)</u>
<b>Cash at 1 July</b>		<u>45 277</u>	<u>50 726</u>
<b>Cash at 30 June</b>	A18	<u><u>27 555</u></u>	<u><u>45 277</u></u>

**Schedule of Expenses and Income**  
**attributable to Administered Activities**  
**for the year ended 30 June 2013**

	2013				
(Activities - refer note A3)	1	2	3	4	5
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expense	-	-	-	-	-
Supplies and services	18	33	77	10	37
Depreciation and amortisation	-	-	-	-	-
Grants and subsidies	185	2 445	754	90	8
Levies payments	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	75	-	-	-
<b>Total expenses</b>	<b>203</b>	<b>2 553</b>	<b>831</b>	<b>100</b>	<b>45</b>
<b>Income:</b>					
Revenues from fees and charges	295	2 455	733	66	110
Advances and grants	-	-	-	-	-
Interest revenue	4	27	14	3	2
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other income	-	1	-	-	-
<b>Total income</b>	<b>299</b>	<b>2 483</b>	<b>747</b>	<b>69</b>	<b>112</b>
<b>Net cost of providing services</b>	<b>(96)</b>	<b>70</b>	<b>84</b>	<b>31</b>	<b>(67)</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>96</b>	<b>(70)</b>	<b>(84)</b>	<b>(31)</b>	<b>67</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	<b>96</b>	<b>(70)</b>	<b>(84)</b>	<b>(31)</b>	<b>67</b>

	2013				
(Activities - refer note A3)	6	7	8	9	10
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expense	11	-	12	-	-
Supplies and services	328	13	947	-	4
Depreciation and amortisation	1	-	-	-	-
Grants and subsidies	599	4	12 323	3 446	-
Levies payments	-	-	-	-	2 025
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	42	-	-
<b>Total expenses</b>	<b>939</b>	<b>17</b>	<b>13 324</b>	<b>3 446</b>	<b>2 029</b>
<b>Income:</b>					
Revenues from fees and charges	294	1	13 541	-	-
Advances and grants	718	-	-	-	-
Interest revenue	15	16	-	-	6
Levies collection	-	-	-	-	1 995
Royalties	-	-	-	-	-
Other income	9	-	21	-	-
<b>Total income</b>	<b>1 036</b>	<b>17</b>	<b>13 562</b>	<b>-</b>	<b>2 001</b>
<b>Net cost of providing services</b>	<b>(97)</b>	<b>-</b>	<b>(238)</b>	<b>3 446</b>	<b>28</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 471</b>	<b>-</b>
<b>Net result</b>	<b>97</b>	<b>-</b>	<b>238</b>	<b>25</b>	<b>(28)</b>
Changes in property, plant and equipment revaluation surplus	10	-	-	-	-
<b>Total comprehensive result</b>	<b>107</b>	<b>-</b>	<b>238</b>	<b>25</b>	<b>(28)</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2013 (continued)**

(Activities - refer note A3)	2013				
	11	12	13	14	15
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>					
Employee benefits expense	-	-	-	-	-
Supplies and services	17	9	32	14	92
Depreciation and amortisation	-	-	-	-	-
Grants and subsidies	-	155	450	-	600
Levies payments	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	17	164	482	14	692
<b>Income:</b>					
Revenues from fees and charges	967	160	618	21	1 086
Advances and grants	-	-	-	-	-
Interest revenue	10	2	6	1	15
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total income</b>	977	162	624	22	1 101
<b>Net cost of providing services</b>	(960)	2	(142)	(8)	(409)
<b>Revenues from SA Government</b>	-	-	-	-	-
<b>Net result</b>	960	(2)	142	8	409
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	960	(2)	142	8	409
			2013		
(Activities - refer note A3)	16	17	18	19	20
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>					
Employee benefits expenses	-	-	1	13	2
Supplies and services	50	-	4	14	6
Depreciation and amortisation	-	-	-	-	-
Grants and subsidies	200	-	4	424	-
Levies payments	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	-	-	3
<b>Total expenses</b>	250	-	9	451	11
<b>Income:</b>					
Revenues from fees and charges	117	-	45	443	1
Advances and grants	-	-	-	-	-
Interest revenue	8	-	6	47	4
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other income	3	-	-	-	-
<b>Total income</b>	128	-	51	490	5
<b>Net cost of providing services</b>	122	-	(42)	(39)	6
<b>Revenues from SA Government</b>	-	-	-	-	-
<b>Net result</b>	(122)	-	42	39	(6)
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	(122)	-	42	39	(6)



**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2013 (continued)**

(Activities - refer note A3)	21	22	2013 23	24	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>					
Employee benefits expense	-	6	49	304	398
Supplies and services	62	7	63	-	1 837
Depreciation and amortisation	-	-	-	-	1
Grants and subsidies	500	115	2 578	-	24 880
Levies payments	-	-	-	212	2 237
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	-	-	120
<b>Total expenses</b>	<b>562</b>	<b>128</b>	<b>2 690</b>	<b>516</b>	<b>29 473</b>
<b>Income:</b>					
Revenues from fees and charges	424	191	2 345	-	23 913
Advances and grants	-	-	-	-	718
Interest revenue	9	104	251	-	550
Levies collection	-	-	-	218	2 213
Royalties	-	-	-	-	-
Other income	-	-	23	-	57
<b>Total income</b>	<b>433</b>	<b>295</b>	<b>2 619</b>	<b>218</b>	<b>27 451</b>
<b>Net cost of providing services</b>	<b>129</b>	<b>(167)</b>	<b>71</b>	<b>298</b>	<b>2 022</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301</b>	<b>3 772</b>
<b>Net result</b>	<b>(129)</b>	<b>167</b>	<b>(71)</b>	<b>3</b>	<b>1 750</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	10
<b>Total comprehensive result</b>	<b>(129)</b>	<b>167</b>	<b>(71)</b>	<b>3</b>	<b>1 760</b>

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

	2012				
(Activities - refer note A3)	1	2	3	4	5
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expense	-	-	-	-	-
Supplies and services	14	7	62	7	58
Depreciation and amortisation	-	-	-	-	-
Grants and subsidies	330	2 274	710	60	100
Levies payments	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>344</b>	<b>2 281</b>	<b>772</b>	<b>67</b>	<b>158</b>
<b>Income:</b>					
Revenues from fees and charges	248	2 552	868	57	124
Advances and grants	-	-	-	-	30
Interest revenue	8	26	18	4	1
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other income	-	9	-	-	-
<b>Total income</b>	<b>256</b>	<b>2 587</b>	<b>886</b>	<b>61</b>	<b>155</b>
<b>Net cost of providing services</b>	<b>88</b>	<b>(306)</b>	<b>(114)</b>	<b>6</b>	<b>3</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>(88)</b>	<b>306</b>	<b>114</b>	<b>(6)</b>	<b>(3)</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	<b>(88)</b>	<b>306</b>	<b>114</b>	<b>(6)</b>	<b>(3)</b>
			2012		
(Activities - refer note A3)	6	7	8	9	10
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expense	4	-	3	-	-
Supplies and services	336	49	719	-	9
Depreciation and amortisation	5	-	-	-	-
Grants and subsidies	759	-	12 543	3 369	-
Levies payments	-	-	-	-	3 049
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>1 104</b>	<b>49</b>	<b>13 265</b>	<b>3 369</b>	<b>3 058</b>
<b>Income:</b>					
Revenues from fees and charges	264	113	13 445	-	-
Advances and grants	684	-	-	-	-
Interest revenue	22	23	-	-	31
Levies collection	-	-	-	-	2 897
Royalties	-	-	-	-	-
Other income	-	-	6	-	-
<b>Total income</b>	<b>970</b>	<b>136</b>	<b>13 451</b>	<b>-</b>	<b>2 928</b>
<b>Net cost of providing services</b>	<b>134</b>	<b>(87)</b>	<b>(186)</b>	<b>3 369</b>	<b>130</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 353</b>	<b>-</b>
<b>Net result</b>	<b>(134)</b>	<b>87</b>	<b>186</b>	<b>(16)</b>	<b>(130)</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	<b>(134)</b>	<b>87</b>	<b>186</b>	<b>(16)</b>	<b>(130)</b>

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

	2012				
(Activities - refer note A3)	11	12	13	14	15
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expense	-	-	-	-	-
Supplies and services	5	9	33	17	106
Depreciation and amortisation	-	-	-	-	-
Grants and subsidies	-	132	705	85	615
Levies payments	-	-	-	-	-
Payments of royalties to Consolidated Account	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total expenses</b>	<b>5</b>	<b>141</b>	<b>738</b>	<b>102</b>	<b>721</b>
<b>Income:</b>					
Revenues from fees and charges	57	146	592	100	685
Advances and grants	-	-	-	-	-
Interest revenue	-	3	14	1	16
Levies collection	-	-	-	-	-
Royalties	-	-	-	-	-
Other income	-	-	-	-	-
<b>Total income</b>	<b>57</b>	<b>149</b>	<b>606</b>	<b>101</b>	<b>701</b>
<b>Net cost of providing services</b>	<b>(52)</b>	<b>(8)</b>	<b>132</b>	<b>1</b>	<b>20</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>52</b>	<b>8</b>	<b>(132)</b>	<b>(1)</b>	<b>(20)</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	<b>52</b>	<b>8</b>	<b>(132)</b>	<b>(1)</b>	<b>(20)</b>
	2012				
(Activities - refer note A3)	16	17	18	19	20
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits expenses	-	-	-	4	-
Supplies and services	49	-	6	8	5
Depreciation and amortisation	-	-	-	-	-
Grants and subsidies	196	-	35	417	2
Levies payments	-	-	-	-	-
Payments of royalties to Consolidated Account	-	82 867	-	-	-
Other expenses	1	-	-	-	-
<b>Total expenses</b>	<b>246</b>	<b>82 867</b>	<b>41</b>	<b>429</b>	<b>7</b>
<b>Income:</b>					
Revenues from fees and charges	238	-	42	385	1
Advances and grants	-	-	-	-	-
Interest revenue	10	-	7	65	6
Levies collection	-	-	-	-	-
Royalties	-	82 867	-	-	-
Other income	3	-	-	42	-
<b>Total income</b>	<b>251</b>	<b>82 867</b>	<b>49</b>	<b>492</b>	<b>7</b>
<b>Net cost of providing services</b>	<b>(5)</b>	<b>-</b>	<b>(8)</b>	<b>(63)</b>	<b>-</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>63</b>	<b>-</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>63</b>	<b>-</b>

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

(Activities - refer note A3)	21	22	2012 23	24	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>					
Employee benefits expense	-	4	40	359	414
Supplies and services	48	16	87	-	1 640
Depreciation and amortisation	-	-	-	-	5
Grants and subsidies	490	62	2 291	-	25 175
Levies payments	-	-	-	117	3 166
Payments of royalties to Consolidated Account	-	-	-	-	82 867
Other expenses	-	-	-	825	826
<b>Total expenses</b>	<b>538</b>	<b>72</b>	<b>2 418</b>	<b>1 301</b>	<b>114 093</b>
<b>Income:</b>					
Revenues from fees and charges	582	216	1 983	3	22 701
Advances and grants	-	-	-	-	714
Interest revenue	13	138	353	-	759
Levies collection	-	-	-	193	3 090
Royalties	-	-	-	-	82 867
Other income	-	-	-	819	879
<b>Total income</b>	<b>595</b>	<b>354</b>	<b>2 336</b>	<b>1 015</b>	<b>111 010</b>
<b>Net cost of providing services</b>	<b>(57)</b>	<b>(282)</b>	<b>82</b>	<b>286</b>	<b>3083</b>
<b>Revenues from SA Government</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>394</b>	<b>3 747</b>
<b>Net result</b>	<b>57</b>	<b>282</b>	<b>(82)</b>	<b>108</b>	<b>664</b>
Changes in property, plant and equipment revaluation surplus	-	-	-	-	-
<b>Total comprehensive result</b>	<b>57</b>	<b>282</b>	<b>(82)</b>	<b>108</b>	<b>664</b>

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

**A1. Summary of significant accounting policies**

The Department of Primary Industries and Regions (PIRSA or the Department) accounting policies are contained in note 2 in PIRSA's controlled financial statements.

**A2. Effect of changes in accounting policies, changes in accounting estimates and errors**

During 2012-13 there were no prior period adjustments recognised in the Statement of Comprehensive Income.

**A3. Administered funds of the Department**

The activity schedule provides details of expenses and revenues applicable to the administered funds of the Department. Information about the Department's administered funds is set out below:

**Activity 1: Adelaide Hills Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 8 August 2003. The primary purposes of the Fund are to promote the Adelaide Hills wine industry, undertake research and development and encourage communication and cooperation between participants in the Adelaide Hills wine industry.

**Activity 2: Aquaculture Resource Management Fund**

The Fund, established under the *Aquaculture Act 2001*, came into operation on 11 November 2002. Under the Act, fees are paid into the Fund and are to be utilised primarily for the purposes of any investigation or other projects relating to the management of aquaculture resources.

**Activity 3: Barossa Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the Fund are to promote the Barossa wine industry, undertake research and development and encourage communication and cooperation between participants in the Barossa wine industry.

**Activity 4: Clare Valley Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 21 February 2008. The primary purposes of the Fund are to promote the Clare Valley wine industry, undertake research and development and encourage communication and cooperation between participants in the Clare Valley wine industry.

**Activity 5: Citrus Growers Fund**

The Fund was established under the *Primary Industry Funding Schemes Act 1998* on 20 October 2005. The primary purposes of the Fund are to collect industry funds for use by industry organisations to undertake or facilitate research and development and encourage communication and cooperation between participants in the citrus industry.

**Activity 6: Dog Fence Board**

This Fund was established by Regulations under the *Dog Fence Act 1946* on 17 June 1947. The Dog Fence Board is responsible for the establishment and maintenance of particular dog fences in South Australia in order to prevent the entry of wild dogs into pastoral areas and for incidental purposes and may collect levies for that purpose.

**Activity 7: Eyre Peninsula Grain Growers Rail Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 7 September 2006. The primary purpose of the Fund is to collect \$2 million towards the cost of improving the Eyre Peninsula grain railway line and associated equipment or infrastructure. The purpose of the Fund has been met and the prescribed contribution rate has been reduced to zero.

**Activity 8: Fisheries Research and Development Fund**

Under the *Fisheries Management Act 2007*, all commercial licence fees received by the Department are required to be paid into this Fund. The primary purposes of the Fund are to carry out research, exploration, experiments, works or operations for the conservation, management or enhancement of living resources found in waters to which the Act applies or promotion of any fishing, fish farming or fish processing activity.

**Activity 9: ForestrySA Community Service Obligations**

The Department receives appropriation to make payment to ForestrySA representing community service obligations for the provision of: management of native forests for biodiversity conservation; community use of forest reserves; forest research programs; and provision of community fire protection services near forest reserves.

**Activity 10: Grains Industry Levy Fund**

Voluntary levies are collected from grain producers under the *Wheat Marketing Act 1989*, to support grains research and development in South Australia and the activities of the South Australian Farmers Federation (SAFF) Grains Industry Committee. The requirement for grain processors to make deductions in relation to the SAFF Grains Industry Committee was removed effective from 1 March 2012.

**Activity 11: Grain Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 March 2012. The primary purposes of the Fund are to promote the grain industry, through industry field days, conferences and other events; represent grain growers in regional, State or national grain or agriculture industry forums; collect and disseminate to grain growers information relevant to the grain industry; and undertake programs designed to encourage communication and cooperation between grain growers and other persons associated with the grain industry.

**Activity 12: Langhorne Creek Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the Fund are to promote the Langhorne Creek wine industry, undertake research and development and encourage communication and cooperation between participants in the Langhorne Creek wine industry.

**Activity 13: McLaren Vale Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 5 June 2003. The primary purposes of the Fund are to promote the McLaren Vale wine industry, undertake research and development and encourage communication and cooperation between participants in the McLaren Vale wine industry.

**Activity 14: Olive Industry Fund**

The Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 26 February 2009. The primary purposes of the Fund are to collect industry funds for use by industry organisations to undertake market development, branding and promotion activities, to facilitate research and development, and to promote the South Australian olive industry or olive products. The requirement for olive processors to make deductions in relation to this Fund was removed effective from 1 May 2013.

**Activity 15: Riverland Wine Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 14 June 2001. The primary purposes of the Fund are to promote the Riverland wine industry, undertake research and development and encourage communication and cooperation between participants in the Riverland wine industry.

**Activity 16: Rock Lobster Fishing Industry Fund**

The Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 19 June 2008. The primary purposes of the Fund are to collect industry funds for use by industry organisations to implement or facilitate research projects, industry development and management projects, marketing projects and other projects for the benefit of the rock lobster fishing industry, in accordance with the strategic plan developed by the South Australian Rock Lobster Advisory Council Incorporated.

**Activity 17: Royalties**

The Department receives royalties levied on minerals and petroleum production on behalf of the State Government. The royalties received are deposited into the Consolidated Account. Royalties transferred along with the operational units of the Minerals and Energy Resources Division from PIRSA to the Department for Manufacturing, Innovation, Trade, Resources and Energy (DMITRE), effective from 1 January 2012.

**Activity 18: South Australian Apiary Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 31 January 2001. The primary purpose of the Fund is to undertake programs relating to the apiary industry or apiary products or any other aspect of the apiary industry recommended by the Apiary Industry Advisory Group.

**Activity 19: South Australian Cattle Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 July 2000. The primary purposes of the Fund are to undertake programs relating to cattle, cattle products or any other aspect of the cattle industry, and payment of compensation and other amounts in line with Regulations.

**Activity 20: South Australian Deer Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 September 2002. The primary purposes of the Fund are to undertake programs relating to deer, deer products or any other aspect of the deer industry, and payment of compensation and other amounts in line with Regulations.

**Activity 21: South Australian Grape Growers Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 29 November 2007. The primary purposes of the Fund are to promote the SA grape growers industry, undertake research and development and encourage communication and cooperation between participants in the SA grape growers industry.

**Activity 22: South Australian Pig Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 1 October 2001. The primary purposes of the Fund are to undertake research, investigations or other programs relating to pigs, pig products or any other aspect of the pig industry and payment of compensation in line with Regulations.

**Activity 23: South Australian Sheep Industry Fund**

This Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998* on 28 October 1999. The purposes of the Fund are to make financial assistance or ex gratia payments to farmers in line with the Regulations, undertake projects as recommended by the South Australian Sheep Advisory Group and provide contributions to the Dog Fence Board towards the maintenance or improvement of the dog proof fence.

**Activity 24: Other Funds**

This is the total of all other administered funds including the payment of the Minister's salary and allowances, production receipts from companies for forwarding to native title claimants, and seed levies collected and remitted pursuant to the *Pasture Seed Levy Collection Act 1989* (Cwlth) and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991*, No. 26 of 1991 (Cwlth).

<b>A4. Employee benefits expenses</b>	2013	2012
	\$'000	\$'000
Salaries and wages	347	379
Employment on-costs - superannuation	2	1
Employment on-costs - other	2	-
Board fees	47	34
Total employee benefits expenses	398	414
<b>A5. Supplies and services</b>		
Supplies and services provided by entities within the SA Government:		
Professional and technical services <sup>(1)</sup>	333	355
Administrative and operating costs	5	4
Vehicle and equipment operating costs	1	-
Operating lease costs	26	43
Total supplies and services - SA Government entities	365	402
Supplies and services provided by entities external to the SA Government:		
Professional and technical services	661	648
Administrative and operating costs	726	504
Utilities and property costs	10	5
Computing and communications costs	35	50
Travel	36	29
Staff development and safety	4	2
Total supplies and services - non-SA Government entities	1 472	1 238
Total supplies and services	1 837	1 640
<sup>(1)</sup> Includes audit fees paid/payable to the Auditor-General's Department - refer note A10.		
<b>A6. Depreciation and amortisation expense</b>		
Depreciation and amortisation:		
Buildings and infrastructure	1	5
Total depreciation and amortisation expense	1	5
<b>A7. Grants and subsidies</b>		
Grants and subsidies paid/payable to entities within the SA Government:		
Aquaculture Resource Management Fund	1 485	1 308
Eyre Peninsula Grain Growers Rail Fund	4	-
Fisheries Research and Development Fund	11 702	11 900
ForestrySA - community service obligations payment	3 446	3 369
South Australian Apiary Industry Fund	4	30
South Australian Cattle Industry Fund	419	402
South Australian Deer Industry Fund	3	1
South Australian Pig Industry Fund	13	36
South Australian Sheep Industry Fund	2 365	2 106
Total grants and subsidies - SA Government entities	19 441	19 152
Grants and subsidies paid/payable to entities external to the SA Government:		
Adelaide Hills Wine Industry Fund	185	330
Aquaculture Resource Management Fund	961	966
Barossa Wine Industry Fund	754	710
Clare Valley Wine Industry Fund	90	60
Citrus Growers Fund	8	100
Dog Fence Board	598	759
Fisheries Research and Development Fund	618	643
Langhorne Creek Wine Industry Fund	155	132

<b>A7. Grants and subsidies (continued)</b>	2013	2012
	\$'000	\$'000
McLaren Vale Wine Industry Fund	450	705
Olive Industry Fund	-	85
Riverland Wine Industry Fund	600	615
Rock Lobster Fishing Industry Fund	200	196
South Australian Apiary Industry Fund	-	5
South Australian Cattle Industry Fund	5	15
South Australian Grape Growers Industry Fund	500	490
South Australian Pig Industry Fund	102	27
South Australian Sheep Industry Fund	213	185
Total grants and subsidies - non-SA Government entities	5 439	6 023
Total grants and subsidies	24 880	25 175
<b>A8. Levies payments</b>		
Grain levies <sup>(1)</sup>	2 025	3 049
Seed levies <sup>(2)</sup>	212	117
Total levies payments	2 237	3 166
(1)	Grain levies collected pursuant to the <i>Wheat Marketing Act 1989</i> are paid to the South Australian Grain Industry Trust Fund and the SAFF Grains Section (Grains Industry Committee). The requirement for grain processors to make deductions in relation to the SAFF Grain Industry Committee was removed effective from 1 March 2012. Income is recognised under note A14.	
(2)	Seed levies collected pursuant to the <i>Pasture Seed Levy Collection Act 1989</i> (Cwlth) are paid to the Commonwealth Department of Agriculture, Fisheries and Forestry. Fees charged by Australian Seed Authority Ltd (ASA) are, by an agreement with PIRSA, collected and remitted to the ASA. Income is recognised under note A14.	
<b>A9. Other expenses</b>	2013	2012
Non-SA Government entities:	\$'000	\$'000
Doubtful debt expense	120	-
Native title - royalty payments	-	826
Total other expenses	120	826
<b>A10. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	110	110
Total auditor's remuneration	110	110
<b>Other services</b>		
No other services were provided by the Auditor-General's Department.		
<b>A11. Revenue from fees and charges</b>		
Fees and charges provided by entities external to SA Government:		
Aquaculture and fishing licences	12 729	12 657
Industry contribution	8 643	7 275
Other fees and levies	2 488	2 725
Penalties and fines	53	44
Total fees and charges	23 913	22 701
<b>A12. Advances and grants</b>		
State grants	209	204
Industry grants	-	30
Intra-government transfer	509	480
Total advances and grants	718	714
<b>A13. Interest revenue</b>		
Interest from entities within the SA Government	550	759
Total interest revenue	550	759



**A14. Levies collection**

	2013	2012
	\$'000	\$'000
Grain levies <sup>(1)</sup>	1 995	2 897
Seed levies <sup>(2)</sup>	218	193
Total levies collection	<u>2 213</u>	<u>3 090</u>

<sup>(1)</sup> Grain levies are collected pursuant to the *Wheat Marketing Act 1989* and provide for the collection of prescribed amounts to support grains research and development in South Australia and the activities of the SAFF Grains Industry Committee. The South Australian Government Gazette dated 8 October 2012, prescribes that the amount to be deducted from the proceeds of sales of all grain grown in the 2012-13 season is:

- 30 cents per tonne for the South Australian Grain Industry Trust Fund

Effective from 1 March 2012 the Grain Industry Fund was established by Regulations under the *Primary Industry Funding Schemes Act 1998*. Grain levies are calculated on each tonne of grain produced and sold by a grain grower and are payable on behalf of the grain grower by the purchaser of the grain.

<sup>(2)</sup> Seed levies comprise amounts collected pursuant to the *Pasture Seed Levy Collection Act 1989* and amending Act *Primary Industries Levies and Charges Collection (Consequential Provisions) Act 1991*, No. 26 of 1991 (Cwlth) for certification of pasture seed by the State and fees charged by ASA under licence by the Commonwealth Department of Agriculture Fisheries and Forestry. ASA undertakes the role of the National Designated Authority for the Organisation for Economic Cooperation and Development seed schemes, and, at the request of the Australian seed industry, operates the Australian Seed Certification Scheme which is used principally for seed not destined for export. PIRSA has an agreement with ASA to collect and remit the levy on their behalf.

Payments are recognised under note A8.

**A15. Royalties**

	2013	2012
	\$'000	\$'000
Royalties	-	82 867
Total royalties received from non-SA Government entities	<u>-</u>	<u>82 867</u>

Royalty revenue relates to minerals and petroleum production and are collected pursuant to the *Roxby Downs (Indenture Ratification) Act 1982*, *Whyalla Steel Works Act 1958*, *Mining Act 1971*, and the *Petroleum and Geothermal Energy Act 2000*.

	2013	2012
	\$'000	\$'000
Royalty revenue for the year comprised:		
Minerals production	-	60 696
Petroleum production	-	22 171
Total royalties received from non-SA Government entities	<u>-</u>	<u>82 867</u>

Royalty receipts were returned to the Consolidated Account in the month following collection. During 2011-12 \$91.024 million was paid to DTF (refer Statement of Cash Flows).

Royalties transferred along with the operational units of the Minerals and Energy Resources Division from PIRSA to DMITRE, effective from 1 January 2012.

**A16. Other income**

	2013	2012
	\$'000	\$'000
Reimbursements/Recoveries	43	42
Reduction in allowance for doubtful debts	-	30
Native title - royalty receipts <sup>(1)</sup>	-	801
Other	14	6
Total other income	<u>57</u>	<u>879</u>

<sup>(1)</sup> Royalties are received from producers party to native title agreements. The revenue received is subsequently paid to claimants (refer note A9).

<b>A17. Revenues from SA Government</b>	2013	2012
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> <sup>(1)</sup>	3 471	3 353
Reimbursements received for Parliamentary salaries and expense allowances	301	394
Total revenues from SA Government	<u>3 772</u>	<u>3 747</u>

<sup>(1)</sup> The Department receives appropriation for its administered funds in accordance with the *Appropriation Act* for the financial year. Appropriation is received for forestry related community service obligations that are delivered by ForestrySA and for Parliamentary salaries and electorate expense allowances.

<b>A18. Cash</b>	2013	2012
Deposits with the Treasurer:	\$'000	\$'000
Section 21 Deposit Accounts	23 071	22 613
Cash held on behalf of DMITRE <sup>(1)</sup>	4 436	22 586
Imprest account and cash on hand	48	78
Total cash	<u>27 555</u>	<u>45 277</u>

<sup>(1)</sup> Amounts received by PIRSA and payable to DMITRE for royalty and native title receipts administered by the former Minerals and Energy Resources Division, that was transferred to DMITRE effective from 1 January 2012.

***Interest rate risk***

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily banking deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

<b>A19. Receivables</b>	2013	2012
Current:	\$'000	\$'000
Receivables	847	676
Allowance for doubtful debts	(133)	(56)
	<u>714</u>	<u>620</u>
Accrued interest on deposits	40	54
Other accrued revenue	21	6
	<u>61</u>	<u>60</u>
Total current receivables	<u>775</u>	<u>680</u>
Total receivables	<u>775</u>	<u>680</u>

Receivables from SA Government entities:

Receivables	3	1
Accrued interest revenues	40	54
Total receivables from SA Government entities	<u>43</u>	<u>55</u>

Receivables from non-SA Government entities:

Receivables	711	619
Other accrued revenues	21	6
Total receivables from non-SA Government entities	<u>732</u>	<u>625</u>
Total receivables	<u>775</u>	<u>680</u>

***Interest rate and credit risk***

All goods and services provided for which payment has not been received are classified as receivables. Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value and there is no concentration of credit risk.

***Allowance for doubtful debts***

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

<i>Allowance for doubtful debts (continued)</i>	2013 \$'000	2012 \$'000
Carrying amount at 1 July	56	86
Increase (Decrease) in the allowance	120	(30)
Amounts written off	(43)	-
Carrying amount at 30 June	<u>133</u>	<u>56</u>

**A20. Inventories**

Current inventories:

Raw materials and stores (at the lower of cost and realisable value) <sup>(1)</sup>	141	212
Publications (at lower of cost and realisable value)	8	-
Total current inventories	<u>149</u>	<u>212</u>
Total inventories	<u>149</u>	<u>212</u>

<sup>(1)</sup> Raw material inventories consist of fencing materials for the establishment and maintenance of dog proof fences, managed by the Dog Fence Board.

**A21. Property, plant and equipment**

Land and buildings:

Land at fair value	3	3
Buildings and infrastructure at fair value	54	42
Accumulated depreciation	-	(6)
Total land and buildings	<u>57</u>	<u>39</u>

Plant and equipment:

Plant and equipment at fair value	24	11
Accumulated depreciation	(11)	(11)
Total plant and equipment	<u>13</u>	<u>-</u>
Total property, plant and equipment	<u>70</u>	<u>39</u>

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2012-13:

	Land \$'000	Buildings and infrastructure \$'000	Plant and equipment \$'000	Total \$'000
Carrying amount at 1 July	3	21	-	24
Prior period adjustment <sup>(1)</sup>	-	15	-	15
Carrying amount after prior period adjustment	<u>3</u>	<u>36</u>	<u>-</u>	<u>39</u>
Acquisitions	-	9	13	22
Revaluation increment (decrement)	-	10	-	10
Depreciation expense	-	(1)	-	(1)
Carrying amount at 30 June	<u>3</u>	<u>54</u>	<u>13</u>	<u>70</u>

<sup>(1)</sup> Prior period adjustment resulted from the increase of asset useful life from six years to 40 years and the correction of accumulated depreciation.

**Impairment**

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2013.

**Valuation of land and buildings**

The valuation of land and buildings was performed by Liquid Pacific, an independent valuer, as at 30 June 2013. The valuer arrived at fair value based on recent market transactions for similar land and buildings in the area taking into account zoning and restricted use.

**A22. Payables**

Current:

Accrued expenses	1 160	906
Payables to DMITRE <sup>(1)</sup>	4 436	22 586
Other	65	53
Total current payables	<u>5 661</u>	<u>23 545</u>
Total payables	<u>5 661</u>	<u>23 545</u>

<b>Government/Non-government payables</b>	2013	2012
Payables to SA Government entities:	\$'000	\$'000
Accrued expenses	138	555
Payables to DMITRE <sup>(1)</sup>	4 436	22 586
Total payables to SA Government entities	<u>4 574</u>	<u>23 141</u>
Payables to non-SA Government entities:		
Accrued expenses	1 022	351
Other	65	53
Total payables to non-SA Government entities	<u>1 087</u>	<u>404</u>
Total payables	<u>5 661</u>	<u>23 545</u>

<sup>(1)</sup> Amounts received by PIRSA and payable to DMITRE for royalty and native title receipts administered by the former Minerals and Energy Resources Division that was transferred to DMITRE effective from 1 January 2012.

<b>A23. Equity</b>	2013	2012
	\$'000	\$'000
Retained earnings	21 967	20 217
Revaluation surplus	10	-
Total equity	<u>21 977</u>	<u>20 217</u>

The revaluation surplus is used to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

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

#### A24. Transferred functions

##### 2012-13

There were no transferred functions during the 2012-13 financial year.

##### 2011-12

As a result of the gazettal on 15 December 2011, announcing that the operational units of the Minerals and Energy Resources Division would transfer from PIRSA to DMITRE, effective from 1 January 2012, the administered activities in relation to royalties, native title royalties and Mintabie camp fees also transferred.

The following assets and liabilities were transferred to DMITRE:

	Royalties \$'000	Other funds <sup>(1)</sup> \$'000	Total \$'000
Assets:			
Current:			
Cash	19 763	253	20 016
Total assets	<u>19 763</u>	<u>253</u>	<u>20 016</u>
Liabilities:			
Current:			
Payables	19 763	220	19 983
Total liabilities	<u>19 763</u>	<u>220</u>	<u>19 983</u>
Total net assets transferred	<u>-</u>	<u>33</u>	<u>33</u>

<sup>(1)</sup> Includes native title royalties and Mintabie camp fees.

Net assets transferred by the Department as a result of an administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the SA Government as owner.

<b>A25. Unrecognised contractual commitments</b>	2013	2012
<b>Other commitments</b>	\$'000	\$'000
Within one year	4	16
Later than one year and not later than five years	-	4
Total other commitments	<u>4</u>	<u>20</u>

The Department's other commitments include agreements with LeasePlan for long-term hire of light vehicles and other amounts owing under fixed price contracts outstanding at the end of the reporting period.

**A26. Contingent assets and liabilities**

The Department is not aware of any contingent assets affecting the administered entities comprising the consolidated financial report as at 30 June 2013.

**Contingent liabilities - refunds of contributions**

Funds established by Regulations under the *Primary Industry Funding Schemes Act 1998* may enable contributors to claim a refund for contributions made in relation to a prescribed period. At the reporting date the possible emergence of valid refund requests within each fund is present. However, as uncertainty exists as to the number of refund requests that will be received, and their timing and amount, these potential obligations cannot be reliably estimated and therefore represent a contingent liability for the fund. Once a valid refund request has been received from a past contributor and it is approved by the Minister or delegate, a present obligation to pay the refund arises. The refund amount is then recognised as a liability and expense of the fund.

**A27. Cash flow reconciliation**

	2013	2012
Reconciliation of cash at 30 June as per:	\$'000	\$'000
Statement of Administered Cash Flows <sup>(1)</sup>	27 555	45 277
Statement of Administered Financial Position	27 555	45 277

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

Net cash provided by (used in) operating activities	(17 700)	14 537
Revenue from SA Government	(3 772)	(3 747)
Non-cash items:		
Depreciation and amortisation	(1)	(5)
Movements in assets/liabilities (net of restructure transfer):		
Inventories	(63)	3
Receivables	95	102
Payables and provisions	17 884	(14 157)
Employee benefits	-	13
Other liabilities	1 535	171
Net cost of providing services	(2 022)	(3 083)

**A28. Event after balance date**

No events have occurred after balance date that would affect the financial statements of PIRSA as at 30 June 2013.

The Public Sector (Reorganisation of Public Sector Operations) Notice 2013 (dated 30 July 2013) proclaimed that effective from 1 August 2013 eight employees from DPC - Outback Communities Authority and three employees from DPC - Local Government Grants Commission will transfer to PIRSA's administered items, and two employees from DPC will transfer to PIRSA.

**A29. Remuneration of board and committee members**

Members that were entitled to receive remuneration for membership during the year are listed below in the following summary table:

The number of members whose remuneration received or receivable falls within the following bands:	2013	2012
	Number	Number
\$0	15	22
\$1 - \$9 999	43	39
Total	58	61

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$46 220 (\$38 482).

The amount paid to a superannuation plan for board and committee members was \$1734 (\$1605).

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

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

**South Australian Cattle Advisory Board**

Anderson M J (retired)*	Mann N A M (retired)	Stacey J C (retired)
Basham D K B (retired)	Nosworthy P (retired)*	Van Wijk J (retired)*
Dennis K I	Oldfield A S	Withers I A S
Honner T J (retired)	Pacitti S	

**South Australian Ovine Johne's Disease Committee**

Altschwager P R (retired)	Heinrich A S (retired)	Trengrove Dr C (retired)
Cooper L T (retired)	Mills L J (retired)	Van Wijk J (retired)*
Dennis K I (retired)	Norsworthy P (retired)	
Gogel L D (retired)	Osborne M W (retired)*	

**Dog Fence Board**

Fargher K J	Irwin J A	MacLachlan J H
Ireland C	Lawrie J P	

**South Australian Pig Industry Advisory Group**

Bissett G	McLean L N	Schmidt P
Flight K M	McMahon J	Starick M J
Hamann R K	Moore M*	
Lloyd B R	Sapwell C M	

**South Australian Sheep Advisory Group**

Dennis K (retired)	Petrenas E*	Symons J B
Halliday R D	Piggott A M (retired)	Whittlesea M (retired)
Kellock J	Robinson R N	Westbrook K D
MacLachlan A J P (retired)	Rowett I H (retired)	
Mills L J	Schulz P J (retired)	

**South Australian Apiary Advisory Group**

Charlton-Fatchen L N	Haslett J M	Petrenas E*
Frost P J (retired)	Hooper B A	Rahaley R S*
Frisby-Smith R	Le Feuvre D W W	Tapp R M

\* Government employees

# South Australia Police

## Functional responsibility

### Establishment

The South Australia Police (SAPOL) is an administrative unit established under the PSA. SAPOL is responsible to the Minister for Police.

### Functions

The functions of SAPOL are to:

- uphold the law
- preserve the peace
- prevent crime
- assist the public in emergency situations
- coordinate and manage responses to emergencies
- regulate road use and prevent vehicle collisions.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

During 2012-13, areas of review included:

- expiation revenue
- expenditure
- payroll
- revenue and receipting
- workers compensation
- procurement/contract management
- financial accounting
- creditor account payment performance.
- IT security and management controls

The audit also considered the nature of the review work undertaken by internal audit.

## **Audit findings and comments**

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

In my opinion, the financial report gives a true and fair view of the financial position of the South Australia Police as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

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

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the Commissioner of Police. The main matters raised with SAPOL and the responses are detailed below.

In addition, matters relating to SSSA as a service provider to SAPOL are also described below.

### **Governance**

Audit raised with SAPOL the matter of reviewing accountability aspects of its governance committees for improvement of operation within the overall strategic and financial governance framework of the organisation.

SAPOL advised that a number of process improvements will be implemented with respect to several committee operations.

### **Expiation revenue**

The following key issues were identified:

- The Vehicle Licensing System is updated on a daily basis with information provided by the Department of Planning, Transport and Infrastructure (DPTI). The reports, which are generated following the update process, are not reviewed to ensure that all data records have been completely and accurately updated. Audit recommended that the daily reports be signed and dated as evidence that the review process has been performed.
- As a result of a review of the Expiation Notice System, Audit recommended that:
  - access levels to the Expiation Notice System be regularly reviewed to ensure that only relevant staff have the appropriate access
  - a system generated report be implemented to capture any changes to expiation rates. The report should be reviewed by an appropriate senior officer
  - a system generated report be implemented to capture all manual notices processed by each employee and this report be the basis for internal audit testing
  - those employees that perform the internal audit testing do not also perform data entry.
- Responsibility for the follow-up of outstanding traffic infringement notices needs to be clearly defined to ensure accountability for all traffic infringement notices issued.



SAPOL responded that:

- in relation to the Vehicle Licensing System, a process will be set up to ensure that the daily update process is complete and accurate
- the ability to vary notices in the Expiation Notice System is limited to two staff members who are not involved in manual notice data entry. The cost of implementing reports for the small number of staff who have system access does not provide a perceived benefit. Where these staff become involved in data entry the access will be removed
- a regular review of access to the Expiation Notice System will be instituted
- requirements for the follow-up of outstanding traffic infringement notices have been reinforced.

#### ***Procurement/Contract management***

In reviewing the procurement and contract management processes, a number of issues were identified:

- In relation to a significant contract there was a lack of documentation to support the appraisal process for contract extension. Furthermore, no evidence could be provided to indicate whether market research had been conducted into new suppliers or whether SAPOL would receive value for money for the contract extension.
- A temporary cleaning contract was extended on a number of occasions due to resource commitment to competing procurement projects. The continual extension of this contract negates testing the market for value for money service.
- It was noted that contracts are managed by a variety of officers with different skill sets. Contracts have many different contractual requirements and are not the same across all contracts. Elements of a key contract had not been managed as the contract manager was not aware of critical elements within the contract. In addition, it was noted that information relevant to contract management was not always held within the contract file.

Audit considered that a formalised training and development plan should be established for key staff involved in contract management and a standard contract file structure also be implemented.

- Improvements could be made to the procurement and contract management policies and procedures in place.

In its response, SAPOL advised:

- although market research was undertaken to validate the commercial benefits of extension and addressed in the recommendation to extend, in this instance the supporting documentation was not retained
- the initial extensions of the cleaning contract were intended to respond to a contracting emergency and establishment of an appropriate whole of Justice strategy. A longer agreement was not initially entered into as it was considered a higher risk until a strategy was formulated
- contract management policies and procedures are currently being reviewed within the context of a new contract management framework suitable for SAPOL's operational environment. Implementation is expected by June 2014. The review will make recommendations with respect to contract management training and its identification in SAPOL's training needs analysis process.

Further commentary on procurement is provided under the heading 'ICT procurement' below.

### ***Expenditure***

In the review of expenditure, Audit noted issues relating to lack of control and review over systems access and systems financial authorisations and a number of important reports either not reviewed on a timely basis or there was no evidence of review.

There were also instances of a lack of compliance with the Commissioner for Public Employment's Determination on overseas travel arrangements. These related to a lack of reports being prepared at the conclusion of trips and a monthly return on overseas travel not being forwarded to the Minister.

SAPOL has advised that it has addressed the issues relating to systems access, checks on financial authorisations and reviewing reports. In relation to overseas travel, compliance with the Commissioner for Public Sector Employment's Determination has been actioned.

### ***Payroll***

Personnel audit reports are reviewed to ensure the accuracy and completeness of the rank/classification/allowances of employees. The audit revealed that the review process does not cover all key elements to provide assurance that employees are receiving the correct payment. There is also no assurance that all reports are being reviewed, as registers to control the review process are not always used.

SAPOL has advised that it is investigating the inclusion of the list of details to be verified on the personnel audit report. A process has been established that will alleviate the need to establish an independent register.

### ***Creditor account payment performance***

TI 11 prescribes the policy for creditor account payments including the preparation of monthly reports on account payment performance to the Minister.

For several months there was no documentation retained by SAPOL indicating the timing and provision of the reports to the Minister.

SAPOL responded that it will prepare separate reports for the Minister rather than performance information being included in monthly financial reports.

### ***Shared Services SA – accounts payable and electronic payment control environments***

SSSA operates an accounts payable function which involves the processing of transactions on behalf of SAPOL under a service level determination. The function involves the e-Procurement system for ordering, receiving and invoice processing; Masterpiece payment transaction processing and vendor masterfile processing; EFT and cheque payment processing; and Masterpiece general ledger maintenance.

While SSSA continues to progress significant remedial measures to address prior years' key control weaknesses, certain actions are still required before the control environment can be considered to be robust and effective.

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

***Shared Services SA – payroll control environment***

SSSA processes payroll transactions specific to the SAPOL payroll system on behalf of SAPOL in accordance with a service level determination.

The audit of payroll transactions considered the payroll process and control environment operated by SSSA.

A review of the process and control environments in previous years has identified SSSA key control weaknesses covering segregation of duties and user access.

As SSSA implemented significant remediation action during the year, it was not effective throughout the entire year. As such, the process and control environment could not be considered robust and effective for the 2012-13 financial year.

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

***Information and communications technology and control******SAPOL Road Safety Camera program***

In recent years there has been regular public and media comment across Australian jurisdictions (including South Australia) about the nature of operation and effectiveness of road safety cameras.

In the past Audit has examined aspects of South Australia’s Road Safety Camera program. In late 2010 Audit conducted a review of the Capture Adjudication and Reporting System (CARS). This system is used by SAPOL’s Expiation Notice Branch (ENB) involved in the expiation notice processing for traffic and other offences.

The 2010 review noted that the ENB had a detailed internal audit process and audit plan. Also while some control weaknesses were found there were certain controls in place to track missing expiation notices and prevent notices being withdrawn without appropriate review.

In 2011 the operation of other state based safety camera programs were reported on by the respective Auditors-General of New South Wales and Victoria.

In general and summary terms, both the New South Wales and Victorian reports concluded that cameras did influence driver behaviour and improve road safety. In addition, the Victorian Auditor-General’s report covered the matter of the accuracy and reliability of the camera system which has implications for the integrity of the infringement notice system.

Both Auditor-Generals’ reports made certain recommendations in light of the findings emanating from their reviews. Audit understands that not all recommendations relating to these reviews would necessarily be suitable for the South Australian Road Safety Camera program.

To illustrate, unlike some states the fixed speed camera program within South Australia is a partnership between DPTI and SAPOL. DPTI establishes the site and maintains the infrastructure whilst SAPOL maintains the camera and operational testing and accuracy of the site post-commissioning. Mobile radars are operated by SAPOL.

Despite the organisation and management differences between the states relating to safety cameras, in February 2013 Audit wrote to the Commissioner of Police. The purpose of the communication was to clarify whether SAPOL had reviewed and considered the reports of the Auditors-General of New South Wales and Victoria. In particular, Audit sought SAPOL's view regarding the relevancy of the recommendations of the reports to the camera operating environment and technical reliability of their operations in the South Australian context.

SAPOL responded to Audit's letter in March 2013. Of particular note SAPOL advised Audit that in South Australia the following applies:

- Deployment of mobile cameras: camera operations are centralised within the Traffic Camera Unit. Camera sites are programmed by the Traffic Intelligence Section based on road safety data, with cameras employed on roster cycles day and night.
- Deployment of fixed cameras: fixed camera sites in South Australia are selected by DPTI on the basis of road safety data which includes collision data.
- Initial testing of cameras before deployment: SAPOL requires 'type' certification from camera manufacturer's before purchase. This is an independent assessment by a reputable testing authority that the system is accurate. On establishment each camera is extensively tested requiring four weeks continuous operation without fault before a site is allowed to be operational.
- Maintenance and testing of fixed cameras: cameras are technically managed by the SAPOL Radio and Technical Unit (RTSU). RTSU holds independent NATA accreditation. SAPOL performs annual calibrations and monthly field testing.
- Maintenance and testing of mobile cameras: mobile speed cameras are calibrated annually by the NATA accredited RTSU laboratory. Run throughs are conducted once a day.

In 2013-14 Audit intends to consider aspects of SAPOL's policies and procedures pertaining to the South Australian Road Safety Camera program.

#### *ICT procurement*

Procurement of ICT services and products within SAPOL need to adhere to both agency and whole-of-government processes and procedural requirements.

In June 2013 Audit conducted a review of two ICT procurements. Both procurements each had a purchase value between \$200 000 and \$300 000 and were managed within SAPOL's Information Systems and Technology (IS&T) Service.

The aim of Audit's review was to assess whether the two procurements complied with relevant governing policy and guidance of the State Procurement Board and SAPOL, and TIs concerning payment method and authority. Both procurements were also examined against the service offering coverage of the whole-of-government ICT contract head agreements with the applicable external vendor. To help confirm the coverage of these head agreements advice was sought directly from the Office of the Chief Information Office (OCIO). The results of this review were communicated to SAPOL.

In relation to Procurement 1, Audit concluded that the procurement aligned with governing procurement policy and procedures and TIs. This included IS&T Service obtaining three separate quotes, with the successful supplier selected based on price.

In regard to Procurement 2 Audit concluded that the procurement did not align with governing procurement policy and procedures. The procurement approach used by SAPOL should have been more robust.

Audit considered that the particular software purchased in Procurement 2 was not included in the coverage of any current whole-of-government ICT contract. This meant that the selection of the software should have been validated through a formal documented procurement assessment aligned with the governing procurement policy and procedures. This included the provision and evaluation of quotes for other software vendor products that have similar functionality.

Audit noted that SAPOL's procurement procedures stated that if a procurement was not directly associated with a whole-of-government ICT contract and the purchase value is over \$220 000 then the purchase should be treated as a complex procurement which requires market tender testing and selection. Also SAPOL procedures required these types of procurements to be managed and approved by its Procurement and Contract Management Services Branch. Procurement 2 did not conform to these requirements.

To strengthen future computer system purchases, Audit recommended to SAPOL that before proceeding with internal approval, IS&T Service should clearly define which whole-of-government ICT contract is being used to justify the purchase, including referencing the section(s) of the contract. IS&T Service may require advice or direction from the OCIO in some instances if the computer product is not clearly specified in any ICT contract.

In addition, Audit recommended that if the purchase is not within the scope of any current whole-of-government ICT contract or if the initial quote does not appear to represent value for money then IS&T should then obtain quotes from other suppliers. These quotes should be formally assessed and documented. Consistent with SAPOL's internal procedures any purchases over \$220 000 not within the scope of the whole-of-government ICT procurements should also be managed by the Procurement and Contract Management Services Branch.

SAPOL responded positively to the audit findings and recommendations indicating future compliance with the governing procurement policy and procedures.

## Interpretation and analysis of the financial report

### Highlights of the financial report

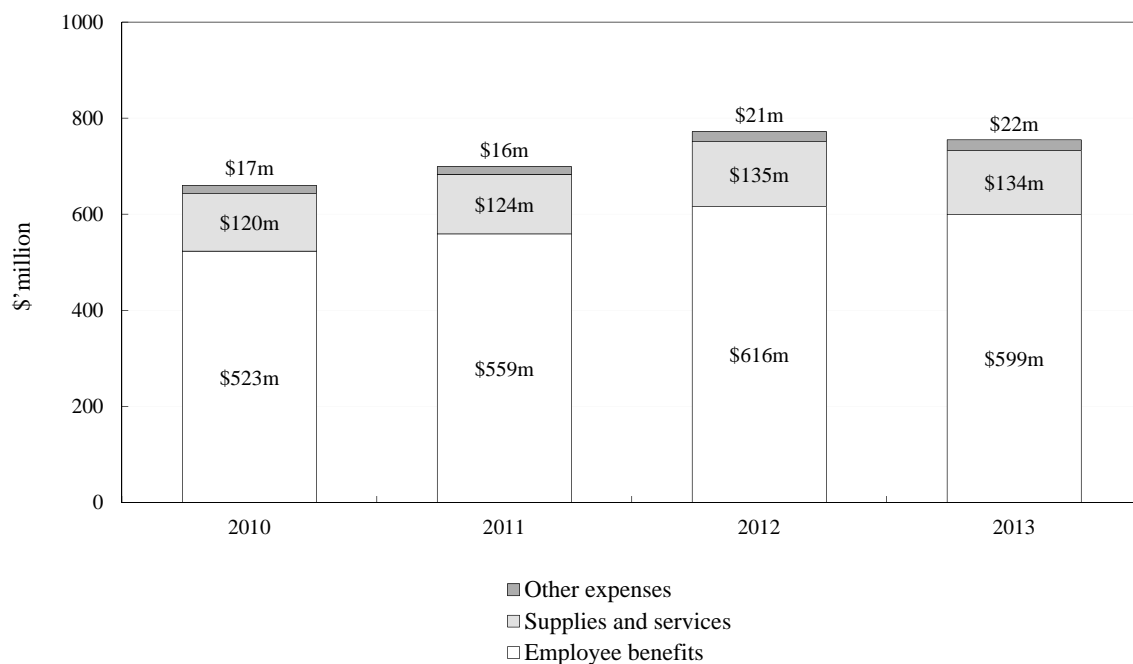
	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Employee benefits	599	616
Supplies and services	134	135
Other expenses	22	21
<b>Total expenses</b>	<b>755</b>	<b>772</b>
<b>Income</b>		
Fees and charges	25	23
Other revenues	7	41
<b>Total income</b>	<b>32</b>	<b>64</b>
<b>Net cost of providing services</b>	<b>723</b>	<b>708</b>

	2013 \$'million	2012 \$'million
<b>Revenues from (Payments to) SA Government</b>	732	709
<b>Net result</b>	9	1
<b>Other comprehensive income</b>	6	-
<b>Total comprehensive result</b>	15	1
<b>Net cash provided by (used in) operating activities</b>	40	16
<b>Assets</b>		
Current assets	80	73
Non-current assets	376	371
<b>Total assets</b>	456	444
<b>Liabilities</b>		
Current liabilities	90	87
Non-current liabilities	264	271
<b>Total liabilities</b>	354	358
<b>Total equity</b>	102	86

### Statement of Comprehensive Income

#### Expenses

The following chart shows a structural analysis of the main expense items for the four years to 2013.



Employee benefits expenses account for 79% of total expenses and decreased by \$17 million during 2012-13. The decrease is mainly the net effect of decreases in LSL of \$22 million and workers compensation of \$19 million and increases in salaries and wages of \$18 million and annual leave of \$6 million. The decrease in LSL was principally due to the net financial effect, in 2012-13, of the changes in methodology and actuarial assumptions used to value the LSL liability. Workers compensation has decreased mainly as a result of a reduction of \$14 million in the provision as at 30 June 2013. The increase in salaries and wages related mainly to the police enterprise bargaining agreement and the Recruit 300 initiative.

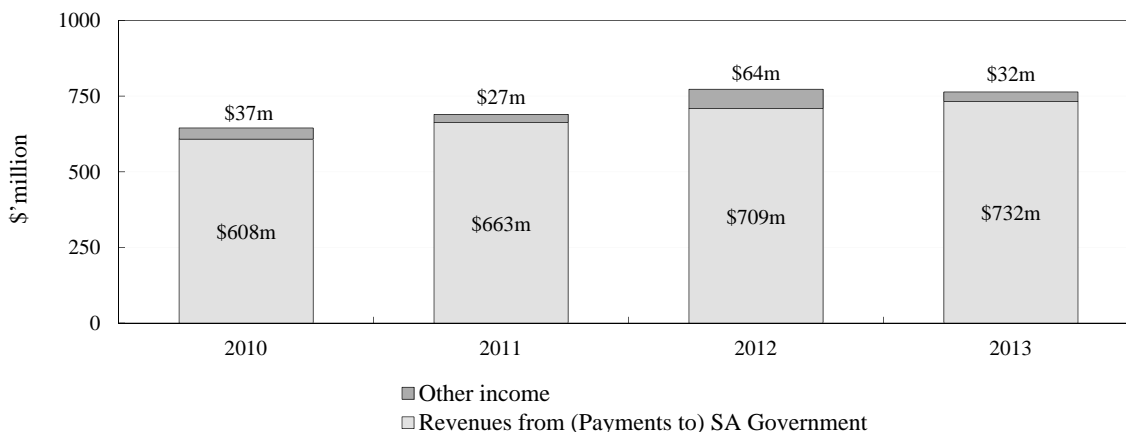
Supplies and services account for 18% of total expenses and include:

- \$30 million for accommodation and property related expenses
- \$25 million for communication and computing expenses
- \$25 million for motor vehicle related expenses.

Supplies and services expenses decreased by \$1 million in 2012-13.

**Income**

The following chart shows a structural analysis of the main income items for the four years to 2013.

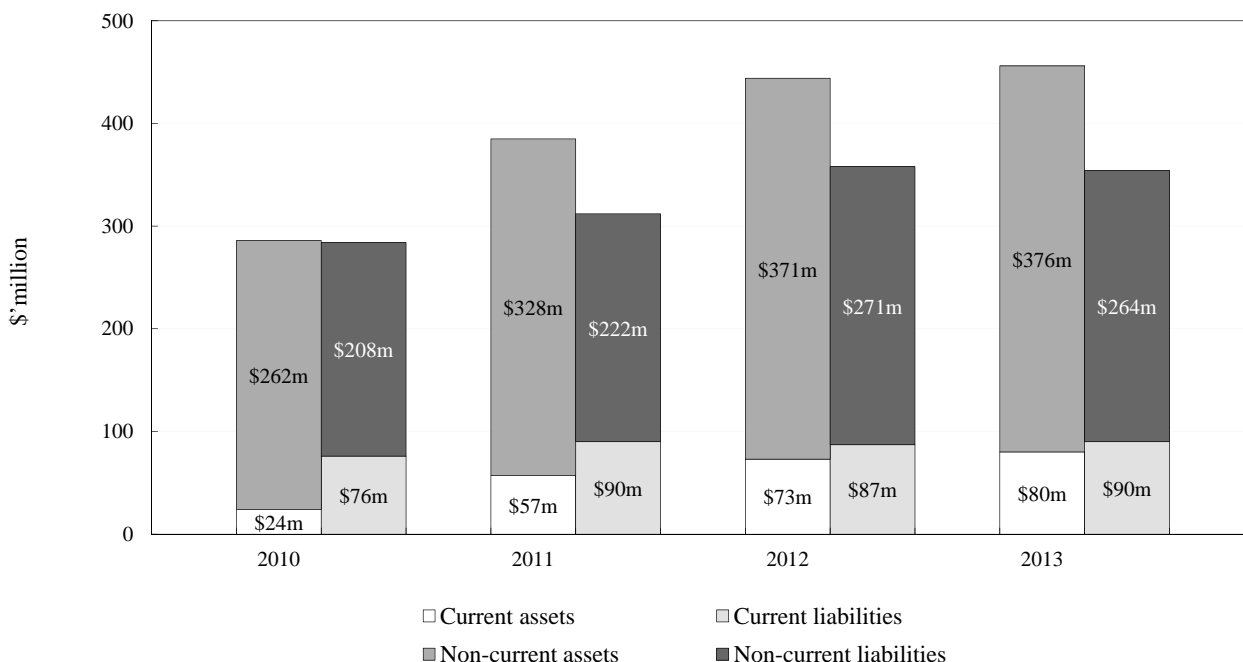


SAPOL receives government funding based on annual budgeted expenditure, less estimated revenues from fees and charges and other sources. Revenues from (Payments to) government increased by \$23 million (3%) to \$732 million. The increase reflects funding for the enterprise bargaining agreement, additional police officers and resourcing for the Safer, Faster and Easier Public Transport initiative.

The reduction in other income is primarily due to \$35 million of donated asset revenue, received in 2011-12 from DPTI for the fitout of the new police headquarters.

**Statement of Financial Position**

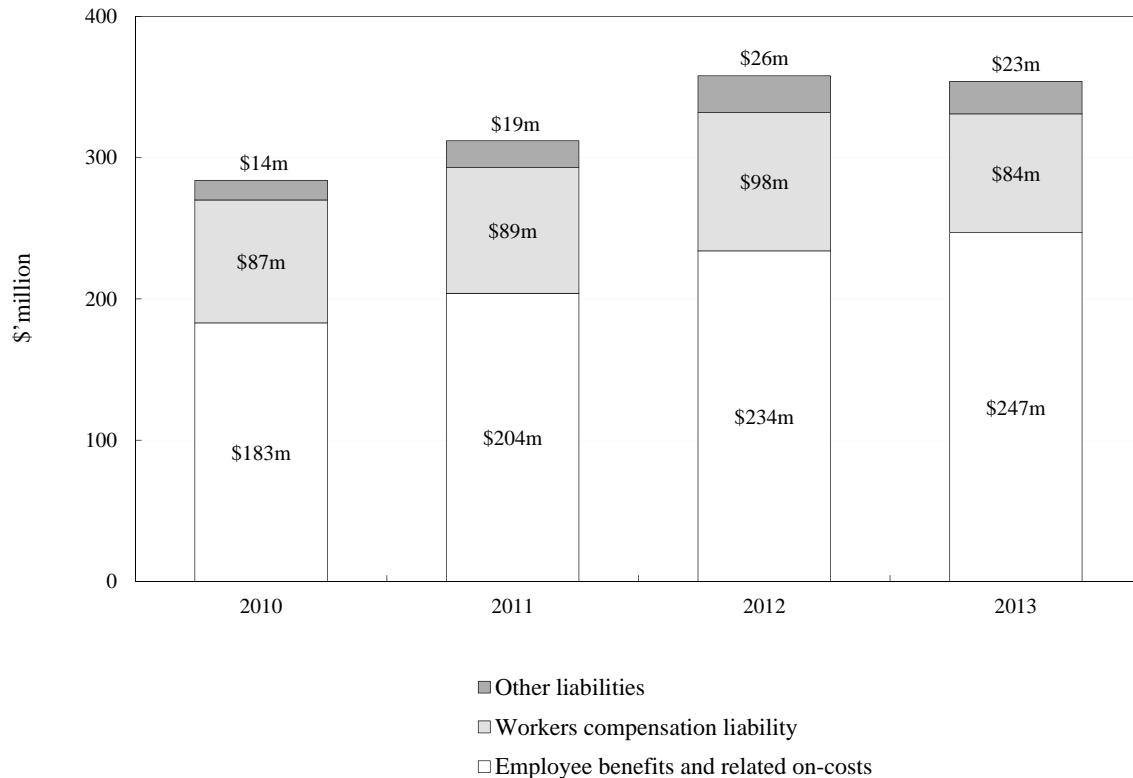
For the four years to 2013, a structural analysis of assets and liabilities is shown in the following chart.



**Assets and liabilities**

In 2012-13 there were no significant movements in assets and liabilities.

The significance of employee related liabilities compared to total liabilities is shown in the following chart.

**Total equity**

Total equity and net assets increased by \$16 million principally due to a net surplus of \$9 million and a \$6 million gain on the revaluation of property, plant and equipment.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2013.

	2013 \$'million	2012 \$'million	2011 \$'million	2010 \$'million
<b>Net cash flows</b>				
Operating	40	16	43	(10)
Investing	(23)	(29)	(60)	(36)
Financing	-	12	59	15
Change in cash	17	(1)	42	(31)
Cash at 30 June	62	45	46	4

Funding received from the SA Government in 2012-13 exceeded operating cash outflows. This resulted in net cash flows provided by operating activities of \$40 million.

There were no capital contributions from the Government in 2012-13.



**Administered items*****Expiation fees***

Expiation fees are collected by SAPOL on behalf of the Government. SAPOL treats the collection of expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996* as an administered item and pays the revenue to the Consolidated Account. Expiation fees collected increased by \$1 million to \$67 million in 2013.

***Victims of Crime levy***

SAPOL collects monies associated with the *Victims of Crime Act 2001* from the expiation of offences included on expiation notices issued by police officers and other authorised officers. The *Victims of Crime Act 2001* provides for payment of compensation to persons who suffer injury as a result of criminal acts and recovery of monies from offenders.

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

During 2012-13 Victims of Crime levy receipts paid to the Attorney-General's Department totalled \$13 million.

## Statement of Comprehensive Income for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefits	5	599 215	615 764
Supplies and services	6	133 955	135 324
Depreciation and amortisation	7	21 998	20 621
Write-down of non-current assets		409	220
Net loss from disposal of non-current assets	11	3	189
<b>Total expenses</b>		<b>755 580</b>	<b>772 118</b>
<b>Income:</b>			
Fees and charges	8	24 745	23 119
Interest	9	29	44
Commonwealth revenues	10	1 291	693
Other income	12	6 205	39 902
<b>Total income</b>		<b>32 270</b>	<b>63 758</b>
<b>Net cost of providing services</b>		<b>723 310</b>	<b>708 360</b>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	13	688 601	659 642
Contributions from the Community Emergency Services Fund	13	19 781	19 315
Contributions from the Community Road Safety Fund	13	36 470	35 580
Payments to SA Government	13	(12 301)	(5 666)
<b>Net revenues from (payments to) SA Government</b>		<b>732 551</b>	<b>708 871</b>
<b>Net result</b>		<b>9 241</b>	<b>511</b>
<b>Other comprehensive income:</b>			
Changes in revaluation surplus	24	6 468	-
<b>Total comprehensive result</b>		<b>15 709</b>	<b>511</b>

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

## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	14	62 385	45 555
Receivables	15	6 784	16 324
Inventories		267	328
		<u>69 436</u>	<u>62 207</u>
Non-current assets held for sale	16	10 987	10 737
<b>Total current assets</b>		<u>80 423</u>	<u>72 944</u>
<b>Non-current assets:</b>			
Receivables	15	230	634
Property, plant and equipment	17	348 278	340 128
Capital works in progress	17	14 029	19 358
Intangible assets	18	11 809	9 625
Investment properties	19	1 390	1 390
		<u>375 736</u>	<u>371 135</u>
<b>Total non-current assets</b>		<u>375 736</u>	<u>371 135</u>
<b>Total assets</b>		<u>456 159</u>	<u>444 079</u>
<b>Current liabilities:</b>			
Payables	20	22 747	25 814
Other liabilities	21	499	574
Employee benefits	22	50 967	46 666
Provisions	23	15 473	13 818
		<u>89 686</u>	<u>86 872</u>
<b>Total current liabilities</b>		<u>89 686</u>	<u>86 872</u>
<b>Non-current liabilities:</b>			
Payables	20	24 558	23 373
Other liabilities	21	6 075	7 552
Employee benefits	22	162 297	155 508
Provisions	23	70 953	85 091
		<u>263 883</u>	<u>271 524</u>
<b>Total non-current liabilities</b>		<u>263 883</u>	<u>271 524</u>
<b>Total liabilities</b>		<u>353 569</u>	<u>358 396</u>
<b>Net assets</b>		<u>102 590</u>	<u>85 683</u>
<b>Equity:</b>			
Contributed capital	24	85 220	85 220
Revaluation surplus	24	114 338	107 870
Retained earnings	24	(96 968)	(107 407)
		<u>102 590</u>	<u>85 683</u>
<b>Total equity</b>		<u>102 590</u>	<u>85 683</u>
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	26		
Contingent liabilities	27		

**Statement of Changes in Equity  
for the year ended 30 June 2013**

		Contributed capital \$'000	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011	Note	73 484	107 525	(107 573)	73 436
Net result for 2011-12		-	-	511	511
Total comprehensive result for 2011-12		-	-	511	511
Transfer between equity components		-	345	(345)	-
Transactions with SA Government as owner:					
Equity contribution received		11 736	-	-	11 736
Balance at 30 June 2012	24	85 220	107 870	(107 407)	85 683
Net result for 2012-13		-	-	9 241	9 241
Gain on revaluation of property, plant and equipment		-	6 468	-	6 468
Total comprehensive result for 2012-13		-	6 468	9 241	15 709
Adjustment to equity		-	-	1 198	1 198
<b>Balance at 30 June 2013</b>	24	<b>85 220</b>	<b>114 338</b>	<b>(96 968)</b>	<b>102 590</b>

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

**Statement of Cash Flows  
for the year ended 30 June 2013**

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits		(586 102)	(580 212)
Supplies and services		(162 150)	(148 355)
GST paid to the ATO		(2 274)	(2 179)
<b>Cash provided by (used in) operations</b>		<u>(750 526)</u>	<u>(730 746)</u>
Cash inflows:			
Fees and charges		28 341	25 239
Interest		29	44
GST recovered from the ATO		14 791	16 735
Other receipts		5 784	4 947
<b>Cash generated from operations</b>		<u>48 945</u>	<u>46 965</u>
Cash flows from SA Government:			
Receipts from SA Government		753 747	705 642
Payments to SA Government		(12 301)	(5 666)
<b>Cash generated from SA Government</b>		<u>741 446</u>	<u>699 976</u>
<b>Net cash provided by (used in) operating activities</b>	25	<u>39 865</u>	<u>16 195</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(23 425)	(29 192)
Proceeds from the sale of property, plant and equipment		390	482
<b>Net cash provided by (used in) investing activities</b>		<u>(23 035)</u>	<u>(28 710)</u>
<b>Cash flows from financing activities:</b>			
Capital contributions from government		-	11 736
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>11 736</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>16 830</u>	<u>(779)</u>
<b>Cash and cash equivalents at 1 July</b>		<u>45 555</u>	<u>46 334</u>
<b>Cash and cash equivalents at 30 June</b>	14	<u>62 385</u>	<u>45 555</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2013

	(Activities - refer note 4)		2	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefits	260 050	263 854	262 546	271 834
Supplies and services	56 094	56 518	58 654	60 016
Depreciation and amortisation	9 830	8 879	8 908	8 722
Write-down of non-current assets	166	84	178	101
Net loss from disposal of non-current assets	2	73	1	86
<b>Total expenses</b>	<b>326 142</b>	<b>329 408</b>	<b>330 287</b>	<b>340 759</b>
<b>Income:</b>				
Fees and charges	15 507	15 613	4 633	3 643
Interest	11	17	14	21
Commonwealth revenues	508	270	602	326
Other income	2 468	15 349	2 834	18 307
<b>Total income</b>	<b>18 494</b>	<b>31 249</b>	<b>8 083</b>	<b>22 297</b>
<b>Net cost of providing services</b>	<b>307 648</b>	<b>298 159</b>	<b>322 204</b>	<b>318 462</b>
<b>Revenues from (Payments to) SA Government:</b>				
Revenues from SA Government	316 478	300 584	331 981	321 351
Payments to SA Government	(4 839)	(2 206)	(5 739)	(2 663)
<b>Net revenues from (payments to) SA Government</b>	<b>311 639</b>	<b>298 378</b>	<b>326 242</b>	<b>318 688</b>
<b>Net result</b>	<b>3 991</b>	<b>219</b>	<b>4 038</b>	<b>226</b>
	(Activities - refer note 4)		3	
	2013	2012	Total	
	\$'000	\$'000	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>				
Employee benefits	76 619	80 076	599 215	615 764
Supplies and services	19 207	18 790	133 955	135 324
Depreciation and amortisation	3 260	3 020	21 998	20 621
Write-down of non-current assets	65	35	409	220
Net loss from disposal of non-current assets	-	30	3	189
<b>Total expenses</b>	<b>99 151</b>	<b>101 951</b>	<b>755 580</b>	<b>772 118</b>
<b>Income:</b>				
Fees and charges	4 605	3 863	24 745	23 119
Interest	4	6	29	44
Commonwealth revenues	181	97	1 291	693
Other income	903	6 246	6 205	39 902
<b>Total income</b>	<b>5 693</b>	<b>10 212</b>	<b>32 270</b>	<b>63 758</b>
<b>Net cost of providing services</b>	<b>93 458</b>	<b>91 739</b>	<b>723 310</b>	<b>708 360</b>
<b>Revenues from (Payments to) SA Government:</b>				
Revenues from SA Government	96 393	92 602	744 852	714 537
Payments to SA Government	(1 723)	(797)	(12 301)	(5 666)
<b>Net revenues from (payments to) SA Government</b>	<b>94 670</b>	<b>91 805</b>	<b>732 551</b>	<b>708 871</b>
<b>Net result</b>	<b>1 212</b>	<b>66</b>	<b>9 241</b>	<b>511</b>

SAPOL has applied the trends from the February 2012 activity survey.

## Notes to and forming part of the financial statements

### 1. Objectives of the South Australia Police (SAPOL)

SAPOL operates within the *Police Act 1998*, the Police Regulations 1999 and the PSA.

The mission statement of SAPOL as set out in SAPOL's Future Directions Strategy 2010-13 is 'working together to reassure and protect the community from crime and disorder.' This mission statement is reflected in the following core functions:

- upholding the law
- preserving the peace
- preventing crime
- assisting the public in emergency situations
- coordinating and managing responses to emergency situations
- regulating road use and prevent vehicle collisions.

### 2. Summary of significant accounting policies

#### (a) Statement of compliance

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

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

SAPOL has applied AASs that are applicable to not-for-profit entities, as SAPOL is a not-for-profit entity. AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAPOL for the reporting period ending 30 June 2013 (refer note 3).

#### (b) Basis of preparation

The preparation of the financial statements requires:

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

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

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

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

**(b) Basis of preparation (continued)**

The continued existence of SAPOL in its present form and with its present activities is dependent on government policy and on continuing appropriations by Parliament for SAPOL's administration and outputs.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

**(c) Reporting entity**

SAPOL is a government department of the State of South Australia and operates within the *Police Act 1998*, the *Police Regulations 1999* and the *PSA*. SAPOL is an administrative unit acting on behalf of the Crown.

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

**(d) Transferred functions**

No functions were transferred during the 2012-13 financial year.

**(e) Comparative information**

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

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

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

**(f) Rounding**

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

**(g) Taxation**

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

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

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

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

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows. GST amounts are separately disclosed in note 26.

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

GST recoverable from or payable to the ATO associated with administered items transactions is included in the SAPOL statements.



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

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

There are no events for the reporting period after 30 June 2013.

**(i) Income**

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

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

The following are specific recognition criteria:

*Fees and charges*

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

Fees and charges controlled by SAPOL are recognised as income in the SAPOL financial statements. Fees and charges are deemed to be controlled where they can be deployed for the achievement of SAPOL objectives. Such amounts are not required to be paid to the Consolidated Account or other funds not controlled by SAPOL.

Fees and charges collected by SAPOL but not controlled are not recognised as income in the SAPOL financial statements but are reported as administered income in the administered financial statements. Such amounts are required to be paid to the Consolidated Account or other funds not controlled by SAPOL (refer note A4).

*Contributions received*

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

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

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

All contributions received by SAPOL have been contributions with unconditional stipulations attached and have been recognised as an asset and income on receipt.

*Resources received free of charge*

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

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

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

Any gain (loss) on disposal is recognised at the date control of the asset passed to the buyer and is determined after the deduction from proceeds of the asset at that time.

*Revenues from SA Government*

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

*Revenues from SA Government (continued)*

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

*Other income*

Other income consists of donations, recoveries of employee benefits (ie where employees are seconded to Commonwealth programs and SAPOL continues to provide the ongoing salary for the employees) and goods and services (ie where SAPOL incurs expenditure on goods and services and later recovers the expenditure).

**(j) Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits*

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

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by SAPOL to superannuation plans in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

*Depreciation and amortisation*

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

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

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings	20-60
Vehicles and transport vessels	3-10
Aircraft	10-35
Computers and communications	2-10
Subclass:	
Radio masts	2-60
Other	2-20
Subclass:	
Generators	2-38
Leasehold improvements	life of lease
Intangible assets	2-10

*Payments to SA Government*

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy which is paid directly to the Consolidated Account. Expiation fees received on behalf of the Government are an administered item and paid directly to the DTF Consolidated Account. This payment is recognised in the administered items financial statements.

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

Assets and liabilities are characterised as either current or non-current in nature. SAPOL has a clearly identifiable operating cycle of 12 months. Assets and liabilities that are sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

**(l) Assets**

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand, and deposits at call that are readily converted to cash, used in the cash management function on a day-to-day basis and which are subject to insignificant risk of changes in value.

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

Administered cash is shown in administered items financial schedules.

Cash is measured at nominal value.

*Receivables*

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Collectability of receivables is reviewed on an ongoing basis. Bad debts are written off when identified.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

*Inventories*

SAPOL holds inventories generally for internal distribution. Inventories held for distribution are measured at lower of cost and replacement value.

Inventories include stationery, capsicum sprays and police horses.

*Non-current assets held for sale*

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

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

*Non-current assets*

- *Acquisition and recognition*

Non-current assets are initially recorded at cost plus any incidental cost involved with the acquisition.

Non-current assets are subsequently measured at fair value less accumulated depreciation.

- *Acquisition and recognition (continued)*  
Where assets are acquired at no value, or minimal purchase value, they are recorded at their fair value in the Statement of Financial Position.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

All other plant and equipment purchases are expensed in the year of purchase.

- *Revaluation of non-current assets*  
All non-current tangible assets are valued at written down current cost (a proxy for fair value). Revaluation of a non-current asset, 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.

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

Land, buildings and leasehold improvements controlled by SAPOL, with the exception of leasehold improvements at police headquarters and several other CBD sites, were revalued as at 30 June 2011 following an independent valuation prepared by Valcorp Australia Pty Ltd using the fair value methodology. The revaluation of leasehold improvements at police headquarters and several other CBD sites was not undertaken as SAPOL vacated these sites in September 2011 when staff relocated to the new police headquarters. The associated leasehold improvements were written down accordingly. Aircraft controlled by SAPOL were revalued as at 30 June 2011 following an independent valuation prepared by Valcorp Australia Pty Ltd using the fair value methodology. This was the first time the aircraft was revalued. Other non-current assets have been valued at their written down historic cost.

Any revaluation increment is credited to the revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as an income.

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

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

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

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

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

#### *Intangible assets*

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

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

The acquisition, or internal development, of software is capitalised only when the expenditure meets the definition criteria outlined in AASB 138 (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

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

*Investment properties*

Investment properties represent properties held to earn rental income and for capital appreciation.

Investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated and are not tested for impairment.

Rental income from the leasing of investment properties is recognised in the Statement of Comprehensive Income as part of other income, on a straight-line basis over the lease term.

**(m) Liabilities**

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

*Payables*

Payables include creditors, accrued expenses, GST payable and employee benefit on-costs and paid parental leave payable.

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

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

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

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

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

SAPOL 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 the Police Superannuation Board, the South Australian Superannuation Board and externally managed superannuation schemes have assumed this liability. The only liability outstanding at balance date relates to any contributions due but not yet paid to Police Superannuation Board and the South Australian Superannuation Board.

*Leases*

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

SAPOL has entered into a number of operating lease agreements for buildings and vehicles where the lessors effectively retain all of the risks and benefits incidental to ownership of the items. Operating lease payments are representative of the pattern of benefits to be derived from the leased items and accordingly are charged to the Statement of Comprehensive Income in the period in which they are incurred.

*Lease incentives*

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

*Public Private Partnership (PPP)*

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA).

In June 2005 the Minister of Infrastructure signed a project agreement.

The PPP includes police stations at Mt Barker and Gawler, police stations and court facilities at Port Lincoln, Victor Harbor and Berri, and court facilities at Port Pirie.

For accounting purposes the leases are operating leases.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites they occupy.

Lease expenditure and payables related to the facilities occupied by SAPOL are recognised in the SAPOL controlled financial statements. Lease expenditure, revenue and associated payables and receivables related to the facilities occupied by CAA is recognised in the administered financial statements.

*Employee benefits*

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

- *Wages, salaries, annual leave, skills and experience retention leave and sick leave*  
Liabilities for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention leave is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. Liabilities for annual leave are recognised and are measured as the amount unpaid at the reporting date at the rate of pay expected to be paid when the leave is taken in respect of employee's services up to that date.

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

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

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

- *Employee benefit on-costs*  
Employee benefit on-costs (payroll tax and superannuation) are recognised separately under payables.
- *Provisions*  
Provisions are recognised when SAPOL has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

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

- *Provisions (continued)*
  - *Workers compensation*  
A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary through the Public Sector Workforce Relations Division of DPC (refer note 23). The workers compensation provision is for the estimated cost of ongoing payments to employees as required under current legislation.  
  
SAPOL, as a self-insurer, is responsible for the payment of workers compensation claims.
  - *Civil actions against police*  
A liability has been reported to reflect unsettled actions against SAPOL.
  - *Claims for death events out of or in the course of employment*  
A liability has been reported to recognise those claims where an employee has died out of or in the course of employment. SAPOL is still to conduct an investigation in to some of these claims and by recognising a provision, SAPOL is not accepting liability to these claims until a full investigation has been completed.

(n) ***Professional indemnity and general public liability insurance***

SAPOL is a participant in the SA Government's insurance program. SAPOL pays an insurance premium through SAICORP, a division of SAFA. SAPOL is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of the funding for claims in excess of the deductible.

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

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

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

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

SAPOL did not voluntarily change any of its accounting policies during 2012-13.

The AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAPOL for the period ending 30 June 2013. SAPOL has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SAPOL.

**4. Activities of SAPOL**

SAPOL has identified three activities that it delivers to the community and the Minister for Police. The identity and description of each SAPOL activity during the year ended 30 June 2013 is summarised below. Financial information relating to each activity is reported in the Disaggregated Disclosures – Expenses and Income. Assets and liabilities have not been presented as they cannot be reliably determined at a disaggregated level.

**Activity 1: Public Safety**

Visible and available police services, and working in partnerships with the community and other agencies to support the achievement of South Australia's Strategic Plan and seven strategic priorities. SAPOL helps make South Australia a safer place to live, visit and do business with police response and assistance, management of major events, and emergency response, management and coordination across the state.

**Activity 2: Crime Prevention and Criminal Justice Services**

SAPOL's crime prevention and reduction, and support of the criminal justice system contribute to the achievement of South Australia's Strategic Plan and seven strategic priorities. To prevent crime and reduce offending SAPOL also works in partnership with the community and other agencies, to ensure public confidence in the criminal justice system is maintained.

**Activity 3: Road Safety**

Policing for safer roads and road use across the state supports the achievement of South Australia's Strategic Plan and seven strategic priorities. SAPOL road safety services include the regulation of road use, education and vehicle collision prevention. Police work in partnership with the community and other agencies to achieve better road safety outcomes for all South Australians and those visiting the state.

<b>5. Employee benefits</b>	2013	2012
	\$'000	\$'000
Salaries and wages	427 488	409 869
Annual leave	56 897	51 194
LSL	20 924	42 764
Skills and experience retention leave	279	-
Employment on-costs - superannuation	63 609	62 660
Employment on-costs - other	28 277	27 647
TVSPs (refer below)	171	615
Other employment related expenses	817	856
Workers compensation	753	20 159
Total employee benefits expenses	599 215	615 764

**TVSPs**

Amount paid during the reported period to separated employees:

TVSPs	171	615
Annual leave and LSL paid during the reporting period	126	281
	297	896

Amount paid by SAPOL

297	896
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The number of employees who were paid TVSPs during the reporting period was 2 (4).

**Employee remuneration**

The table below includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The table does not include administered employees. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$57.7 million (\$71.8 million).

Excluding the first bandwidth, the total number of employees for 2012 is 327. This increase of 37 employees relates to the increase in sworn salaries.

**Remuneration of employees**

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

	2013	2012**
	Number	Number
\$134 000 - \$137 999*	n/a	147
\$138 000 - \$147 999	176	144
\$148 000 - \$157 999	53	96
\$158 000 - \$167 999	67	19
\$168 000 - \$177 999	9	36
\$178 000 - \$187 999	33	11
\$188 000 - \$197 999	9	3
\$198 000 - \$207 999	2	4
\$208 000 - \$217 999	-	1
\$218 000 - \$227 999	1	-
\$228 000 - \$237 999	1	2
\$238 000 - \$247 999	2	1
\$248 000 - \$257 999	2	2
\$258 000 - \$267 999	-	4
\$268 000 - \$277 999	4	2
\$278 000 - \$287 999	1	-
\$288 000 - \$297 999	2	-
\$308 000 - \$317 999	1	-
\$348 000 - \$357 999	-	1
\$368 000 - \$377 999	1	-
\$398 000 - \$407 999	-	1
Total	364	474

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

\*\* Amended.



**Remuneration of employees by category**

	2013 Number	2012 Number
Executive	12	11
Non-executive	352	463
Total	<u>364</u>	<u>474</u>
Police	355	466
Public servant	9	8
Total	<u>364</u>	<u>474</u>

**6. Supplies and services**

	2013 \$'000	2012 \$'000
Accommodation and property related	29 627	34 935
Administration	15 731	15 305
Communication and computing	25 130	25 032
Consultants	268	136
Employee related	10 572	10 491
Insurance	1 106	897
Legal	3 900	3 559
Minor equipment	3 614	4 205
Motor vehicle related	25 445	25 521
SSSA	3 084	2 493
Uniforms	4 376	2 171
Utilities	4 825	4 532
Other	6 277	6 047
Total supplies and services	<u>133 955</u>	<u>135 324</u>

Pursuant to the contract arrangements with Plenary, the PPP partner, SAPOL pays lease charges to Plenary for sites occupied by both SAPOL and the CAA. SAPOL on-charges the CAA for lease costs associated with CAA sites. The income and expenditure associated with the sites occupied by CAA are recognised as administered items. The resulting revenue is not off-set against expenditure.

**Consultants**

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	2013 Number	2013 \$'000	2012 Number	2012 \$'000
Below \$10 000	16	43	12	35
Between \$10 000 and \$50 000	4	105	5	101
Above \$50 000	1	120	-	-
Total paid/payable to consultants engaged	<u>21</u>	<u>268</u>	<u>17</u>	<u>136</u>

**External auditor's remuneration**

External auditor's remuneration represents amounts paid/payable to the Auditor-General's Department relating to the audit of the financial statements. No other services were provided by the Auditor-General's Department.

	2013 \$'000	2012 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	224	253
Total external auditor's remuneration	<u>224</u>	<u>253</u>

**Supplies and services provided by entities within the SA Government**

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

Accommodation and property related	22 020	21 885
Administration	883	970
Communication and computing	9 302	8 978
Consultants	-	51
Employee related	6 563	6 592
Insurance	1 106	897
Legal	3 730	3 414
Minor equipment	41	155

<b>Supplies and services provided by entities within the SA Government</b>		2013	2012
<i>(continued)</i>		\$'000	\$'000
Motor vehicle related		6 022	11 761
SSSA		3 084	2 493
Utilities		1 666	1 076
Other		1 922	1 805
Total supplies and services provided by entities within the SA Government		56 339	60 077
<b>7. Depreciation and amortisation</b>			
Depreciation:			
Buildings and improvements		6 313	5 926
Computing and communications equipment		2 885	2 940
Vehicles and transport vessels		1 070	908
Aircraft		106	106
Other		4 386	4 095
Total depreciation		14 760	13 975
Amortisation:			
Leasehold improvements		4 397	3 746
Internally generated computer software		1 782	1 903
Other computer software		1 059	997
Total amortisation		7 238	6 646
Total depreciation and amortisation expense		21 998	20 621
<b>8. Fees and charges</b>			
Escorts - wide load/other		2 861	2 669
Firearms licence and registration fees		4 348	4 632
Hoon legislation recoveries		3 437	2 765
Police information requests		3 074	3 246
Police security services		8 765	8 195
Prosecution and other court fees		1 307	437
Other fees		953	1 175
Total revenues from fees and charges		24 745	23 119
<b>Fees and charges received/receivable from entities within the SA Government</b>			
The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:			
Escorts - wide load/other		5	1
Police information requests		62	58
Police security services		8 706	7 113
Other fees		-	7
Total fees and charges received/receivable from entities within the SA Government		8 773	7 179
<b>9. Interest</b>			
Interest on deposit accounts		29	44
Total interest revenues		29	44
<b>10. Commonwealth revenues</b>			
Commonwealth revenues		1 291	693
Total Commonwealth revenues		1 291	693

During 2012-13 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- Crim-Trac - jurisdictional criminal history referrals
- Substance Abuse Information Desk - targeting alcohol and illicit drug use
- Home and Community Care.

During 2011-12 SAPOL recovered costs associated with resources provided at the request of the Commonwealth Government in relation to:

- Crim-Trac - jurisdictional criminal history referrals
- Substance Abuse Information Desk - targeting alcohol and illicit drug use.

<b>11. Net gain (loss) from disposal of non-current assets</b>	2013	2012
Land and buildings:	\$'000	\$'000
Proceeds from disposal	31	138
Net book value of assets disposed	(393)	(149)
Net gain (loss) from disposal of land and buildings	<u>(362)</u>	<u>(11)</u>
Plant and equipment:		
Proceeds from disposal	359	344
Net book value of assets disposed	-	(522)
Net gain (loss) from disposal of plant and equipment	<u>359</u>	<u>(178)</u>
Total assets:		
Proceeds from disposal	390	482
Net book value of assets disposed	(393)	(671)
Net gain (loss) from disposal of total assets	<u>(3)</u>	<u>(189)</u>
<b>12. Other income</b>		
Contributed (donated) asset revenues	1 849	35 694
Employee benefits recoveries	1 495	672
Goods and services recoveries	576	367
Intra-government transfers	1 076	1 463
Rent revenues	232	250
Sundry receipts	445	480
Other sundry revenues	532	976
Total other income	<u>6 205</u>	<u>39 902</u>

During 2012-13 SAPOL recognised contributed assets related to the land at Fort Largs of \$250 000 from DPTI, new police headquarters of \$269 000 from DPTI and road safety (fixed red light/speed cameras) of \$1.3 million received from DPTI.

In 2012-13 the intra-government transfer comprised:

- \$480 000 for a traffic training and promotion program from the Motor Accident Commission
- \$354 000 to promote SAPOL's drug and alcohol policies and programs from the Department for Health and Ageing (DH and A)
- \$15 000 for Home and Community Care from the Department of Communities and Social Inclusion (DCSI)
- \$161 000 for the Rural Highways Saturation Program from DPTI
- \$65 000 for the National Motor Vehicle Theft Reduction Program from DPTI and the Attorney-General's Department.

During 2011-12 SAPOL recognised contributed assets related to the new police headquarters of \$35.4 million from DPTI, road safety (fixed red light/speed cameras) of \$192 000 received from DPTI, long range acoustic device of \$49 000 from the Federal Government and throw phone system of \$45 000 from the Federal Government.

In 2011-12 the intra-government transfer comprised:

- \$464 000 for a traffic training and promotion program from the Motor Accident Commission
- \$343 000 to promote SAPOL's drug and alcohol policies and programs from DH and A
- \$206 000 to fund SAPOL's commitment to the Home and Community Care Program from DCSI
- \$157 000 for the Rural Highways Saturation Program from DPTI
- \$121 000 for the Early intervention Pilot Program from DH and A
- \$107 000 for the construction of police facilities in APY lands from DCSI
- \$65 000 for the National Motor Vehicle Theft Reduction Program from DCSI.

<b><i>Other revenues received/receivable from entities within the SA Government</i></b>	2013	2012
The following other revenues (included in the other revenues shown above)	\$'000	\$'000
was received/receivable from entities within the SA Government:		
Contributed (donated) asset revenues	1 849	35 579
Employee benefits recoveries	567	308
Goods and services recoveries	397	33

<b><i>Other revenues received/receivable from entities within the SA Government (continued)</i></b>	2013	2012
	\$'000	\$'000
Intra-government transfers	1 076	1 463
Rent revenues	-	7
Sundry receipts	46	47
Total other revenues received/receivable from entities within the SA Government	3 935	37 437

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

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	686 713	633 301
Transfers from contingencies	1 888	26 341
Contributions from the Community Emergency Services Fund	19 781	19 315
Contributions from the Community Road Safety Fund	36 470	35 580
Total revenues from SA Government	744 852	714 537
Payments to SA Government:		
Other payments to the Consolidated Account*	12 301	5 666
Total payments to SA Government	12 301	5 666

\* During 2012-13 SAPOL returned \$12.3 million to DTF in accordance with the cash alignment policy.

### 14. Cash and cash equivalents

Deposits with the Treasurer	61 993	45 168
Cash held in imprest accounts and petty cash	392	387
Total cash and cash equivalents	62 385	45 555

#### ***Deposits with the Treasurer***

Includes deposits at call and Accrual Appropriation Excess Funds Account.

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

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

### 15. Receivables

Current receivables:	2013	2012
	\$'000	\$'000
Receivables	1 834	11 154
Allowance for doubtful debts	(73)	-
	1 761	11 154
Accrued revenues	-	92
Prepayments	2 177	1 770
GST input tax recoverable	2 781	3 109
Workers compensation recoveries	55	189
Lease incentive current	10	10
Total current receivables	6 784	16 324

#### ***Receivables from entities within the SA Government***

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

Receivables	998	10 042
Total receivables from SA Government	998	10 042

Non-current receivables:

Workers compensation recoveries	230	624
Lease incentive non-current	-	10
Total non-current receivables	230	634

The decrease in receivables from 2011-12 to 2012-13 mainly relates to two invoices totalling \$8.9 million that were raised to DPTI for the Community Road Safety Fund. These amounts were paid in 2012-13.

**Interest rate and credit risk**

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

Ageing analysis of receivables - refer note 29.2.

<b>16. Non-current assets held for sale</b>	2013	2012
	\$'000	\$'000
Buildings and improvements	809	809
Land	10 178	9 928
Total non-current assets held for sale	<u>10 987</u>	<u>10 737</u>

**Reconciliation of non-current assets held for sale movements**

Carrying amount at 1 July	10 737	2 145
Disposals	-	(148)
Transfers from property, plant and equipment	250	10 130
Transfers to investment properties	-	(1 390)
Carrying amount at 30 June	<u>10 987</u>	<u>10 737</u>

During 2012-13 SAPOL:

- sold none of the assets held for sale
- received land at Fort Largs from DPTI.

During 2011-12 SAPOL:

- sold land and buildings associated with the former Loxton police station
- transferred the old Roxby Downs police station from assets held for sale to investment properties
- declared land and buildings associated with the old Police Academy site as surplus to requirements and transferred the assets to non-current assets held for sale. These assets were transferred at their carrying amount.

<b>17. Property, plant and equipment</b>	2013	2012
Land:	\$'000	\$'000
Land at fair value <sup>(1)</sup>	56 490	56 869
Total land	<u>56 490</u>	<u>56 869</u>
Buildings and improvements:		
Buildings at fair value <sup>(1)</sup>	217 536	197 582
Accumulated depreciation	(11 548)	(5 459)
Total buildings and improvements	<u>205 988</u>	<u>192 123</u>
Leasehold improvements:		
Leasehold improvements at fair value <sup>(1)</sup>	56 404	58 656
Accumulated depreciation	(8 069)	(6 161)
Total leasehold improvements	<u>48 335</u>	<u>52 495</u>
Computing and communications equipment:		
Computing and communications equipment at cost (deemed fair value) <sup>(2)</sup>	45 156	41 809
Accumulated depreciation	(33 686)	(30 976)
Total computing and communications equipment	<u>11 470</u>	<u>10 833</u>
Vehicles and transport vessels:		
Vehicles and transport vessels at cost (deemed fair value)	9 205	9 385
Accumulated depreciation	(5 847)	(5 890)
Total vehicles and transport vessels	<u>3 358</u>	<u>3 495</u>
Other:		
Other - at cost (deemed fair value)	38 047	37 178
Accumulated depreciation	(17 773)	(15 334)
Total other	<u>20 274</u>	<u>21 844</u>

17. Property, plant and equipment (continued)	2013	2012
Aircraft:	\$'000	\$'000
Aircraft at fair value <sup>(1)</sup>	2 575	2 575
Accumulated depreciation	(212)	(106)
Total aircraft	<u>2 363</u>	<u>2 469</u>
Total property, plant and equipment	<u>348 278</u>	<u>340 128</u>

(1) Land, buildings and improvements, leasehold improvements and aircraft were revalued as at 30 June 2011 by officers from Valcorp Australia Pty Ltd.

(2) Intangible assets - computer software has been separately identified (refer note 18).

**Movement reconciliation of non-current assets**

	Land	Buildings & imprvmts	Leasehold imprvmts	Computer & commnctn equipment	Vehicles & transport vessels	Other
<b>2013</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	56 869	192 123	52 495	10 833	3 495	21 844
Prior period adjustment	-	(323)	-	70	-	401
Additions	-	-	-	-	-	-
Transfers to (from) capital WIP	-	14 069	-	3 465	933	1 380
Depreciation and amortisation expense	-	(6 313)	(4 397)	(2 885)	(1 070)	(4 386)
Net revaluation increment (decrement)	-	6 468	-	-	-	-
Donated assets	250	-	269	-	-	1 330
Disposals	(379)	(14)	-	-	-	-
Assets written off	-	(22)	(32)	(13)	-	(342)
Transfers to assets held for sale	(250)	-	-	-	-	-
Other	-	-	-	-	-	47
Carrying amount at 30 June	<u>56 490</u>	<u>205 988</u>	<u>48 335</u>	<u>11 470</u>	<u>3 358</u>	<u>20 274</u>

	Aircraft	Total property, plant & equipment	Work in progress	Intangible assets (internally generated)	Intangible assets (other compt software)	Total
<b>2013</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 469	340 128	19 358	6 191	3 434	369 111
Prior period adjustment	-	148	-	-	-	148
Additions	-	-	19 541	-	-	19 541
Transfers to (from) capital WIP	-	19 847	(24 872)	4 330	695	-
Depreciation and amortisation expense	(106)	(19 157)	-	(1 782)	(1 059)	(21 998)
Net revaluation increment (decrement)	-	6 468	-	-	-	6 468
Donated assets	-	1 849	-	-	-	1 849
Disposals	-	(393)	-	-	-	(393)
Assets written off	-	(409)	-	-	-	(409)
Transfers to assets held for sale	-	(250)	-	-	-	(250)
Other	-	47	2	-	-	49
Carrying amount at 30 June	<u>2 363</u>	<u>348 278</u>	<u>14 029</u>	<u>8 739</u>	<u>3 070</u>	<u>374 116</u>

	Land	Buildings & imprvmts	Leasehold imprvmts	Computer & commnctn equipment	Vehicles & transport vessels	Other
<b>2012</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	66 367	142 690	15 144	9 686	2 868	21 480
Prior period adjustment	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Transfers to (from) capital WIP	102	56 189	710	4 486	1 564	4 143
Transfers between classes	-	(296)	-	(481)	-	777
Depreciation and amortisation expense	-	(5 926)	(3 746)	(2 940)	(908)	(4 095)
Net revaluation increment (decrement)	-	-	-	-	-	-
Donated assets	-	-	35 387	94	-	213
Asset - recognised through stocktake	-	-	-	-	-	23
Disposals	-	-	-	-	(29)	(493)
Assets written off	-	(4)	-	(12)	-	(204)
Transfers to assets held for sale	(9 600)	(530)	-	-	-	-
Other	-	-	5 000	-	-	-
Carrying amount at 30 June	<u>56 869</u>	<u>192 123</u>	<u>52 495</u>	<u>10 833</u>	<u>3 495</u>	<u>21 844</u>

**Movement reconciliation of non-current assets (continued)**

	Aircraft	Total property, plant & equipment	Work in progress	Intangible assets (internally generated)	Intangible assets (other compt software)	Total
<b>2012 (continued)</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 575	260 810	56 431	7 429	2 861	327 531
Prior period adjustment	-	-	-	-	-	-
Additions	-	-	32 245	-	-	32 245
Transfers to (from) capital WIP	-	67 194	(69 318)	554	1 570	-
Transfers between classes	-	-	-	-	-	-
Depreciation and amortisation expense	(106)	(17 721)	-	(1 903)	(997)	(20 621)
Net revaluation increment (decrement)	-	-	-	-	-	-
Donated assets	-	35 694	-	-	-	35 694
Asset - recognised through stocktake	-	23	-	111	-	134
Disposals	-	(522)	-	-	-	(522)
Assets written off	-	(220)	-	-	-	(220)
Transfers to assets held for sale	-	(10 130)	-	-	-	(10 130)
Other	-	5 000	-	-	-	5 000
Carrying amount at 30 June	2 469	340 128	19 358	6 191	3 434	369 111

**18. Intangible assets**

	2013	2012
	\$'000	\$'000
Computer software:		
Internally developed computer software - at cost (deemed fair value)	23 196	18 866
Accumulated amortisation	(14 457)	(12 675)
Total internally generated computer software	8 739	6 191
Other computer software:		
Other computer software	9 774	9 080
Accumulated amortisation	(6 704)	(5 646)
Total other computer software	3 070	3 434
Total intangible assets	11 809	9 625

**19. Investment properties**

Investment building	820	820
Investment land	570	570
Total investment properties	1 390	1 390

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arm's length transaction, based on current prices in an active market for similar property.

**20. Payables**

	2013	2012
	\$'000	\$'000
Current payables:		
Employment on-costs	8 834	8 245
Creditors	13 801	17 542
Paid Parental Leave Scheme	37	17
Unearned revenue	75	10
Total current payables	22 747	25 814

**Current payables to entities within the SA Government**

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Employment on-costs	2 812	2 593
Creditors	4 759	8 906
Unearned revenue	75	-
Total current payables to entities within the SA Government	7 646	11 499

## Non-current payables:

Employment on-costs	24 558	23 373
Total non-current payables	24 558	23 373

<b><i>Non-current payables to entities within the SA Government</i></b>	2013	2012
The following payables (included in the payables shown above) were payable to entities within the SA Government:	\$'000	\$'000
Employee benefit on-costs	8 813	8 435
Total non-current payables to entities within the SA Government	<u>8 813</u>	<u>8 435</u>

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

<b>21. Other liabilities</b>	2013	2012
Current other liabilities:	\$'000	\$'000
Lease incentive	499	574
Total current other liabilities	<u>499</u>	<u>574</u>
Non-current other liabilities:		
Lease incentive	6 075	7 552
Total non-current other liabilities	<u>6 075</u>	<u>7 552</u>

In 2011-12, SAPOL received two lease incentives (\$5 million in leasehold improvements and three months rent free) as a part of leasing the new police headquarters on Angas Street. The aggregate benefits of these lease incentives received has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

<b>22. Employee benefits</b>	2013	2012
Current employee benefits:	\$'000	\$'000
Accrued salaries and wages	9 460	8 425
Annual leave	30 756	28 290
LSL	10 472	9 951
Skills and experience retention leave	279	-
Total current employee benefits	<u>50 967</u>	<u>46 666</u>
Non-current employee benefits:		
Annual leave	541	625
LSL	161 756	154 883
Total non-current employee benefits	<u>162 297</u>	<u>155 508</u>
Total employee benefits	<u>213 264</u>	<u>202 174</u>

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2.75% (2012) to 3.5% (2013).

The net financial impact of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

<b>23. Provisions</b>	2013	2012
Current provisions:	\$'000	\$'000
Workers compensation	13 146	13 350
Death in course of employment	1 890	-
Civil actions against police	437	468
Total current provisions	<u>15 473</u>	<u>13 818</u>



23. Provisions (continued)	2013	2012
Non-current provisions:	\$'000	\$'000
Workers compensation	70 953	85 091
Total non-current provisions	70 953	85 091
<b>Provision movement</b>		
Workers compensation:		
Carrying amount at 1 July	98 441	89 436
Additional provision recognised	-	20 927
Reduction resulting from remeasurement	(1 137)	-
Reduction due to payments	(13 205)	(11 922)
Carrying amount at 30 June	84 099	98 441
Civil actions against police:		
Carrying amount at 1 July	468	772
Increase in the provision due to revision of estimates	200	182
Reduction due to payments	(231)	(486)
Carrying amount at 30 June	437	468
<b>24. Equity</b>		
Contributed capital	85 220	85 220
Revaluation surplus	114 338	107 870
Retained earnings	(96 968)	(107 407)
Total equity	102 590	85 683

The retained earnings represents the residual interest in SAPOL's net assets. The SA Government holds the accumulated deficit interest in SAPOL on behalf of the community.

During 2012-13 it was identified that there were three houses on the APY lands that had not been included in the revaluation performed in 2011. These assets have now been included at fair value through the revaluation surplus.

25. Cash flows reconciliation	2013	2012
Reconciliation of cash and cash equivalents:	\$'000	\$'000
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Financial Position	62 385	45 555
Cash and cash equivalents disclosed in the Statement of Cash Flows	62 385	45 555

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

Net cash provided by (used in) operating activities	39 865	16 195
Revenues from SA Government	(688 601)	(659 642)
Contribution from the Community Emergency Services Fund	(19 781)	(19 315)
Contribution from the Community Road Safety Fund	(45 365)	(35 580)
Payments to SA Government	12 301	5 666
Non-cash items:		
Depreciation and amortisation	(21 998)	(20 621)
Donated assets	1 849	35 694
Net gain (loss) from disposal of non-current assets	(3)	(189)
Write-off of non-current assets	(409)	(220)
Capital work in progress expensed	2	-
Assets recognised through stocktake	-	134
Capital accruals	(3 836)	3 054
Lease incentive equity adjustment	(1 051)	-
Lease incentive fitout contribution	-	5 000
Movements in assets/liabilities:		
Receivables	(1 049)	8 308
Inventories	(61)	8
Payables	1 882	(3 587)
Other liabilities	1 552	(8 126)
Employee benefits	(11 090)	(26 438)
Provisions	12 483	(8 701)
Net cost of providing services	(723 310)	(708 360)

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

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

	2013	2012
	\$'000	\$'000
Not later than one year	3 158	992
Later than one year but not later than five years	1 393	2 391
Later than five years	-	-
Total capital commitments	<u>4 551</u>	<u>3 383</u>
GST on capital commitments	<u>455</u>	<u>338</u>

Major capital commitments for 2012-13 include Project Shield, audio management system, body armour, mobile radars, hand held lasers and alcometers (2011-12: Project Shield, drug testing replacement, hand held laser, computer aided dispatch and mobile computer application in patrol cars).

***Other commitments***

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

	2013	2012
	\$'000	\$'000
Not later than one year	12 286	13 904
Later than one year but not later than five years	23 326	40 152
Later than five years	3 028	5 029
Total other commitments	<u>38 640</u>	<u>59 085</u>
GST on other commitments	<u>3 864</u>	<u>5 909</u>

Major other expenditure commitments for 2012-13 include cleaning, towing, vehicle servicing and repairs, vehicle commissioning and decommissioning, uniforms and drug screening kits (2011-12: vehicle commissioning and decommissioning, vehicle servicing and repairs, towing, uniforms and drug screening kits).

***Operating lease commitments***

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

	2013	2012
	\$'000	\$'000
Not later than one year	29 210	29 009
Later than one year but not later than five years	75 436	78 490
Later than five years	132 939	147 527
Total operating lease commitments	<u>237 585</u>	<u>255 026</u>
GST on operating lease commitments	<u>23 758</u>	<u>25 503</u>

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions. Options exist to renew property leases at the end of the term of the leases. Operating lease commitments include commitments for PPP leases related to SAPOL occupancies only. From 2012 commitments also include the lease for the new police headquarters on Angas Street.

***Remuneration commitments***

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

	2013	2012
	\$'000	\$'000
Not later than one year	3 858	2 881
Later than one year but not later than five years	9 150	3 726
Total remuneration commitments	<u>13 008</u>	<u>6 607</u>

**Remuneration commitments (continued)**

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

**27. Contingent liabilities****Rewards**

As at 30 June 2013 the value of outstanding rewards for unsolved murders was \$11.3 million (\$10.6 million). No provision has been made in the financial statements for this amount as considerable doubt exists as to the amount and timing of rewards that will actually be paid. The amount is not recognised in the Statement of Financial Position.

**28. Remuneration of tribunal and committee members**

Members of the tribunal and committee during the 2012-13 financial year were:

**Police Review Tribunal**

D Swain

The *Police Act 1998*, at Schedule 1 (Police Review Tribunal), requires the Chief Magistrate of the Magistrates Court to, on the commencement of any proceedings under Divisions 1 or 2 of Part 8, select a magistrate to constitute the tribunal for the purpose of these proceedings.

**Firearms Review Committee**

R Hamdorf	Y Hill	E Kosmala
R Maine*	O Bevan*	R Warwick
J Basheer*	I Wangel*	R Manley
G Hyde	H Dodd	J Katsaras

All members of the Firearms Review Committee were appointed until 30 June 2013.

The number of members whose remuneration received/receivable falls within the following bands:	2013 Number	2012 Number
\$0 - \$9 999	12	11
\$10 000 - \$19 999	1	-
Total	13	11

Remuneration of members reflects all costs of performing tribunal/committee member duties including sitting fees, superannuation contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$25 000 (\$15 000).

Amounts paid to a superannuation plan for tribunal/committee members were \$900 (\$1 000).

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

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

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

**29. Financial instruments/Financial risk management****(1) Categorisation of financial instruments**

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

**(1) Categorisation of financial instruments (continued)**

	Note	2013		2012	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash and cash equivalents	14	62 385	62 385	45 555	45 555
Loans and receivables:					
Receivables <sup>(1)(2)</sup>	15	1 834	1 834	11 154	11 154
<b>Financial liabilities</b>					
Financial liabilities at cost:					
Payables <sup>(1)</sup>	20	6 488	6 488	10 793	10 793

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 15 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

**Credit risk**

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently SAPOL does not hold any collateral as security for any of its financial assets.

**(2) Ageing analysis of financial assets**

The following table discloses the ageing of financial assets and the ageing of impaired assets:

	Current (not overdue) \$'000	Past due by			Total \$'000
		Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2013</b>					
Not impaired:					
Receivables	1 151	330	98	182	1 761
Impaired:					
Receivables	-	-	-	73	73
<b>2012</b>					
Not impaired:					
Receivables	9 927	60	74	1 147	11 208

SAPOL has assessed all receivables as not being impaired for 2012.

**Maturity analysis of financial assets and liabilities**

SAPOL has assessed the maturity of its financial assets and liabilities as being less than one year. Receivables and payables with a contractual obligation are settled within 30 days.

*Liquidity risk*

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

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

*Market risk*

SAPOL occasionally has exposure to foreign currency risks. Where the exposure to foreign currency risk is greater than \$100 000 SAPOL enters into a hedging arrangement with SAFA.

*Sensitivity analysis disclosure*

A sensitivity analysis of SAPOL's interest rate risk has not been undertaken as it has been determined that the possible impact on net result, total comprehensive result and equity from fluctuations in interest rates is immaterial.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefits	A3	1 007	371
Supplies and services	A4	2 343	2 206
Intra-government transfers		12 753	13 124
<b>Total expenses</b>		16 103	15 701
<b>Income:</b>			
Fees, fines and charges	A5	82 108	80 989
<b>Total income</b>		82 108	80 989
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	A6	1 158	529
Payments to SA Government	A6	(67 214)	(65 824)
<b>Net revenues from (payments to) SA Government</b>		(66 056)	(65 295)
<b>Net result</b>		(51)	(7)
<b>Total comprehensive result</b>		(51)	(7)

**Statement of Administered Financial Position  
as at 30 June 2013**

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A7	11 052	12 372
Receivables		822	302
<b>Total current assets</b>		<u>11 874</u>	<u>12 674</u>
<b>Total assets</b>		<u>11 874</u>	<u>12 674</u>
<b>Current liabilities:</b>			
Payables - employment on-costs		3	10
Other liabilities	A8	10 982	12 100
Employee benefits	A9	52	208
<b>Total current liabilities</b>		<u>11 037</u>	<u>12 318</u>
<b>Non-current liabilities:</b>			
Payables		25	-
Employee benefits	A9	507	-
<b>Total current liabilities</b>		<u>532</u>	<u>-</u>
<b>Total liabilities</b>		<u>11 569</u>	<u>12 318</u>
<b>Net assets</b>		<u>305</u>	<u>356</u>
<b>Equity:</b>			
Retained earnings		305	356
<b>Total equity</b>		<u>305</u>	<u>356</u>
Unrecognised contractual commitments	A11		

**Statement of Administered Changes in Equity  
for the year ended 30 June 2013**

	Retained earnings \$'000
Balance at 30 June 2011	363
Net result for 2011-12	(7)
Total comprehensive result for 2011-12	(7)
Balance at 30 June 2012	356
Net result for 2012-13	(51)
Total comprehensive result for 2012-13	(51)
<b>Balance at 30 June 2013</b>	<u>305</u>

**Statement of Administered Cash Flows  
for the year ended 30 June 2013**

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefits		(638)	(392)
Supplies and services		(3 531)	(2 262)
Intra-government transfers		(12 683)	(13 537)
<b>Cash used in operations</b>		<u>(16 852)</u>	<u>(16 191)</u>
Cash inflows:			
Fees, fines and charges		82 108	78 893
Other receipts		-	2 078
<b>Cash generated from operations</b>		<u>82 108</u>	<u>80 971</u>
Cash flows from SA Government:			
Receipts from SA Government		638	444
Payments to SA Government		(67 214)	(66 324)
<b>Net cash provided by (paid to) SA Government</b>		<u>(66 576)</u>	<u>(65 880)</u>
<b>Net cash provided by (used in) operating activities</b>	A10	<u>(1 320)</u>	<u>(1 100)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>		<u>(1 320)</u>	<u>(1 100)</u>
<b>Cash and cash equivalents at 1 July</b>		12 372	13 472
<b>Cash and cash equivalents at 30 June</b>	A7	<u>11 052</u>	<u>12 372</u>



**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2013**

	(Refer below)	1		2		3		4	
		2013	2012	2013	2012	2013	2012	2013	2012
<b>Expenses:</b>		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits		-	-	-	-	1 007	371	-	-
Supplies and services		-	-	-	-	-	-	2 144	2 096
Intra-government transfers		-	-	12 567	12 936	-	-	-	-
<b>Total expenses</b>		-	-	12 567	12 936	1 007	371	2 144	2 096
<b>Income:</b>									
Fees, fines and charges		67 214	65 824	12 567	12 936	-	-	2 144	2 096
<b>Total income</b>		67 214	65 824	12 567	12 936	-	-	2 144	2 096
<b>Revenues from (Payments to)</b>									
<b>SA Government:</b>									
Revenues from SA Government		-	-	-	-	985	361	-	-
Payments to SA Government		(67 214)	(65 824)	-	-	-	-	-	-
<b>Net revenues from</b>									
<b>(payments to) SA Government</b>		(67 214)	(65 824)	-	-	985	361	-	-
<b>Net result</b>		-	-	-	-	(22)	(10)	-	-

	(Refer below)	5		6		Total	
		2013	2012	2013	2012	2013	2012
<b>Expenses:</b>		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefits		-	-	-	-	1 007	371
Supplies and services		-	-	199	110	2 343	2 206
Intra-government transfers		128	133	58	55	12 753	13 124
<b>Total expenses</b>		128	133	257	165	16 103	15 701
<b>Income:</b>							
Fees, fines and charges		128	133	55	-	82 108	80 989
<b>Total income</b>		128	133	55	-	82 108	80 989
<b>Revenues from (Payments to)</b>							
<b>SA Government:</b>							
Revenues from SA Government		-	-	173	168	1 158	529
Payments to SA Government		-	-	-	-	(67 214)	(65 824)
<b>Net revenues from</b>							
<b>(payments to) SA Government</b>		-	-	173	168	(66 056)	(65 295)
<b>Net result</b>		-	-	(29)	3	(51)	(7)

1. Expiation fees
2. Victims of Crime levy
3. Special Acts
4. Public Private Partnership
5. Firearms Safety Training levy
6. Other

**Schedule of Assets and Liabilities  
attributable to Administered Activities  
as at 30 June 2013**

	(Refer below)	1		2		3		4		5	
		2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>											
Cash and cash equivalents	97	394	5 482	6 898	4 153	3 700	1 041	909	(303)	(139)	
Receivables	-	-	-	-	-	-	-	-	623	113	
<b>Total current assets</b>	<b>97</b>	<b>394</b>	<b>5 482</b>	<b>6 898</b>	<b>4 153</b>	<b>3 700</b>	<b>1 041</b>	<b>909</b>	<b>320</b>	<b>(26)</b>	
<b>Current liabilities:</b>											
Payables	-	-	-	-	-	-	-	-	3	10	
Other liabilities	97	394	5 482	6 898	4 153	3 700	1 041	909	-	-	
Employee benefits	-	-	-	-	-	-	-	-	52	208	
<b>Total current liabilities</b>	<b>97</b>	<b>394</b>	<b>5 482</b>	<b>6 898</b>	<b>4 153</b>	<b>3 700</b>	<b>1 041</b>	<b>909</b>	<b>55</b>	<b>218</b>	
<b>Non-current liabilities:</b>											
Payables	-	-	-	-	-	-	-	-	25	-	
Employee benefits	-	-	-	-	-	-	-	-	507	-	
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>532</b>	<b>-</b>	
<b>Total liabilities</b>	<b>97</b>	<b>394</b>	<b>5 482</b>	<b>6 898</b>	<b>4 153</b>	<b>3 700</b>	<b>1 041</b>	<b>909</b>	<b>587</b>	<b>218</b>	
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(267)</b>	<b>(244)</b>	

	(Refer below)	6		7		8		Total	
		2013	2012	2013	2012	2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets:</b>									
Cash and cash equivalents	-	-	10	10	572	600	11 052	12 372	
Receivables	199	189	-	-	-	-	822	302	
<b>Total current assets</b>	<b>199</b>	<b>189</b>	<b>10</b>	<b>10</b>	<b>572</b>	<b>600</b>	<b>11 874</b>	<b>12 674</b>	
<b>Current liabilities:</b>									
Payables	-	-	-	-	-	-	3	10	
Other liabilities	199	189	10	10	-	-	10 982	12 100	
Employee benefits	-	-	-	-	-	-	52	208	
<b>Total current liabilities</b>	<b>199</b>	<b>189</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>11 037</b>	<b>12 318</b>	
<b>Non-current liabilities:</b>									
Payables	-	-	-	-	-	-	25	-	
Employee benefits	-	-	-	-	-	-	507	-	
<b>Total non-current liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>532</b>	<b>-</b>	
<b>Total liabilities</b>	<b>199</b>	<b>189</b>	<b>10</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>11 569</b>	<b>12 318</b>	
<b>Net assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>572</b>	<b>600</b>	<b>305</b>	<b>356</b>	

1. Unclaimed property
2. Exhibit monies
3. Expiation fees
4. Victims of Crime levy

5. Special Acts
6. Public Private Partnership
7. Firearms Safety Training levy
8. Other

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

### A1. Summary of significant accounting policies

All accounting policies for the South Australia Police (SAPOL) are contained in note 2. The policies outlined in note 2 apply to both SAPOL and the administered items financial statements except as noted below.

#### A1.1 Departures from SAPOL 'Summary of significant accounting policies'

##### *Basis of accounting*

Income from expiation fees and Victims of Crime levy fees is recognised on a cash basis. All other elements of SAPOL's Statement of Administered Comprehensive Income, Statement of Administered Financial Position and Statement of Administered Changes in Equity have been prepared on an accrual basis.

### A2. Administered items

The following financial transactions are administered by SAPOL as at 30 June 2013. They do not represent controlled transactions of SAPOL. As such they are not recognised in the financial statements of SAPOL.

#### A2.1 Unclaimed property

SAPOL holds unclaimed monies and proceeds from disposal of found properties. These monies are held for a period of six months and are then passed to the Government. SAPOL treats these items in accordance with Police Regulations 1999.

#### A2.2 Exhibit monies

SAPOL holds exhibit property being items confiscated at the time of an offence ie items found at a crime scene or which were part of a theft. These items are held as an exhibit which may be presented to the court as evidence at the time the offence is heard. The court may decide that the items are returned or confiscated and passed to the Government.

#### A2.3 Expiation fees

SAPOL as a central processing agency of expiation notices collects expiation revenue arising from expiation notices issued by police officers and other authorised officers. SAPOL treats the collected expiation revenue pursuant to the requirements of the *Expiation of Offences Act 1996*. Monies collected are paid into the Consolidated Account.

#### A2.4 Victims of Crime levy

SAPOL as a central processing agency of expiation notices collects victims of crime expiation revenues arising from the expiation of offences included on expiation notices issued by police officers and other authorised officers. SAPOL treats the collected Victims of Crime levy revenue pursuant to the requirements of the *Victims of Crime Act 2001*. Monies collected are paid into the Victims of Crime Fund operated by the Attorney-General's Department. These are shown as intra-government transfers in the Statement of Administered Comprehensive Income.

#### A2.5 Special Acts

SAPOL receives separate appropriation for the payment of salaries in relation to the Commissioner of Police. Funding is provided under 'Recurrent Expenditure - Special Acts'.

#### A2.6 Public Private Partnership (PPP)

In May 2005 Cabinet approved the execution of a 25 year service contract with Plenary Justice Pty Ltd (Plenary) for regional police stations for SAPOL and courts for the Courts Administration Authority (CAA). In June 2005 the Minister of Infrastructure signed a project agreement

The Public Private Partnership (PPP) includes court facilities at Port Lincoln, Victor Harbor, Berri and Port Pirie.

For accounting purposes the lease is an operating lease.

Under the PPP agreement SAPOL is responsible for paying lease payments to Plenary for sites occupied by both SAPOL and CAA. SAPOL invoices CAA for the sites that they occupy.

#### A2.7 Firearms Safety Training levy

SAPOL collects the Firearms Safety Training levy as part of the firearms licence fees. The Firearms Safety Training levy is transferred to TAFE SA. The levy subsidises compulsory firearms safety training, run by TAFE SA, that all applicants for firearms licences must undertake before being issued with their firearms licence.

**A2.8 Other**

SAPOL receives appropriation with respect to grant payments to Safer Communities Australia Inc and the Australian Crime Prevention Council, activities for Police and Emergency Service Games and a community service obligation payment to South Australian Water Corporation.

SAPOL has no control over the use of the funds listed above.

**A3. Employee benefits**

	2013 \$'000	2012 \$'000
Salaries and wages	1 007	371
Total employee benefits expenses	<u>1 007</u>	<u>371</u>

The increase in 2012-13 relates to the establishment of the new Commissioner's leave entitlements previously recognised in the controlled financial statements.

**Remuneration of employees**

	2013 Number	2012 Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$134 000 - \$247 999*	-	-
\$248 000 - \$257 999	1	-
\$378 000 - \$387 999	1	1
Total	<u>2</u>	<u>1</u>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2012-13.

**Remuneration of employees by category**

Executive	2	1
Non-executive	-	-
Total	<u>2</u>	<u>1</u>
Police	2	1
Public servant	-	-
Total	<u>2</u>	<u>1</u>

**A4. Supplies and services**

	2013 \$'000	2012 \$'000
PPP lease payments*	2 144	2 096
Other	199	110
Total supplies and services – non-SA Government entities	<u>2 343</u>	<u>2 206</u>
Total supplies and services	<u>2 343</u>	<u>2 206</u>

\* This relates to PPP lease payments on behalf of CAA (refer note A2.6). The expenditure is offset by cost recovery from CAA.

**A5. Fees, fines and charges**

Expiation revenues	67 214	65 824
PPP cost recovery*	2 144	2 096
Victims of Crime levy	12 567	12 936
Sundries	55	-
Firearms Safety Training levy	128	133
Total fees, fines and charges	<u>82 108</u>	<u>80 989</u>

**Fees and charges received/receivable from entities within the SA Government**

The following fees and charges (included in the fees and charges shown above) were received/receivable from entities within the SA Government:

PPP cost recovery*	<u>2 144</u>	<u>2 096</u>
Total fees and charges received/receivable from entities within the SA Government	<u>2 144</u>	<u>2 096</u>

\* This amount includes cost recovery from the CAA for PPP lease payments (refer note A2.6).

<b>A6. Revenues from (Payments to) SA Government</b>	2013	2012
Revenues from SA Government:	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	173	168
Appropriations from Consolidated Account pursuant to the <i>Police Act 1998</i>	985	361
Total revenues from SA Government	<u>1 158</u>	<u>529</u>
Payments to SA Government:		
Other payments to Consolidated Account*	(67 214)	(65 824)
Total payments to SA Government	<u>(67 214)</u>	<u>(65 824)</u>
* This amount does not include a dividend/distribution to the SA Government as owner.		
<b>A7. Cash and cash equivalents</b>		
Deposits with the Treasurer	11 052	12 372
Total cash and cash equivalents	<u>11 052</u>	<u>12 372</u>
All exhibit monies are held in SAPOL corporate bank accounts and are recognised as deposits with the Treasurer as at 30 June 2013.		
<b>A8. Other liabilities</b>		
Current other liabilities:		
Funds payable to SA Government	5 204	4 619
Exhibit monies held	5 482	6 898
Unclaimed property held for SA Government	97	394
Other payable to non-SA Government	199	189
Total other liabilities	<u>10 982</u>	<u>12 100</u>
All payable amounts disclosed above are expected to be paid within 12 months after reporting date.		
Current other liabilities payable to entities within the SA Government:		
The following other liabilities (included in the other liabilities shown above) were payable to entities within the SA Government:		
Funds payable to SA Government	5 204	4 619
Exhibit monies held	5 482	6 898
Unclaimed property held for SA Government	97	394
Total current other liabilities payable to entities within the SA Government	<u>10 783</u>	<u>11 911</u>
<b>A9. Employee benefits</b>		
Current employee benefits:		
Annual leave	52	1
LSL	-	207
Total current employee benefits	<u>52</u>	<u>208</u>
Non-current employee benefits:		
LSL	507	-
Total non-current employee benefits	<u>507</u>	<u>-</u>
The increase in 2012-13 relates to the recognition of the current Commissioner's leave entitlements previously recognised in the controlled financial statements.		
<b>A10. Cash flows reconciliation</b>		
Reconciliation of cash and cash equivalents:		
Cash at year end as per:		
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	11 052	12 372
Cash and cash equivalents disclosed in the Statement of Administered Cash Flows	11 052	12 372
<b>Reconciliation of net cash provided by (used in) operating activities to net result</b>		
Net cash provided by (used in) operating activities	(1 320)	(1 100)
Movements in assets/liabilities:		
Receivables	520	100
Payables and employee benefits	(369)	24
Other liabilities	1 118	969
Net result	<u>(51)</u>	<u>(7)</u>

**A11. Unrecognised contractual commitments*****Operating lease commitments***

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

	2013 \$'000	2012 \$'000
Not later than one year	2 135	2 099
Later than one year but not later than five years	8 992	8 971
Later than five years	31 549	35 559
Total operating lease commitments	<u>42 676</u>	<u>46 629</u>
GST on operating lease commitments	<u>4 268</u>	<u>4 663</u>

The property leases are non-cancellable with rental payable in advance. Contingent rental provisions within the lease agreements require minimum lease payments to be increased periodically and generally in line with CPI movements and market conditions.

Options exist to renew property leases at the end of the term of the leases.

Operating lease commitments include commitments for PPP leases related to CAA occupancies only.

***Remuneration commitments***

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date:

	2013 \$'000	2012 \$'000
Not later than one year	387	23
Later than one year but not later than five years	407	-
Total remuneration commitments	<u>794</u>	<u>23</u>

Amounts disclosed include commitments arising from executive and other service contracts. SAPOL does not offer fixed-term remuneration contracts greater than five years. Amounts disclosed include commitments arising from the Commissioner of Police employment contract.

# South Australian Asset Management Corporation

## Functional responsibility

The South Australian Asset Management Corporation (SAAMC), formerly known as the State Bank of South Australia, operated under the *State Bank of South Australia Act 1983* (as amended). The principal function of SAAMC was to ‘manage, realise and otherwise deal with its remaining assets and liabilities and, with the approval of the Treasurer, other assets and liabilities of the Crown or an instrumentally of the Crown, to the best advantage of the State’. SAAMC was governed by a Board of Directors subject to the control and direction of the Treasurer.

SAAMC and its controlled entities (ie former subsidiary and associated entities of the former State Bank of South Australia) commenced operations on 1 July 1994 with consolidated assets and liabilities of \$8.3 billion and \$8.2 billion respectively. Since commencement of operations up to its dissolution on 15 February 2013, assets have been realised and liabilities discharged in an orderly manner, with dividend payments and repayments of borrowings/capital contributions being made to the SA Government.

## Dissolution of SAAMC

SAAMC was dissolved on 15 February 2013 under the *Statutes Amendment and Repeal (Budget 2012) Act 2012*. This Act repealed the *State Bank of South Australia Act 1983* and provided for the vesting of assets and liabilities of SAAMC to the Treasurer and/or other body corporate prior to or after its dissolution. Refer note 1 to the financial statements for further explanation.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

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

### Scope of audit

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

The areas of audit attention included: cash and investments; receivables and payables; financial accounting systems, including reconciliation processes; vesting of assets and liabilities on dissolution; and financial statements verification.

## **Audit findings and comments**

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

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Asset Management Corporation as at 15 February 2013, its financial performance and its cash flows for the period then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

In my opinion, the controls exercised by the South Australian Asset Management Corporation 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 South Australian Asset Management Corporation have been conducted properly and in accordance with law.

### **Communication of audit matters**

The review of the auditable areas (including financial statements verification) indicated that the financial controls of SAAMC were satisfactory. No matters arose during the audit that required management letter communication to SAAMC.

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

The major objective of SAAMC was the management of the divesting of assets and repayment of liabilities rather than holding for long-term operations and profit generation.

As SAAMC was dissolved on 15 February 2013 the financial statements that follow reflect the financial result for the period 1 July 2012 to 15 February 2013 (\$136 000 loss) and the financial position as at 15 February 2013 (nil assets and liabilities).

Of particular note, the Statement of Cash Flows shows a final dividend payment to the SA Government of \$4.6 million and the vesting of the balance of cash to the Treasurer of \$2.5 million. The balance of cash represents predominantly unclaimed monies of customers of the former State Bank of South Australia. These monies, together with any other recoveries of monies received from residual debtors of SAAMC, are being accounted for through a special deposit account established pursuant to section 8 of the PFAA titled 'Treasury - Asset Management Account'. At 30 June 2013 the balance of the account was \$4.2 million, comprising \$2.5 million in unclaimed monies and \$1.65 million in debtor recoveries.



**Statement of Comprehensive Income  
for the period ended 15 February 2013**

	Note	01.07.12 to 15.02.13 \$'000	2012 \$'000
<b>Income:</b>			
Interest revenues	5	160	1 104
Other revenues	6	1	7
Recoveries	12	20	5 964
<b>Total income</b>		<u>181</u>	<u>7 075</u>
<b>Expenses:</b>			
Employee benefits expenses	8	283	251
Supplies and services	9	32	40
Other expenses	10	2	4
<b>Total expenses</b>		<u>317</u>	<u>295</u>
<b>Profit (Loss) before income tax equivalents</b>		(136)	6 780
Income tax equivalent expense	13	-	-
<b>Profit (Loss) after income tax equivalents</b>		<u>(136)</u>	<u>6 780</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive result</b>		<u>(136)</u>	<u>6 780</u>

Profit (Loss) after income tax equivalents and total comprehensive result are attributable to the SA Government as owner

**Statement of Financial Position  
as at 15 February 2013**

	Note	01.07.12 to 15.02.13 \$'000	2012 \$'000
<b>Assets:</b>			
Cash and cash equivalents	21(a)	-	119
Investments	14	-	7 439
Other financial assets	15	-	3
<b>Total assets</b>		<u>-</u>	<u>7 561</u>
<b>Liabilities:</b>			
Payables	16	-	2 530
Employee benefits	17	-	275
<b>Total liabilities</b>		<u>-</u>	<u>2 805</u>
<b>Net assets</b>		<u>-</u>	<u>4 756</u>
<b>Equity:</b>			
Contributed capital		-	-
Retained earnings		-	4 756
<b>Total equity</b>		<u>-</u>	<u>4 756</u>
Commitments for expenditure	18		
Contingent assets and liabilities	19		

**Statement of Changes in Equity  
for the period ended 15 February 2013**

	Contributed capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011	716	18 176	18 892
Profit after income tax equivalents for 2011-12	-	6 780	6 780
Total comprehensive result for 2011-12	-	6 780	6 780
Transactions with SA Government as owner:			
Repayment of contributed capital to SA Government	(716)	-	(716)
Dividend paid	-	(20 200)	(20 200)
Balance at 30 June 2012	-	4 756	4 756
Profit (Loss) after income tax equivalents for 2012-13	-	(136)	(136)
Total comprehensive result for 2012-13	-	(136)	(136)
Transactions with SA Government as owner:			
Dividend paid	-	(4 620)	(4 620)
<b>Balance at 15 February 2013</b>	<u>-</u>	<u>-</u>	<u>-</u>

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

## Statement of Cash Flows for the period ended 15 February 2013

	01.07.12 to 15.02.13	2012
	Inflows (Outflows)	Inflows (Outflows)
Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>		
Cash inflows:		
Receipts from the sale of goods and services	36	51
Interest received	2	4
GST receipts on receivables	-	2
GST input tax credits claimed	9	15
Other receipts	40	5 558
<b>Cash generated from operations</b>	<b>87</b>	<b>5 630</b>
Cash outflows:		
Employee benefit payments	(553)	(232)
Supplies and services	(88)	(99)
GST remitted to ATO	(6)	(10)
<b>Cash used in operations</b>	<b>(647)</b>	<b>(341)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>(560)</b>	<b>5 289</b>
21(b)		
<b>Cash flows from investing activities:</b>		
Cash inflows:		
Proceeds from the sales/maturities of investments	7 598	21 116
<b>Cash generated from investing activities</b>	<b>7 598</b>	<b>21 116</b>
Cash outflows:		
Transfer to Treasurer	(2 537)	(5 400)
<b>Cash used in investing activities</b>	<b>(2 537)</b>	<b>(5 400)</b>
<b>Net cash provided by (used in) investing activities</b>	<b>5 061</b>	<b>15 716</b>
<b>Cash flows from financing activities:</b>		
Cash outflows:		
Repayment of contributed capital to SA Government	-	(716)
Dividends paid to SA Government	(4 620)	(20 200)
<b>Cash used in financing activities</b>	<b>(4 620)</b>	<b>(20 916)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(4 620)</b>	<b>(20 916)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(119)</b>	<b>89</b>
<b>Cash and cash equivalents at 1 July</b>	<b>119</b>	<b>30</b>
<b>Cash and cash equivalents at 15 February 2013 (30 June 2012)</b>	<b>-</b>	<b>119</b>

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

#### 1. Objectives of South Australian Asset Management Corporation (SAAMC)

SAAMC is incorporated under the *State Bank of South Australia Act 1983* (as amended) (the SBSA Act). On 1 July 1994, this entity changed its name from State Bank of South Australia to South Australian Asset Management Corporation, as provided for in the SBSA Act. The objectives of SAAMC are to:

- meet the long-term obligations and commitments of what was previously known as State Bank of South Australia
- pursue and finalise statutory and other legal actions arising from winding down of all the subsidiaries of the former State Bank of South Australia

**1. Objectives of South Australian Asset Management Corporation (SAAMC) (continued)**

- disciplined downsizing of the Statement of Financial Position (Balance Sheet)
- generate earnings through the realisation of assets and prudent management of funding
- manage limited resources efficiently and productively, maintaining a pool of skills in balance with the downsizing task
- be fully accountable to the State of South Australia
- maintain a high standard of corporate and business ethics.

On 6 December 2012 the Statutes Amendment and Repeal (Budget 2012) Bill 2012, was assented to and became the *Statutes Amendment and Repeal (Budget 2012) Act 2012*. The *Statutes Amendment and Repeal (Budget 2012) Act 2012* included relevant sections that provided for the dissolution of SAAMC and the vesting of assets and liabilities of SAAMC to the Treasurer and/or other body corporate prior to or after its dissolution. The relevant sections relating to the vesting of assets and liabilities came into operation on 17 January 2013 by proclamation by the Governor. The relevant sections dissolving SAAMC came into operation on 15 February 2013 by proclamation by the Governor on 7 February 2013.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

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

The financial statements were authorised for issue by the directors on 15 February 2013.

**(b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and assumptions requiring management to exercise its judgment in the process of applying SAAMC's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in the financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is within the SA Government as at reporting date, classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (refer note 9)
  - (c) employees whose normal remuneration is more than the public sector executive remuneration level of \$144 896 (within \$10 000 bandwidths) and the aggregate of remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees (refer note 7)
  - (d) the financial statements for the period ending 15 February 2013 were not prepared on a going concern basis considering the dissolution of SAAMC by legislation repealing the SBSA Act.

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

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

The financial statements have been prepared based on the period from 1 July 2012 to 15 February 2013 and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the period ended 15 February 2013 and the comparative information presented.

**(c) Reporting entity**

The financial statements cover SAAMC as an individual reporting entity. SAAMC is a statutory authority of the State of South Australia, established pursuant to the SBSA Act, domiciled in Australia. The address of SAAMC's registered office is: Level 5, State Administration Centre, 200 Victoria Square East, Adelaide, South Australia 5000.

**(d) Comparative information**

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or APSs have required a change. Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

**(e) Rounding**

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

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

There will not be any events reported after 15 February 2013 as SAAMC is dissolved by legislation effective on the close of business on that date.

**(g) Taxation**

SAAMC is exempt from TI 22 by virtue of the *State Bank (Corporatisation) Act 1994*. SAAMC is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

**(h) Bad and doubtful debts**

Provisioning for bad and doubtful debts is not required. SAAMC's assets are in cash and other liquid investments with SAFA.

These assets have a minimum credit risk attached to them due to their nature and they are continuously monitored and individually valued. Any changes to the market values of these assets are immediately taken through the Statement of Comprehensive Income.

**(i) Income and expenses**

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

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

**(j) Cash and cash equivalents**

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

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

Cash is measured at nominal value. SAAMC has zero balances at reporting date.

**(k) Investments**

Investments represent public and other debt instruments that were purchased with the intention of investing excess liquidity prior to the repayment to the SA Government or as part of the liquidity management function of SAAMC. Such securities are recorded on a mark-to-market valuation basis. Gains and losses realised from the sale of these securities and unrealised gains and losses on revaluation are reflected in the Statement of Comprehensive Income.

SAAMC did not have any investments at reporting date.

**(l) Receivables**

Receivables include amounts receivable from trade, prepayments and other accruals. Receivables are initially recognised at fair value and subsequently measured at amortised cost less impairment losses. Trade receivables arise in the normal course of selling goods and services to the public and other government agencies. Trade receivables are generally receivable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual agreement. Collectability of trade receivables is reviewed on an ongoing basis. An allowance for impairment is raised when there is objective evidence that SAAMC will not be able to collect the debt. Bad debts are written off when identified.

SAAMC did not have any receivables at reporting date.

**(m) Employee benefits**

Employee benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. The value of commitments to employees is based on projected departure dates of staff and is calculated on the estimated cash entitlement at the time of the expected departure. Provisions required for employee entitlements are not discounted to present value, as the effect of discounting is not material.

*Salaries, annual leave and LSL*

The payments for employee entitlements for salaries, annual leave and LSL represent the amount that SAAMC has paid, resulting from employees' services provided up to reporting date. The amounts paid and the provisions were calculated at nominal amounts, based on current salary rates, and include related on-costs.

SAAMC has no future obligations for LSL entitlements and annual leave.

*Superannuation funds*

SAAMC contributes the prescribed employer contribution to the Triple S Scheme administered by the South Australian Superannuation Board and a privately held fund chosen by an employee. Contributions are charged against income as they are made. Refer note 18. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes.

**(n) Provisions**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at reporting date. If the effect of the time value of money is material, provisions are discounted to their present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability.

**(o) Insurance**

SAAMC has arranged through SAICORP, a division of SAFA, to insure all major risks of SAAMC. The excess payable under this arrangement varies depending on each class of insurance held. There were no premiums paid for the reporting period as SAAMC was covered on a 'run off' of business basis.

**3. Changes in accounting policies**

SAAMC did not voluntarily change any of its accounting policies during the reporting period.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing the financial statements. These are not expected to have a significant effect on the financial statements of SAAMC.

**4. Revenues from (Payments to) SA Government (direction from the Treasurer)**

On 18 January 2013, the Treasurer specifically determined and approved the payment of a \$4.62 million dividend to the Consolidated Account on 29 January 2013 (\$20.2 million). The dividend was paid from SAAMC's current earnings and retained profits.

**5. Interest revenues**

	01.07.12 to 15.02.13 \$'000	2012 \$'000
Interest from entities external to the SA Government	2	4
Interest from entities within the SA Government	158	1 100
Total interest income	<u>160</u>	<u>1 104</u>

**6. Other income**

Other sundry income received from entities external to the SA Government	<u>1</u>	<u>7</u>
Total other income	<u>1</u>	<u>7</u>

**7. Key management personnel and remuneration**

Key management personnel of SAAMC comprise the directors of SAAMC being Mr Brett G Rowse, Ms Linda Hart, Mrs Virginia Martindale and the Chief Executive Officer, Mr Andrew G Anastasiades. As the directors are employees of the SA Government no remuneration was paid to them by SAAMC for the discharge of their duties as directors. Remuneration payable to the Chief Executive Officer is \$20 000 representing short-term benefits. This excludes employer superannuation contributions of \$66 000.

**8. Employee benefits expenses**

	01.07.12 to 15.02.13 \$'000	2012 \$'000
FBT	-	5
Salaries	61	82
Superannuation and retiring allowances	73	95
Other staff expenses	149	69
Total employee benefits expenses	<u>283</u>	<u>251</u>

**9. Supplies and services**

Supplies and services provided by entities within the SA Government:

Insurance	-	4
Other	13	17
Total supplies and services - SA Government entities	<u>13</u>	<u>21</u>

Supplies and services provided by entities external to the SA Government:

Other	19	19
Total supplies and services - non-SA Government entities	<u>19</u>	<u>19</u>
Total supplies and services	<u>32</u>	<u>40</u>

SAAMC did not engage any consultants as defined by APF II during the year.

**10. Other expenses**

Other	<u>2</u>	<u>4</u>
Total other expenses	<u>2</u>	<u>4</u>

The other expenses for the period reflect an accrual made for residual litigation and statutory charges relating to the finalisation of the operations of Hellenic Cadastre Consult which is now a defunct partnership between SAAMC and an offshore entity.

**11. Auditor's remuneration**

	01.07.12 to 15.02.13 \$'000	2012 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	15	20
Total audit fees – SA Government entities	<u>15</u>	<u>20</u>

The audit fees payable of \$15 000 at 15 February 2013 relate to fees payable for the closing period between 1 July 2012 and 15 February 2013 and will be paid from SAAMC funds vested to the Treasurer upon its dissolution.

12. Recoveries	01.07.12 to 15.02.13 \$'000	2012 \$'000
Net credit for bad debts previously written off	(20)	(5 466)
Unclaimed expired bonds	-	(498)
Net recoveries received	<u>(20)</u>	<u>(5 964)</u>
Credit for total recoveries	<u>(20)</u>	<u>(5 964)</u>
<b>13. Income tax</b>		
The amount provided in respect of income tax differs from the amount prima facie payable on operating profit:		
Prima facie income tax expense (benefit) calculated at 30% (30%) on profit (loss)	(41)	2 034
Decrease in income tax expense due to non-tax assessable items:		
Tax exempt income - SAAMC	<u>(41)</u>	<u>2 043</u>
Income tax expense (benefit) on profit adjusted for permanent differences:		
Income tax under (over) provided in prior year	-	-
Tax rate differential on overseas income	-	-
Future income tax benefit not brought to account	<u>-</u>	<u>-</u>
Total income tax expense (benefit)	<u>-</u>	<u>-</u>
<b>14. Investments</b>		
Deposits with SA Government entities	-	7 439
Total investments	<u>-</u>	<u>7 439</u>
<b>15. Other financial assets</b>		
Debtors - SA Government entities	-	-
Debtors - non-SA Government entities	-	-
GST receivable	<u>-</u>	<u>3</u>
Total other financial assets	<u>-</u>	<u>3</u>
<b>16. Payables</b>		
Current:		
Creditors	-	2 504
Accrued expenses	<u>-</u>	<u>26</u>
Total payables	<u>-</u>	<u>2 530</u>
Government/Non-government payables:		
Payables to SA Government entities:		
Accrued expenses	<u>-</u>	<u>(6)</u>
Total payables to other SA Government entities	<u>-</u>	<u>(6)</u>
Payables to non-SA Government entities:		
Creditors	<u>-</u>	<u>2 536</u>
Total payables to non-SA Government entities	<u>-</u>	<u>2 536</u>
Total payables	<u>-</u>	<u>2 530</u>
<b>17. Employee benefits</b>		
Annual leave	-	94
Accrued salaries	-	3
LSL	-	133
Other employee entitlements	<u>-</u>	<u>45</u>
Total employee benefits	<u>-</u>	<u>275</u>

**18. Commitments*****Superannuation commitments***

SAAMC contributes to an accumulation benefit employee fund, which is administered by the South Australian Superannuation Board, and a privately held superannuation fund as elected by one of the employees. Employer contributions to the funds are made in accordance with the funds' requirements.

SAAMC had one part-time and one temporary employee during the period. There was one part-time and one temporary employee in the 2011-12 financial year.

**19. Contingent assets and liabilities*****Claims by and against SAAMC***

In the ordinary course of business, SAAMC is indirectly involved in litigation, which at the date of adoption of these financial statements has not been resolved. On 31 January 2013 the Board of Directors of SAAMC vested these claims to the Treasurer under section 39 of the *Statutes Amendment and Repeal (Budget 2012) Act 2012*.



**20. Financial instruments/Financial risk management**

SAAMC has exposure to the following risks from its use of financial instruments until 15 February 2013:

- credit risk
- liquidity risk
- market risk.

This note presents information about SAAMC's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of SAAMC and has established appropriate policy to manage the above risks.

**20.1 Categorisation of financial instruments**

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

		01.07.12 to 15.02.13		2012	
	Note	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	21(a)	-	-	119	119
Investments	14	-	-	7 439	7 439
Other financial assets:					
Receivables	15	-	-	3	3
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables	16	-	-	2 530	2 530

**Credit risk**

Credit risk arises when there is the possibility of SAAMC's debtors defaulting on their contractual obligations resulting in financial loss to SAAMC. SAAMC measures credit risk on a fair value basis and monitors risk on a regular basis. There is minimal concentration of credit risk and SAAMC does not engage in any hedging for its financial assets.

**Liquidity risk**

Liquidity risk arises where SAAMC is unable to meet its financial obligations as they fall due. SAAMC is an instrumentality of the Crown and is dependent on State Government policy and on an implicit guarantee from the SA Government. SAAMC settles undisputed accounts payable (refer note 16) within 30 days from the date of the invoice or the date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution. SAAMC's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

**Market risk**

Market risk for SAAMC is only through interest rate risk. Exposure to interest rate risk may arise through the interest revenues received from deposits. SAAMC's cash, cash equivalents and investments are managed through SAFA and any movement in interest rates is monitored on a daily basis. There is no exposure to foreign currency or other price risks.

**20.2 Interest rate analysis of financial assets and liabilities**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
<b>2013</b>						
Financial assets:						
Cash and cash equivalents	-	-	-	-	-	-
Investments	-	-	-	-	-	-
Receivables	-	-	-	-	-	-
Total financial assets	-	-	-	-	-	-
Weighted average interest rate	3.65%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-

**20.2 Interest rate analysis of financial assets and liabilities (continued)**

2012	Floating interest rate \$'000	1 year or less \$'000	Over 1 year to 5 years \$'000	More than 5 years \$'000	Non-interest bearing \$'000	Total \$'000
Financial assets:						
Cash and cash equivalents	119	-	-	-	-	119
Investments	7 439	-	-	-	-	7 439
Receivables	-	-	-	-	3	3
Total financial assets	7 558	-	-	-	3	7 561
Weighted average interest rate	4.76%					
Financial liabilities:						
Other financial liabilities	-	-	-	-	2 530	2 530
Total financial liabilities	-	-	-	-	2 530	2 530

**Sensitivity disclosure analysis**

The degree by which interest income would be affected by fluctuations in interest rates in the next 12 months would depend on how the fluctuating rates would move the financial markets in which SAAMC invests through SAFA and how SAFA would manage the relevant investments. A change of 100 basis points in the interest rates received from SAFA at the reporting date would have increased (decreased) profit or loss by \$43 000 (\$75 000). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

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

	01.07.12 to 15.02.13	2012
	\$'000	\$'000
(a) <b>Reconciliation of cash</b>		
Cash as at reporting date as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial position as follows:		
Cash and cash equivalents disclosed in the Statement of Financial Position	-	119
Balance as per the Statement of Cash Flows	-	119
(b) <b>Reconciliation of profit to net cash provided by (used in) operating activities</b>		
Profit (Loss) for the year	(136)	6 780
Net cash provided by (used in) operating activities before change in assets and liabilities	(136)	6 780
Movements in assets/liabilities:		
Net interest accrued	(122)	(1 008)
Sundry creditors and accruals	(29)	(551)
Employee entitlements	(273)	68
Net cash provided by (used in) operating activities	(560)	5 289

**22. Related party disclosures****Directors**

The names of each person holding the position of Director of SAAMC during the period ended 15 February 2013:

Mr Brett G Rowse  
Ms Linda Hart

Mrs Virginia Martindale  
Mr Andrew G Anastasiades

**Directors' transactions**

No transactions took place between the directors of SAAMC and related entities and their related parties, including director-related entities.

**SAFA**

Related party transactions with SAFA are disclosed in notes 5 and 14. In addition, SAAMC and SAFA participate in the same financial markets and enter into transactions on market terms and conditions.

**23. Events after the end of the reporting period**

There will not be any events reported after 15 February 2013 as SAAMC is dissolved by legislation effective on the close of business on that date.

# South Australian Country Fire Service

## Functional responsibility

### Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Country Fire Service (SACFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SACFS and SAFECOM are responsible to the Minister for Emergency Services.

The FES Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian Country Fire Service
- South Australian State Emergency Service
- South Australian Metropolitan Fire Service.

SAFECOM is responsible for developing and maintaining a strategic and policy framework as well as sound corporate governance across the emergency services sector.

### Functions and funding

The primary function of the SACFS is the prevention of fires, and provision of fire and emergency response services to regional and peri-urban areas of South Australia.

SAFECOM provides various services in support of the SACFS's primary functions including corporate, strategic and compliance services. Also, the operations of the SACFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about the SACFS's objectives refer note 1 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Section 31(1)(b) of the PFAA and section 100(2) of the FES Act provide for the Auditor-General to audit the accounts of the SACFS for each financial year.

#### *Assessment of controls*

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

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

## Scope of audit

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

The audit included access to systems and information maintained by SAFECOM and the SACFS to conduct relevant financial transaction and control compliance tests of those systems and information.

The audit included a review of the overall internal control environment covering compliance with TIs and verification of transactions on a test basis. The scope of the audit included:

- expenditure
- payroll and employee entitlements
- revenue, including Commonwealth grants
- cash and receivables
- non-current assets, including asset valuations and capital works in progress
- financial accounting
- governance and risk management
- business continuity planning
- legislative compliance
- financial management compliance programs.

The audit included a follow-up of previous audit findings. This included a specific assessment of internal controls related to capital works in progress and capitalisation of completed assets covering procurement, asset valuation and record keeping practices to support asset transactions and management reporting.

The audit also covered the operations of the Fund.

## Audit findings and comments

### Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Country Fire Service as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### Assessment of controls

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

### Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM, Chief Officer, SACFS and other officers responsible for the governance of the SACFS.

Major matters raised with SAFECOM and the SACFS and the related responses are detailed under 'Communication of audit matters' in the section of Part B of this Report titled 'South Australian Fire and Emergency Services Commission'.

In addition, matters relating to SSSA as a service provider to SAFECOM and the SACFS are also described in the section of Part B of this Report titled 'South Australian Fire and Emergency Services Commission'.

## Interpretation and analysis of the financial report

### Highlights of the financial report

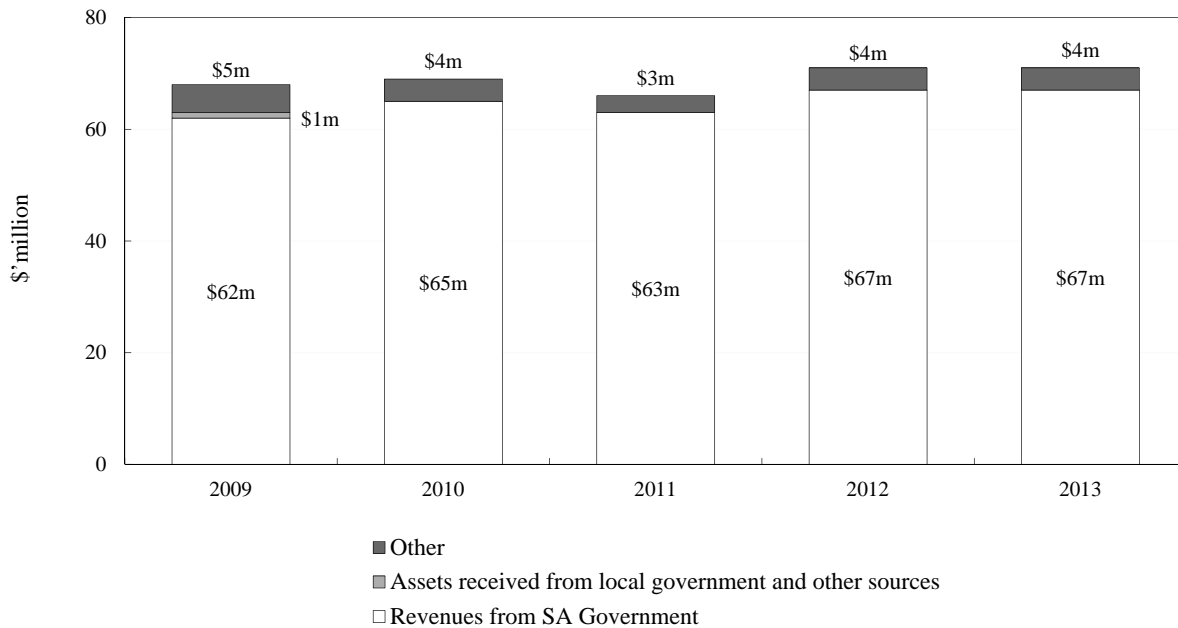
	2013 \$'million	2012 \$'million
<b>Expenses</b>		
Employee benefits expenses	14	11
Supplies and services and other expenses	45	42
Depreciation and amortisation	11	11
<b>Total expenses</b>	<b>70</b>	<b>64</b>
<b>Total income</b>	<b>4</b>	<b>4</b>
<b>Net cost of providing services</b>	<b>(66)</b>	<b>(60)</b>
<b>Revenues from (Payments to) SA Government</b>	<b>67</b>	<b>67</b>
<b>Net result</b>	<b>1</b>	<b>7</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>(2)</b>
<b>Total comprehensive result</b>	<b>1</b>	<b>5</b>
<b>Net cash provided by (used in) operating activities</b>	<b>12</b>	<b>17</b>
<b>Assets</b>		
Current assets	13	16
Non-current assets	157	155
<b>Total assets</b>	<b>170</b>	<b>171</b>
<b>Liabilities</b>		
Current liabilities	6	8
Non-current liabilities	5	5
<b>Total liabilities</b>	<b>11</b>	<b>13</b>
<b>Total equity</b>	<b>159</b>	<b>158</b>

### Statement of Comprehensive Income

#### *Revenues from SA Government*

The main source of funds for the SACFS is the contributions from the Fund which account for 94% of revenues (refer note 17 to the financial statements). The contributions from the Fund to the SACFS of \$66 million during 2012-13 were \$506 000 down from the previous year.

A structural analysis of income for the five years to 2013 is presented in the following chart.



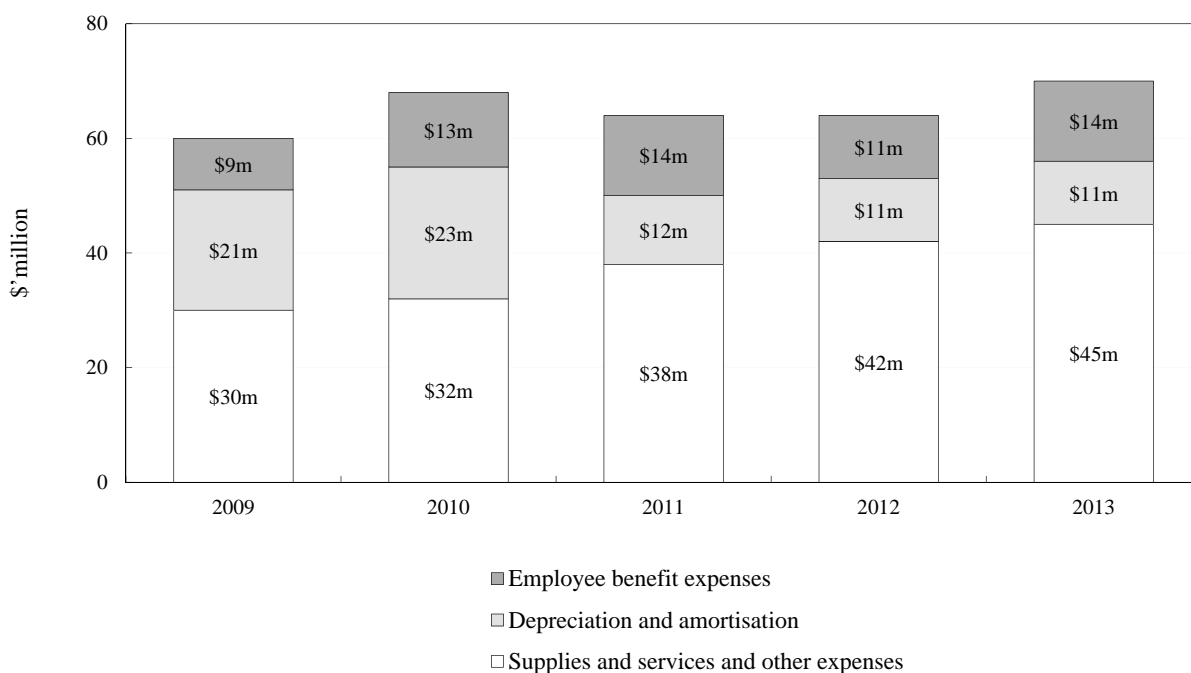
**Expenses**

Employee benefits expenses account for only 20% of the total expenses of the SACFS due to the extensive use of volunteer firefighters.

During 2012-13 supplies and services expenditure increased by \$3.7 million to \$44 million due mainly to increases in:

- computing costs of \$1.3 million including implementation of the Emergency Connect program
- consultancy, contractor and legal fees of \$1 million
- repairs and maintenance of \$850 000.

For the five years to 2013, a structural analysis of the main expense items for the SACFS is shown in the following chart.

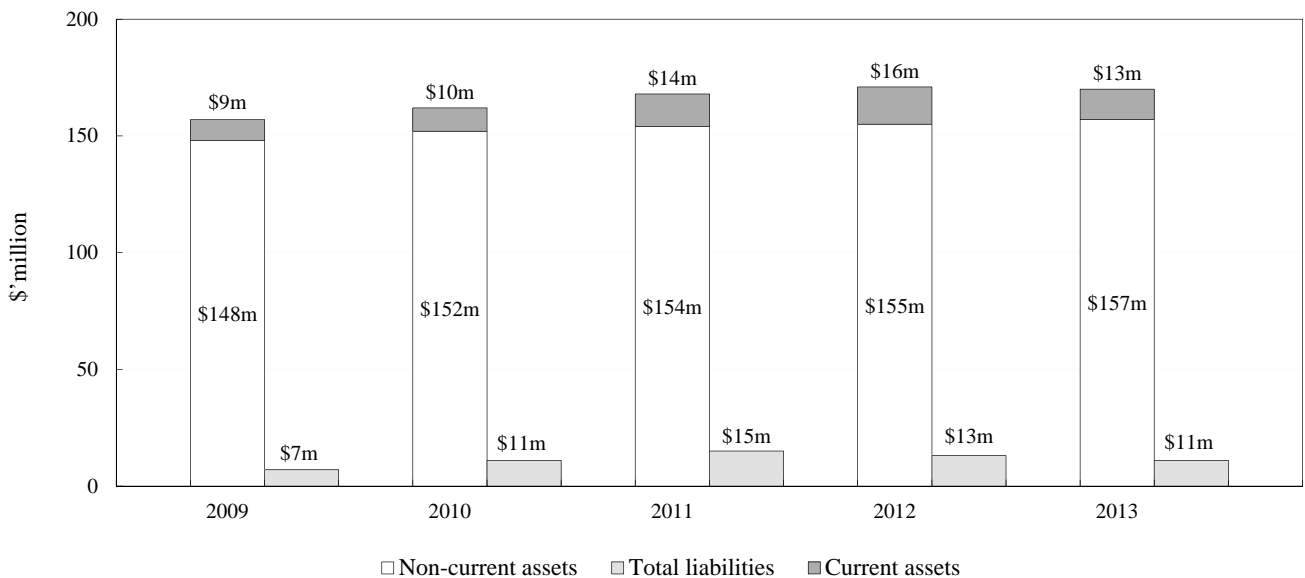


Over the five years, expenses have increased by \$10 million (17%) to \$70 million.

**Statement of Financial Position**

The Statement of Financial Position is dominated by the non-current asset ‘property, plant and equipment’ which accounts for 92% of total assets. Property, plant and equipment increased by \$3 million during the year to \$157 million.

For the five years to 2013, a structural analysis of assets and liabilities is shown in the following chart.

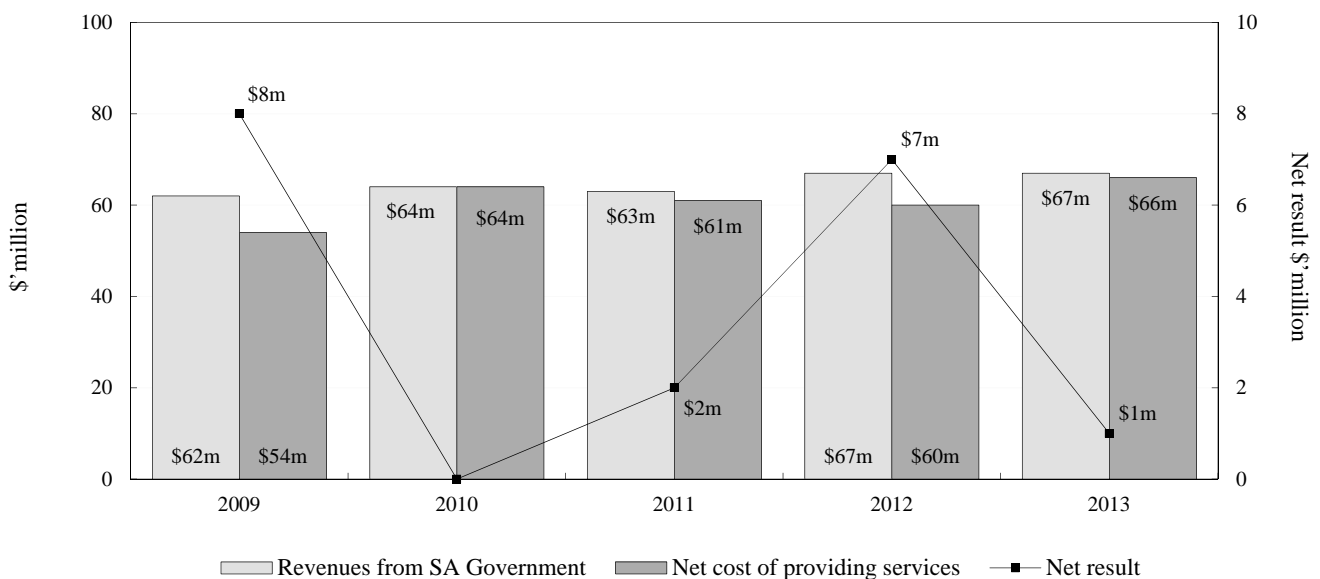


Non-current assets, mainly property, plant and equipment, have grown by 6% over the five year period to \$157 million, primarily as a result of asset purchases and revaluations of assets.

The fair values of the main asset classes held by the SACFS were land and buildings (\$60 million) and vehicles (\$84 million) (refer note 22 to the financial statements for more information).

**Further commentary on operations**

The following chart shows the funding received by the SACFS from the Fund and the net cost of services and net result for the past five years.



## Statement of Comprehensive Income for the year ended 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Expenses:</b>			
Employee benefits expenses	5	14 142	11 455
Supplies and services	6	44 146	40 399
Depreciation and amortisation	7	10 647	10 540
Grants and subsidies	8	700	692
Net loss from disposal of non-current assets	9	39	193
Other expenses	10	-	972
<b>Total expenses</b>		69 674	64 251
<b>Income:</b>			
Revenues from fees and charges	11	1 032	1 175
Commonwealth revenues	12	2 031	2 137
Interest revenues	13	181	283
Resources received free of charge	14	21	138
Groups/Brigades revenues	15	460	193
Other income	16	320	368
<b>Total income</b>		4 045	4 294
<b>Net cost of providing services</b>		65 629	59 957
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	17	66 603	66 857
<b>Total revenues from (payments to) SA Government</b>		66 603	66 857
<b>Net result</b>		974	6 900
<b>Other comprehensive income:</b>			
Net income or expenses relating to non-current assets held for sale		-	(65)
Changes in revaluation surplus	22	-	(2 189)
<b>Total comprehensive result</b>		974	4 646

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



## Statement of Financial Position as at 30 June 2013

	Note	2013 \$'000	2012 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	18	9 190	11 766
Receivables	19	968	1 478
Other financial assets	20	1 916	2 136
Non-current assets held for sale	21	991	991
<b>Total current assets</b>		13 065	16 371
<b>Non-current assets:</b>			
Property, plant and equipment	22	157 095	154 347
Intangible assets	23	-	66
<b>Total non-current assets</b>		157 095	154 413
<b>Total assets</b>		170 160	170 784
<b>Current liabilities:</b>			
Payables	24	3 755	5 876
Employee benefits	25	1 809	1 483
Provisions	26	466	598
<b>Total current liabilities</b>		6 030	7 957
<b>Non-current liabilities:</b>			
Payables	24	239	237
Employee benefits	25	2 550	2 514
Provisions	26	2 563	2 272
<b>Total non-current liabilities</b>		5 352	5 023
<b>Total liabilities</b>		11 382	12 980
<b>Net assets</b>		158 778	157 804
<b>Equity:</b>			
Revaluation surplus	27	49 853	49 853
Retained earnings	27	108 925	107 951
<b>Total equity</b>		158 778	157 804
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	29		
Contingent assets and liabilities	30		

**Statement of Changes in Equity  
for the year ended 30 June 2013**

	Note	Revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2011		52 107	101 051	153 158
Net result for 2011-12		-	5 791	5 791
Net income or expenses relating to non-current assets held for sale		(65)	-	(65)
Loss on revaluation of property, plant and equipment during 2011-12	22	(2 189)	-	(2 189)
Total comprehensive result for 2011-12		(2 254)	5 791	3 537
Balance at 30 June 2012	27	49 853	106 842	156 695
Prior year error	3	-	1 109	1 109
Restated balance as at 30 June 2012		49 853	107 951	157 804
Net result for 2012-13		-	974	974
Total comprehensive result for 2012-13		-	974	974
<b>Balance at 30 June 2013</b>	27	<b>49 853</b>	<b>108 925</b>	<b>158 778</b>

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

## Statement of Cash Flows for the year ended 30 June 2013

		2013	2012
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(13 598)	(12 847)
Supplies and services payments		(50 607)	(45 950)
Grants and subsidies payments		(700)	(692)
Payments for Paid Parental Leave Scheme		(30)	(2)
<b>Cash used in operations</b>		(64 935)	(59 491)
Cash inflows:			
Fees and charges		1 399	1 560
Receipts from Commonwealth		2 031	2 137
Interest received		194	288
GST recovered from the ATO		5 281	4 908
Receipts for Paid Parental Leave Scheme		28	5
Other receipts		964	440
<b>Cash generated from operating activities</b>		9 897	9 338
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	17	66 351	66 857
Other receipts from SA Government	17	252	-
<b>Cash generated from SA Government</b>		66 603	66 857
<b>Net cash provided by (used in) operating activities</b>	28	11 565	16 704
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of investments		220	(234)
Purchase of property, plant and equipment		(14 670)	(15 079)
<b>Cash used in investing activities</b>		(14 450)	(15 313)
Cash inflows:			
Proceeds from sale of property, plant and equipment		309	384
<b>Cash generated from investing activities</b>		309	384
<b>Net cash provided by (used in) investing activities</b>		(14 141)	(14 929)
<b>Net increase (decrease) in cash and cash equivalents</b>		(2 576)	1 775
<b>Cash and cash equivalents at 1 July</b>		11 766	9 991
<b>Cash and cash equivalents at 30 June</b>	18	9 190	11 766

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

#### 1. Objectives and funding

##### *Objectives*

The South Australian Country Fire Service (CFS) is established under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in the country
- to provide efficient and responsive services in the country for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue

**Objectives (continued)**

- to protect life, property and environmental assets from fire and other emergencies occurring in the country
- to develop and maintain plans to cope with the effects of fire or emergencies in the country
- to provide services or support to assist with recovery in the event of a fire or other emergency in the country
- to perform any other function assigned to the CFS by or under this or any other Act.

**Funding arrangements**

Funding of the CFS is primarily derived from the Community Emergency Services Fund in accordance with the *Emergency Services Funding Act 1998*.

Funds generated by groups and brigades through fundraising activities are held locally for expenditure on CFS activities in the local community. These funds are recognised in the CFS's financial statements.

On 1 July 2011, the CFS introduced fees and charges for fire alarm monitoring, unwanted false alarms and certain building fire safety services. These fees are prescribed in the Fire and Emergency Services Regulations 2005.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

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

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

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

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the CFS for the reporting period ending 30 June 2013 (refer note 3).

**(b) Basis of preparation**

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the CFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. The CFS has elected not to utilise this threshold, ie all revenue, expense, financial assets and liabilities relating to SA Government have been separately disclosed
  - (b) expenses incurred as a result of engaging consultants
  - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

**(b) Basis of preparation (continued)**

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2013 and the comparative information presented.

**(c) Reporting entity**

The CFS is established under the Act. Under the Act, the CFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

**(d) Comparative information**

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

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

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

**(e) Rounding**

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

**(f) Taxation**

The CFS is not subject to income tax. The CFS is liable for payroll tax, FBT and GST.

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

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

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

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

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

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

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

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

**(h) Income**

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

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

**(h) Income (continued)**

The following are specific recognition criteria:

*Revenues from SA Government*

Contributions from Community Emergency Services Fund and other receipts from the SA Government are recognised as income when the CFS obtains control over the funding. Control over funding is normally obtained upon receipt.

*Commonwealth revenues*

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

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

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

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

*Resources received free of charge*

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

*Fees and charges*

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

*Other income*

Other income consists of rental income, insurance recoveries and other minor revenues.

**(i) Expenses**

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

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

The following are specific recognition criteria:

*Employee benefits expenses*

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

*Superannuation*

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

*Net loss on non-current assets*

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

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

*Depreciation and amortisation*

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

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

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

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

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Communications equipment	10
Vehicles	20
Plant and equipment	10
Computer equipment	5
Intangibles	5
Buildings	40

*Grants and subsidies*

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

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

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

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

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

**(k) Assets**

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

*Cash and cash equivalents*

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

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

Cash is measured at nominal value.

*Receivables*

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

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

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

*Other financial assets*

The CFS measures other financial assets at cost. All assets in this category are either short or medium-term cash deposits.

*Non-current assets held for sale*

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

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

*Non-current assets*

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of \$10 000 or greater are capitalised.

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value). On an ongoing basis, revaluations are made in accordance with related policies whereby independent valuations are obtained every five years and carrying amounts are adjusted accordingly.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the asset is revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

Impairment

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

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

*Intangible assets*

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

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

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



*Intangible assets (continued)*

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

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

**(l) Liabilities**

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

*Payables*

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

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

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

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

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

Employee benefits on-costs include superannuation contributions, WorkCover levies and payroll tax in respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

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

*Employee benefits*

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

Wages, salaries, annual leave, skills and experience retention leave and sick leave

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

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

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

## LSL

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

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

*Provisions*

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

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by a consulting actuary engaged through the Public Sector Workforce Relations Division of DPC. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

*Operating leases*

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

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

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

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

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

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

The CFS did not voluntarily change any of its accounting policies during 2012-13.

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the CFS for the period ending 30 June 2013. The CFS has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the CFS.

There was one prior period adjustment in 2012-13.

This related to the overstatement of the provision for LSL liability and associated expenses in 2012, by an amount of \$1.109 million. The error was due to the 2011-12 LSL day's entitlement being calculated on the working day rate.

An adjustment was processed in 2013 and comparative balances have been restated resulting in the following specific impacts for 2012:

- employee benefits expenses reduced by \$1.109 million
- the total comprehensive result increasing by \$1.109 million
- current payables decreased by \$11 000
- current employee benefits decreased by \$120 000
- non-current payables decreased by \$84 000
- non-current employee benefits decreased by \$894 000.

Restated 2012 comparative balances for these balances are detailed in the Statement of Comprehensive Income and in notes 5, 24 and 25.

**4. Activities of the CFS**

In achieving its objectives, the CFS provides services within two areas of activity: frontline service delivery and frontline service delivery support. These services are classified under one program titled 'South Australian Country Fire Service'.

<b>5. Employee benefits expenses</b>	2013	2012
	\$'000	\$'000
Salaries and wages	9 898	9 317
Annual leave	908	892
Skills and experience retention leave	51	-
LSL	208	730
Employment on-costs - superannuation	1 000	972
Payroll tax	586	579
Workers compensation costs	1 173	(1 444)
Other employment related expenses	318	409
Total employee benefits expenses	14 142	11 455

**Employee remuneration**

	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
\$134 000 - \$137 999*	n/a	2
\$138 000 - \$147 999	5	4
\$148 000 - \$157 999	3	1
\$158 000 - \$167 999	1	1
\$188 000 - \$197 999	-	1
\$208 000 - \$217 999	-	1
\$218 000 - \$227 999	1	-
\$228 000 - \$237 999	-	1
\$268 000 - \$277 999	-	1
\$278 000 - \$287 999	1	-
Total number of employees	11	12

\* This band has been included for the purposes of reporting comparative figures based on the executive base level rate for 2011-12.

The table includes all employees who received remuneration equal to or greater than the base executives remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1.859 million (\$2.072 million).

<b>6. Supplies and services</b>	2013	2012
	\$'000	\$'000
Accommodation	129	96
Aerial firefighting	8 465	8 122
Auditor's remuneration	27	31
Communications	1 057	1 115
Computing costs	2 285	954
Consultancy, contractor and legal fees	2 628	1 605
Consumables	2 029	1 929
Energy	739	634
Government radio network	10 147	10 050
Insurance premiums	212	199
Minor plant and equipment	1 489	1 814
Operating lease costs	2 417	2 672
Operational costs	2 053	1 325
Repairs and maintenance	5 112	4 262
SSSA payments	1	-
Travel and training	1 841	1 749
Uniforms and protective clothing	1 418	1 313
Other expenses	2 097	2 529
Total supplies and services	44 146	40 399

<b>Consultancies</b>	2013		2012	
The number and dollar amount of consultancies paid/payable (included in consultant expenses shown above) fell within the following bands:	Number	\$'000	Number	\$'000
Below \$10 000	2	5	-	-
Between \$10 000 and \$50 000	-	-	1	19
Total amount paid/payable to consultants engaged	2	5	1	19

<b>Auditor's remuneration</b>	2013	2012
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	\$'000	\$'000
Total audit fees	27	31
	27	31

**Other services**

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

**Supplies and services provided by entities within the SA Government**

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

Accommodation	86	76
Aerial firefighting	17	95
Auditor's remuneration	27	31
Communication	34	49
Computing costs	118	153
Consultancy, contractor and legal fees	604	74
Consumables	180	325
Energy	15	11
Government Radio Network	10 147	10 050
Insurance premiums	173	122
Minor plant and equipment	47	-
Operating lease costs	1 008	1 874
Operational costs	61	6
Repairs and maintenance	140	190
SSSA payments	1	-
Travel and training	157	58
Uniform and protective clothing	13	-
Other expenses	293	377
Total supplies and services provided by entities within the SA Government	13 121	13 491

**7. Depreciation and amortisation****Depreciation:**

Buildings	2 518	2 471
Vehicles	6 200	6 087
Computers	20	-
Plant	379	295
Communications	1 464	1 583
Total depreciation	10 581	10 436

**Amortisation:**

Software	66	104
Total amortisation	66	104
Total depreciation and amortisation	10 647	10 540

**8. Grant and subsidies**

Grants to individuals and community organisations	700	692
Total grants and subsidies	700	692

All grants and subsidies are provided to non-SA Government recipients.

<b>9. Net loss from disposal of non-current assets</b>	2013	2012
Land and buildings:	\$'000	\$'000
Proceeds from disposal	-	-
Net book value of assets disposed	-	(244)
Net gain (loss) from disposal of land and buildings	-	(244)
Vehicles:		
Proceeds from disposal	309	350
Net book value of assets disposed	(348)	(302)
Net gain (loss) from disposal of vehicles	(39)	48
Plant and equipment:		
Proceeds from disposal	-	34
Net book value of assets disposed	-	(31)
Net gain (loss) from disposal of plant and equipment	-	3
Total assets:		
Total proceeds from disposal	309	384
Total value of assets disposed	(348)	(577)
Net gain (loss) from disposal of non-current assets	(39)	(193)
<b>10. Other expenses</b>		
Asset revaluation decrement	-	972
Total other expenses	-	972
<b>11. Revenues from fees and charges</b>		
Fire alarm attendance fees	266	333
Fire safety fees	133	116
Fire alarm monitoring fees	193	141
Incident cost recoveries	-	159
Training and other recoveries	415	410
Salary recoveries	2	2
Other recoveries	23	14
Total revenues from fees and charges	1 032	1 175
<b><i>Fees and charges received/receivable from entities within the SA Government</i></b>		
The following fees and charges (included in the revenues from fees and charges shown above) were received/receivable from entities within the SA Government:		
Fire alarm attendance fees	88	148
Fire safety fees	8	13
Fire alarm monitoring fees	46	45
Training and other recoveries	79	188
Total fees and charges received/receivable from entities within the SA Government	221	394
<b>12. Commonwealth revenues</b>		
Grants and contributions	2 031	2 137
Total Commonwealth revenues	2 031	2 137
Commonwealth revenues include contributions towards aerial firefighting costs through the National Aerial Firefighting Centre Ltd, contributions towards the cost of providing fire and emergency services to Commonwealth property in CFS areas and one-off project grants.		
Contributions through the National Aerial Firefighting Centre Ltd can only be applied to aircraft leasing and positioning costs and must be matched by State Government funding on at least a dollar for dollar basis. Once-off project grants are subject to specific funding agreements.		
<b>13. Interest revenues</b>	2013	2012
	\$'000	\$'000
Interest on deposit accounts - from entities within the SA Government	181	283
Total interest revenue	181	283

<b>14. Resources received free of charge</b>	2013	2012
	\$'000	\$'000
Asset contributions from local government councils and other organisations	21	138
Total resources received free of charge	21	138

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from local government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services. During 2012-13, two properties have been transitioned into the control of the Minister for Emergency Services (valued at fair value of \$21 000).

<b>15. Groups/Brigades revenues</b>	2013	2012
	\$'000	\$'000
Groups/Brigades fundraising	460	193
Total groups/brigades revenues	460	193

<b>16. Other income</b>		
Rent received	54	56
Donations	1	-
Insurance recoveries	16	6
Other	249	306
Total other income	320	368

***Other income received/receivable from entities within the SA Government***

The following other income (included in the other income revenues shown above) was received/receivable from entities within the SA Government:

Other	18	122
Total other income received from entities within the SA Government	18	122

<b>17. Revenues from SA Government</b>		
Contributions from Community Emergency Service Fund	66 351	66 857
Other revenue from SA Government	252	-
Total revenues from SA Government	66 603	66 857

Total revenues from SA Government of \$53.096 million (\$49.254 million) for operational funding and \$13.507 million (\$14.497 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 8, 22 and 23. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

<b>18. Cash and cash equivalents</b>	2013	2012
	\$'000	\$'000
Cash on hand	4	5
Deposits with the Treasurer	5 487	8 457
Cash at bank (non-SA Government)	417	416
Cash at bank (non-SA Government) - groups/brigades	2 642	2 640
Short-term deposits (non-SA Government) - groups/brigades	640	248
Total cash and cash equivalents	9 190	11 766

***Short-term deposits***

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

***Interest rate risk***

Cash on hand is non-interest bearing. Deposit at call and with the Treasurer earns a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

<b>19. Receivables</b>	2013	2012
Current:	\$'000	\$'000
Receivables	263	451
Allowance for doubtful debts	(5)	(4)
	258	447
Accrued revenues	15	24
GST input tax recoverable	695	1 007
Total current receivables	968	1 478

**Receivables from entities within the SA Government**

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:	2013	2012
	\$'000	\$'000
Receivables	32	72
Allowance for doubtful debts	-	-
	<u>32</u>	<u>72</u>
Accrued revenues	10	23
Total receivables - SA Government entities	<u>42</u>	<u>95</u>

**Movement in the allowance for doubtful debts**

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

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

<b>Movements in the allowance for doubtful debts (impairment loss)</b>	2013	2012
	\$'000	\$'000
Carrying amount at 1 July	(4)	-
Amounts written off	6	-
Decrease (Increase) in the allowance	<u>(7)</u>	<u>(4)</u>
Carrying amount at 30 June	<u>(5)</u>	<u>(4)</u>

**Interest rate and credit risk**

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

**Maturity analysis of receivables and categorisation of financial instruments and risk exposure information**

Refer note 33.3.

<b>20. Other financial assets</b>	2013	2012
	\$'000	\$'000
Medium-term deposits - groups and brigades	1 916	2 136
Total other current financial assets	<u>1 916</u>	<u>2 136</u>

**Maturity analysis of receivables and categorisation of financial instruments and risk exposure information**

Refer note 33.3.

<b>21. Non-current assets held for sale</b>		
Building	4	4
Land	987	987
Total non-current assets held for sale	<u>991</u>	<u>991</u>

A tender to sell surplus land at Port Lincoln during 2010-11 failed to be realised, and as at 30 June 2013 the property continues to remain on the market for sale. The property value was reassessed by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV) during 2011-12. The movement has been reflected in equity.

<b>22. Property, plant and equipment</b>	2013	2012
Land:	\$'000	\$'000
At valuation	11 294	11 294
At cost (deemed fair value)	679	60
Total land	<u>11 973</u>	<u>11 354</u>
Buildings:		
At valuation	47 641	47 640
At cost (deemed fair value)	4 144	116
Accumulated depreciation	<u>(3 804)</u>	<u>(1 286)</u>
Total buildings	<u>47 981</u>	<u>46 470</u>

22. Property, plant and equipment (continued)	2013	2012
Vehicles:	\$'000	\$'000
At valuation	74 021	74 386
At cost (deemed fair value)	19 502	5 346
Accumulated depreciation	(9 094)	(2 911)
Total vehicles	<u>84 429</u>	<u>76 821</u>
Communication equipment:		
At valuation	6 273	6 273
At cost (deemed fair value)	2 621	2 621
Accumulated depreciation	(2 123)	(659)
Total communication equipment	<u>6 771</u>	<u>8 235</u>
Computer equipment:		
At valuation	-	-
At cost (deemed fair value)	98	98
Accumulated depreciation	(20)	-
Total computer equipment	<u>78</u>	<u>98</u>
Plant and equipment:		
At valuation	1 450	1 449
At cost (deemed fair value)	996	926
Accumulated depreciation	(526)	(147)
Total plant and equipment	<u>1 920</u>	<u>2 228</u>
Capital works in progress:		
At cost (deemed fair value)	3 943	9 141
Total capital works in progress	<u>3 943</u>	<u>9 141</u>
Total property, plant and equipment	<u>157 095</u>	<u>154 347</u>

**Valuation of assets**

At 1 January 2012 independent valuations for land, buildings, vehicles, communication, computer, plant and equipment assets were undertaken by Liquid Pacific, Mr M Burns, MRICS, AAPI (CPV). All assets were valued using fair value on the basis of open market values for existing use or at written down current cost which is considered to be fair value.

As at 30 June 2013, in accordance with South Australian Fire and Emergency Services Commission (SAFECOM) policy, a review of the valuations were undertaken by a suitably qualified officer of SAFECOM which indicated that there was no material difference between the fair value and carrying amount of the assets. Consequentially it was determined no revaluation adjustment were required at this time.

**Impairment**

There were no indications of impairment for property, plant and equipment as at 30 June 2013.

**Resources received free of charge**

Refer note 14.

**Movement reconciliation of property, plant and equipment**

	Land	Buildings	Vehicles	Communi- cations equipment	Computer equipment	Plant and equipment	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>								
Carrying amount at 1 July	11 354	46 470	76 821	8 235	98	2 228	9 142	154 347
Acquisitions	-	-	-	-	-	-	13 655	13 655
Transfers to (from) capital works in progress	598	4 029	14 156	-	-	71	(18 854)	-
Depreciation expense	-	(2 518)	(6 200)	(1 464)	(20)	(379)	-	(10 581)
Assets received for nil consideration	21	-	-	-	-	-	-	21
Disposals	-	-	(348)	-	-	-	-	(348)
Carrying amount at 30 June	<u>11 973</u>	<u>47 981</u>	<u>84 429</u>	<u>6 771</u>	<u>78</u>	<u>1 920</u>	<u>3 943</u>	<u>157 095</u>



**Movement reconciliation of property, plant and equipment (continued)**

	Land	Buildings	Vehicles	Communi- cations equipment	Computer equipment	Plant and equipment	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012								
Carrying amount at 1 July	11 393	46 653	77 065	8 321	-	1 419	8 569	153 420
Acquisitions	60	12	-	-	-	23	14 984	15 079
Transfers to (from) capital works in progress	-	2 343	8 448	2 621	98	902	(14 412)	-
Depreciation expense	-	(2 471)	(6 087)	(1 583)	-	(295)	-	(10 436)
Net revaluation increment (decrement)	(3)	59	(2 303)	(152)	-	210	-	(2 189)
Assets received for nil consideration	19	119	-	-	-	-	-	138
Disposals	(3)	(241)	(302)	-	-	(31)	-	(577)
Transfer to non-current asset held for resale	(112)	(4)	-	-	-	-	-	(116)
Net revaluation decrement expensed	-	-	-	(972)	-	-	-	(972)
Carrying amount at 30 June	11 354	46 470	76 821	8 235	98	2 228	9 142	154 347

**23. Intangible assets**

	2013 \$'000	2012 \$'000
Computer software	341	970
Accumulated amortisation	(341)	(904)
Total intangible assets	-	66

**Movement reconciliation of intangible assets**

Carrying amount at 1 July	66	170
Amortisation expense	(66)	(104)
Carrying amount at 30 June	-	66

**Asset details and amortisation**

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight-line basis with a total useful life of five years.

**Impairment**

There were no indications of impairment of intangible assets at 30 June 2013.

**24. Payables**

	2013 \$'000	2012 \$'000
Current:		
Accrued expenses	569	338
Creditors	2 803	5 163
FBT payable	81	92
Paid Parental Leave Scheme payable	-	2
Employment on-costs	302	281
Total current payables	3 755	5 876

**Current payables to entities within the SA Government**

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Accrued expenses	30	27
Creditors	1 034	196
FBT payable	81	92
Employment benefit on-costs	153	152
Total current payables to SA Government entities	1 298	467

**Non-current liabilities:**

Employment on-costs	239	237
Total non-current payables	239	237

**Non-current payables to entities within the SA Government**

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Employment on-costs	135	134
Total non-current payables to entities within the SA Government	135	134

**Employment on-costs**

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of LSL taken as leave has remained at the 2012 rate of 40%, and the average factor for the calculation of employer superannuation cost on-cost has remained at the 2012 rate of 10.3%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employment on-cost of \$11 000 and employee benefits expenses of \$11 000. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

**Interest rate and credit risk**

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

**Maturity analysis of payables and categorisation of financial instruments and risk exposure information**

Refer note 33.3.

<b>25. Employee benefits</b>	2013	2012
Current:	\$'000	\$'000
Accrued salaries and wages	20	24
Annual leave	1 275	1 123
Skills and experience retention leave	51	-
LSL	463	336
Total current employee benefits	<u>1 809</u>	<u>1 483</u>
Non-current:		
LSL	2 550	2 514
Total non-current employee benefits	<u>2 550</u>	<u>2 514</u>

AASB 119 contains the calculation methodology for LSL liability. This year, an actuarial assessment performed by DTF was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the LSL liability. The yield on long-term Commonwealth Government bonds has increased from 2012 (2.75%) to 2013 (3.5%).

This increase in the bond yield, which is used as the rate to discount future LSL cash flows, results in a significant decrease in the reported LSL liability, however this has been offset by an increase associated with the actuarial assessment.

The net financial effect of the changes in methodology and actuarial assumption in the current financial year is a decrease in the LSL liability of \$209 000 and employee benefits expenses of \$209 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

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

<b>26. Provisions</b>	2013	2012
Current:	\$'000	\$'000
Provisions for workers compensation	466	598
Total current provisions	<u>466</u>	<u>598</u>
Non-current:		
Provision for workers compensation	2 563	2 272
Total non-current provisions	<u>2 563</u>	<u>2 272</u>
Total provisions	<u>3 029</u>	<u>2 870</u>

**Provision movement**

Carrying amount at 1 July	2 870	4 981
Additional provisions recognised (released)	1 173	(1 437)
Reductions arising from payments	(1 014)	(674)
Carrying amount at 30 June	<u>3 029</u>	<u>2 870</u>

The CFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

<b>27. Equity</b>	2013	2012
	\$'000	\$'000
Retained earnings	108 925	107 951
Revaluation surplus	49 853	49 853
Total equity	<u>158 778</u>	<u>157 804</u>

The revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets. The revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

The cumulative income or expense recognised in other comprehensive income (via the revaluation surplus) relating to non-current assets classified as held for sale for the year ending 30 June 2013 was \$0 (\$65 000).

<b>28. Cash flow reconciliation</b>	2013	2012
<i>Reconciliation of cash and cash equivalents at 30 June</i>	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	9 190	11 766
Balance as per the Statement of Cash Flows	<u>9 190</u>	<u>11 766</u>

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

Net cash provided by operating activities	11 565	16 704
Revenues from SA Government	(66 603)	(66 857)
Non-cash items:		
Depreciation and amortisation	(10 647)	(10 540)
Assets received free of charge	21	138
Asset revaluation decrement recognised in Statement of Comprehensive Income	-	(972)
Devaluation of land held for sale	-	-
Net loss from disposal of non-current assets held for sale	(39)	(193)
Movements in assets/liabilities:		
Receivables	(510)	(29)
Payables	1 105	319
Employee benefits	(362)	(638)
Provisions	(159)	2 111
Net cost of providing services	<u>(65 629)</u>	<u>(59 957)</u>

**29. Unrecognised contractual 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.

	2013	2012
	\$'000	\$'000
Within one year	1 868	1 686
Later than one year but not later than five years	1 709	1 394
Later than five years	89	-
Total operating lease commitments	<u>3 666</u>	<u>3 080</u>

The abovementioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle, property and equipment 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.

***Capital commitments***

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

	2013	2012
	\$'000	\$'000
Within one year	7 177	5 732
Total capital commitments	<u>7 177</u>	<u>5 732</u>

These capital commitments are for building and appliance projects.

**Remuneration commitments**

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

	2013 \$'000	2012 \$'000
Within one year	708	688
Later than one year but not later than five years	1 129	1 855
Total remuneration commitments	<u>1 837</u>	<u>2 543</u>

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

**Other commitments**

The total value of other 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.

	2013 \$'000	2012 \$'000
Within one year	1 163	2 503
Later than one year but not later than five years	1 773	955
Later than five years	975	-
Total other commitments	<u>3 911</u>	<u>3 458</u>

Contractual commitments relate to information technology projects and grants.

**30. Contingent assets and liabilities****Contingent assets**

In 2009-10 the CFS made prepayments for capital works projects of \$855 800 for works that did not materialise. Recovery of the prepayments has been sought.

**Contingent liabilities**

The CFS has several contingent liabilities in the form of unresolved litigation. However, the outcome cannot be reliably determined at this stage. In each case the financial exposure to the CFS is limited to a \$10 000 excess under insurance arrangements.

The CFS is not aware of any other contingent liabilities.

**31. Board members' remuneration**

Members of the board and committees, during the 2013 financial year were:

**State Bushfire Coordination Committee**

Andrew Watson	Gregory Nettleton*	Meredith Jenner*
Ann De Piaz*	Gregory Saunder	Michael Cornish
Bronwyn Killmier*	(appointed 23.08.12)*	(appointed 23.08.12)*
Bruce Hull	James Rishworth	Peter White
(appointed 23.08.12)	(appointed 23.08.12)*	Scott Thompson*
Christopher Reed	Jayne Bates	Stephen Pascale*
(retired 22.08.12)	(appointed 23.08.12)	Suellen LeFebvre*
Dennis Mutton	John Badgery	Susan Filby
Donald Gilbertson	(appointed 23.08.12)*	Suzanne Mickan
(appointed 23.08.12)	Joseph Keynes	Timothy Kelly
Donna Ferretti	(appointed 23.08.12)	(appointed 23.08.12)
(appointed 23.08.12)*	Justin Cook	Timothy Milne
Fiona Dunstan*	(appointed 23.08.12)*	Tina Brew
Franco Crisci*	Katherine Stanley-Murray	(appointed 23.08.12)*
Glenn Benham*	(appointed 23.08.12)	Wayne Thorley
Graham Gates	Katie Taylor*	(appointed 23.08.12)
(appointed 23.08.12)	Kylie Egan	William McIntosh
Grant Pelton	Mark Sutton	
(appointed 23.08.12)*	(appointed 23.08.12)*	

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

	2013 Number	2012 Number
\$0	31	32
\$1 - \$9 999	6	6
Total	<u>37</u>	<u>38</u>

**31. Board members' remuneration (continued)**

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$3914 (\$4326).

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

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

For the purposes of this note, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as they are considered to be reimbursement of direct expenses incurred by relevant members.

**32. Events after the reporting date**

There were no events after the reporting period affecting the financial statements.

**33. Financial instruments/Financial risk management****33.1 Categorisation of financial instruments**

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

	Note	2013		2012	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	18	9 190	9 190	11 766	11 766
Receivables <sup>(1)(2)</sup>	19	278	278	475	475
Other financial assets	20	1 916	1 916	2 136	2 136
<b>Financial liabilities</b>					
Payables	24	3 345	3 345	5 478	5 478

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

<sup>(2)</sup> Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

**Credit risk**

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

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

The carrying amount of financial assets as detailed in note 33.1 represents the CFS's maximum exposure to credit risk.

No collateral is held as security and no credit enhancements relate to financial assets held by the CFS.

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

**33.2 Ageing analysis of financial assets**

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

	Current not overdue \$'000	Past due by			Total \$'000
		Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2013</b>					
Not impaired:					
Receivables	89	32	22	130	273
Other financial assets	1 916	-	-	-	1 916
Impaired:					
Receivables	-	-	-	5	5
<b>2012</b>					
Not impaired:					
Receivables	300	21	11	143	475
Other financial assets	2 136	-	-	-	2 136
Impaired:					
Receivables	-	-	-	(4)	(4)

**33.3 Maturity analysis of financial assets and liabilities**

The following table discloses the maturity analysis of financial assets and financial liabilities:

	Carrying amount \$'000	Contractual maturities	
		Less than 1 year \$'000	1-5 years \$'000
<b>2013</b>			
Financial assets:			
Cash and cash equivalent	9 190	9 190	-
Receivables	278	278	-
Other financial assets	1 916	1 916	-
Total financial assets	11 384	11 384	-
Financial liabilities:			
Payables	3 345	3 345	-
Total financial liabilities	3 345	3 345	-
<b>2012</b>			
Financial assets:			
Cash and cash equivalent	11 766	11 766	-
Receivables	475	475	-
Other financial assets	2 136	2 136	-
Total financial assets	14 377	14 377	-
Financial liabilities:			
Payables	5 478	5 478	-
Total financial liabilities	5 478	5 478	-

The financial assets and liabilities of the CFS are all current with maturity within the next 12 months.

**Liquidity risk**

Liquidity risk arises where the CFS is unable to meet its financial obligations as they are due to be settled. The CFS is funded principally from contributions from the Community Emergency Services Fund. The CFS and SAFECOM work with the manager of the Community Emergency Services Fund to determine cash flows associated with its government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The CFS settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

***Liquidity risk (continued)***

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

The carrying amount of financial liabilities recorded in note 33.1 represents the CFS's maximum exposure to financial liabilities.

***Market risk***

The CFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The CFS's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

***Sensitivity disclosure analysis***

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





## Part B

# Glossary of terms

### Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 3	Business Combinations
AASB 4	Insurance Contracts
AASB 5	Non-current Assets Held for Sale and Discontinued Operations
AASB 7	Financial Instruments: Disclosures
AASB 8	Operating Segments
AASB 9	Financial Instruments
AASB 10	Consolidated Financial Statements
AASB 11	Joint Arrangements
AASB 12	Disclosure of Interests in Other Entities
AASB 13	Fair Value Measurement
AASB 101	Presentation of Financial Statements
AASB 102	Inventories
AASB 107	Statement of Cash Flows
AASB 108	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110	Events after the Reporting Period
AASB 111	Construction Contracts
AASB 112	Income Taxes
AASB 116	Property, Plant and Equipment
AASB 117	Leases
AASB 118	Revenue
AASB 119	Employee Benefits
AASB 120	Accounting for Government Grants and Disclosure of Government Assistance
AASB 121	The Effects of Changes in Foreign Exchange Rates
AASB 123	Borrowing Costs
AASB 124	Related Party Disclosures
AASB 127	Consolidated and Separate Financial Statements
AASB 128	Investments in Associates
AASB 131	Interests in Joint Ventures
AASB 132	Financial Instruments: Presentation
AASB 136	Impairment of Assets
AASB 137	Provisions, Contingent Liabilities and Contingent Assets
AASB 138	Intangible Assets
AASB 139	Financial Instruments: Recognition and Measurement
AASB 140	Investment Property
AASB 141	Agriculture
AASB 1004	Contributions
AASB 1023	General Insurance Contracts
AASB 1031	Materiality
AASB 1038	Life Insurance Contracts
AASB 1048	Interpretation of Standards

## Australian Accounting Standards - AASB (continued)

Reference	Title
AASB 1049	Whole of Government and General Government Sector Financial Reporting
AASB 1050	Administered Items
AASB 1051	Land Under Roads
AASB 1052	Disaggregated Disclosures
AASB 1054	Australian Additional Disclosures
AASB 1055	Budgetary Reporting
AASB 2009-12	Amendments to Australian Accounting Standards

## Australian Interpretations

Reference	Title
Interpretation 4	Determining whether an Arrangement contains a Lease
Interpretation 113	Jointly Controlled Entities – Non-Monetary Contributions by Venturers
Interpretation 115	Operating Leases - Incentives
Interpretation 121	Income Taxes – Recovery of Revalued Non-Depreciable Assets
Interpretation 125	Income Taxes – Changes in the Tax Status of an Entity or its Shareholders
Interpretation 127	Evaluating the Substance of Transactions Involving the Legal Form of a Lease
Interpretation 132	Intangible Assets – Web Site Costs
Interpretation 1030	Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods
Interpretation 1031	Accounting for the Goods and Services Tax (GST)
Interpretation 1038	Contributions by Owners Made to Wholly-Owned Public Sector Entities
Interpretation 1055	Accounting for Road Earthworks

## Australian Accounting Standards - AAS

Reference	Title
AAS 25	Financial Reporting by Superannuation Plans

## Treasurer's Instructions – TIs

Reference	Title
TI 1	Interpretation and Application
TI 2	Financial Management
TI 3	Appropriation
TI 4	Establishment of Merchant Facilities for Acceptance of Payments
TI 5	Debt Recovery and Write Offs
TI 6	Deposit Accounts and Banking
TI 8	Financial Authorisations
TI 9	Payroll Deductions
TI 10	Engagement of Legal Practitioners
TI 11	Payment of Creditors' Accounts
TI 12	Government Purchase Cards and Stored Value Cards
TI 13	Expenditure Incurred by Ministers and Ministerial Staff

## Treasurer's Instructions – TIs (continued)

Reference	Title
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program

## Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

## Legislation

Reference	Title
ITAA	<i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSA	<i>Public Sector Act 2009</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

## Acronyms

Reference	Title
AASs	Australian Accounting Standards <sup>1</sup>
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer price index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer

<sup>1</sup> 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board that are in force in relation to the reporting period to which the financial report relates.

## Acronyms (continued)

Reference	Title
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
LSL	Long service leave
SAFA	South Australian Government Financing Authority
Service SA	Government Services Group - Service SA
SSSA	Government Services Group - Shared Services SA
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

## Part B

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