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Government
of South Australia

Report

of the

Auditor-General

Annual Report

for the

year ended 30 June 2013

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

Second Session, Fifty-Second Parliament

Part B: Agency audit reports

Volume 5

By Authority: B. Morris, Government Printer, South Australia

2013

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ISSN 0815-9157

Part B

Table of contents

Page

Volume 1

Accounts of public authorities 1
Adelaide Convention Centre Corporation 3
Adelaide Entertainments Corporation 24
Adelaide Festival Centre Trust 47
Adelaide Festival Corporation 71
Adelaide Oval SMA Limited 88
Art Gallery Board 106
Attorney-General’s Department 137
    Public Trustee 214
Auditor-General’s Department 241
Department for Communities and Social Inclusion 258
Department for Correctional Services 331

Volume 2

Courts Administration Authority 365
Defence SA 404
Department for Education and Child Development 434
Environment Protection Authority 508
Department of Environment, Water and Natural Resources 541
Flinders University of South Australia 605
Department of Further Education, Employment, Science and Technology 655
Department for Health and Ageing 697
    Incorporated hospitals and health services 748
        Central Adelaide Local Health Network Incorporated 749
        Southern Adelaide Local Health Network Incorporated 751
        Northern Adelaide Local Health Network Incorporated 752
        Country Health SA Local Health Network Incorporated 754
        Women’s and Children’s Health Network Incorporated 755
        SA Ambulance Service Inc 756
    Health sector staffing and patient activity data – unaudited 760

Volume 3

Health Services Charitable Gifts Board 763
HomeStart Finance 785
Judges’ Pensions Scheme 835

Part B

Table of contents

Page

Volume 3

Legal Services Commission ... 847
The Legislature ... 872
Libraries Board of South Australia ... 919
Local Government Finance Authority of South Australia ... 946
Lotteries Commission of South Australia ... 968
Department for Manufacturing, Innovation, Trade, Resources and Energy ... 1008
Motor Accident Commission ... 1055
Museum Board ... 1088

Volume 4

Office of the National Rail Safety Regulator ... 1113
Parliamentary Superannuation Scheme ... 1130
Department of Planning, Transport and Infrastructure ... 1144
Police Superannuation Scheme ... 1235
Department of the Premier and Cabinet ... 1252
Department of Primary Industries and Regions ... 1316
South Australia Police ... 1391
South Australian Asset Management Corporation ... 1439
South Australian Country Fire Service ... 1451

Volume 5

South Australian Fire and Emergency Services Commission ... 1481
South Australian Forestry Corporation ... 1525
South Australian Government Financing Authority ... 1526
South Australian Housing Trust ... 1566
South Australian Metropolitan Fire Service ... 1622
South Australian Motor Sport Board ... 1651
South Australian State Emergency Service ... 1676
South Australian Superannuation Board ... 1702
- South Australian Ambulance Service Superannuation Scheme ... 1713
- South Australian Superannuation Scheme ... 1727
- Southern State Superannuation Scheme ... 1750
- Super SA Retirement Investment Fund ... 1767

South Australian Tourism Commission ... 1784
South Australian Water Corporation ... 1813

Part B

Table of contents

Page

Volume 6

Superannuation Funds Management Corporation of South Australia 1869
TAFE SA 1906
Department of Treasury and Finance...1937
University of Adelaide..1999
University of South Australia 2057
Urban Renewal Authority...2103
WorkCover Corporation of South Australia...2155

Appendix

Treasurer’s Financial Statements (Statements A-L)

Part B

References to matters of significance

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

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

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

Adelaide Convention Centre Corporation

- Dividend and taxation arrangements 4
- Qualified opinion – assessment of controls 4
- Redevelopment of the Adelaide Convention Centre 7

Adelaide Festival Centre Trust

- Information and communications technology and control 49
- Procurement 48
- Qualified opinion – assessment of controls 48

Adelaide Festival Corporation

- Bank reconciliations 72
- Cash handling 72
- Qualified opinion – assessment of controls 72

Adelaide Oval SMA Limited

- $18 million funding deed 91
- Membership sales 91

Art Gallery Board

- Further commentary on operations – financial review 115
- Governance 110
- Heritage collections 111
- Legal compliance 107
- Qualified Independent Auditor’s Report on the Board’s 2011-12 financial report 107
- Qualified opinion – assessment of controls 107
- Shared Services SA:
  - Accounts payable and electronic payment control environments 112
  - CHRIS payroll control environment 112

Attorney-General’s Department

- Alleged fraud against the Victims of Crime Fund 144
- Consumer and Business Services 140
- Crown Solicitor’s Office 142
- Gaming machine administration 153
- Information and communications technology and control 144
- Payroll controls 139
- Qualified opinion – assessment of controls 138
- Residential Tenancies Fund 143

Attorney-General's Department (continued)
Shared Services SA:
Accounts payable and electronic payment control environments 146
CHRIS payroll control environment 145
TIs 2 and 28 138

Central Adelaide Local Health Network Incorporated
Qualified opinion – assessment of controls 750

Communities and Social Inclusion, Department for
Brokerage expenditure 260
Client trust funds 265
Concessions 263
Expenditure 265
Grants, subsidies and client payments 259
Information and communications technology and control 266
Qualified opinion – assessment of controls 259
Shared Services SA:
Accounts payable and electronic payment control environments 267
CHRIS payroll control environment 267

Correctional Services, Department for
Bona fide certificates 332
Custodial officer roster system 332
Leave reporting 332
Qualified opinion – assessment of controls 332
Shared Services SA:
Accounts payable and electronic payment control environments 333
CHRIS payroll control environment 333

Country Health SA Local Health Network Incorporated
Qualified opinion – assessment of controls 754

Courts Administration Authority
Qualified opinion – assessment of controls 366

Defence SA
General ledger 405
Qualified opinion – assessment of controls 405
Shared Services SA:
Accounts payable and electronic payment control environments 406
CHRIS payroll control environment 405

Education and Child Development, Department for
Families SA expenditure 446
Alternative care 449
Care and protection grant payments 450
Carer payments 446
General ledger processing 452
Information and communications technology and control 451
Qualified opinion – assessment of controls 435
Review of Basware financial delegations 443
School maintenance 444

Education and Child Development, Department for (continued)

Shared Services SA:

Accounts payable and electronic payment control environments ... 444

CHRIS payroll control environment ... 440

Valeo payroll control environment ... 443

Environment Protection Authority

Licence compliance ... 510

Licensing Administration Modernisation project ... 513

Payroll bona fide register ... 510

Qualified opinion – assessment of controls ... 509

Transfer of solid waste levies to the Waste to Resources Fund ... 513

Environment, Water and Natural Resources, Department of

Cash ... 545

Coorong, Lower Lakes and Murray Mouth projects ... 551

Effective 1 July 2012 all employees of the Natural Resources Management Boards transferred to the Department of Environment, Water and Natural Resources ... 541

Effective 1 July 2012, the Department of Environment, Water and Natural Resources assumed the administrative responsibilities and staff of the Department for Water ... 541

Expenditure ... 545

Fixed assets – accounting for Crown land ... 543

Governance ... 544

Murray Futures ... 552

Murray-Darling Basin Authority ... 551

Payroll ... 545

Procurement ... 546

Purchase cards ... 545

Qualified opinion – assessment of controls ... 544

Qualified opinion – financial report ... 543

Save the River Murray Fund ... 552

Shared Services SA:

Accounts payable and electronic payment control environments ... 547

CHRIS payroll control environment ... 547

Stormwater Harvesting and Reuse projects ... 552

Flinders University of South Australia

Approval of tuition fee waivers ... 607

Information and communications technology and control ... 607

Journal processing ... 606

Payroll bona fide review ... 606

Payroll segregation of duties ... 607

Qualified opinion – assessment of controls ... 606

Further Education, Employment, Science and Technology, Department of

Expenditure ... 659

Payroll/Human resources management ... 658

Qualified opinion – assessment of controls ... 656

Shared Services SA:

Accounts payable and electronic payment control environments ... 659

Empower payroll control environment ... 659

Skills for All expenditure ... 656, 663

Sustainable Industries Education Centre ... 663

Health and Ageing, Department for

Changes to health regions and services from 1 July 2011 ... 697
Implementation of TIs 2 and 28 ... 702
Incorporated hospitals and health services:
Payroll ... 759
Polices and procedures ... 758
Property, plant and equipment ... 760
Information and communications technology and control:
Enterprise Patient Administration Systems ... 706
Oracle Corporate System ... 706
Internal audit review of medical consultant allowances ... 701
National health reforms ... 698
Payroll ... 704
Public Private Partnership – the new Royal Adelaide Hospital project ... 706
Qualified opinion – assessment of controls ... 701
Recurrent funding to health services ... 702
Shared Services SA – CHRIS payroll control environment ... 704
South Australian Health and Medical Research Institute ... 708
Special purpose funds ... 705

HomeStart Finance

Bad and impaired loans expense ... 789
Breakthrough loans ... 791
Customer loans repaid ... 796
Distributions to government ... 795
Financial risks ... 792
HomeStart operating parameters ... 797
Information and communications technology and control ... 787
Loans and advances ... 790
Loan quality ... 793
Performance targets ... 797
Provisions for impairment ... 792
Qualified opinion – assessment of controls ... 786

Judges' Pensions Scheme

Transfer to the Consolidated Account of $21.5 million ... 837

Legal Services Commission

Application of the Commissioner for Public Sector Employment Determinations ... 848
Financial accounting reconciliations ... 848
Information and communications technology and control ... 851
Payroll expenditure ... 849
Qualified opinion – assessment of controls ... 848

Legislature, The

Qualified opinion – financial report – disclaimer of opinion ... 873

Libraries Board of South Australia

Qualified opinion – assessment of controls ... 920
Shared Services SA:
Accounts payable and electronic payment control environments ... 921
CHRIS payroll control environment ... 920

Local Government Finance Authority of South Australia
Delegation of powers for fundraising ... 948
Qualified opinion – assessment of controls ... 947
Submission and tabling of 2011-12 annual report ... 947

Lotteries Commission of South Australia
Appointment of Tatts Lotteries SA Pty Ltd as exclusive Master Agent of the Commission ... 968
Cash ... 972
Corporate governance ... 971
Expenditure ... 973
Gaming revenue ... 972
General ledger ... 974
Qualified opinion – assessment of controls ... 970
SA Lotteries Exclusive Master Agent transaction ... 968

Manufacturing, Innovation, Trade, Resources and Energy, Department for
Expenditure ... 1009
Payroll ... 1010
Qualified opinion – assessment of controls ... 1009
Royalties ... 1010
Shared Services SA:
Accounts payable and electronic payment control environments ... 1012
CHRIS payroll control environment ... 1011
Tenements management system licencing ... 1011

Motor Accident Commission
Contribution commitment ... 1056
Investment result ... 1060
Investments ... 1061
Outstanding claims ... 1061
Qualified opinion – assessment of controls ... 1057
Scheme reform ... 1055
Shared Services SA:
Accounts payable and electronic payment control environments ... 1057
CHRIS payroll control environment ... 1057
Solvency level ... 1063
Underwriting result ... 1059

Museum Board
Governance ... 1089
Heritage collections ... 1090
Legal compliance ... 1089
Qualified opinion – assessment of controls ... 1089
Shared Services SA:
Accounts payable and electronic payment control environments ... 1091
CHRIS payroll control environment ... 1091

Northern Adelaide Local Health Network Incorporated
Qualified opinion – assessment of controls ... 752

Office of the National Rail Safety Regulator
Policies and procedures ... 1114
Reconciliations ... 1114
Qualified opinion – assessment of controls ... 1114

Planning, Transport and Infrastructure, Department of

Accounts payable ... 1148
Adelaide Oval redevelopment ... 1162
Bank account reconciliations ... 1146
Building management:
  Commercial and residential properties ... 1157
  Facilities management ... 1158
  Project services ... 1156
Bus contract payments ... 1150
Facilities Management Information System IT controls ... 1160
Gawler Line Modernisation Project ... 1166
Land Services Business Reform program developments ... 1161
Metrocard revenue ... 1152
Organisational changes ... 1144
Payroll ... 1149
Qualified opinion – assessment of controls ... 1146
Revenue and accounts receivable ... 1153
Shared Services SA:
  Accounts payable and electronic payment control environments ... 1148
  CHRIS payroll control environment ... 1150
State Aquatic Centre and GP Plus Health ... 1163
TRUMPS network security ... 1161

Premier and Cabinet, Department of the

Office of the Chief Information Officer – an update of government voice and data telecommunication charging arrangements ... 1259
Qualified opinion – assessment of controls ... 1253
SafeWork SA ... 1254
Service SA – T-Recs and review of Service SA centres ... 1258
Shared Services SA:
  Accounts payable and electronic payment control environments ... 1254
  Payroll control environments ... 1256
  Remediation of control environments ... 1254

Primary Industries and Regions, Department of

Corporate governance ... 1324
Expenditure ... 1317
Financial accounting ... 1322
Fisheries licensing revenue ... 1321
Fixed assets ... 1322
Grants and advances revenue:
  Rural Solutions SA ... 1323
  South Australian Research and Development Institute ... 1324
Masterpiece accounts receivable and Reculver systems ... 1321
Payroll ... 1319
Qualified opinion – assessment of controls ... 1317
Shared Services SA:
  Accounts payable and electronic payment control environments ... 1318
  CHRIS payroll control environment ... 1320

Public Trustee

Qualified opinion – assessment of controls 215
Shared Services SA – CHRIS payroll control environment 216

SA Ambulance Service Inc

Qualified opinion – assessment of controls 757

South Australia Police

Expenditure 1394
Expiation revenue 1392
Information and communications technology and control 1395
Procurement/Contract management 1393
Qualified opinion – assessment of controls 1392
Shared Services SA:
Accounts payable and electronic payment control environments 1394
Payroll control environment 1395

South Australian Asset Management Corporation

Dissolution of South Australian Asset Management Corporation 1439

South Australian Country Fire Service

Qualified opinion – assessment of controls 1452

South Australian Fire and Emergency Services Commission

Business continuity planning 1484
Deficiencies in record keeping and absence of key supporting documentation 1483
Financial authorisations 1485
Financial management compliance programs 1485
Non-current assets 1483
Qualified opinion – assessment of controls 1482
Shared Services SA:
Accounts payable and electronic payment control environments 1487
CHRIS payroll control environment 1486

South Australian Forestry Corporation

Forward sale of forest rotations 1525
Status of the financial report 1525

South Australian Government Financing Authority

Business risk management 1533
Catastrophe reinsurance program 1536
Implementation of new financial accounting system 1528
Qualified opinion – assessment of controls 1527

South Australian Housing Trust

Capital works in progress 1574
Council rates 1569
House and vacant land sales 1571
Information and communications technology and control 1579
Management of homelessness grant payments 1575
Multi-trade contractor 1579
Payroll control environment 1573
Project management control arrangements – Renewal SA 1571
Qualified opinion – assessment of controls 1567
Rent 1567

South Australian Housing Trust (continued)
Shared Services SA:
Accounts payable and electronic payment control environments 1578
CHRIS payroll control environment 1573
Water rates 1569

South Australian Metropolitan Fire Service
Qualified opinion – assessment of controls 1623

South Australian Motor Sport Board
Qualified opinion – financial report 1653

South Australian State Emergency Service
Qualified opinion – assessment of controls 1677

South Australian Superannuation Board
Qualified opinion – assessment of controls 1703

South Australian Superannuation Scheme
Benefits paid 1731
Statement of Financial Position – estimated liability for accrued benefits 1730

South Australian Tourism Commission
Procurement and contract management – South Australian Visitor and Travel Centre 1785
Qualified opinion – assessment of controls 1785
Shared Services SA:
Accounts payable and electronic payment control environments 1787
CHRIS payroll control environment 1787

South Australian Water Corporation
Adelaide Desalination Project........ 1830
Adelaide Desalination Project contract management 1814
Asset value accounting matter 1829
Community service obligations 1819
Contract management 1830
Contributions to the State Government........ 1824
Expenses 1820
North South Interconnection System project 1834
Performance statement........ 1823
Pricing 2013-14........ 1826
Procurement practice and management 1815
Qualified opinion – assessment of controls 1814
Wastewater and water rates and charges........ 1818, 1826

Southern Adelaide Local Health Network Incorporated
Qualified opinion – assessment of controls 751

Southern State Superannuation Scheme
Benefits paid 1753

Superannuation Funds Management Corporation of South Australia
Funds SA investment return periods ending 30 June........ 1875
Funds under management 1869, 1872
Income from investments........ 1873

TAFE SA
Payroll/Human resource management 1908
Policies and procedures........ 1907
Qualified opinion – assessment of controls 1907

TAFE SA (continued)
Shared Services SA:
Accounts payable and electronic payment control environments ... 1909
Empower payroll control environment ... 1910
Skills for All revenue ... 1908

Treasury and Finance, Department of
Commonwealth funding arrangements ... 1949
Information and communications technology and control ... 1945
Qualified opinion – assessment of controls ... 1939
Reconciliation of central general ledger clearing accounts ... 1945
RevenueSA ... 1939
Shared Services SA:
Accounts payable and electronic payment control environments ... 1943
CHRIS payroll control environment ... 1944
Reconciliation of general ledger suspense and clearing accounts ... 1944
User access to the Basware system ... 1942

University of Adelaide
Accounts receivable ... 2002
Information and communications technology and control ... 2004
Payroll ... 2001
Qualified opinion – assessment of controls ... 2000

University of South Australia
Expenditure ... 2060
General ledger ... 2061
Grant funding ... 2059
Information and communications technology and control ... 2061
Intellectual property ... 2061
Payroll ... 2060
Qualified opinion – assessment of controls ... 2059
Qualified opinion – financial report ... 2058

Urban Renewal Authority
Accuracy of project reporting ... 2107
Assets ... 2112
Borrowings ... 2115
Bowden Urban Village ... 2119
Contract management ... 2106
Establishment and approval of key corporate governance documentation ... 2104
Establishment of the Urban Renewal Authority ... 2115
Expenditure ... 2107
General ledger ... 2108
Inventory ... 2109
Inter-agency arrangements ... 2117
Payroll ... 2107
Playford Alive project ... 2118
Port Adelaide Renewal Project ... 2118
Port Adelaide Waterfront Redevelopment – Termination of the Port Adelaide Waterfront Redevelopment agreement ... 2117
Procurement ... 2105

Urban Renewal Authority (continued)
Qualified opinion – assessment of controls ... 2104
Tonsley Park project ... 2119
Transfer of Adelaide Station and Environs Redevelopment site to the Urban Renewal Authority ... 2120
Woodville West project ... 2120

Women's and Children's Health Network Incorporated
Qualified opinion – assessment of controls ... 755

WorkCover Corporation of South Australia
Information and communications technology and control ... 2166
Inherent uncertainty – outstanding claims liability and funding ratio ... 2157
Legislative changes ... 2155
Outstanding claims – Compensation Fund ... 2173
Premiums ... 2158
Procurement ... 2165
Qualified opinion – assessment of controls ... 2158
Underwriting result ... 2170
Workers compensation ... 2159

South Australian Fire and Emergency Services Commission

Functional responsibility

Establishment

The South Australian Fire and Emergency Services Commission (SAFECOM) was established by the *Fire and Emergency Services Act 2005* (the FES Act). SAFECOM is managed and administered by a Board established as the governing body. SAFECOM and its Board are responsible to the Minister for Emergency Services.

The FES Act defines the emergency services sector as consisting of the following emergency services organisations (ESOs):

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service (SASES)
- South Australian Country Fire Service (SACFS)
- South Australian Metropolitan Fire Service (SAMFS).

The FES Act requires that a consolidated financial report be prepared for the emergency services sector.

Functions

SAFECOM is responsible for developing and maintaining a strategic and policy framework as well as sound corporate governance across the emergency services sector. SAFECOM supports and allocates resources within the sector and provides corporate, strategic and compliance services. SAFECOM also has a leadership role in state-wide emergency management.

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

Community Emergency Services Fund (the Fund)

SAFECOM is also responsible for administering the Fund which is established by the *Emergency Services Funding Act 1998*.

The Fund is the main source of funding for all emergency services sector agencies.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 21(2) of the FES Act provide for the Auditor-General to audit the accounts of SAFECOM and also the consolidated accounts for the emergency services sector 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 SAFECOM 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 ESOs 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 works in progress
- financial accounting
- governance and risk management
- business continuity planning
- legislative compliance
- financial management compliance programs (FMCPs).

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 Fire and Emergency Services Commission and its controlled entities as at 30 June 2013, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

Assessment of controls

In my opinion, the controls exercised by the South Australian Fire and Emergency Services Commission 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 Fire and Emergency Services Commission have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, chief officers and other officers responsible for the governance of SAFECOM and the ESOs. The main matters raised with SAFECOM and the ESOs and the related responses are detailed below.

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

Deficiencies in record keeping and absence of key supporting documentation

The past three audits have commented on deficiencies in record keeping and associated management trails for ESOs, especially for assets and capital works. In 2011-12 SAFECOM and the ESOs agreed to improve in a number of areas.

In Audit's view, the control environment remains inadequate and was substantially unchanged from last year. Review of agreed actions as part of the 2012-13 audit revealed that the purchasing policy was not reviewed and a risk assessment/review of the level of documentation for high risk/value projects was not considered.

Some improvement in the operation of the Building Project Control Committee (the Committee) that reviews and monitors aspects of building works was observed during the year. It is understood further improvements are planned for the 2013-14 year and Audit considers the Committee should receive more detailed reporting to meet its aims.

Selection of a sample of asset purchases and capitalised assets revealed that supporting documentation could not be initially located by management for more than half of the sample. SAFECOM and the ESOs do not have set policy, procedure or systems for the retention of supporting documentation. Audit notes that documentation is held variously by SAFECOM or ESOs. After communicating these matters to SAFECOM and providing time to investigate these documentation matters, sufficient information was provided to complete the audit.

Audit considers that the purchasing policy should still be reviewed to determine what constitutes an acceptable form of documentation for each type of acquisition. Consideration should also be given to project types for which it is appropriate to use the purchase order automatic payment functionality.

In response to the issues raised, the Acting Chief Executive, SAFECOM advised that the purchasing policy has been reviewed with the new draft referring to the State Procurement Board guidelines and the sector procurement process threshold matrix to determine what constitutes an acceptable form of documentation for each type of acquisition. Project managers currently maintain supporting documentation locally. As policies and procedures for contract management are reviewed, SAFECOM will add the requirement to store documentation centrally.

Non-current assets

The Committee was established to provide a monthly reporting regime. Its primary role is the early identification and management of building project risks including requests to vary project scope and/or potential budget overruns for oversight by the Committee and subsequent approvals by the SAFECOM Board.

It is important to note that the creation of the Committee was the primary response and assurance used by management to address internal control breakdowns for building works in recent years.

Audit review of the Committee and other non-current asset internal controls resulted in the following recommendations:

- Detailed management reports and information concerning scope and emerging issues for eligible building projects should be prepared and considered by the Committee.
- The purchasing policy should be reviewed to determine an appropriate level of documentation.
- Acquisition plans and purchase recommendations should be prepared and approved by an appropriate delegate including tender evaluation documents and purchase recommendations approved, where appropriate, by the current accredited purchasing unit (APU) for non-construction asset acquisitions and appropriate approval documentation being maintained.
- The officer opening a tender should sign and date the tender form along with an independent witness. Consideration should be given to determining if these tasks can be performed by personnel other than those managing the tender process and the day-to-day activities of the project.
- Assets should be capitalised when complete and depreciated appropriately in accordance with the requirements of AASB 116 and capital works in progress balances and transactions should be reviewed before capitalisation, as fixed assets and balances that do not meet criteria should be expensed.
- All disposals should be appropriately approved and prescribed forms completed and forwarded to SSSA.

In response to the non-current asset issues raised, the Acting Chief Executive, SAFECOM advised:

- the Committee continues to meet monthly to progress the development of detailed and summary project reports, discuss appropriate project management methodologies and to examine current projects in detail
- policies and procedures are being reviewed and will reflect the requirements of the State Procurement Board
- proposals previously submitted to the APU have sought approval for the Chief Executive, SAFECOM to approve tender outcomes and award contracts. Further referral to the current APU has not been required
- a minimum of two staff will open tenders and the final decision for award of tenders will continue to be the Chief Officer
- audit recommendations in relation to asset capitalisations were noted
- staff will be reminded of the need to use prescribed forms when requesting and processing asset disposals.

Business continuity planning

SAFECOM does not currently have a business continuity plan and disaster recovery plan in place. Business continuity involves planning to keep all aspects of a business functioning following a major disruptive event. Disaster recovery, a subset of business continuity, focuses on the IT or technology systems and other systems that support business functions.

It is a mandated government standard that agencies use the information security management framework to develop a disaster recovery plan. Audit recommended that a business continuity plan and disaster recovery plan be developed and an information security risk assessment performed.

In response, the Acting Chief Executive, SAFECOM advised that business continuity planning is a priority and a program was commenced to develop/update these plans for the sector.

Financial authorisations

The Minister for Emergency Services is required to authorise an instrument of authority to give a payment delegation to the Chief Executive, SAFECOM, Chief Officers (SAMFS, SACFS, and SASES) and the SAFECOM Board pursuant to TI 8.15.

During 2012-13 review of documentation during the audit to support payment delegation from the Minister revealed that authority was not approved until March 2013. Further review of this approval revealed that it did not specify the financial period that was being approved and whether this authority covered the full reporting period.

Audit recommended that SAFECOM clarify with the Minister the period that the authority has been provided for in the 2012-13 reporting period and if this authority is the basis for future reporting periods.

In response, the Acting Chief Executive, SAFECOM advised that an instrument of authority was approved by the Minister in July 2013 and will cover the new reporting period 2013-14.

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 Board.

The audit noted the need for updated policies and procedures and for monthly reports in accordance with the format and information requirements of TI 11 to be submitted to the SAFECOM Board.

In response SAFECOM advised that policies and procedures are in the process of being updated and account payment performance reports addressing the requirements of the revised TI 11 would be provided to the SAFECOM Board.

FMCPs

A follow-up review of FMCPs prepared for the sector revealed a number of significant compliance areas where controls were assessed in the FMCP checklists as ‘neither effective nor ineffective’ or ‘ineffective’. These included compliance with legislation, review of performance, disaster recovery/business continuity plans and management of assets. Some of these areas had been outstanding for more than a reporting period.

Audit recommended that these areas be given focus by management to progress action plans aimed at improving compliance in these areas.

In response, the Acting Chief Executive, SAFECOM advised that a working group was formed in January 2013 to advance audit and risk related issues including FMCP items.

Other SAFECOM and ESO audit findings

Other findings from the audit include:

- policies and procedures need to be updated to reflect current practices and reviewed regularly

- the risk management framework should be regularly reviewed consistent with the requirements of TI 2
- a legislative compliance framework/program should be developed and requirements monitored to ensure legislative requirements are met. This includes ensuring workforce plans are approved by June of each year and a SAFECOM charter prepared and made publicly available
- differences between authorisation levels in Basware and those approved in the SAFECOM financial delegations register were identified and terminated staff still had user access in Basware
- purchase card clearing reconciliations were not regularly performed, cleared and substantiated by transaction receipts and/or other supporting documentation
- leave balances for a number of SAFECOM employees appear excessive and show annual leave balances in excess of 40 days (300 hours).

In response to the issues raised, the Acting Chief Executive, SAFECOM advised:

- review of policies and procedures was identified as a priority with some now completed. SAFECOM anticipates approval of all documents by June 2014
- a revised risk management framework is currently being drafted together with a risk education process to support the sector
- work has commenced on drafting a legislative compliance framework
- differences between Basware and the financial delegations register are a timing issue and managers will be reminded to conduct regular reviews of individual agency Basware delegations
- SAFECOM did not have access to an online purchase card system and relies on manual completion of purchase card reconciliations from volunteers and staff. SSSA is currently reviewing purchase card management systems for implementation
- leave balances are monitored by managers and deferral of annual leave over 20 days must be approved by the Chief Executive together with a plan to reduce the individual's balance.

Shared Services SA - CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of SAFECOM 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.

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 SAFECOM 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 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.

Interpretation and analysis of the financial report

Highlights of the financial report - consolidated emergency services sector

	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	127	122
Depreciation and amortisation	20	20
Supplies and services	69	66
Other expenses (includes payments to SA Government)	5	4
Total expenses	221	212
Total income	14	16
Net cost of providing services	(207)	(196)
Revenues from SA Government	200	196
Net result	(7)	-
Other comprehensive income	-	(5)
Total comprehensive result	(7)	(5)
Net cash provided by (used in) operating activities	14	20
Assets		
Current assets	39	51
Non-current assets	333	327
Total assets	372	378
Liabilities		
Current liabilities	33	29
Non-current liabilities	30	33
Total liabilities	63	62
Total equity	309	316

Statement of Comprehensive Income

The main source of revenue for the sector is contributions from the Fund of $199 million ($194 million), which accounts for 93% of total income (refer note 16 to the financial statements).

Expenses are dominated by employee benefits expenses of $127 million ($122 million), which represent 57% of total expenses. During 2012-13, employee benefits expenses increased by $4.6 million or 4% due mainly to:

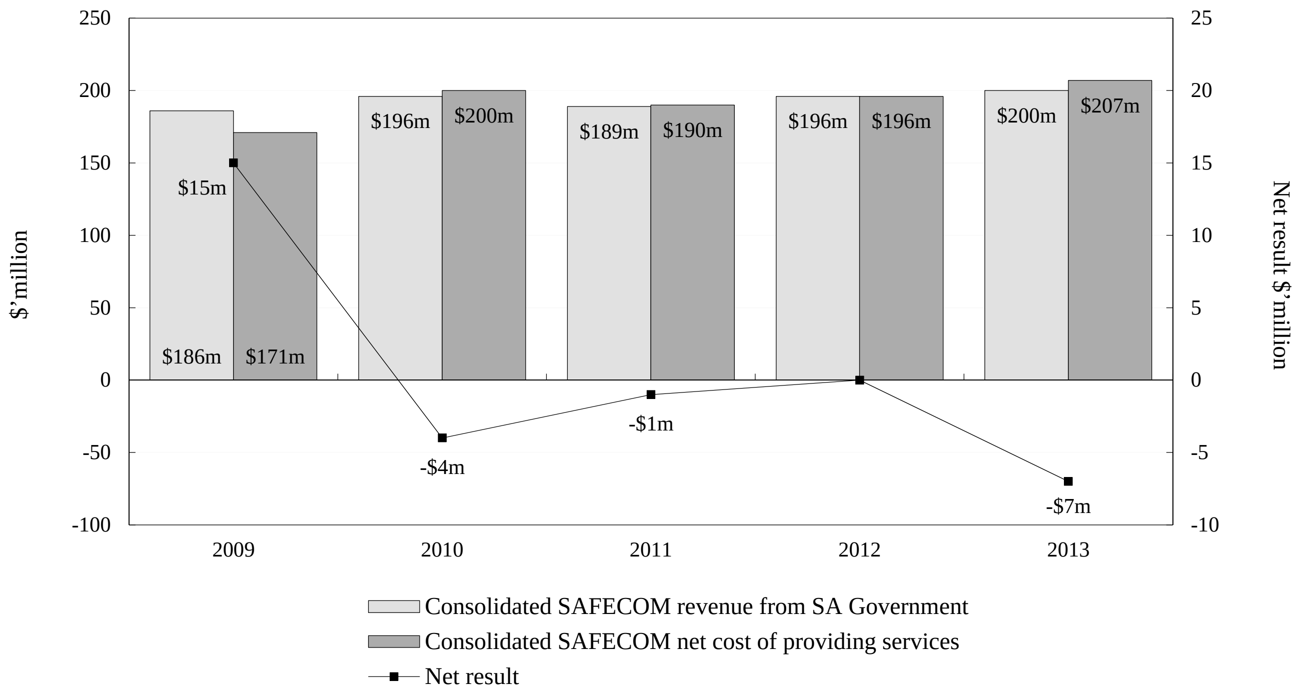
- LSL expenses decreasing by $5 million
- salaries and wages increasing by $3.7 million
- workers compensation costs increasing by $4.4 million due to an actuarial assessment
- recognition of the expenses totalling $805 000 for the first time related to the skills and experience retention leave
- no costs being incurred for TVSPs in 2013 ($1.7 million in 2012).

The decrease in LSL expense for 2013 was due mainly to an increase in the discount rate by 0.75% to 3.5% in 2013 and changes in actuarial assumptions resulting in an additional employee benefit expense of $3.9 million (refer note 24 to the financial statements).

During 2012-13 expenses other than employee benefits expenses increased by $4 million to $94 million. Contributing to the change were:

- an increase in supplies and services of $2.5 million to $69 million
- an increase in grants and subsidies expense of $2.7 million to $5.4 million for SAFECOM Commonwealth programs
- a reduction in other expenses of $1.5 million for asset revaluation decrements recognised in 2011-12.

The following table shows the consolidated funding received by SAFECOM from the Fund and other government revenue, the net cost of providing services and net result for the past five years.



Statement of Financial Position

Property, plant and equipment assets of $330 million represent 89% of total assets. The main asset classes held are land and buildings (fair value of $175 million) and vehicles (fair value of $127 million).

Property, plant and equipment increased by $5 million during the year to $330 million due mainly capital works in progress acquisitions of $26 million offset by depreciation expense for the year of $20 million (refer note 21 to the financial statements).

Highlights of the financial report - SAFECOM

	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	8	9
Supplies and services	5	5
Other expenses	6	3
Total expenses	19	17
Total income	4	4
Net cost of providing services	(15)	(13)
Revenues from SA Government	12	15
Net and total comprehensive result	(3)	2
Net cash provided by (used in) operating activities	(1)	2
Assets		
Current assets	13	14
Non-current assets	3	4
Total assets	16	18
Liabilities		
Current liabilities	3	2
Non-current liabilities	2	2
Total liabilities	5	4
Total equity	11	14

Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for SAFECOM is the contributions from the Fund which account for 68% of revenues (refer note 16 to the financial statements).

The contributions from the Fund to SAFECOM decreased by 18% to $11 million during 2012-13.

Expenses

Employee benefits expenses are the main expense category of SAFECOM and decreased $1 million to $8.4 million in 2012-13. The decrease was mainly due to a decrease in LSL expense and TVSPs offset by increased salaries and wages.

Administered comprehensive income

Contributions, by way of levies, are made by all owners (including both State and local government) of both fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the *Emergency Services Funding Act 1998*. The levy on fixed property applies to capital values adjusted for location and land use and is collected by RevenueSA.

The levy on mobile property is collected by the Department of Planning, Transport and Infrastructure using the vehicle registration system. In addition, the Government makes a contribution in the form of remissions of levies charged.

All levy receipts are paid into the Fund from which payments are made to ESOs to meet the costs of collection and administration.

The following table shows the relationship over the past four years between the Fund income (mainly levies collected) and the cash payments from the Fund (mainly to ESOs). The transactions outlined represent the activities of the Fund combining the administration periods of the Attorney-General's Department and SAFECOM.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Emergency Services levies collected*	235	226	222	221
Payments to emergency services sector**	235	225	223	227
	-	1	(1)	(6)

* Includes levies, interest and other income.
** Includes payments to emergency services sector, levy collection and administration costs.

Levies and other revenues are collected in accordance with the *Emergency Services Funding Act 1998* to fund the approved budget of the ESOs and other payments. Emergency Services levies collected were $232 million, up from $223 million the previous year. The main components were fixed property collections of $100 million, fixed property remission revenue of $83 million and mobile collections of $32 million. Note A6 to the financial statements sets out details of revenues from levy sources.

In 2012-13, payments to SA Government administrative units increased by $6 million to $223 million. The predominant reason for the increase was higher payments to the SAMFS, up $6.6 million.

For the year ended 30 June 2013 the Fund's net result was a $28 000 deficit.

Administered Statement of Financial Position

At 30 June 2013 current assets of $5.7 million, including cash and cash equivalents of $2.6 million ($553 000), exceeded current liabilities of $3.9 million by $1.8 million.

Note A5 to the financial statements discloses $5.9 million paid to RevenueSA for collection costs under the *Emergency Services Funding Act 1998*. These are for the collection of fixed property levies and associated remissions and fees. Collection costs in 2011-12 were $1.6 million after a one-off refund of $4.1 million from DTF in 2011-12. This resulted in an increase in the cash balance of the Fund and a reduction in other expenses. The Treasurer approved the amounts be returned to the Fund as it represented cash accumulated over a number of years due to underspending against RevenueSA's estimated collection costs.

Statement of Comprehensive Income
for the year ended 30 June 2013

		Consolidated		SAFECOM	
		2013	2012	2013	2012
	Note	$'000	$'000	$'000	$'000
Expenses:					
Employee benefits expenses	5	126 842	122 242	8 353	9 447
Supplies and services	6	68 945	66 478	5 383	5 177
Depreciation and amortisation expense	7	20 544	19 530	604	303
Grants and subsidies	8	5 411	2 714	4 681	2 002
Net loss from disposal of non-current assets	9	26	10	13	-
Other expenses	10	-	1 534	-	340
Total expenses		221 768	212 508	19 034	17 269
Income:					
Revenues from fees and charges	11	5 609	5 549	505	490
Commonwealth revenues	12	6 319	6 946	3 385	3 615
Interest revenues	13	985	1 693	418	544
Resources received free of charge	14	21	529	-	-
Other income	15	1 410	1 539	80	211
Total income		14 344	16 256	4 388	4 860
Net cost of providing services		207 424	196 252	14 646	12 409
Revenues from (Payments to) SA Government:					
Revenues from SA Government	16	200 323	196 486	11 744	14 812
Net result		(7 101)	234	(2 902)	2 403
Other comprehensive income:					
Net income or expenses relating to non-current assets held for sale		-	(65)	-	-
Changes in revaluation surplus	21	-	(5 093)	-	(24)
Total comprehensive result		(7 101)	(4 924)	(2 902)	2 379

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

Statement of Financial Position
as at 30 June 2013

	Note	Consolidated 2013 $'000	Consolidated 2012 $'000	SAFECOM 2013 $'000	SAFECOM 2012 $'000
Current assets:					
Cash and cash equivalents	17	32 512	43 377	12 657	13 662
Receivables	18	3 084	3 703	953	949
Other financial assets	19	2 028	2 371	-	-
Non-current assets held for sale	20	1 246	1 246	-	-
Total current assets		38 870	50 697	13 610	14 611
Non-current assets:					
Property, plant and equipment	21	330 441	325 644	388	1 567
Intangible assets	22	2 653	2 107	2 638	2 006
Total non-current assets		333 094	327 751	3 026	3 573
Total assets		371 964	378 448	16 636	18 184
Current liabilities:					
Payables	23	13 305	12 699	2 279	1 191
Employee benefits	24	17 879	14 461	1 117	834
Provisions	25	1 744	2 298	25	41
Total current liabilities		32 928	29 458	3 421	2 066
Non-current liabilities:					
Payables	23	1 793	2 135	149	147
Employee benefits	24	19 187	22 738	1 602	1 585
Provisions	25	9 217	8 177	152	172
Total non-current liabilities		30 197	33 050	1 903	1 904
Total liabilities		63 125	62 508	5 324	3 970
Net assets		308 839	315 940	11 312	14 214
Equity:					
Revaluation surplus	26	68 924	68 924	-	-
Retained earnings	26	239 915	247 016	11 312	14 214
Total equity		308 839	315 940	11 312	14 214

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	28
Contingent assets and liabilities	29

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

	Note	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Consolidated				
Balance at 30 June 2011		74 082	246 782	320 864
Net result for 2011-12		-	(5 111)	(5 111)
Net income or expenses relating to non-current assets held for sale		(65)	-	(65)
Gain (Loss) on revaluation of property, plant and equipment during 2011-12	21	(5 093)	-	(5 093)
Total comprehensive result for 2011-12		(5 158)	(5 111)	(10 269)
Balance at 30 June 2012	26	68 924	241 671	310 595
Prior year error	3	-	5 345	5 345
Restated balance at 30 June 2012		68 924	247 016	315 940
Net result for 2012-13		-	(7 101)	(7 101)
Total comprehensive result for 2012-13		-	(7 101)	(7 101)
Balance at 30 June 2013	26	68 924	239 915	308 839
SAFECOM				
Balance at 30 June 2011		24	11 811	11 835
Net result for 2011-12		-	1 455	1 455
Net income or expenses relating to non-current assets held for sale		-	-	-
Gain (Loss) on revaluation of property, plant and equipment during 2011-12	21	(24)	-	(24)
Total comprehensive result for 2011-12		(24)	1 455	1 431
Balance at 30 June 2012	26	-	13 266	13 266
Prior year error	3	-	948	948
Restated balance at 30 June 2012		-	14 214	14 214
Net result for 2012-13		-	(2 902)	(2 902)
Total comprehensive result for 2012-13		-	(2 902)	(2 902)
Balance at 30 June 2013	26	-	11 312	11 312

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

Statement of Cash Flows
for the year ended 30 June 2013

		Consolidated		SAFECOM	
		2013	2012	2013	2012
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
	Note	$'000	$'000	$'000	$'000
Cash flows from operating activities:					
Cash outflows:					
Employee benefit payments		(126 338)	(123 145)	(8 093)	(10 566)
Supplies and services payments		(80 257)	(77 026)	(6 710)	(7 748)
Grants and subsidies payments		(5 411)	(2 714)	(4 681)	(2 002)
GST paid to the ATO		(105)	(273)	-	(183)
Payments for Paid Parental Leave Scheme		(72)	(13)	(31)	-
Cash used in operations		(212 183)	(203 171)	(19 517)	(20 499)
Cash inflows:					
Fees and charges		7 045	6 940	602	603
Receipts from Commonwealth		6 319	6 946	3 385	3 615
Interest received		1 035	1 748	429	553
GST recovered from the ATO		10 068	9 220	2 331	2 178
Receipts for Paid Parental Leave Scheme		61	26	22	11
Other receipts		1 453	1 390	69	590
Cash generated from operations		25 981	26 270	6 838	7 550
Cash flows from SA Government:					
Contributions from Community Emergency Services Fund	16	198 983	193 972	11 003	13 369
Other receipts from SA Government	16	1 340	2 733	741	1 662
Cash generated from SA Government		200 323	196 705	11 744	15 031
Net cash provided by (used in) operating activities	27	14 121	19 804	(935)	2 082
Cash flows from investing activities:					
Cash outflows:					
Purchase of property, plant and equipment		(25 690)	(22 600)	(70)	(960)
Purchase of investments		343	(214)	-	-
Cash used in investing activities		(25 347)	(22 814)	(70)	(960)
Cash inflows:					
Proceeds from sale of property, plant and equipment		361	387	-	-
Cash generated from investing activities		361	387	-	-
Net cash provided by (used in) investing activities		(24 986)	(22 427)	(70)	(960)
Net increase (decrease) in cash and cash equivalents		(10 865)	(2 623)	(1 005)	1 122
Cash and cash equivalents at 1 July		43 377	46 000	13 662	12 540
Cash and cash equivalents at 30 June	17	32 512	43 377	12 657	13 662

Notes to and forming part of the financial statements

1. Establishment, objectives and funding arrangements

Establishment

The *Fire and Emergency Services Act 2005* (the Act) was assented to on 14 July 2005. The Act establishes the South Australian Fire and Emergency Services Commission (SAFECOM) that came into operation on 1 October 2005 replacing the Emergency Services Administrative Unit which was dissolved from 31 December 2005. The Act was reviewed in accordance with the review provisions contained in the Act and an amended version of the Act was proclaimed on 1 November 2009.

The Act provides for the continuation of the South Australian Metropolitan Fire Services (SAMFS), the South Australian Country Fire Service (SACFS) and the South Australian State Emergency Service (SASES). The SAMFS and the SACFS were previously in existence as separate entities, whereas the SASES was a division of the Emergency Services Administrative Unit. The SASES is now a separate body corporate. The *Country Fires Act 1989*, the *South Australian Metropolitan Fire Service Act 1936* and the *State Emergency Services Act 1987* were repealed upon the proclamation of the new Act.

The Act also defines the emergency services sector as consisting of the:

- South Australian Fire and Emergency Services Commission
- South Australian State Emergency Service
- South Australian Country Fire Service
- South Australian Metropolitan Fire Service.

The Act requires that consolidated statements of accounts be prepared for the emergency services sector.

Objectives

SAFECOM has the following objectives:

- to develop and maintain a strategic and policy framework as well as sound corporate governance across the emergency services sector
- to provide adequate support services to the emergency services organisations and to ensure the effective allocation of resources within the emergency services sector
- to ensure relevant statutory compliance by the emergency services organisations
- to build a safer community through integrated emergency service delivery
- to undertake a leadership role in the emergency management
- to report regularly to the Minister for Emergency Services (the Minister) about relevant issues.

Funding arrangements

The funding of SAFECOM is primarily derived from the Community Emergency Services Fund (the Fund) in accordance with the *Emergency Services Funding Act 1998*.

2. Summary of significant accounting policies

(a) Statement of compliance

SAFECOM 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.

SAFECOM has applied AASs that are applicable to not-for-profit entities as SAFECOM 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 SAFECOM 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 SAFECOM'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

(b) Basis of preparation (continued)

- 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. SAFECOM 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) 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.

SAFECOM'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 and the comparative information presented.

(c) Principles of consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by SAFECOM and forming the emergency services sector as at 30 June 2013 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Consolidated entity are eliminated in full.

(d) Reporting entity

SAFECOM is an administrative unit of the Crown, established under the Act.

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

The SASES administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of the agency's own objectives.

Transaction and balances relating to the trust assets are not recognised as the agency's income, expense, assets and liabilities, but are disclosed in note 32 as trust funds.

(e) Comparative information

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

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

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

(f) Rounding

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

(g) Taxation

SAFECOM is not subject to income tax. SAFECOM 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 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.

GST receivables/payables associated with administered items transactions are included in SAFECOM's statements.

(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 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.

(i) Income

Income is recognised to the extent that it is probable that the flow of economic benefits to SAFECOM 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:

Revenues from SA Government

Contributions from the Fund and other receipts from the SA Government are recognised as income when SAFECOM 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 SAFECOM obtains control of revenues or obtains the right to receive the revenues and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, SAFECOM 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 SAFECOM 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 donations received, fundraising revenue and other minor revenues.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from SAFECOM 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 SAFECOM to the superannuation plan in respect of current services of current SAFECOM staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Payments to SA Government
Payments to the SA Government include the return of surplus cash from the proceeds for the sale of surplus land and buildings and are paid directly to the Consolidated Account.

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:

Class of asset	*Consolidated Useful life (years)*	*SAFECOM Useful life (years)*
Communication equipment	10	10
Vehicles	15-20	15
Plant and equipment	10	10
Computer equipment	5	5
Buildings	40-50	40
Intangibles	5	5

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 SAFECOM have been contributions with unconditional stipulations attached.

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

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

(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 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 SAFECOM will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets
SAFECOM 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. SAFECOM only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

(m) Liabilities

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

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 SAFECOM.

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 SAFECOM has received from the Commonwealth Government to forward onto eligible employees via SAFECOM’s standard payroll processes. That is, SAFECOM 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.

SAFECOM 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 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 liability are expected to be payable within 12 months and are 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 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 the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Provisions

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

Provisions (continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at 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 2011 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.

SAFECOM 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.

(n) 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

SAFECOM 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 SAFECOM for the period ending 30 June 2013. SAFECOM 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 SAFECOM.

There was one prior period adjustment for 2011-12.

This related to the overstatement of the provision for LSL liability and associated expenses in 2012, by an amount of $948 000 for SAFECOM and $5.345 million for the Consolidated entity. The error was due to the 2011-12 LSL calendar day's entitlements being calculated on the working day rates.

An adjustment was processed in 2013 and comparative balances have been restated resulting in the following specific impacts for 2012:

SAFECOM

- employee benefits expenses reduced by $948 000
- the total comprehensive result increased by $948 000
- current payables decreased by $9 000
- current employee benefits decreased by $102 000
- non-current payables decreased by $72 000
- non-current employee benefits decreased by $765 000.

Consolidated

- employee benefits expenses reduced by $5.345 million
- the total comprehensive result increased by $5.345 million
- current payables decreased by $53 000
- current employee benefits decreased by $576 000
- non-current payables decreased by $405 000
- non-current employee benefits decreased by $4.311 million.

Restated 2012 comparative balances for these balances are detailed in the Statement of Comprehensive Income and notes 5, 23 and 24.

4. Activities of SAFECOM

In achieving its objectives, SAFECOM provides strategic and corporate support services to the SACFS, SAMFS and SASES. These services are classified under one program titled 'Fire and emergency services strategic and business support'. Consequently, no disaggregated disclosures have been prepared.

5. Employee benefits expenses

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Salaries and wages	91 642	87 991	6 270	6 046
Annual leave	11 435	10 663	593	538
Skills and experience retention leave	805	-	40	-
LSL	364	5 490	351	277
Employment on-costs - superannuation	12 508	10 682	707	634
Payroll tax	5 695	5 522	370	350
TVSPs (refer below)	-	1 720	-	1 720
Workers compensation costs	3 616	(786)	(20)	(192)
Other employment related expenses	777	960	42	74
Total employee benefits expenses	126 842	122 242	8 353	9 447

TVSPs and early terminations

	Consolidated 2013	Consolidated 2012	SAFECOM 2013	SAFECOM 2012
Amounts paid to these employees:				
TVSPs	-	1 720	-	1 720
Early terminations	-	312	-	312
Annual leave and LSL paid during the reporting period	-	1 136	-	1 136
	-	3 168	-	3 168
Recovery from DTF	(601)	(1 443)	(601)	(1 443)
Net cost to agency	(601)	1 725	(601)	1 725

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	Number	Number	Number	Number
Number of employees who received a TVSP or early termination during the reporting period	-	13	-	13

Employee remuneration

	Consolidated 2013	Consolidated 2012	SAFECOM 2013	SAFECOM 2012
The number of employees whose remuneration received or receivable falls within the following bands:				
$134 000 - $137 999*	n/a	12	n/a	-
$138 000 - $147 999	24	15	1	1
$148 000 - $157 999	16	6	1	-
$158 000 - $167 999	6	7	-	-
$168 000 - $177 999	3	1	-	-
$178 000 - $187 999	1	-	1	-
$188 000 - $197 999	-	2	-	-
$198 000 - $207 999	1	-	1	-
$208 000 - $217 999	-	2	-	-
$218 000 - $227 999	1	-	-	-
$228 000 - $237 999	-	2	-	-
$238 000 - $247 999	1	-	-	-
$248 000 - $257 999	2	1	-	-
$268 000 - $277 999#^	-	2	-	1
$278 000 - $287 999	2	1	1	1
$298 000 - $307 999	1	1	-	-
$338 000 - $347 999#^	-	1	-	1
$368 000 - $377 999#^	-	2	-	2
$408 000 - $417 999#^	-	1	-	1
$418 000 - $427 999#^	-	1	-	1
Total	58	57	5	8

Employee remuneration (continued)

* 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 executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was SAFECOM $961 000 ($2.637 million) and Consolidated $9.58 million ($10.573 million).

^ This remuneration bandwidth includes no SAFECOM employees (six SAFECOM employees) who received a TVSP or payment for early termination.

This remuneration bandwidth includes no Consolidated employees (six Consolidated employees) who received a TVSP or payment for early termination.

6. Supplies and services

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Accommodation	398	316	-	-
Aerial support costs	8 465	8 122	-	-
Auditor's remuneration	176	194	97	111
Communications	2 383	2 482	538	538
Computing costs	4 137	2 757	544	583
Consultancy, contractor and legal fees	5 495	4 815	1 405	1 294
Consumables	3 571	3 560	102	90
Energy	1 645	1 390	18	12
Government Radio Network	13 741	13 671	-	-
Insurance premiums	559	655	7	9
Minor plant and equipment	2 460	2 935	10	16
Operating lease costs	4 357	5 143	541	576
Operational costs	2 233	1 614	18	26
Repairs and maintenance	8 202	7 236	78	86
SSSA payments	1 422	1 248	1 420	1 240
Travel and training	3 492	3 548	239	292
Uniforms and protective clothing	2 634	2 579	-	2
Other expenses	3 575	4 213	366	302
Total supplies and services	68 945	66 478	5 383	5 177

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	Consolidated			
	2013	2013	2012	2012
	Number	$'000	Number	$'000
Below $10 000	11	42	4	16
Between $10 000 - $50 000	2	41	3	81
Total paid/payable	13	83	7	97

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	SAFECOM			
	2013	2013	2012	2012
	Number	$'000	Number	$'000
Below $10 000	4	21	1	10
Between $10 000 - $50 000	2	41	1	40
Total paid/payable	6	62	2	50

Auditor's remuneration	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Audit fees paid/payable to Auditor-General's Department relating to the audit of the financial statements	176	194	97	111
Total audit fees	176	194	97	111

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:	Consolidated 2013 $'000	Consolidated 2012 $'000	SAFECOM 2013 $'000	SAFECOM 2012 $'000
Accommodation	339	277	-	-
Aerial support costs	17	95	-	-
Auditor's remuneration	176	194	97	111
Communications	96	146	40	58
Computing costs	426	437	78	80
Consultancy, contractor and legal fees	879	254	76	141
Consumables	218	431	16	18
Energy	60	52	18	12
Government Radio Network	13 741	13 671	-	-
Insurance premiums	499	555	7	9
Minor plant and equipment	56	16	-	1
Operating lease costs	2 205	4 073	481	576
Operational costs	62	8	-	-
Repairs and maintenance	739	315	63	58
SSSA payments	1 421	1 240	1 420	1 240
Travel and training	199	255	5	21
Uniforms and protective clothing	13	5	-	-
Other expenses	858	696	210	11
Total supplies and services provided by entities within the SA Government	22 004	22 720	2 511	2 336

7. Depreciation and amortisation expense

Depreciation:				
Buildings	5 553	5 624	-	5
Vehicles	11 439	10 682	-	-
Computers	104	124	69	118
Plant	974	832	33	27
Communications	1 887	1 982	-	-
Total depreciation	19 957	19 244	102	150
Amortisation:				
Software	587	286	502	153
Total amortisation	587	286	502	153
Total depreciation and amortisation expense	20 544	19 530	604	303

8. Grants and subsidies

Grants and subsidies	5 411	2 714	4 681	2 002
Total grants and subsidies	5 411	2 714	4 681	2 002
Grants and subsidies paid/payable to entities within the SA Government:				
Grants and subsidies	1 087	398	1 087	398
Total grants and subsidies - SA Government entities	1 087	398	1 087	398

9. Net gain (loss) from disposal of non-current assets

Land and buildings:				
Proceeds from disposal	-	-	-	-
Net book value of assets disposed	-	(61)	-	-
Costs of disposal	(2)	(3)	-	-
Net gain (loss) from disposal of land and buildings	(2)	(64)	-	-
Vehicles:				
Proceeds from disposal	361	353	-	-
Net book value of assets disposed	(372)	(302)	-	-
Net gain (loss) from disposal of vehicles	(11)	51	-	-

9. Net gain (loss) from disposal of non-current assets (continued)	Consolidated 2013 $'000	Consolidated 2012 $'000	SAFECOM 2013 $'000	SAFECOM 2012 $'000
Computer equipment:				
Proceeds from disposal	-	-	-	-
Net book value of assets disposed	(13)	-	(13)	-
Net gain (loss) from disposal of computer equipment	(13)	-	(13)	-
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:				
Total proceeds from disposal	361	387	-	-
Total value of assets disposed	(385)	(394)	(13)	-
Total costs of disposal	(2)	(3)	-	-
Total net gain (loss) from disposal of non-current assets	(26)	(10)	(13)	-

10. Other expenses

Assets revaluation decrement	-	1 534	-	340
Total other expenses	-	1 534	-	340

11. Revenues from fees and charges

Fire alarm attendance fees	2 223	2 243	-	-
Fire safety fees	434	405	-	-
Fire alarm monitoring fees	2 013	1 866	-	-
Incident cost recoveries	-	158	-	-
Training and other recoveries	379	343	-	-
Salary recoveries	537	534	505	490
Other recoveries	23	-	-	-
Total revenues from fees and charges	5 609	5 549	505	490

Fees and charges received/receivable from entities within the SA Government

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	456	499	-	-
Fire safety fees	12	22	-	-
Fire alarm monitoring fees	233	231	-	-
Training and other recoveries	43	193	-	-
Salary recoveries	508	491	505	489
Total fees and charges received/receivable from entities within the SA Government	1 252	1 436	505	489

12. Commonwealth revenues

Grants and contributions	6 319	6 946	3 385	3 615
Total Commonwealth revenues	6 319	6 946	3 385	3 615

Commonwealth grant funding for SAFECOM relates mainly to the Natural Disaster Resilience program, and other emergency management grants and include contributions towards aerial fire fighting costs, provision of fire and emergency services to Commonwealth properties and other emergency programs and projects.

Contributions which have conditions of expenditure still to be met as at reporting date were $6.925 million ($9.028 million). These contributions relate to Natural Disaster Resilience program, Natural Disaster Mitigation program, National Emergency Management projects and State Strategic projects.

Restrictions attached to these contributions include completion of quarterly funding reports and final program acquittal.

13. Interest revenues

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Interest on deposit accounts -	$'000	$'000	$'000	$'000
from entities within the SA Government	985	1 693	418	544
Total interest revenues	985	1 693	418	544

14. Resources received free of charge

Asset contributions from local government councils and other organisations	21	529	-	-
Total resources received free of charge	21	529	-	-

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. During 2012-13, two properties have been transitioned into the control of the Minister (valued at fair value of $21 000).

15. Other income

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Donations	1	1	-	-
Groups/Brigades fundraising revenue	524	202	-	-
Rent received	113	173	-	-
Insurance recoveries	34	20	-	-
Other	738	1 143	80	211
Total other income	1 410	1 539	80	211

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:				
Rent received	27	33	-	-
Other	93	451	65	206
Total other income received/receivable from entities within the SA Government	120	484	65	206

16. Revenues from (Payments to) SA Government

Revenues from SA Government:				
Contributions from Community Emergency Services Fund	198 983	193 972	11 003	13 369
Other revenues from SA Government	1 340	2 514	741	1 443
Total revenues from (payments to) SA Government	200 323	196 486	11 744	14 812

Total revenues from SA Government for SAFECOM consist of $11.003 million ($12.832 million) for operational funding and $0 ($537 000) for capital projects.

Total revenues from SA Government for the Consolidated entity consist of $171.367 million ($169.106 million) for operational funding and $27.616 million ($24.866 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 8, 21 and 22. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

17. Cash and cash equivalents

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash on hand	19	20	2	2
Deposits with the Treasurer	27 774	39 219	12 655	13 660
Cash at bank (non-SA Government)	551	553	-	-
Cash at bank (non-SA Government) - groups/brigades	3 313	3 298	-	-
Short-term deposits (non-SA Government) - groups/brigades	838	270	-	-
Short-term deposits	17	17	-	-
Total cash and cash equivalents	32 512	43 377	12 657	13 662

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 earn a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

18. Receivables

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Receivables	849	1 383	-	123
Allowance for doubtful debts	(168)	(349)	-	(122)
	681	1 034	-	1
Accrued revenues	671	712	579	542
GST input tax recoverable	1 732	1 957	374	406
Total receivables	3 084	3 703	953	949

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:				
Current:				
Receivables	93	261	-	122
Allowance for doubtful debts	-	-	-	-
	93	261	-	122
Accrued revenues	634	659	579	542
Total receivables from entities within the SA Government	727	920	579	664

Movements 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.

Movements in the allowance for doubtful debts (impairment loss)	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Carrying amount at 1 July	(349)	(64)	(122)	-
Amounts written off	23	-	-	-
Decrease (Increase) in the allowance recognised in profit or loss	158	(285)	122	(122)
Carrying amount at 30 June	(168)	(349)	-	(122)

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 32.

19. Other financial assets

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Medium-term deposits - groups/brigades	2 028	2 371	-	-
Total other financial assets	2 028	2 371	-	-

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information
Refer note 32.

20. Non-current assets held for sale

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Buildings	4	4	-	-
Land	1 242	1 242	-	-
Total non-current assets held for sale	1 246	1 246	-	-

During 2010-11 the SAMFS closed operation at Burra and this resulted in the facility becoming surplus. Due to construction of a new SAMFS site at Port Lincoln the old site has also became surplus.

A tender to sell surplus SACFS 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 Burns, MRICS, AAPI (CPV) during 2011-12. The movement has been reflected in equity.

21. Property, plant and equipment

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Land:	$'000	$'000	$'000	$'000
At valuation	54 957	54 957	-	-
At cost (deemed fair value)	746	60	-	-
Total land	55 703	55 017	-	-
Buildings:				
At valuation	119 738	119 738	-	-
At cost (deemed fair value)	7 478	561	32	-
Accumulated depreciation	(8 343)	(2 790)	-	-
Total buildings	118 873	117 509	32	-
Vehicles:				
At valuation	117 963	118 355	-	-
At cost (deemed fair value)	26 343	8 022	-	-
Accumulated depreciation	(16 824)	(5 406)	-	-
Total vehicles	127 482	120 971	-	-
Communication equipment:				
At valuation	8 758	8 758	-	-
At cost (deemed fair value)	3 550	3 010	-	-
Accumulated depreciation	(2 742)	(855)	-	-
Total communication equipment	9 566	10 913	-	-
Computer equipment:				
At valuation	44	161	26	143
At cost (deemed fair value)	197	113	58	-
Accumulated depreciation	(57)	(57)	(18)	(53)
Total computer equipment	184	217	66	90
Plant and equipment:				
At valuation	4 291	4 291	179	179
At cost (deemed fair value)	1 914	1 361	140	135
Accumulated depreciation	(1 413)	(438)	(50)	(17)
Total plant and equipment	4 792	5 214	269	297
Capital works in progress:				
At cost (deemed fair value)	13 841	15 803	21	1 180
Total capital works in progress	13 841	15 803	21	1 180
Total property, plant and equipment	330 441	325 644	388	1 567

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 SAFECOM policy, a review of the valuations were undertaken by a suitability qualified officer of SAFECOM which indicated that there was no material difference between the fair value and carrying amount of the assets. Consequently 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

2013 Consolidated	Land $'000	Buildings $'000	Vehicles $'000	Communi-cations equipment $'000	Computer equipment $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	55 017	117 509	120 971	10 913	217	5 214	15 803	325 644
Acquisitions	-	-	-	-	-	-	26 251	26 251
Transfers to (from) capital works in progress	665	6 917	18 322	540	84	552	(27 079)	-
Transfers to (from) intangibles	-	-	-	-	-	-	(1 134)	(1 134)
Depreciation	-	(5 553)	(11 439)	(1 887)	(104)	(974)	-	(19 957)
Assets received for nil consideration	21	-	-	-	-	-	-	21
Disposals	-	-	(372)	-	(13)	-	-	(385)
Carrying amount at 30 June	55 703	118 873	127 482	9 566	184	4 792	13 841	330 441
SAFECOM								
Carrying amount at 1 July	-	-	-	-	90	297	1 180	1 567
Acquisitions	-	-	-	-	-	-	70	70
Transfers to (from) capital works in progress	-	32	-	-	58	5	(95)	-
Transfers to (from) intangibles	-	-	-	-	-	-	(1 134)	(1 134)
Depreciation	-	-	-	-	(69)	(33)	-	(102)
Disposals	-	-	-	-	(13)	-	-	(13)
Carrying amount at 30 June	-	32	-	-	66	269	21	388
2012								
Consolidated								
Carrying amount at 1 July	53 641	131 693	115 276	11 294	303	4 172	14 096	330 475
Acquisitions	60	13	-	-	-	23	22 500	22 596
Transfers to (from) capital works in progress	845	2 786	11 124	3 010	112	1 341	(19 218)	-
Transfers to (from) intangibles	-	-	-	-	-	-	(1 575)	(1 575)
Depreciation	-	(5 624)	(10 682)	(1 982)	(124)	(832)	-	(19 244)
Net revaluation increment (decrement)	230	(11 209)	5 555	(215)	(1)	547	-	(5 093)
Assets received for nil consideration	412	117	-	-	-	-	-	529
Disposals	(59)	(2)	(302)	-	-	(31)	-	(394)
Transfer to non-current assets held for sale	(112)	(4)	-	-	-	-	-	(116)
Net revaluation decrement expensed	-	(261)	-	(1 194)	(73)	(6)	-	(1 534)
Carrying amount at 30 June	55 017	117 509	120 971	10 913	217	5 214	15 803	325 644
SAFECOM								
Carrying amount at 1 July	-	287	-	-	283	195	1 931	2 696
Acquisitions	-	-	-	-	-	1	959	960
Transfers to (from) capital works in progress	-	-	-	-	-	135	(135)	-
Transfers to (from) intangibles	-	-	-	-	-	-	(1 575)	(1 575)
Depreciation	-	(5)	-	-	(118)	(27)	-	(150)
Net revaluation increment (decrement)	-	(22)	-	-	(2)	-	-	(24)
Net revaluation decrement expensed	-	(260)	-	-	(73)	(7)	-	(340)
Carrying amount at 30 June	-	-	-	-	90	297	1 180	1 567

22. Intangible assets

	Consolidated 2013 $'000	Consolidated 2012 $'000	SAFECOM 2013 $'000	SAFECOM 2012 $'000
Computer software	4 604	4 099	3 612	2 478
Accumulated amortisation	(1 951)	(1 992)	(974)	(472)
Total intangible assets	2 653	2 107	2 638	2 006

Movement reconciliation of intangible assets	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Carrying amount at 1 July	2 107	818	2 006	584
Amortisation expense	(587)	(286)	(502)	(153)
Transfers from capital works in progress	1 134	1 575	1 134	1 575
Carrying amount at 30 June	2 654	2 107	2 638	2 006

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.

23. Payables

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Accrued expenses	1 800	1 461	566	272
Creditors	8 280	8 470	1 524	715
FBT payable	201	226	12	19
Paid Parental Leave Scheme payable	2	13	2	11
Employment on-costs	3 022	2 529	175	174
Total current payables	13 305	12 699	2 279	1 191
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	678	437	399	201
Creditors	3 473	1 047	542	256
FBT payable	201	226	12	19
Employment on-costs	1 436	1 212	91	102
Total current payables to entities within the SA Government	5 788	2 922	1 044	578
Non-current:				
Employment on-costs	1 793	2 135	149	147
Total non-current payables	1 793	2 135	149	147
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	1 010	843	84	18
Total non-current payables to entities within the SA Government	1 010	843	84	18

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 changed to 10.2% (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 SAFECOM $12 000, Consolidated $348 000 and employee benefit expense of SAFECOM $12 000, Consolidated $348 000. 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 32.

24. Employee benefits

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Accrued salaries and wages	2 574	2 205	30	6
Annual leave	10 064	9 213	675	616
Skills and experience retention leave	805	-	40	-
LSL	4 436	3 043	372	212
Total current employee benefits	17 879	14 461	1 117	834
Non-current:				
LSL	19 187	22 738	1 602	1 585
Total non-current employee benefits	19 187	22 738	1 602	1 585

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.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is a decrease in the LSL liability of SAFECOM $122 000, Consolidated $3.854 million and employee benefit expense of SAFECOM $122 000, Consolidated $3.854 million. 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.

25. Provisions

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Current:	$'000	$'000	$'000	$'000
Provision for workers compensation	1 744	2 298	25	41
Total current provisions	1 744	2 298	25	41
Non-current:				
Provision for workers compensation	9 217	8 177	152	172
Total non-current provisions	9 217	8 177	152	172
Total provisions	10 961	10 475	177	213
Provision movement:				
Carrying amount at 1 July	10 475	14 060	213	411
Additional provisions recognised (released)	3 690	(807)	(23)	(190)
Reductions arising from payments	(3 204)	(2 778)	(13)	(8)
Carrying amount at 30 June	10 961	10 475	177	213

SAFECOM 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.

26. Equity

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Retained earnings	239 915	247 016	11 312	14 214
Revaluation surplus	68 924	68 924	-	-
Total equity	308 839	315 940	11 312	14 214

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 consolidated 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).

27. Cash flow reconciliation

	Consolidated		SAFECOM	
	2013	2012	2013	2012
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	32 512	43 377	12 657	13 662
Balance as per the Statement of Cash Flows	32 512	43 377	12 657	13 662
Reconciliation of net cash provided by (used in) operating activities to net cost of providing services				
Net cash provided by (used in) operating activities	14 121	19 804	(935)	2 082
Revenues from SA Government	(200 323)	(196 486)	(11 744)	(14 812)
Non-cash items:				
Depreciation and amortisation	(20 544)	(19 530)	(604)	(303)
Assets received free of charge	21	529	-	-
Assets revaluation increment (decrement) recognised in Statement of Comprehensive Income	1	(1 534)	1	(340)
Net profit (loss) from disposal of non-current assets	(26)	(10)	(13)	-
Movements in assets/liabilities:				
Receivables	(619)	(837)	4	(526)
Payables	299	599	(1 091)	432
Employee benefits	132	(2 372)	(300)	859
Provisions	(486)	3 585	36	198
Net cost of providing services	(207 424)	(196 252)	(14 646)	(12 409)

28. Unrecognised contractual commitments

Operating lease commitments

	Consolidated 2013	Consolidated 2012	SAFECOM 2013	SAFECOM 2012
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.				
Within one year	3 343	3 022	650	594
Later than one year but not later than five years	2 195	2 617	164	632
Later than five years	89	-	-	-
Total operating lease commitments	5 627	5 639	814	1 226

These non-cancellable leases relate to vehicle and property 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

	Consolidated		SAFECOM	
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within one year	10 677	5 732	-	-
Total capital commitments	10 677	5 732	-	-

These capital commitments are for property and vehicles.

Expenditure commitments - remuneration

	Consolidated 2013	Consolidated 2012	SAFECOM 2013	SAFECOM 2012
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	1 748	1 724	76	300
Later than one year but not later than five years	3 016	4 297	-	79
Total remuneration commitments	4 764	6 021	76	379

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

Expenditure commitments - other	Consolidated		SAFECOM	
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	2013 $'000	2012 $'000
Within one year	1 626	3 425	68	473
Later than one year but not later than five years	2 930	1 424	278	121
Later than five years	975	-	-	-
Total other commitments	5 531	4 849	346	594

Other commitments relate to a range of general goods and services used in operational areas. These goods and services are contracted for at reporting date but not included as liabilities in the financial report.

29. Contingent assets and liabilities

Contingent assets

SAFECOM is not aware of any contingent assets.

In 2009-10 the SACFS and SASES made prepayments for capital works projects of $1 026 520 for works that did not materialise. Recovery of the prepayments has been sought.

Contingent liabilities

SAFECOM is not aware of any contingent liabilities.

The Consolidated entity has several contingent liabilities for the SACFS, SAMFS and SASES in the form of unresolved litigation. However, the outcome cannot be reliably determined at this stage. In each case the financial exposure is limited to a $10 000 excess under insurance arrangements.

30. Remuneration of board and committee members

Members of the board and committees, during the 2013 financial year were:

South Australian Fire and Emergency Services Commission Board

Andrew Lawson*
Barry Luke*
Christopher Beattie*
David Place*
Dermot Barry*
Grant Lupton*
Gregory Nettleton*
Helen Chalmers*
Joseph Szakacs
Kenneth Schutz
Lynette Berghofer
Michael Smith*
Moira Deslandes
Susan Caracoussis
Virginia Hickey
Wayne Thorley

South Australian Fire and Emergency Services Commission Audit and Risk Management Committee

Aaron Chia*
Andrew Lawson*
Ann De Piaz* (appointed 21 September 2012)
David Carman* (appointed 6 August 2012)
David Place* (appointed 24 April 2013)
Dermot Barry*
Don Cranwell*
Helen Chalmers* (appointed 30 May 2013)
Joseph Szakacs
Lena Grant* (retired 24 July 2012)
Michael Smith*
Virginia Hickey

State Bushfire Coordination Committee

Andrew Watson*
Ann De Piaz*
Bronwyn Killmier*
Bruce Hall (appointed 23 August 2012)
Christopher Reed (retired 22 August 2012)
Dennis Mutton
Donald Gilberston (appointed 23 August 2012)
Donna Ferretti* (appointed 23 August 2012)
Fiona Dunstan*
Franco Crisci*
Glenn Benham*
Graham Gates (appointed 23 August 2012)
Grant Pelton* (appointed 23 August 2012)
Gregory Nettleton*
Gregory Saunder* (appointed 23 August 2012)
James Rishworth* (appointed 23 August 2012)
Jayne Bates (appointed 23 August 2012)
John Badgery* (appointed 23 August 2012)
Joseph Keynes (appointed 23 August 2012)
Justin Cook* (appointed 23 August 2012)
Katherine Stanley-Murray (appointed 23 August 2012)
Katie Taylor*
Kylie Egan
Mark Sutton* (appointed 23 August 2012)
Meredith Jenner*
Michael Cornish* (appointed 23 August 2012)
Peter White
Scott Thompson*
Stephen Pascale*
Suellen LeFebvre*
Susan Filby
Suzanne Mickan
Timothy Kelly (appointed 23 August 2012)
Timothy Milne

South Australian Metropolitan Fire Service Disciplinary Committee
Brendan West*
Chris Smith (appointed 20 August 2012)*
Graham Dart
Michael Vander-Jeugd*
Roy Thompson (retired 19 August 2012)*

State Bushfire Coordination Committee (continued)
Tina Brew* (appointed 23 August 2012)
Wayne Thorley (appointed 23 August 2012)
William McIntosh

The number of members whose remuneration received or receivable falls within the following bands:	Consolidated 2013 Number	Consolidated 2012 Number	SAFECOM 2013 Number	SAFECOM 2012 Number
$0	49	54	16	22
$1 - $9 999	8	7	1	-
$10 000 - $19 999	-	-	-	-
$20 000 - $29 999	2	2	2	2
$30 000 -$39 999	2	2	2	2
Total	61	65	21	26

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 Consolidated $125 510 ($131 600) and SAFECOM $119 100 ($122 200).

* 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 SAFECOM are on conditions no more favourable than those that it is reasonable to expect SAFECOM 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 expenses paid to members have not been included as remuneration as they are considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

31. Events subsequent to reporting date

There were no events after the reporting period affecting the financial statements.

32. Financial instruments/Financial risk management

32.1 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.

		2013		2012	
Consolidated	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	17	32 512	32 512	43 377	43 377
Receivables	18	1 520	1 520	2 095	2 095
Other financial assets	19	2 028	2 028	2 371	2 371
Financial liabilities					
Payables	23	9 904	9 904	9 774	9 774
SAFECOM					
Financial assets					
Cash and cash equivalents	17	12 657	12 657	13 662	13 662
Receivables	18	579	579	543	543
Other financial assets	19	-	-	-	-
Financial liabilities					
Payables	23	1 993	1 993	897	897

32.1 Categorisation of financial instruments (continued)

(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, 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.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 18 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Credit risk

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

The carrying amount of financial assets as detailed in note 32.1 represents SAFECOM's maximum exposure to credit risk.

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 18 for information on the allowance for impairment in relation to receivables.

32.2 Ageing analysis of financial assets

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

		Past due by			
Consolidated	Current not overdue	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	959	136	43	214	1 352
Other financial assets	2 028	-	-	-	2 028
Impaired:					
Receivables	-	-	-	168	168
Allowance for impairment	-	-	-	-	-
2012					
Not impaired:					
Receivables	1 084	75	68	170	1 397
Other financial assets	2 371	-	-	-	2 371
Impaired:					
Receivables	64	-	-	285	349
Allowance for impairment	-	-	-	-	-
SAFECOM					
2013					
Not impaired:					
Receivables	579	-	-	-	579
Other financial assets	-	-	-	-	-
Impaired:					
Receivables	-	-	-	-	-
Allowance for impairment	-	-	-	-	-

SAFECOM (continued)		Past due by			
	Current not overdue	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2012	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	664	-	-	1	665
Other financial assets	-	-	-	-	-
Impaired:					
Receivables	122	-	-	-	122
Allowance for impairment	-	-	-	-	-

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

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

		Contractual maturities	
Consolidated	Carrying	Less than	
2013	amount	1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	32 512	32 512	-
Receivables	1 520	1 520	-
Other financial assets	2 028	2 028	-
Total financial assets	36 060	36 060	-
Financial liabilities:			
Payables	9 904	9 904	-
Total financial liabilities	9 904	9 904	-
2012			
Financial assets:			
Cash and cash equivalents	43 377	43 377	-
Receivables	2 095	2 095	-
Other financial assets	2 371	2 371	-
Total financial assets	47 843	47 843	-
Financial liabilities:			
Payables	9 774	9 774	-
Total financial liabilities	9 774	9 774	-
SAFECOM			
2013			
Financial assets:			
Cash and cash equivalents	12 657	12 657	-
Receivables	579	579	-
Other financial assets	-	-	-
Total financial assets	13 236	13 236	-
Financial liabilities:			
Payables	1 993	1 993	-
Total financial liabilities	1 993	1 993	-
2012			
Financial assets:			
Cash and cash equivalents	13 662	13 662	-
Receivables	543	543	-
Other financial assets	-	-	-
Total financial assets	14 205	14 205	-
Financial liabilities:			
Payables	897	897	-
Total financial liabilities	897	897	-

Liquidity risk

Liquidity risk arises where SAFECOM is unable to meet its financial obligations as they are due to be settled. SAFECOM is funded principally from contributions from the Fund. The SAFECOM group and SAFECOM entity work with the manager of the 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. SAFECOM's 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.

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

The carrying amount of financial liabilities recorded in the table above represents SAFECOM's maximum exposure to financial liabilities.

Market risk

SAFECOM has non-interest bearing assets (cash on hand and receivables) and liabilities (payables), and interest bearing assets (cash at bank and financial assets). SAFECOM's exposure to market risk and cash flow interest risk is minimal. There is no exposure to foreign currency or other price risks.

Sensitivity disclosure analysis

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

33. Trust funds

	Consolidated		SAFECOM	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at bank	154	-	-	-
Total trust funds	154	-	-	-

The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the State emergency services headquarters in Australia. The SASES will administer these funds until they are fully expended.

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

	Note	2013 $'000	2012 $'000
Expenses:			
Payments to SA Government administrative units	A3	223 175	217 595
Grants and subsidies	A4	3 263	3 408
Other expenses	A5	8 102	3 888
Total expenses		234 540	224 891
Income:			
Revenues from levy sources	A6	232 460	223 170
Revenues from fees and charges	A7	403	645
Interest revenues	A8	1 649	2 195
Total income		234 512	226 010
Net result		(28)	1 119
Total comprehensive result		(28)	1 119

Statement of Administered Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	A9	2 551	553
Receivables	A10	3 173	3 524
Total current assets		5 724	4 077
Current liabilities:			
Payables	A11	3 887	2 212
Total current liabilities		3 887	2 212
Net assets		1 837	1 865
Equity:			
Retained earnings	A12	1 837	1 865
Total equity		1 837	1 865
Unrecognised contractual commitments	A14		
Contingent assets and liabilities	A15		

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

	Note	Retained earnings $'000	Total $'000
Balance at 30 June 2011		746	746
Net result for 2011-12		1 119	1 119
Total comprehensive result for 2011-12		1 119	1 119
Balance at 30 June 2012	A12	1 865	1 865
Net result for 2012-13		(28)	(28)
Total comprehensive result for 2012-13		(28)	(28)
Balance at 30 June 2013	A12	(1 837)	(1 837)

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

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Payments to SA Government administrative units		(221 066)	(219 967)
Grant payments		(3 706)	(3 408)
Other payments		(8 093)	(7 988)
Cash used in operations		(232 865)	(231 363)
Cash inflows:			
Receipts from levy sources		232 806	222 746
Fees and charges		403	645
Interest received		1 654	2 221
Refunds		-	4 100
Cash generated from operations		234 863	229 712
Net cash provided by (used in) operating activities	A13	1 998	(1 651)
Net decrease (increase) in cash and cash equivalents		1 998	(1 651)
Cash and cash equivalents at 1 July		553	2 204
Cash and cash equivalents at 30 June	A9	2 551	553

Notes to and forming part of the administered financial statements

A1. Establishment, objectives and funding arrangements

Establishment

The Community Emergency Services Fund (CESF) is established pursuant to the *Emergency Services Funding Act 1988*.

Objectives

The CESF provides funding to the core emergency services and for the provision of emergency services.

Funding arrangements

Under the *Emergency Services Funding Act 1998*, funds collected through the Emergency Services levy (fixed and mobile property), concessions to pensioners, remissions to property owners, levy payments on government property (fixed and mobile) and interest, are paid into the CESF. The collection of the Emergency Services levy falls within the portfolio responsibilities of the Treasurer.

A2. Summary of significant accounting policies

In general, the CESF adopts the accounting policies of the South Australian Fire and Emergency Services Commission (SAFECOM), as detailed in note 2 of SAFECOM's financial statements. Deviations from these policies are as follows:

Payments to SA Government administrative units

All payments to SA Government administrative units are only recognised upon actual certainty of payment. Recognition of accrual payments, based upon budgeted claims or requested payments are not recognised until approved and payment is certain.

A3. Payments to SA Government administrative units	2013	2012
	$'000	$'000
SAFECOM	11 003	13 369
South Australian State Emergency Service	14 665	13 423
South Australian Country Fire Service	66 351	66 857
South Australian Metropolitan Fire Service	106 964	100 323
South Australia Police	19 094	18 628
South Australia Police - Government Radio Network	687	687
Attorney-General's Department - State Rescue Helicopter Service	607	592
South Australian Ambulance Service	1 025	1 000
South Australian Ambulance Service - Government Radio Network	209	209
Department of Environment, Water and Natural Resources	2 570	2 507
Total payments to SA Government administrative units	223 175	217 595

A4. Grants and subsidies		
Surf Life Saving South Australia Inc	2 077	2 395
Volunteer Marine Rescue	843	647
Shark Beach Patrol	343	366
Total grants and subsidies	3 263	3 408

A5. Other expenses		
RevenueSA - collection costs*	5 889	1 612
Department of Planning, Transport and Infrastructure - collection costs	761	760
Fixed property refunds	891	969
Administration costs	561	547
Total other expenses	8 102	3 888

* 2012 includes a one-off refund $4.1 million from DTF.

A6. Revenues from levy sources		
Fixed property collections	99 506	97 974
Fixed property remissions	82 801	75 639
Mobile collections	31 693	31 530
Mobile remissions	11 148	11 095
Pensioner remissions	7 312	6 932
Total revenues from levy sources	232 460	223 170

A7. Revenues from fees and charges		
Certificate sales and other from entities within the SA Government	403	645
Total revenues from fees and charges	403	645

A8. Interest revenues		
Interest on deposit accounts - from entities within the SA Government	1 649	2 195
Total interest revenues	1 649	2 195

A9. Cash and cash equivalents	2013	2012
	$'000	$'000
Deposits with the Treasurer	2 551	553
Total cash and cash equivalents	2 551	553

Interest rate risk

Deposits with the Treasurer earns a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

A10. Receivables

	2013	2012
Current:	$'000	$'000
Receivables from entities within the SA Government	3 173	3 524
Total current receivables	3 173	3 524

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 A17.

A11. Payables

	2013	2012
Current:	$'000	$'000
Accrued expenses	767	825
Creditors	3 120	1 387
Total current payables	3 887	2 212

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	561	673
Creditors	3 120	1 068
Total current payables to entities within the SA Government	3 681	1 741

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. 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 receivables and categorisation of financial instruments and risk exposure information

Refer note A17.

A12. Equity

	2013	2012
	$'000	$'000
Accumulated surplus	1 837	1 865
Total equity	1 837	1 865

A13. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June

Cash and cash equivalents disclosed in the Statement of Administered Financial Position	2 551	553
Balance as per the Statement of Administered Cash Flows	2 551	553

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

Net cash provided by (used in) operating activities	1 998	(1 651)
Movements in assets/liabilities:		
Receivables	(351)	398
Payables	(1 675)	2 372
Net result	(28)	1 119

A14. Unrecognised contractual commitments

The CESF has no unrecognised contractual commitments at reporting date.

A15. Contingent assets and liabilities

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

A16. Events subsequent to reporting date

There were no events after the reporting period affecting the financial statements.

A17. Financial instruments/Financial risk management

A17.1 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 A2.

		2013		2012	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets	Note	$'000	$'000	$'000	$'000
Cash and cash equivalents	A9	2 551	2 551	553	553
Receivables	A10	3 173	3 173	3 524	3 524
Financial liabilities					
Payables	A11	3 887	3 887	2 212	2 212

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 (not materially different from amortised cost).

Credit risk

Credit risk arises when there is the possibility of the CESF's debtors defaulting on their contractual obligations resulting in financial loss to the CESF. The CESF 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 A17.1 represents the CESF's maximum exposure to credit risk.

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the CESF does not hold any collateral as security for any of its financial assets. There is no evidence to indicate that financial assets are impaired.

A17.2 Ageing analysis of financial assets

The following table discloses the ageing of financial assets and the ageing of impaired assets:

		Overdue			
	Current not overdue	Less than 30 days	30-60 days	More than 60 days	Total
2013	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	3 173	-	-	-	3 173
Impaired:					
Receivables	-	-	-	-	-
Financial assets	-	-	-	-	-
2012					
Not impaired:					
Receivables	3 524	-	-	-	3 524
Impaired:					
Receivables	-	-	-	-	-
Financial assets	-	-	-	-	-

A17.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities	
2013	Carrying amount	Less than 1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	2 551	2 551	-
Receivables	3 173	3 173	-
Total financial assets	5 724	5 724	-
Financial liabilities:			
Payables	3 887	3 887	-
Total financial liabilities	3 887	3 887	-
2012			
Financial assets:			
Cash and cash equivalents	553	553	-
Receivables	3 524	3 524	-
Total financial assets	4 077	4 077	-
Financial liabilities:			
Payables	2 212	2 212	-
Total financial liabilities	2 212	2 212	-

The financial assets and liabilities of the CESF are all current with maturity within the next 12 months.

Liquidity risk

The CESF is funded principally from contributions from the Emergency Services levy, government concessions, remissions and interest. The payments from the CESF are approved by the Economic and Finance Committee, pursuant to the *Emergency Services Funding Act 1998*, and endorsed by the Minister for Emergency Services. The CESF is an administered item and 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 CESF'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 A17.1 represents the CESF's maximum exposure to financial liabilities.

Market risk

The CESF has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The CESF's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

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

A18. Remuneration of board/committee members

The CESF does not have any board or committee members.

South Australian Forestry Corporation

Functional responsibility

Establishment

The South Australian Forestry Corporation (the Corporation) is a public corporation, established under the *South Australian Forestry Corporation Act 2000*. The Corporation is responsible to the Minister for Forests.

Forward sale of forest rotations

On 17 October 2012, through the execution of certain sale transaction documents, the forward rotations of the Green Triangle plantations in the south east of the State were sold to a consortium led by The Campbell Group - trading in Australia as OneFortyOne Plantations Pty Ltd.

OneFortyOne Plantations Pty Ltd has engaged the Treasurer (and the Corporation as the Treasurer's agent) to manage the plantations under a Plantation Management Agreement in return for a fee.

Land, roads and standing timber remaining under the control of the Corporation are located in the Mt Lofty Ranges and the mid-north of the State. There are also a few smaller parcels in the Green Triangle region.

Refer to Part A of this Report for commentary on matters related to the forward sale transaction that was administered by DTF.

Functions

The primary focus of the Corporation is to manage plantation forests for the benefit of the people and the economy of the State. As a consequence of the forward sale of forest rotations it also manages plantations for OneFortyOne Plantations Pty Ltd.

The *South Australian Forestry Corporation Act 2000* specifies that the Corporation is a statutory corporation to which the provisions of the PCA apply.

Under the PCA the Minister and the Treasurer must prepare a charter and a performance statement for the Corporation after consultation with the Corporation. The charter outlines the nature and scope of the Corporation's operations and its reporting obligations, while the performance statement sets out the various performance targets for the Corporation over a defined period.

Status of the financial report

The financial report of the Corporation for the year ended 30 June 2013 was not finalised by the Corporation in sufficient time to enable the audit to be completed at the date of finalising this Report.

The audited financial report of the Corporation for the year ended 30 June 2013 will be included in a Supplementary Report to Parliament.

South Australian Government Financing Authority

Functional responsibility

Establishment

The South Australian Government Financing Authority (SAFA), a body corporate, was established under the *Government Financing Authority Act 1982* (SAFA Act).

Functions

SAFA functions as the central borrowing authority for the State of South Australia, and is responsible for managing the majority of the State's debt and for implementing the Government's debt management policy as determined by the Treasurer of South Australia.

Pursuant to section 15 of the SAFA Act, SAFA's liabilities are guaranteed by the Treasurer.

SAFA also administers the Government's:

- insurance and risk management arrangements through its insurance division trading as SAICORP
- passenger and light commercial vehicle fleet operations.

For details of SAFA's objectives refer note 1 to the financial statements.

The Treasurer has delegated his responsibilities for SAFA's insurance and fleet operations to the Minister for Finance. The Treasurer retains overall responsibility for these functions.

SAFA Advisory Board

The SAFA Act provides that SAFA is constituted of the Under Treasurer and establishes the South Australian Government Financing Authority Advisory Board (the Advisory Board).

The Advisory Board comprises up to seven members, one of whom is the Under Treasurer, who is also Presiding Member.

The function of the Advisory Board is to provide advice relating to the exercise by SAFA of its powers, functions and duties.

The SAFA Act provides that the Under Treasurer may request advice from the Advisory Board and consider any advice given. The Advisory Board may provide advice, as it sees fit, to the Treasurer or the Authority. SAFA's annual report must include details of any advice from the Advisory Board that the Treasurer or SAFA has decided not to follow and the Treasurer's or SAFA's reason for that decision.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1) of the PFAA and section 25(2) of the SAFA Act provide for the Auditor-General to audit the accounts of SAFA 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 SAFA 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

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

- treasury operations
- financial accounting for the treasury, fleet and insurance functions
- fleet operations
- insurance claims
- catastrophe reinsurance
- industry assistance and contract management
- procurement process for the replacement insurance system
- procurement of fleet management and vehicle disposal services.

Internal audit activities were reviewed to assess the risks of material misstatement of the financial statements and to design and perform audit procedures. Audit made use of the work performed by internal audit in the following areas:

- quarterly reporting by SAFA's compliance unit
- internal audit half yearly assessment of work performed by SAFA's compliance unit
- yield curve and interest calculations
- implementation of new financial accounting system.

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 Government Financing Authority 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 Government Financing Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to compliance with TI 11 as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Government Financing Authority have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the General Manager SAFA. The main matters raised with SAFA and the related responses are outlined below.

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 Under Treasurer.

The audit identified that for the period of review, the monthly account payment performance report was not presented to the Under Treasurer. Further, SAFA had not developed policies and procedures to ensure compliance with the revised TI 11 requirements could be met.

SAFA responded by specifying that it was now submitting monthly account payment performance reports to the Under Treasurer (through the SAFA Advisory Board), and would develop relevant policies and procedures to ensure compliance with TI 11 at the earliest opportunity.

It is relevant to note that during the period under review:

- SAFA's corporate expenditure was processed by SSSA and was captured as part of DTF's monthly account payment performance reporting (although not separately identified)
- SAFA maintained internal account payment performance reporting using payment data obtained from SSSA
- all SAFA creditor payments processed through SSSA were paid within 30 days of SAFA or SSSA receiving the invoice.

Review of SAFA procurement processes

In February 2011 SAFA concluded that its existing insurance (information technology) system did not meet its business needs and initiated a procurement process for a replacement insurance system. In August 2012 SAFA contracted with the private sector to supply a replacement insurance system solution.

In July 2012 SAFA entered into separate contracts with the private sector for the provision of fleet management and vehicle disposal services. During 2012-13 Audit reviewed the procurement processes followed by SAFA when contracting for these services.

Audit concluded that SAFA had implemented sound processes and controls over the procurement processes. Notwithstanding, Audit did note opportunities for SAFA to improve its procedures for future procurements. These included the need to improve documentation to support approval processes, risk management planning, evaluation team conclusions and advice from independent advisers.

Implementation of new financial accounting system

On 1 July 2012 SAFA implemented a new computer system for financial accounting and reporting. Implementing this new system resulted in a significant change to the SAFA control environment.

Recognising this, SAFA engaged its contract internal auditor during 2012-13 to review the revised control environment.

While highlighting certain strengths within SAFA's revised control environment, in February 2013 the contract internal auditor identified a number of opportunities for SAFA to improve on its controls over core financial processing. These matters identified the need for SAFA to improve elements of user access to the new system.

In July 2013 SAFA's Audit and Risk Management Committee was advised that these matters are either resolved or will be resolved during 2013-14.

Audit will review SAFA's response to these matters during 2013-14.

Compliance with TIs 2 and 28

SAFA has a robust governance, risk and control management framework that has been in place for many years. The framework meets the requirements of TIs 2 and 28. Specific elements of TIs 2 and 28 are met as follows:

Risk and fraud management

SAFA's policy manual explains and outlines SAFA's strategies for managing specific risks including interest rate risk, liquidity risk, funding risk, credit risk, currency risk, operational risk, legal risk and insurance risk. SAFA's strategies for managing these risks include documenting approved financial instruments and documenting delegation, market exposure and transaction limits. A summary of SAFA's approach to managing these risks is disclosed in note 29 to the financial statements.

The policy manual references DTF's fraud policy and summarises SAFA's approach to the reporting of suspected fraud.

SAFA's policy manual, which is readily accessible by all staff, is reviewed annually and subject to the Treasurer's approval.

Policies and procedures

In addition to its policy manual, SAFA maintains a centralised procedures manual. SAFA's procedures manual provides a high level summary of the actions that SAFA expects to be maintained within the treasury, insurance, fleet and operational support units. SAFA's procedures manual is also subject to annual review.

Detailed procedures also exist and are maintained by individual business units.

Compliance testing and independent review

SAFA's compliance unit, under the guidance of SAFA's contract internal auditor, performs daily, weekly, monthly and quarterly testing to ensure compliance with SAFA's policy and procedures manual. Particular focus is given to compliance with SAFA's approved risk management strategies including delegations, approved exposure and transaction limits.

All testing performed by the compliance unit is reported to SAFA management and the General Manager. Any breaches to treasury dealing and risk limits are reported daily to the General Manager.

The compliance unit's work is reviewed and tested by SAFA's contract internal auditor, who provides SAFA's Audit and Risk Management Committee with six monthly reports on the outcomes of its review.

In addition to this work, SAFA's contract internal auditor performs regular focused reviews on elements of internal control and other areas of management importance.

Audit and Risk Management Committee

SAFA's responsibilities for risk management and compliance are supported by an Audit and Risk Management Committee comprising four members appointed by the Advisory Board. The Committee oversights and evaluates key areas such as the risk management framework, operational and accounting controls, the internal audit program and statutory financial reporting.

Interpretation and analysis of the financial report

Highlights of the financial report	2013 $'million	2012 $'million
Interest revenue	1 253	1 307
Interest expense	(1 239)	(1 282)
Net interest revenue	14	25
Net gain (loss) on financial instruments and derivatives	68	(6)
Leasing and hire revenue	73	80
Insurance premium revenue	42	40
Recoveries	24	35
Other income (including net gain on sale of property, plant and equipment)	6	11
Vehicle operating costs (including depreciation and impairment)	(73)	(83)
Insurance claims	(17)	(62)
Other expenses	(35)	(25)
Profit (Loss) before income tax equivalents	102	15
Income tax equivalent expense	(30)	(5)
Profit (Loss) after income tax equivalents and total comprehensive result	72	10
Assets		
Cash, short-term assets and investments	4 109	4 066
Loans	15 598	14 490
Derivatives receivable	336	1 251
Property, plant and equipment (including held for sale)	201	209
Other assets	61	62
Total assets	20 305	20 078
Liabilities		
Deposits and short-term borrowings	6 031	6 464
Bonds, notes and debentures	13 535	12 067
Outstanding claims	327	365
Derivatives payable	78	928
Other liabilities	24	7
Total liabilities	19 995	19 831
Total equity	310	247

Statement of Comprehensive Income

Net income and expense

Interest revenue and expense is determined on a market value accounting basis. Interest revenue decreased by $54 million or 4%. This was associated with a corresponding decrease in interest expenses of $43 million or 3%.

Net gain on financial instruments and derivatives

The net gain on financial instruments and derivatives for 2012-13 comprises realised and unrealised gains from SAFA's finance and insurance activities. The net gain on financial instruments and derivatives of $68 million is due mainly to unrealised gains on SAFA's insurance investments of $62 million.

The relatively small net gain on SAFA's finance activities of $6 million reflects SAFA's key objective of remaining risk neutral within the finance function in order to protect the financial interests of its clients.

Leasing and hire revenue and recoveries

Leasing and hire revenue reflects the fees charged to other government agencies for the use of fleet vehicles whereas recoveries includes the recovery of fuel costs and unscheduled maintenance charges for leased vehicles.

Other expenses

Due to the nature of its activities the Treasurer has quarantined SAFA from any operating profit or loss before tax on the activities of Insurance Fund 2.

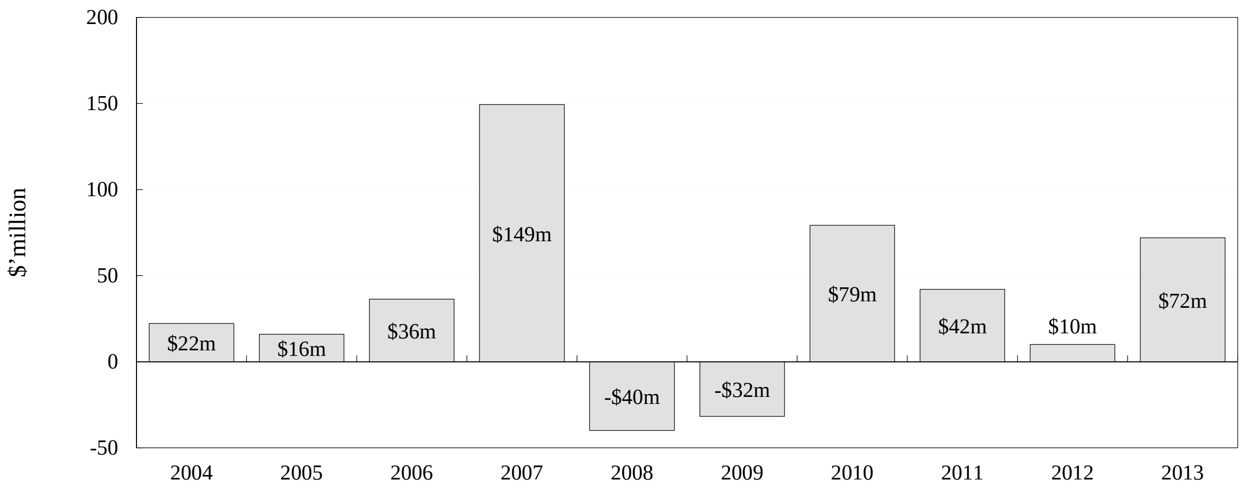
For 2012-13 Fund 2 reported an operating profit before tax of $9 million, resulting in SAFA recognising a payable to the Treasurer for this amount. At 30 June 2012 SAFA recognised a $1 million receivable from the Treasurer associated with the activities of Fund 2.

This turnaround in the net payable/receivable from the Treasurer is the principal reason for the $10 million increase in other expenses.

Profit (Loss)

SAFA's profit before income tax equivalent was $102 million. In accordance with TI 22 SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is calculated by applying the Australian company tax rate of 30% to its profit or loss before tax.

The 10 year trend in SAFA's profit or loss after income tax equivalent expense is demonstrated in the following chart.

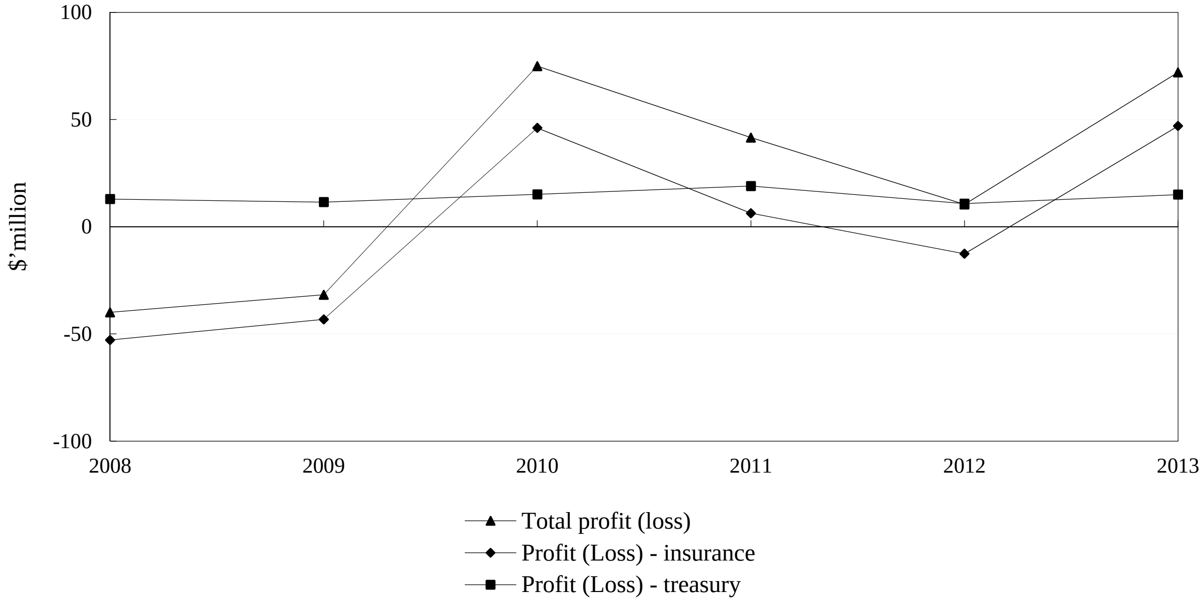


The chart highlights the volatility in SAFA's results since 2007. This volatility is impacted by the financial performance of SAFA's insurance activities, which were transferred to SAFA in July 2006.

The 2007 profit result includes the net gain on the initial transfer of the net assets of the former SAICORP, whereas the 2008 and 2009 losses are attributable to net investment losses on insurance assets and a large increase in claims expense.

The 2013 profit after income tax equivalents of $72 million includes net gains on SAFA's insurance activities of $47 million. During 2012 SAFA experienced a net loss on insurance activities of $13 million. The $60 million turnaround in insurance activities is due mainly to a $51 million improvement in the net gains on SAFA's insurance investments, reflecting market movements of investments held with Superannuation Funds Management Corporation of South Australia.

The volatility of SAFA's insurance activities and their impact on SAFA's profit or loss are highlighted in the following chart:

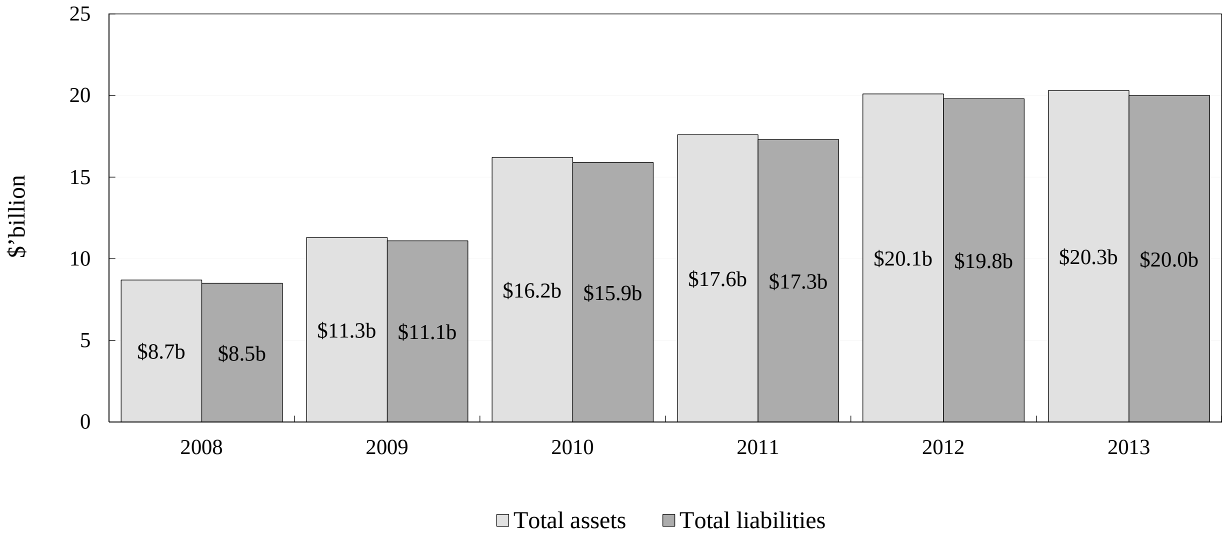


The result after income tax equivalents is, in net terms, only affected by Fund 1 results. This is because under the arrangements put in place, as discussed under 'Other expenses', SAFA is quarantined from Fund 2 profits or losses. This arrangement reflected the fact that Fund 2 is used to meet claim payments in respect of incidents that occurred prior to 1 July 1994, claim payments in respect of uninsurable risks and any other payments that fall outside the insurance cover provided under Fund 1. No premium income is earned for Fund 2.

Statement of Financial Position

Assets and liabilities

A structural analysis of assets and liabilities for the six years to 2013 is shown in the following chart.



While there were no material movements in total assets for 2013, the chart demonstrates the increase in SAFA's assets since June 2008. Total assets include SAFA's loans to the Treasurer to fund accumulated Consolidated Account deficits since that date.

Over the same period SAFA’s total liabilities have increased by a corresponding amount, reflecting the quantum of SAFA’s borrowing activities in financial markets to fund the accumulated deficits.

At 30 June 2013 SAFA’s loans to the Treasurer totalled $9.4 billion, an increase of $855 million since 30 June 2012.

Capital and distributions

At 30 June 2013, SAFA’s capital reserves were represented solely by its retained earnings, which stood at $310 million ($247 million). An $8 million ($13 million) distribution was made to the Treasurer from SAFA this financial year.

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
Net cash flows				
Operating	118	48	102	129
Investing	(1 007)	(2 547)	(670)	(3 983)
Financing	1 127	2 469	674	3 775
Change in cash	238	(30)	106	(79)
Cash at 30 June	396	158	188	82

The analysis of cash flows shows that SAFA’s cash position has fluctuated over the four years in line with the net effects of the various activities. Strong cash balances have been maintained in line with liquidity needs.

Further commentary on operations

Business risk management

Operational risk management

SAFA has a number of mechanisms to manage operational risks, including:

- an annual risk assessment performed by the contract internal auditors addressing changes to SAFA’s operating environment and financial markets they transact with. This assessment is used to determine the scope of the internal audit program
- the establishment of a policy manual that details parameters within which SAFA pursues its core objectives, including dealings with financial markets, reporting requirements and management of assets and liabilities
- the compliance unit performing daily, weekly, monthly and quarterly reviews to ensure compliance with policy requirements.

Market risk

SAFA functions as the central borrowing authority for the State and is also responsible for managing the majority of the State’s debt.

SAFA lends funds that it raises from financial markets to a number of South Australian public sector clients, including the Treasurer who borrows on behalf of public sector agencies to support their operational requirements.

To assist in the management of SAFA's treasury function and its associated risks, SAFA's activities are separated into distinct portfolios. This portfolio structure includes four Treasurer's portfolios - the managed, passive, zero and loan portfolios.

The managed portfolio is the Treasurer's main portfolio and contains liabilities and assets totalling $6.2 billion at 30 June 2013. An internal deal to the Treasurer's loan portfolio (see below) balances the Treasurer's managed portfolio. Any cash surplus or deficit resulting from the operations of the Treasurer's managed portfolio is cleared to SAFA's liquidity portfolio at the end of each day.

The main task of the managed portfolio is to minimise interest rate risk within the portfolio against a policy benchmark set by the Treasurer. The management of the portfolio involves the use of measurements including:

- Basis Point Sensitivity (PV01) – PV01 is the change in market value through a change in interest rates by one basis point
- Duration/Modified duration – Duration is a weighted average measure of the present value of a series of cash flows. Modified duration is a measure of the sensitivity of a portfolio of interest bearing securities to changes in interest rates
- Value at Risk (VaR) – VaR is a single number estimate of how much an entity could lose due to the price volatility of the assets and liabilities it holds or is contracted to hold.

The passive portfolio, $459 million, contains transactions such as indexed liabilities and loans, and Commonwealth housing loans. These deals are not included in the managed portfolio due to the nature of transactions and inability to readily manage these to the Treasurer's benchmarks. An internal deal to the Treasurer's loan portfolio (see below) balances the Treasurer's passive portfolio. Any surplus or deficit resulting from the operations of the passive portfolio is cleared to SAFA's liquidity portfolio at the end of each day.

The zero portfolio, $9.6 million, comprises SAFA's zero coupon 2015 liability and associated hedge assets.

The Treasurer's loan portfolio comprises internal liability deals from the Treasurer's managed, passive and zero portfolios and represents the balance of the Treasurer's Cost of Funds loan. Interest is calculated and charged to the Treasurer each month at the average cost of the sum of the managed, passive and zero portfolios plus a margin of 0.1%. For 2012-13 the average annual cost of funds charged to the Treasurer was 4.28% p.a.

As indicated, any surplus or deficit resulting from the operations of the Treasurer's managed and passive portfolios are cleared to SAFA's liquidity portfolio each day. These funds, together with the Treasurer's deposits not immediately required, represent the Treasurer's cash loan and are matched (less a liquidity margin) against the Treasurer's deposits with SAFA. The Treasurer is charged a cash rate which matches the rate paid on the Treasurer's deposits plus an administrative fee of 0.1%.

Realised gains and losses from the Treasurer's portfolios are reflected in movements in the Treasurer's indebtedness to SAFA and reported in Statement J in the Treasurer's financial statements. The result is that SAFA has no interest rate risk from the Treasurer's portfolios.

In addition to the Treasurer's portfolios SAFA maintains a number of principal portfolios including:

- funding
- liquidity
- reinvestment
- foreign exchange hedging service
- cash management facility.

These portfolios, holding assets of $12.8 billion at 30 June 2013, are used for the purpose of monitoring and managing investment and hedging services provided by SAFA to public sector agencies. Any profits or losses from these portfolios are recorded in SAFA's Statement of Comprehensive Income.

The figures included in the commentary under the heading 'Market risk' were provided by SAFA and are unaudited.

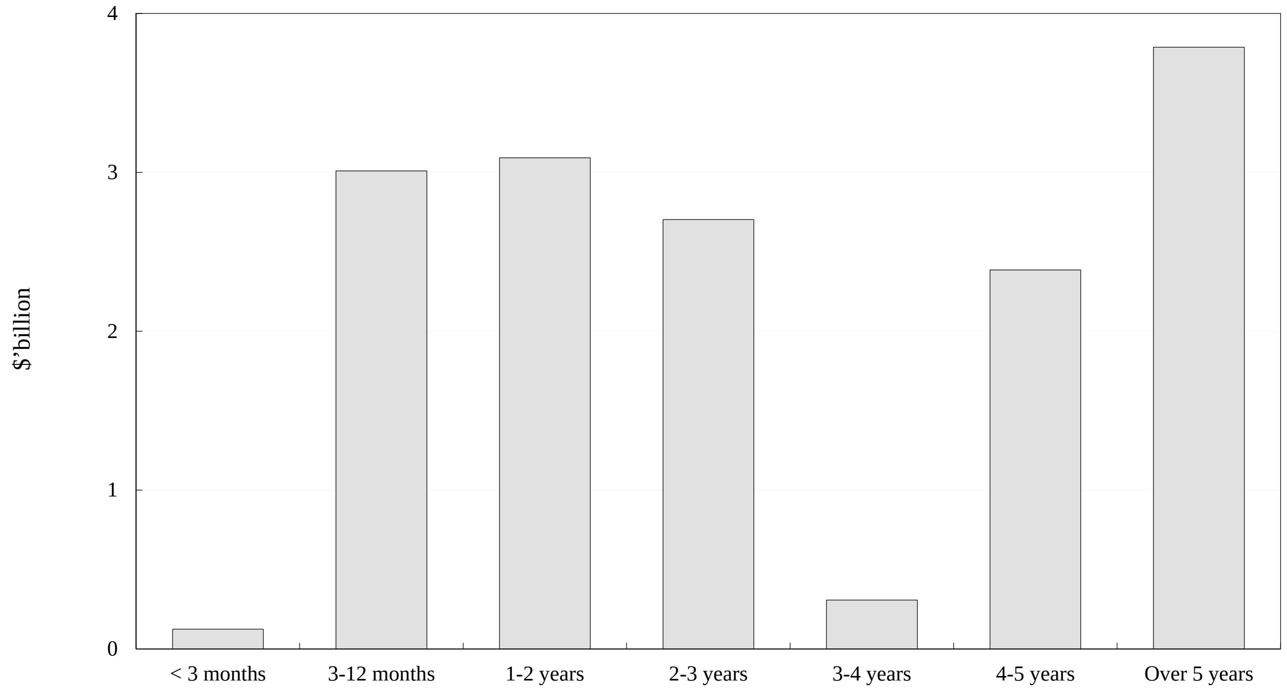
Funding risk

As the Government's central borrowing authority SAFA is responsible for raising funds in financial markets to support the Government's funding requirements.

Funding risk refers to the risk that SAFA is unable to raise funds when required or can only raise them at a substantially higher cost. SAFA's objective with respect to funding risk is to ensure that it is not exposed to a significant refinancing risk in any financial year.

Guidelines with respect to funding risk are set by the Under Treasurer on SAFA's total treasury portfolio function.

A maturity profile of the face value of SAFA's bonds, notes and debentures as at 30 June 2013 is presented in the following chart. Bonds, notes and debentures include SAFA's core funding issue, Select Lines and floating rate notes.



The chart highlights the largest component of SAFA's debt refinancing requirements and does not include expectations for the Government's future financing requirements. For 2013-14 SAFA has anticipated an additional $1.6 billion in government funding or pre-funding.

The chart demonstrates that SAFA is required to refinance, on average, $2.9 billion each year for the next three years. From 2017, SAFA is required to refinance a further $6.2 billion of debt.

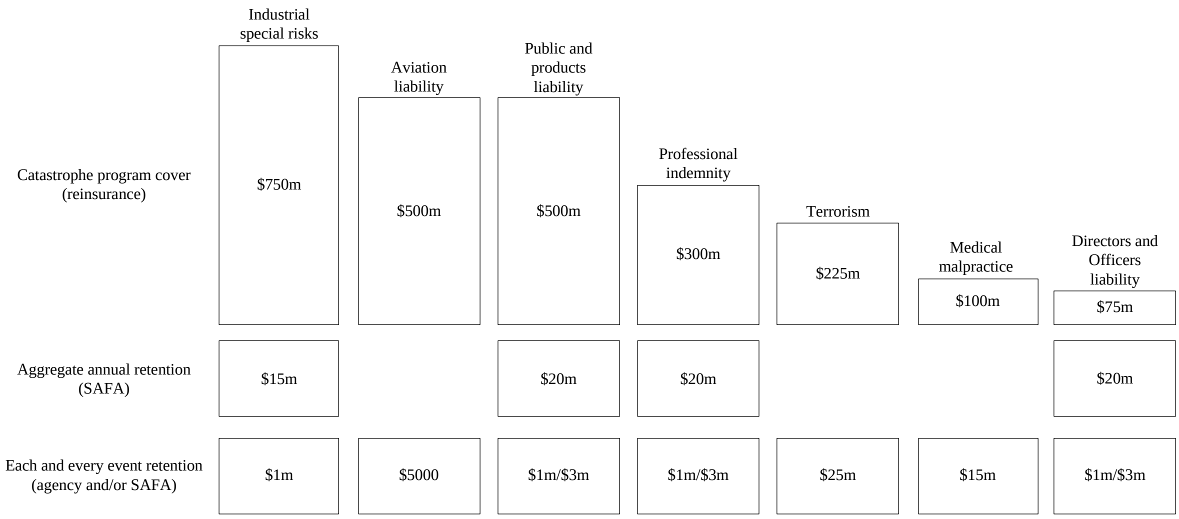
SAFA has been successful in meeting its funding requirements to date, despite global events that have disrupted the markets over the past five years. SAFA's funding task for 2012-13, post the mid-year budget review was forecast at $6.1 billion.

SAFA's capacity to raise funding has benefited from Australian Prudential Regulation Authority (APRA) Prudential Standard 210 'Liquidity', released in June 2011, which has resulted in Australian authorised deposit-taking institutions holding significantly more Commonwealth and State Government bonds in their liquidity portfolios.

Catastrophe reinsurance program

The State Government is fundamentally a self-insurer. However, to protect the State's finances against a very large loss or claim or a series of large losses or claims in a year, a commercial catastrophe reinsurance program is placed in the international insurance market. The reinsurance program is renewed annually on 31 October and is approved by the Minister for Finance following consideration by the Advisory Board.

The structure of SAFA's catastrophe reinsurance program for 2012-13 is depicted as follows:



SAFA's reinsurance premium expense for 2012-13 was $9.2 million ($8.1 million).

SAFA reviews its level of cover each year. While various factors influence SAFA's final choice of cover, key drivers in this evaluation are the market's willingness to accept risk for SAFA's preferred coverage and SAFA's assessment of value for money within the insurance market.

For 2012-13 SAFA decreased its directors and officers liability cover from $100 million to $75 million, and established terrorism cover of $225 million.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'million	2012 $'million
Revenue:			
Interest revenue	18	1 253.4	1 307.4
Interest expense	18	(1 239.2)	(1 282.0)
Net interest revenue		14.2	25.4
Insurance premium	18	42.2	39.9
Leasing and hire	18	73.2	79.9
Recoveries	18	23.6	34.6
Other	18	3.0	4.6
Total revenue		156.2	184.4
Gain on transfer of administrative functions	4	1.4	-
Other gains (losses):			
Net gain (loss) on financial instruments and derivatives	19	68.2	(6.2)
Net gain (loss) on sale of property, plant and equipment	19	1.7	6.8
Total other gains (losses)		69.9	0.6
Total income		227.5	185.0
Expenses:			
Depreciation and impairment	20	43.5	47.6
Insurance claims	20	16.6	62.0
Motor vehicle	20	29.8	35.6
Outward reinsurance	20	9.2	8.1
Operating	20	26.3	16.8
Total expenses		125.4	170.1
Profit (Loss) before income tax equivalents		102.1	14.9
Income tax equivalent expense with SA Government		30.6	4.5
Profit (Loss) after income tax equivalents		71.5	10.4
Other comprehensive income		-	-
Total comprehensive result		71.5	10.4

Profit (Loss) after income tax equivalents and total comprehensive result are attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'million	2012 $'million
Assets:			
Cash and cash equivalents	5	2 033.4	2 093.8
Assets held for sale	6	5.6	9.2
Investments	7	2 075.8	1 971.8
Loans	8	15 598.3	14 490.1
Property, plant and equipment	9	195.0	200.1
Intangible assets	10	0.8	0.4
Derivatives receivable	11	336.1	1 251.4
Other assets	12	60.3	60.9
Total assets		20 305.3	20 077.7
Liabilities:			
Deposits and short-term borrowings	13	6 031.2	6 464.2
Bonds, notes and debentures	14	13 535.0	12 067.1
Outstanding claims	15	327.3	364.7
Derivatives payable	16	77.7	928.0
Other liabilities	17	24.1	7.0
Total liabilities		19 995.3	19 831.0
Net assets		310.0	246.7
Equity:			
Retained earnings		310.0	246.7
Total equity		310.0	246.7

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities	22		
Unrecognised contractual commitments	28		

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

	Note	Retained earnings $'million
Balance at 30 June 2011		249.1
Profit (Loss) after income tax for 2011-12	2(q)	10.4
Total comprehensive result for 2011-12		10.4
Transactions with SA Government as owner:		
Dividends paid		(12.8)
Balance at 30 June 2012		246.7
Profit (Loss) after income tax for 2012-13	2(q)	71.5
Total comprehensive result for 2012-13		71.5
Transactions with SA Government as owner:		
Dividends paid		(8.2)
Balance at 30 June 2013		310.0

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'million	2012 Inflows (Outflows) $'million
Cash flows from operating activities:			
Proceeds from:			
Interest received		1 002.0	920.8
Derivatives net interest received (payable)		54.2	54.3
Insurance premiums received		42.9	35.2
Leasing and motor vehicle receipts		115.5	119.5
Recoveries		1.1	5.4
Direct insurance placement		6.4	9.7
Stamp duty received from agencies		4.7	4.6
Other receipts		17.2	(38.8)
Commissions		1.1	1.6
GST recovered from the ATO		15.4	13.3
Indemnity from the Treasurer		7.0	7.0
Net GST received relating to investing/financing activities		(0.4)	5.8
Payments for:			
Interest paid		(975.2)	(954.8)
Insurance claims paid		(52.9)	(31.2)
Motor vehicle costs		(35.2)	(38.4)
Outwards reinsurance premium paid		(10.0)	(8.4)
Direct insurance placement		(8.4)	(10.0)
Stamp duty paid to RevenueSA		(4.7)	(4.2)
Operating expenses paid		(20.2)	(22.6)
GST paid to the ATO		(20.8)	(17.5)
Income tax equivalent (TER) paid		(21.8)	(3.4)
Net cash provided by (used in) operating activities	23.2	117.9	47.9
Cash flows from investing activities:			
Net proceeds from client loans		(1 133.7)	(1 781.8)
Purchase of investments		(24 172.5)	(23 993.8)
Proceeds from investments		24 341.5	23 262.2
Purchase of property, plant and equipment		(100.6)	(92.2)
Purchase of intangible assets		(0.6)	(0.4)
Proceeds from the sale of property, plant and equipment		57.8	59.5
Cash received from transferred functions		1.5	-
Net cash provided by (used in) investing activities		(1 006.6)	(2 546.5)
Cash flows from financing activities:			
Net proceeds from borrowings		1 135.3	2 481.3
Dividends paid to government		(8.2)	(12.8)
Net cash provided by (used in) financing activities		1 127.1	2 468.5
Net increase (decrease) in cash held		238.4	(30.1)
Cash and cash equivalents at 1 July		157.5	187.6
Net effect of exchange rate changes		0.4	-
Cash and cash equivalents at 30 June	23.1	396.3	157.5

Notes to and forming part of the financial statements

1. Objectives

The South Australian Government Financing Authority (SAFA) is a statutory authority constituted as the Under Treasurer under the *Government Financing Authority Act 1982*. The registered address of SAFA is Level 5, State Administration Centre, 200 Victoria Square, Adelaide, South Australia 5000.

SAFA's business objectives are:

- to develop and implement borrowing and investment programs for the benefit of semi-government authorities
- to engage in such other financial and insurance related activities as are determined by the Treasurer of South Australia (the Treasurer) to be in the interest of the State
- administer the Government's insurance and risk management arrangements
- insure, co-insure and reinsure the risks of the Crown
- provide advice on the management of risks of the Crown
- provide fleet management services to all government agencies.

Under the Public Corporations (Playford Centre) (Dissolution and Revocation) Regulations 2012, Playford Centre's assets, rights and liabilities transferred to SAFA on 1 July 2012 (refer note 4).

2. Summary of significant accounting policies

(a) *Statement of compliance*

The financial statements have been prepared in compliance with section 23 of the PFAA.

The financial statements are general purpose financial statements and comply with AASs, as issued by the Australian Accounting Standards Board. The statements also comply with the requirements of the TIs relating to financial statements by statutory authorities that are issued pursuant to the PFAA.

AASs that have recently been issued or amended but are not yet effective have not been adopted by SAFA for the reporting period ending 30 June 2013 are detailed in note 2(t).

(b) *Basis of preparation*

These financial statements have been prepared in accordance with APSs issued pursuant to section 41 of the PFAA, by authority of TIs 19. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:

(i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, are classified according to their nature. A threshold of $100 000 for separate identification of these items applies

(ii) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income).

The financial statements have been prepared in accordance with the fair value basis of accounting with the exception of property, plant and equipment which is under the historical cost convention.

The financial statements are presented in Australian dollars and all values have been rounded to the nearest hundred thousand Australian dollars unless otherwise stated. Zero represents balances less than $50 000.

(c) *Principles of consolidation*

The financial statements for SAFA are not consolidated with its controlled entities. The exclusion of these entities would not have a material impact on the financial results presented. Note 32 includes details of the entities.

(d) *Significant accounting judgments, estimates and assumptions*

The preparation of the financial statements to conform with accounting standards requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying SAFA's accounting policies. Management has made the following judgments which have the most significant effect on the amounts recognised in the financial statements:

(i) *Outstanding claims*
Outstanding insurance claims liabilities are calculated using statistical and/or mathematical methods. The calculations are made by an actuary on the basis of recognised actuarial methods, with due regard to relevant actuarial principles (refer note 31).

(ii) *Fair value*
The fair value of financial instruments that are not traded in an active market are determined by using valuation techniques. Management uses its judgment to select a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting date (refer note 29(i)).

(e) Income and expense recognition

SAFA recognises income and expenses when the amounts can be reliably measured, it is probable that the future economic benefits will flow to or from SAFA and when specific recognition criteria have been met for each of the activities described below.

(i) *Interest*
Interest income and expense is accrued in accordance with the terms and conditions of the underlying financial instrument and premiums and discounts are amortised over the life of the associated borrowings and investments.

Net realised gains or losses and unrealised gains or losses are included in the Statement of Comprehensive Income (refer note 19).

(ii) *Insurance premium revenue*
Premium revenue includes amounts charged to policy holders but excludes stamp duty and GST. Premium revenue is recognised in the Statement of Comprehensive Income as earned from the date of attachment of risk and is recognised evenly over the policy or indemnity period, which is considered to closely approximate the pattern of risks underwritten.

All SA Government agencies are required to insure with SAFA unless exempted by the Treasurer. In those circumstances where SAFA considers it more appropriate for some of the risks of a government agency to be placed with other insurers, SAFA will arrange for such insurance and will recover the insurance premium from the agency concerned. For the purposes of the financial statements, these arrangements are referred to as direct insurance placements.

(iii) *Leasing and hire revenue*
SAFA leases motor vehicles to SA Government agencies for a standard lease period of three years or 60 000 kilometres whichever comes first. By arrangement, some vehicle leases can be extended to five years or 100 000 kilometres, due to the nature of their business requirements. The lease to agencies covers registration, compulsory third party insurance, scheduled servicing, depreciation, interest costs and a management fee. Leasing and hire revenue is recognised on a straight-line basis over the term of the lease. The insurance component of the lease is recognised under insurance premium in the statement of comprehensive income.

(iv) *Revenue recoveries*
Vehicle recoveries include fuel and any unscheduled maintenance of the vehicle over the period of the lease. Any excessive wear and tear costs are recovered from agencies at the end of hire. Other vehicle recoveries include vehicle fitouts, parking costs, miscellaneous charges and commission on disposal of vehicles.

Insurance recoveries comprise insurance premiums, excesses on all claims and any recoveries from third parties. Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue.

(v) *Other revenue*
Fee income in respect of services provided is recognised in the period in which the service is provided.

(vi) *Insurance claims expenses*
Insurance claims expense includes the direct and indirect costs of settling claims, claim payments, deductible receipts and movements in underlying claim estimates.

(vii) *Motor vehicle expenses*
Direct costs associated with the ownership of the motor vehicle fleet including registration, compulsory third party insurance, all maintenance and repair costs, fuel and disposal costs.

(viii) *Outwards reinsurance*
Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance services received. Accordingly, a portion of the outwards reinsurance premiums may be treated at the end of the reporting period as a prepayment. This program includes the catastrophe reinsurance program which has been effected to safeguard the State finances against a very large loss or claim, or a series of large losses or claims in any year under the Government's insurance and risk management arrangements.

(ix) *Indemnity from (to) the Treasurer*
Insurance activities are segregated into two funds. The Treasurer has indemnified SAFA for any operating profit or loss before tax for any activities relating to Fund 2 (refer note 22(iii)). Under these arrangements any profit (loss) on Fund 2 are recognised as payables to/receivables from the Treasurer. Any payables to the Treasurer are carried forward to offset future operating losses.

(f) Cash and cash equivalents
Cash and cash equivalents in the Statement of Financial Position include short-term money market deposits and negotiable discount securities that are held for liquidity and short-term investment purposes (refer note 5).

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, but exclude negotiable discount securities and working capital facilities where the securities are for investment purposes and not for the purpose of meeting short-term cash commitments.

(g) Assets held for sale
Assets are classified as held for sale and stated at the lower of their carrying amount or recoverable amount less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed within one year from the date of classification (refer note 6).

(h) Financial instruments
Financial assets and liabilities designated at fair value through profit or loss
All financial assets and liabilities, on recognition, are designated at fair value through profit or loss. This designation is determined on the basis that SAFA manages and evaluates the performance of its financial assets and liabilities on a fair value basis in accordance with documented risk management strategies. Financial assets and liabilities (including derivatives) are recorded at fair value in the Statement of Financial Position. All financial assets and liabilities are revalued to reflect market movements with gains or losses, whether realised or unrealised, being recognised immediately in the Statement of Comprehensive Income (refer note 19). Financial assets and liabilities are revalued regularly either at their quoted market price or their cash flows are discounted against the relevant yield curve.

(i) *Investments*
Investments are assets originating outside the South Australian public sector, which are purchased as part of SAFA's cash management products, for liquidity and interest rate risk management and may be sold prior to maturity in response to various factors including changes in interest rates and funding requirements of the South Australian public sector. Additionally, SAFA may hold investments it has purchased at the direction of the SA Government and/or as may be determined by the Treasurer to be in the interests of the State of South Australia (refer note 7).

(ii) *Loans*
Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (refer note 8).

(iii) *Deposits and short-term borrowings*
Deposits and short-term borrowings include at call accounts, cash management facility and term deposits. SAFA raises short-term funds through the issue of commercial paper both in the domestic and overseas markets (refer note 13).

(iv) *Repurchase agreements*
Securities sold under an agreement to repurchase remain as an investment whilst the obligation to repurchase is recorded as a liability in deposits and short-term borrowings (refer note 13). At 30 June 2013 SAFA had no repurchase agreements.

(v) *Bonds, notes and debentures*

Funds are raised through various instruments including bonds, notes and debentures. All borrowings are raised on an unsecured basis (refer note 14).

(vi) *Derivative instruments*

SAFA utilises derivative instruments (including futures, foreign exchange contracts, forward rate arrangements, foreign exchange swaps and interest rate swaps) in fundraising, debt management and client activities. Derivative instruments are used to convert funding costs, facilitate diversification of funding sources, reconfigure interest rate risk profiles and manage foreign currency exposures. Interest receipts and interest payments are accrued on a gross basis and classified as interest revenue and interest expense in the Statement of Comprehensive Income (refer notes 11 and 16).

(i) Assets backing general insurance liabilities

Assets which back SAFA's insurance liabilities are those generated through premium revenue. These assets are invested to reflect the nature of the policy liabilities and are comprised of operating cash, cash held on deposit and units invested with the Superannuation Funds Management Corporation of South Australia (Funds SA) (refer notes 5 and 7). In accordance with AASB 1023, SAFA's longer term insurance investments with Funds SA are measured at fair value, based on quoted market prices as advised by the fund managers. Subsequent measurement is at fair value with any resultant unrealised gains or losses recognised in the Statement of Comprehensive Income.

(j) Reinsurance and other recoveries

Recoveries receivable on paid claims, reported claims not yet paid, claims incurred but not reported and unexpired risk liabilities are recognised as revenue. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims. The details of inflation and discount rates used are set out in note 31.

Collectability of recoveries is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(k) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

(i) *Depreciation*

Depreciation of property, plant and equipment is calculated on a straight-line basis using rates designated to allocate the cost over the expected useful life of the asset. Motor vehicles are depreciated on a straight-line basis for a period of up to five years and other property, plant and equipment, in general, is depreciated on a straight-line basis for a period of between five and 10 years (refer note 9).

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, during each financial year. Changes in the residual value or 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.

(ii) *Impairment*

The carrying values of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(l) Intangible assets

Intangible assets represent purchased software and are stated at fair value, which is taken to be cost less accumulated amortisation and impairment.

(i) *Amortisation*

Amortisation of intangible assets is calculated on a straight-line basis using rates designated to allocate the cost over the expected useful life of the asset. Software costs are amortised on a straight-line basis for a period of up to five years (refer note 10).

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year. Where a change to the residual value or useful life of an asset has been identified any impact that may result from this change in recognised in the Statement of Comprehensive Income in the year in which it arises.

(ii) Impairment

The carrying values of intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

(m) Outstanding claims liability

Insurance activities are segregated into two funds. Liabilities for outstanding claims for Fund 1 are measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for inherent uncertainty in the central estimate.

The liability for outstanding claims at balance date comprises:

- claims that have been incurred but not paid
- claims incurred but not reported (IBNR)
- claims incurred but not enough reported (IBNER)
- risk margins

together with anticipated direct and indirect costs of settling those claims. These costs are estimated at 4% of the gross outstanding claims liabilities (refer note 15).

Liabilities for outstanding claims for Fund 2 are recognised in respect of reported incidents including the anticipated costs of settling these claims and a risk margin. Detail of risk margin rates are disclosed in note 31.

The expected future payments are discounted to present value using a risk-free rate, derived from the interest rates on Commonwealth Government fixed interest securities with terms to maturity that match, as close as possible, the estimated future claim payments. Details of the inflation and discount rates are disclosed in note 31. The impact of the revision of the inflation and discount assumptions on the outstanding claims liability is reflected in the financial statements and is disclosed in note 15.

(n) Other assets and liabilities

Other assets including debtors and fee accruals, other liabilities including interest paid in advance, creditors, expense accruals and provisions, are all stated at book value, which is the best estimate of fair value as they are settled within a short period (refer notes 12 and 17).

(o) Foreign currency translation

Foreign currency assets and liabilities are recognised in the financial statements at the prevailing exchange rate at each reporting date. Revenue and expense items are translated at the exchange rate current at the date at which those items were recognised in the financial statements.

(p) Employee benefits

SAFA does not employ any direct staff, but is assigned staff resources by DTF through a service level agreement (SLA) pursuant to section 20 of the *Government Financing Authority Act 1982*. The responsibility to provide for employer contributions to superannuation benefits rests with DTF and for this reason SAFA is not required to establish a provision. DTF meets LSL liabilities as they fall due.

(q) Taxation

Accounting profits tax model

In accordance with TIs 22, SAFA is required to pay the Treasurer an income tax equivalent. The income tax liability is based on the taxation equivalent regime which applies the accounting profit method. This requires SAFA to apply the corporate income tax rate to the net profit. The current income tax equivalent liability relates to the income tax expense outstanding for the current period.

GST

SAFA is grouped with DTF for GST purposes. Income, expenses and assets are recognised net of the amount of GST, except:

- where the GST is not recoverable, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- for receivables and payables, which are recognised inclusive of GST.

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.

Stamp duty
Stamp duty collected as part of insurance premiums is excluded from premium revenue and paid monthly to RevenueSA. Stamp duty collected as part of fleet activities are excluded from revenues and remitted to DTF. Government agencies that are part of the taxation equivalent regime pay a stamp duty equivalent on leased motor vehicles.

(r) Business segments
SAFA is an individual reporting entity which operates in business segments including treasury, insurance and fleet management.

(s) Comparatives
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.

(t) New or revised accounting standard and policies
Certain new and amended accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. SAFA's assessment of the impact of these new and amended standards and interpretations is set out below.

AASB 13 – Fair Value Measurement guidance contained in individual standards is to be replaced by a single set of principles for measuring fair value. SAFA does not expect any financial impact when the standard is first applied in the year ending 30 June 2014.

AASB 7 and AASB 132, AASB 2012-2 Amendments to AASs arising from AASB 7 and AASB 132 focuses on quantitative information regarding recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting arrangements. SAFA does not expect any financial impact when first applied in the year ended 30 June 2014.

AASB 9 – The main impact of this standard is that it changes the requirements for the classification, measurement and disclosure associated with financial assets and liabilities. SAFA does not expect any financial impact when the standard is first applied in the year ended 30 June 2016.

3. Business segments
SAFA operates in the following segments:

- Treasury – provides funds and financial advice to the SA Government, semi-government authorities, South Australian public sector financial institutions and government agencies
- Insurance – underwriting several types of general insurance for SA Government agencies
- Fleet – provides comprehensive fleet management services to SA Government agencies for its passenger and light commercial motor vehicle fleet.

The insurance activities are designated into two funds. Fund 1 reflects the normal commercial activities of SAFA whilst Fund 2 includes all the activities previously conducted through section 2 of the South Australian Government Insurance and Risk Management Fund. This fund is used to fund liabilities arising from insurable incidents that occurred prior to 1 July 1994, claims under the building warranty indemnity reinsurance arrangement with QBE Insurance (Australia) Limited until 30 June 2013, SGIC residual claims and workers compensation claims previously managed by the South Australian Asset Management Corporation. All other non-insurance type risk and liabilities previously funded by Fund 2 are managed by the relevant government department and funded separately by the agency.

	Treasury	Insurance	Fleet	Eliminations	Total
2013	$'million	$'million	$'million	$'million	$'million
Income	29.4	102.0	96.2	(0.1)	227.5
Expenses	8.2	34.3	83.0	(0.1)	125.4
Profit (Loss) before tax	21.2	67.7	13.2	-	102.1
Income tax equivalent expense	6.4	20.3	3.9	-	30.6
Comprehensive result	14.8	47.4	9.3	-	71.5
Segment assets	19 954.1	466.0	268.4	(383.2)	20 305.3
Segment liabilities	(19 829.4)	(336.0)	(213.1)	383.2	(19 995.3)
Net assets	124.7	130.0	55.3	-	310.0

3. Business segments (continued)

2012	Treasury $'million	Insurance $'million	Fleet $'million	Eliminations $'million	Total $'million
Income	22.9	54.2	108.0	(0.1)	185.0
Expenses	7.4	72.2	90.6	(0.1)	170.1
Profit (Loss) before tax	15.5	(18.0)	17.4	-	14.9
Income tax equivalent expense	4.7	(5.4)	5.2	-	4.5
Comprehensive result	10.8	(12.6)	12.2	-	10.4
Segment assets	19 637.5	447.5	263.3	(270.6)	20 077.7
Segment liabilities	(19 519.7)	(365.0)	(216.9)	270.6	(19 831.0)
Net assets	117.8	82.5	46.4	-	246.7

4. Transfer of administrative functions

Playford Centre

Under the Public Corporations (Playford Centre) (Dissolution and Revocation) Regulations 2012, Playford Centre's assets, rights and liabilities transferred to SAFA on 1 July 2012.

SAFA has recognised the following assets and liabilities as a result of these transfers:

	2013 $'million	2012 $'million
Assets:		
Cash and cash equivalents	1.6	-
Other assets	-	-
	1.6	-
Liabilities:		
Other liabilities	0.2	-
	0.2	-
Net assets transferred	1.4	-

5. Cash and cash equivalents

Cash at bank	11.0	8.0
Deposits with the Treasurer	45.0	39.5
Short-term money market deposits	340.8	110.6
Negotiable certificates of deposit	1 615.6	1 919.7
Working capital facility	21.0	16.0
Total cash and cash equivalents	2 033.4	2 093.8

6. Assets held for sale

Motor vehicles	5.6	9.2
Total assets held for sale	5.6	9.2

7. Investments

Semi-government securities	46.4	230.0
Local Government securities	5.6	12.0
Bank and corporate securities	1 593.4	1 336.1
Funds SA	430.4	393.7
Paragon Capital Equity Fund No 1	-	-
Subsidiary investment	-	-
Total investments	2 075.8	1 971.8

8. Loans

Loans to the Treasurer at market rates	23.9	28.7
Loans to the Treasurer at COF/CPSIR	6 653.3	5 922.0
Loans to the Treasurer at cash	2 703.0	2 574.3
Loans to SA Government agencies	-	0.1
Loans to public non-financial corporations	4 242.6	4 015.7
Loans to public financial corporations	1 803.2	1 806.4
Loans to local government	172.3	142.9
Total loans	15 598.3	14 490.1

The COF/CPSIR loan to the Treasurer is funded through a range of financial assets and liabilities within the Treasurer's portfolio. Any gains or losses, whether realised or unrealised, on the assets and liabilities in the Treasurer's portfolio that fund the loan are equally offset by a gain or loss on the COF/CPSIR loan to the Treasurer. The loan type changed in August 2012 from the previous CPSIR to COF, splitting out the cash component to a separate loan.

	2013	2012
9. Property, plant and equipment		
Plant and equipment:	$'million	$'million
At cost	-	0.1
Accumulated depreciation	-	(0.1)
Total plant and equipment	-	-
Motor vehicles:		
At cost	255.2	267.3
Accumulated depreciation	(60.0)	(66.4)
Impairment	(0.2)	(0.8)
Total motor vehicles	195.0	200.1
Total property, plant and equipment	195.0	200.1

Reconciliation of property, plant and equipment:		
Plant and equipment:		
Carrying amount at 1 July	-	-
Additions	-	-
Impairment loss	-	-
Depreciation expense	-	-
	-	-
Motor vehicles:		
Carrying amount at 1 July	200.1	209.0
Additions	95.7	92.0
Assets classified as held for sale	(5.6)	(9.2)
Disposals	(51.8)	(44.1)
Depreciation expense	(43.4)	(47.6)
	195.0	200.1

10. Intangible assets		
Information technology:		
At cost	0.9	0.4
Accumulated amortisation	(0.1)	-
Total intangible assets	0.8	0.4
Reconciliation of information technology:		
Carrying amount at 1 July	0.4	-
Additions	0.5	0.4
Amortisation expense	(0.1)	-
	0.8	0.4

11. Derivatives receivable		
FX swaps	37.8	873.8
Interest rate swaps - SA Government*	7.0	11.7
Interest rate swaps	291.3	365.9
Total derivatives receivable	336.1	1 251.4

* SA Government includes the Treasurer.

12. Other assets		
Receivables	1.3	2.0
Receivables - SA Government	11.5	13.7
Recoveries	14.6	15.1
Allowance for impairment loss	(0.8)	(0.8)
Receivables from the Treasurer	26.6	26.6
Prepayments - SA Government	2.0	-
Prepayments	3.6	3.1
Sundry debtors - SA Government	-	0.9
Sundry debtors	1.5	0.3
Total other assets	60.3	60.9

Movement in the allowance for impairment loss

The 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 the Statement of Comprehensive Income.

	2013	2012
	$'million	$'million
Carrying amount at 1 July	0.8	0.8
Increase (Decrease) in provision	-	-
Carrying amount at 30 June	0.8	0.8

13. Deposits and short-term borrowings

	2013 $'million	2012 $'million
At call deposits	62.4	58.8
Deposits from the Treasurer	3 143.6	3 143.9
Deposits from SA Government agencies	672.7	668.4
Commercial paper	2 152.5	2 593.1
Total deposits and short-term borrowings	6 031.2	6 464.2

14. Bonds, notes and debentures

Select lines	9 892.3	10 724.1
Retail stock	41.2	50.1
Floating rate notes	3 012.9	273.8
Zero coupon bonds	224.4	213.1
Inflation linked bonds and securities	118.5	151.8
Obligation to the Commonwealth Government	245.7	654.2
Total bonds, notes and debentures	13 535.0	12 067.1

15. Outstanding claims

Outstanding claims - SA Government	6.5	10.0
Outstanding claims	320.8	354.7
Total outstanding claims	327.3	364.7

Reconciliation of movements in outstanding claims

	Property $'million	Liability* $'million	Medical malpractice $'million
Fund 1			
2012 balance	5.3	66.4	228.2
Paid	(1.2)	(10.7)	(32.7)
Reported claims	0.9	10.7	11.2
IBNR/IBNER reserve	-	-	1.9
Risk margin	(0.1)	0.4	(6.5)
Indirect claims settlement reserve	-	0.1	(1.2)
2013 balance	4.9	66.9	200.9
Fund 2			
2012 balance	4.8	21.1	38.9
Paid	(0.9)	(2.9)	(3.5)
Reported claims	(0.8)	0.7	1.2
IBNR/IBNER reserve	(0.7)	(0.6)	(0.3)
Risk margin	(0.7)	(0.5)	(0.7)
Indirect claims settlement reserve	(0.1)	(0.2)	(0.2)
2013 balance	1.6	17.6	35.4
Total	6.5	84.5	236.3

* Includes other.

16. Derivatives payable

	2013 $'million	2012 $'million
FX swaps	33.9	874.9
Interest rate swaps - SA Government*	0.3	1.0
Interest rate swaps	43.5	52.1
Total derivatives payable	77.7	928.0

* SA Government includes the Treasurer.

17. Other liabilities

Sundry creditors - SA Government	-	0.1
Sundry creditors	1.3	4.5
Accrued operating expenses	2.4	2.4
Payables	1.7	-
Payables - SA Government	2.1	-
Payable Treasurer	8.2	-
Income tax equivalent liability	8.4	-
Total other liabilities	24.1	7.0

18. Revenue

	Note	2013 $'million	2012 $'million
Interest revenue:			
External to SA Government:			
Cash and cash equivalents		80.8	87.2
Investments		66.6	81.0
Loans		3.9	6.6
Other assets		467.7	454.2
Internal to SA Government:			
Cash and cash equivalents		1.3	1.1
Loans		621.3	658.1
Other assets		11.8	19.2
		1 253.4	1 307.4
Interest expense:			
External to SA Government:			
Deposits and short-term borrowings		42.4	78.3
Bonds, notes and debentures		689.3	582.8
Other liabilities		383.7	459.4
Internal to SA Government:			
Deposits and short-term borrowings		115.8	146.3
Other liabilities		8.0	15.2
		1 239.2	1 282.0
Net interest revenue		14.2	25.4
Insurance premium:			
External to SA Government		3.8	2.2
Internal to SA Government		38.4	37.7
	21	42.2	39.9
Leasing and hire:			
Internal to SA Government		73.2	79.9
		73.2	79.9
Recoveries:			
External to SA Government		1.2	6.7
Internal to SA Government		22.4	27.9
		23.6	34.6
Other:			
External to SA Government:			
Other revenue		1.2	1.3
Commissions		-	0.6
Management fees		-	-
Internal to SA Government:			
Other revenue		-	0.8
Management fees		1.8	1.9
		3.0	4.6
Total revenue		156.2	184.4

19. Other gains (losses)

Net gain (loss) on financial instruments and derivatives:			
External to SA Government:			
Realised		357.7	(16.5)
Unrealised		75.8	(234.6)
Internal to SA Government:			
Realised		(317.8)	(38.9)
Unrealised		(47.5)	283.8
		68.2	(6.2)
Net gain (loss) on sale of property, plant and equipment:			
External to SA Government		1.7	6.8
		1.7	6.8
Total other gains (losses)		69.9	0.6

20. Expenses

	Note	2013 $'million	2012 $'million
Insurance claims:			
External to SA Government		22.0	51.9
Internal to SA Government		(5.4)	10.1
	21	16.6	62.0
Motor vehicle:			
External to SA Government		25.8	32.7
Internal to SA Government		4.0	2.9
		29.8	35.6
Reinsurance external to SA Government		9.2	8.1
	21	9.2	8.1
Depreciation and impairment:			
Internal to SA Government		43.5	47.6
		43.5	47.6
Operating:			
External to SA Government:			
Program and debt management fees		1.2	1.0
Direct insurance placement costs		-	0.1
Bad debts written off		0.1	-
Management fees		0.8	-
Consultants/Contractors		0.1	-
Rent		0.8	0.8
Other		0.1	0.3
Internal to SA Government:			
Indemnity to Treasurer		9.4	1.0
SLA		13.8	13.6
		26.3	16.8
Total expenses		125.4	170.1

An SLA operates between SAFA and DTF. DTF provides services to SAFA to enable SAFA to undertake its business activities in a manner so that SAFA may achieve its key outcomes. DTF provides SAFA with appropriately trained and skilled staff along with infrastructure support. The majority of the fee covers staffing, accommodation, audit and network systems expenditure.

SLA insurance costs of $1.338 million ($1.32 million) have been allocated directly to claims expense.

21. Net claims incurred and underwriting result

The following table provides further information in relation to the net claims incurred cost. Current year claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

Fund 1	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	39 333	(13 010)	26 323
Other recoveries undiscounted	(100)	(37)	(137)
Net claims incurred - undiscounted	39 233	(13 047)	26 186
Discount and discount movement - gross claims incurred	(8 779)	1 009	(7 770)
Discount and discount movement - other recoveries	(37)	(641)	(678)
Net discount movement	(8 816)	368	(8 448)
Net claims incurred	30 417	(12 679)	17 738

The net claims incurred during 2012-13 in respect of claims incurred prior to 30 June 2012 was $12.7 million which is a result of:

	$'million
Interest on the 30 June 2012 provision less payments during 2012-13	7.9
Release of administration allowance and risk margin in respect of payments during 2012-13	(16.5)
Changes in actuarial assumptions and experience deviation from expected	(4.1)
	(12.7)

21. Net claims incurred and underwriting result (continued)

Fund 2	In respect of current year $'000	In respect of prior years $'000	Total $'000
Gross claims incurred and related expenses undiscounted	5 670	(7 406)	(1 736)
Other recoveries undiscounted	(137)	(106)	(243)
Net claims incurred - undiscounted	5 533	(7 512)	(1 979)
Discount and discount movement - gross claims incurred	(647)	(401)	(1 048)
Discount and discount movement - other recoveries	16	(16)	-
Net discount movement	(631)	(417)	(1 048)
Net claims incurred	4 902	(7 929)	(3 027)

The net claims incurred during 2012-13 in respect of claims incurred prior to 30 June 2012 was $7.9 million which is a result of:

	$'million
Interest on the 30 June 2012 provision less payments during 2012-13	1.8
Release of administration allowance and risk margin in respect of payments during 2012-13	(2.2)
Change in actuarial assumptions and experience deviation from expected	(7.5)
	(7.9)

	2013 $'million	2012 $'million
Net earned premium:		
Premium revenue	42.2	35.0
Outwards reinsurance expense	(9.2)	(8.1)
	33.0	26.9
Net claims incurred:		
Claims expense	(16.6)	(61.5)
Recoveries income	0.9	7.2
Impairment expense	-	-
	(15.7)	(54.3)
Underwriting result income (expense)	17.3	(27.4)

22. Contingent assets and liabilities

Contingent assets

Under section 15 of the *Government Financing Authority Act 1982*, all financial obligations incurred or assumed by SAFA are guaranteed by the Treasurer on behalf of the State of South Australia.

Origin Energy has indemnified SAFA if SAFA's guarantee to Osborne Cogeneration Pty Ltd in respect of the obligations of two subsidiaries of Origin Energy Ltd is called upon by Osborne Cogeneration Pty Ltd under arrangements for the generation of electricity at the Osborne Generation Plant. The exposure of the guarantee is estimated at $150 million to $200 million.

Under an agreement between the Urban Renewal Authority and SAFA (see below), SAFA is indemnified by the Urban Renewal Authority for the performance of the Port Waterfront Redevelopment under this agreement.

Contingent liabilities

(i) General

Indemnities provided by SAFA have been primarily provided to third parties involved in, financing arrangements with SAFA either directly or indirectly, other statutory authorities and financial institutions of the State, and relate to financial advantages which are expected to be available to those parties or to preserve existing financial advantages.

By its nature insurance underwriting has liabilities contingent upon certain events occurring that give rise to a claim under the policy of insurance. All known and expected claims in respect of events that have occurred up to the end of the reporting period have been accounted for in the preparation of these financial statements plus an allowance for claims incurred but not reported and incurred but not enough reported using IBNR and IBNER calculations. Many claims require legal input to negotiate suitable settlements. The results of such negotiations may result in liabilities different to those recognised in the financial statements.

(ii) *Guarantees*

As at 30 June 2013, SAFA has provided a guarantee to the Urban Renewal Authority for the Port Waterfront Redevelopment. This guarantee totalled $5 million.

Under arrangements for the generation of electricity at the Osborne Generation Plant, SAFA has provided a guarantee to Osborne Cogeneration Pty Ltd in respect of the obligations of two subsidiaries of Origin Energy Ltd. The exposure of the guarantee is estimated at $150 million to $200 million.

(iii) *Treasurer's indemnity*

The Treasurer has indemnified SAFA against any profit or loss as a result of activities in the Insurance Fund 2. Given the nature of Fund 2's activities, the Treasurer has approved that any operating profit before tax will be $0. This is achieved by negating the operating profit or loss with either a payable to or receivable from the Treasurer. This policy resulted in a payable to the Treasurer of $9.4 million for the 2012-13 financial year ($1 million).

(iv) *Unused loan facilities*

As at 30 June 2013, SAFA had extended loan facilities that were unutilised totalling $1036.2 million ($794.4 million).

23. Cash flow information

23.1 Reconciliation of cash

	Note	2013 $'million	2012 $'million
Cash and cash equivalents disclosed in the Statement of Financial Position	5	2 033.4	2 093.8
Negotiable certificates of deposit and working capital		(1 636.6)	(1 935.7)
Fair value component		(0.5)	(0.6)
Balance per Statement of Cash Flows		396.3	157.5

23.2 Reconciliation of comprehensive result to net cash provided by (used in) operating activities

	2013	2012
Comprehensive result	71.5	10.4
Non-cash items:		
Change in net market value of financial instruments	(52.6)	(47.0)
Amortisation of financial instruments	87.2	3.9
Depreciation, impairment and bad debts	43.6	47.6
Gain on sale of property, plant and equipment	(1.7)	(6.8)
Gain on transfer of administrative functions	(1.4)	-
Bad debt written off	(0.2)	-
Movements in assets/liabilities, net of effects from transferred functions:		
Accrued interest receivable	1.7	(8.2)
Recoveries receivable	0.5	(1.3)
Sundry debtors and other assets	0.1	(4.0)
Accrued interest payable	(10.5)	22.2
Outstanding claims	(37.4)	28.8
Sundry creditors and other liabilities	17.1	2.3
FX movement	-	-
Net cash provided by (used in) operating activities	117.9	47.9

23.3 Non-cash financing and investing activities

During 2012-13 $322.3 million was adjusted against the Treasurer's debt for book gains arising from debt management activity and early retirement of Commonwealth housing loans.

24. Auditor's remuneration

	2013 $'000	2012 $'000
Audit fees payable to the Auditor-General's Department relating to the audit of the financial statements	225	184
	225	184

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

Audit fees are paid through SAFA's SLA with DTF.

25. Key management personnel

25.1 *Board and committee members*

	2013 Number	2012 Number
Remuneration:		
$0	4	5
$30 001 - $40 000	4	4
$40 001 - $50 000	1	1
Total	9	10

	2013 $	2012 $
Total remuneration	183 447	178 848

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. Amounts paid to a superannuation plan for board/committee members in 2012-13 were $15 147 ($14 768). All amounts paid to members are paid through SAFA's SLA with DTF.

SAFA Advisory Board and committee members during the 2012-13 financial year were:

Advisory Board
Mr B Rowse* (Presiding Member)
Ms J Brown
Mr M Day
Mr L Foster
Mr C Long
Ms Y Sneddon
Ms A Westley*
Mr G Goddard* (Deputy Member)
Mr P Mendo* (Deputy Member)

Audit Committee
Ms Y Sneddon
Mr L Foster
Ms J Brown (appointed 6 May 2013)
Mr P Mendo*

* Those members who are permanently employed under the PSA, or on similar terms, are not entitled to fees.

Unless otherwise disclosed, transactions with 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.

25.2 *Other key management personnel*

The following persons also held authority and responsibility for planning, directing and controlling the activities of SAFA or subsidiary entities, directly or indirectly during the financial year:

Mr K Cantley	General Manager
Mr T Burfield	Director Insurance
Mr C Fowler	Director Finance
Mr D Posaner	Director Corporate Governance and Planning
Mr J Powell	Director Financial Markets and Client Services
Mr D Price	Director Fleet

The above are employed by DTF and provided to SAFA through an SLA. Details of their remuneration are included in the DTF financial statements.

26. Consultants

	2013 Number	2012 Number
Between $50 001 and $100 000	1	1
Total consultants	1	1

	2013 $	2012 $
Total consultants expense	102 790	75 145

In addition to the amounts shown in the table above, $187 391 ($382 050) in consultants fees were paid through SAFA's SLA with DTF. These consultants are disclosed in DTF's financial statements.

27. Fiduciary activities

SAFA provides asset and liability management services to clients and these financial assets and liabilities are not recognised on SAFA's Statement of Financial Position, unless the financial transactions have been undertaken with SAFA as the provider. SAFA manages these assets and liabilities within prescribed risk limits as directed by, or agreed with clients. SAFA is responsible for providing regular financial and management information with respect to its management of client assets and liabilities.

	2013 \$'million	2012 \$'million
Liabilities under management	3 710.0	3 574.6

SAFA provides a pooled investment portfolio to its clients that meet their investment needs. The cash management facility comprises cash and short-term money market securities. The assets and liabilities of this portfolio is reported within SAFA's Statement of Financial Position.

	2013 \$'million	2012 \$'million
Total market value of pooled investments	900.0	852.5

28. Unrecognised contractual commitments

(a) Operating lease commitments receivable

SAFA as a lessor

Leases in which SAFA retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Agencies have entered into commercial leases on motor vehicles owned by SAFA. These leases are for terms up to three years, with an option, subject to approval, to extend in six monthly intervals to a maximum of four years for passenger vehicles and a maximum term of five years for light commercial vehicles.

Future minimum rentals receivable excluding GST under non-cancellable operating leases are as follows:

	2013	2012
Motor vehicle hire:	\$'million	\$'million
Not later than one year	55.1	61.3
Later than one year but not later than five years	35.5	37.7
Total non-cancellable operating lease receivables	90.6	99.0

(b) Other commitments

SAFA's other commitments relate to software licences and maintenance.

Software:		
Not later than one year	2.8	-
Later than one year but not later than five years	1.9	-
Total software commitments	4.7	-

(c) Unrecognised investment commitment

The SA Government announced in August 2005 that it would invest an amount not exceeding \$10 million in a private capital equity fund (Paragon Private Equity Fund No 1) established in South Australia and managed by Paragon Advisory Pty Ltd.

The Government was committed to invest \$1 for every \$4 of private sector capital that Paragon Advisory Pty Ltd was able to raise up until the closing date of April 2007. The final capital commitment of the SA Government (SAFA) is \$900 000.

The Treasurer has indemnified SAFA against any shortfall where the assumption payment SAFA received of \$2.2 million is less than the aggregate of all capital contributions to the fund.

29. Financial risk management

SAFA's activities expose it to a variety of financial risks: market risk (including interest rate risk, price risk and currency risk), credit risk, liquidity risk and insurance risk. SAFA's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of SAFA. SAFA uses derivative financial instruments such as futures, foreign exchange contracts, forward rate agreements and interest rate swaps to reduce certain risk exposures.

The guidelines within which these risks are undertaken and managed are established under policies approved by the Advisory Board, Treasurer and management guidelines. SAFA monitors compliance with these policies and constraints by appropriately segregating the monitoring from the operating business unit. Information is summarised and reported daily to management and reported monthly to the Advisory Board.

(a) Capital risk management

SAFA manages its capital to ensure that it will be able to continue as a going concern while exposing its stakeholders to an acceptable level of risk.

(b) Market risk

Interest rate risk

SAFA uses a variety of methods to measure interest rate risk, including basis point sensitivity, duration/modified duration, and Value at Risk (VaR). The Treasurer and Under Treasurer approve interest rate risk limits for SAFA's portfolios.

SAFA uses interest rate futures contracts, interest rate swaps, interest rate options and forward rate agreements to manage interest rate risk. The use of interest rate derivatives enables the management of the volatility of the portfolio of debt and assets without requiring transactions in physical securities.

SAFA holds the following derivative instruments:

	2013	2012
	$'million	$'million
Interest rate futures contracts	2 385.9	(2 201.9)
Interest rate swaps	8 986.4	10 371.6
Total face value	11 372.3	8 169.7

Price risk

SAFA manages the sensitivity of its treasury portfolios for changes in market risk variables by calculating VaR daily and monitoring the calculated VaR against pre-determined exposure limits. VaR is the calculation of the potential loss due to rate movements for any one day.

SAFA calculates VaR using the historical simulation method and a two year interest rate horizon. The daily VaR is assessed at the 95% confidence level. VaR for the funding portfolio is managed daily against an approved working limit of $750 000 for 2012-13 ($750 000).

VaR for the liquidity portfolio is managed daily against an approved working limit of $250 000 for 2012-13 ($250 000).

All risk on the Treasurer's portfolios is borne directly by the Treasurer.

The following table shows the computed VaR on SAFA's principal portfolios:

	2013	2012
	$	$
Funding portfolio	668 593	152 708
Liquidity portfolio	104 743	39 525
Reinvestment portfolio	352	1 026
Cash management facility	27 754	33 826

Should future rates vary from those used in the historic rate horizon, profit or losses will vary from the expected results calculated under VaR.

The insurance portfolio is exposed to price risk arising from investments held with Funds SA. SAFA maintains policies outlining the strategies for investment of funds and these policies are reviewed every three years.

The table below shows the impact of a positive or negative 10% movement in the value of investment funds held with Funds SA:

2013		Profit (post tax)		Equity	
	Investments	-10%	+10%	-10%	+10%
Funds:	$'000	$'000	$'000	$'000	$'000
Fund 1	377 095	(26 397)	26 397	(26 397)	26 397
Fund 2*	53 275	(3 729)	3 729	(3 729)	3 729
Total	430 370	(30 126)	30 126	(30 126)	30 126

* Due to the nature of Fund 2's activities, the Treasurer has approved that any operating profit or loss before tax will be $0. Therefore any movement in the value of Fund 2's investments with Funds SA would be offset by the Treasurer's indemnity (refer note 22).

Foreign exchange risk
SAFA has a policy of limiting its foreign currency risk and has limits in place to protect against movements in foreign currency exchange rates.

SAFA utilises foreign exchange swaps, foreign exchange and forward exchange contracts to manage the foreign currency exposures associated with foreign currency borrowings.

	2013 $'million	2012 $'million
Foreign exchange swaps	(33.8)	(871.2)
Foreign exchange contracts*	22.7	17.3
Total face value	(11.1)	(853.9)

* SAFA has entered into forward foreign exchange contracts to hedge exposures arising from the foreign exchange hedging service provided to public sector clients. These transactions have a $0 exposure.

The following table summarises SAFA's exposure to exchange risk. The value to be received under the currency contracts is designed to hedge the exposure to the net foreign currency liabilities:

	USD	EUR	GBP	NZD	SGD
Less than one year:	A$'000	A$'000	A$'000	A$'000	A$'000
Net foreign currency assets	(37 758.8)	(5.5)	152.0	22.2	(0.1)
Net derivatives	37 789.3	-	-	-	-
Net	30.5	(5.5)	152.0	22.2	(0.1)
Greater than one year:					
Net foreign currency assets	-	-	-	-	-
Net derivatives	-	-	-	-	-
Net	-	-	-	-	-
Total exposure	30.5	(5.5)	152.0	22.2	(0.1)

SAFA's total exposure to exchange rate risk (on a net basis) is $199 100 for the year ended 30 June 2013. Had the Australian dollar weakened by 10% against the foreign currencies listed above, the direct impact to SAFA would be a gain of approximately $20 000.

(c) Credit risk
Credit risk is the risk of financial loss and associated costs resulting from the failure of a counterparty to meet its financial obligations as and when they fall due.

SAFA incurs credit risk through undertaking its core functions of fundraising, debt management, liquidity management and the Government's reinsurance program.

SAFA's dealings in physical securities and other financial contracts, including derivatives, are transacted only with counterparties possessing strong to extremely strong safety characteristics regarding timely payment of principal and interest.

Should a participant in the Government's reinsurance program become insolvent or cease trading, the recoveries to which SAFA may be entitled could be jeopardised in full or in part, or the timing of any recovery may be subject to an insolvency action.

To minimise the potential for credit loss, SAFA complies with stringent credit guidelines. The guidelines are designed to promote diversification of credit risk amongst counterparties whilst limiting exposure only to highly rated institutions worldwide. The credit guidelines do not apply to loans to SA Government entities.

SAFA measures credit risk for physical securities at face value and the credit risk of derivative transactions using a mark-to-market methodology that includes an additional factor to cover potential future adverse market movements.

The majority of SAFA's lending is to agencies and corporations of the SA Government. Consequently, SAFA's profit does not reflect any component that relates to credit movement for this part of its business. The profit or loss resulting from credit movements for the remainder have been examined and are considered to be immaterial.

Concentration of credit risk by credit rating

2013					Rating				
	AAA	AA+	AA	AA-	A+	A	A-	NR*	Total
Asset class:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Loans/Investments	501.9	28.0	-	1 397.8	883.0	612.5	198.0	15 733.0	19 354.2
Interest rate swaps	-	-	-	414.8	93.3	67.4	-	11.8	587.3
Currency swaps	-	-	-	-	-	3.9	-	-	3.9
FX contracts	-	-	-	1.8	-	0.2	-	0.5	2.5
Total	501.9	28.0	-	1 814.4	976.3	684.0	198.0	15 745.3	19 947.9
2012									
Asset class:									
Loans/Investments	553.4	68.0	15.0	1 237.3	865.0	762.7	100.0	14 485.8	18 087.2
Interest rate swaps	-	-	-	408.6	104.1	98.8	-	15.4	626.9
Currency swaps	-	-	-	-	3.4	3.2	-	-	6.6
FX contracts	-	-	-	(1.7)	-	-	-	2.0	0.3
Total	553.4	68.0	15.0	1 644.2	972.5	864.7	100.0	14 503.2	18 721.0

SAFA has a 93% (92%) concentration of credit risk in Australia.

By counterparty the main concentration is 78% (77%) to SA Government and 20% (23%) to banks.

* NR – not classified under particular ratings. Includes loans to SA Government of $15 569 million ($14 082 million).

(d) Liquidity risk

In order to manage liquidity risk, SAFA has in place liquidity management guidelines, which require SAFA to hold a base level of liquidity comprising highly marketable financial assets. Liquid assets include cash, promissory notes, Commonwealth bonds, floating rate notes and negotiable discount securities. The level of liquid financial asset holdings by SAFA on any given day must be sufficient to cover the higher of a base liquidity buffer of $350 million or the sum of debt maturities over the next 60 days. Adherence to these guidelines enables SAFA to be in a position to meet the forecasted cash demands and any unanticipated funding requirements of the South Australian public sector.

SAFA has chosen an approach to minimise medium-term refinancing risks, which involves diversification of physical borrowings across the maturity spectrum, diversification of funding sources and the holding of liquid assets to assist in the management of refinancing and liquidity risk.

These strategies result in SAFA facing manageable funding demands from financial markets in any given period. This approach assists the maintenance of an orderly market place for SAFA's securities when refinancing maturing debt obligations.

The liquidity analysis has been presented on a contractual basis representing the repayment of the principal (face value) and interest for financial assets and liabilities and the estimated settlement amount for outstanding claims.

2013	Less than 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Cash and cash equivalents	1 612.8	430.0	-	-	-	-	-	2 042.8
Investments	948.3	514.9	399.1	261.2	1.9	0.1	-	2 125.5
Loans	3 412.0	1 591.9	1 646.0	800.2	392.7	1 554.8	8 034.1	17 431.7
Other assets	29.8	38.3	28.2	7.2	0.1	-	-	103.6
Total	6 002.9	2 575.1	2 073.3	1 068.6	394.7	1 554.9	8 034.1	21 703.6
Liabilities:								
Deposits and short-term borrowings	5 820.5	220.0	-	-	-	-	-	6 040.5
Bonds, notes and debentures	125.4	3 008.8	3 091.7	2 702.9	308.6	2 386.0	3 788.3	15 411.7
Outstanding claims	12.3	36.9	45.4	47.0	30.4	26.8	128.5	327.3
Total	5 958.2	3 265.7	3 137.1	2 749.9	339.0	2 412.8	3 916.8	21 779.5
Net	44.7	(690.6)	(1 063.8)	(1 681.3)	55.7	(857.9)	4 117.3	(75.9)
Derivatives	12.0	89.7	79.5	49.7	54.3	45.6	74.2	405.0

(d) Liquidity risk (continued)

2012	Less than 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Assets:	$'million	$'million	$'million	$'million	$'million	$'million	$'million	$'million
Cash and cash equivalents	2 024.4	561.3	-	-	-	-	-	2 585.7
Investments	418.3	342.1	143.6	402.1	89.7	12.4	189.1	1 597.3
Loans	3 401.2	1 724.7	1 218.1	1 624.6	514.3	379.5	7 411.9	16 274.3
Other assets	13.8	61.3	28.5	8.6	0.4	0.2	-	112.8
Total	5 857.7	2 689.4	1 390.2	2 035.3	604.4	392.1	7 601.0	20 570.1
Liabilities:								
Deposits and short-term borrowings	5 685.4	798.2	9.3	279.7	-	-	-	6 772.6
Bonds, notes and debentures	97.4	2 647.3	2 342.0	2 507.2	631.4	263.7	5 195.6	13 684.6
Outstanding claims	20.3	61.0	59.3	36.5	39.1	25.2	123.3	364.7
Total	5 803.1	3 506.5	2 410.6	2 823.4	670.5	288.9	5 318.9	20 821.9
Net	54.6	(817.1)	(1 020.4)	(788.1)	(66.1)	103.2	2 282.1	(251.8)
Derivatives	(6.7)	80.7	62.7	50.4	29.0	31.7	68.3	316.1

(e) Insurance risk

SAFA uses a variety of policies and processes to manage the risks associated with its insurance activities. The most relevant methods include:

- the continual monitoring of the experience and development of claims
- premium setting methodologies that reflect the latest development in the risks SAFA's Insurance division is insuring
- placing reinsurance to protect the capital base against a severe adverse event or a series of severe adverse events
- regular review of the investment strategy for assets backing insurance liabilities.

(f) Claims development table

The following tables show the development of incurred cost on net undiscounted outstanding claims (medical malpractice, liability and property) relative to the ultimate expected estimate over the 10 most recent financial years. Figures provided are net of reinsurance and relate to Fund 1. This information is not disclosed for Fund 2 as it is not considered appropriate for its activities.

Medical malpractice

Loss year ending 30 June	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June											Paid to date	Undis-counted liability June 2013	Dis-count to present value
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	70 137	59 074	61 611	83 536	77 687	151 686	86 519	77 851	69 263	82 290	81 440	48 678	32 762	28 517
2002	15 038	13 328	7 581	10 253	9 625	12 742	11 766	11 863	6 974	6 631	10 266	5 293	4 973	4 187
2003	11 619	21 220	17 077	14 533	13 159	13 789	14 108	13 277	12 709	12 009	11 553	348	11 205	9 384
2004		14 397	12 260	9 012	3 355	11 643	7 043	4 336	4 552	2 714	2 109	1 122	987	793
2005			18 826	16 683	12 519	7 752	4 200	3 114	3 963	2 378	1 711	8	1 703	1 379
2006				21 363	17 896	25 892	16 422	7 694	20 793	13 421	13 580	1 631	11 949	9 739
2007					21 513	22 589	13 748	7 366	9 966	8 290	6 837	1	6 836	5 484
2008						22 947	20 345	13 923	11 993	16 582	14 848	2	14 846	11 750
2009							49 922	36 167	29 248	27 700	31 564	9	31 555	24 485
2010								24 134	15 725	13 002	11 367	7	11 360	8 591
2011									17 486	15 471	15 742	3	15 738	11 577
2012										18 749	17 802	2	17 799	12 678
2013											21 967	12	21 955	15 088
								Totals			240 786	57 116	183 668	143 652

Liability

Loss year ending 30 June	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Paid to date	Undis-counted liability June 2013	Dis-count to present value
	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June													
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	20 572	28 823	28 140	33 994	24 491	27 423	40 945	43 057	49 172	50 337	50 969	49 083	1 886	1 820
2002	2 383	2 046	3 402	3 684	3 753	5 543	5 843	5 634	5 890	5 858	5 864	5 505	359	340
2003	4 670	2 792	2 593	2 280	2 237	2 099	2 102	2 239	2 780	3 169	2 780	2 705	76	71
2004		5 078	2 686	3 093	2 733	2 813	2 816	3 814	3 971	4 291	4 832	4 717	115	108
2005			6 283	5 187	4 407	23 291	24 446	24 943	23 879	23 613	23 144	7 004	16 140	15 264
2006				7 922	3 488	2 295	1 961	1 848	1 845	1 911	1 828	826	1 002	931
2007					7 366	3 564	2 106	2 182	2 996	2 552	2 325	1 710	615	569
2008						6 359	3 610	2 137	2 114	1 936	2 907	1 341	1 566	1 442
2009							5 784	2 766	7 445	5 644	4 907	3 667	1 240	1 133
2010								6 705	4 365	3 663	11 386	4 974	6 412	5 803
2011									7 173	5 982	5 158	317	4 841	4 315
2012										8 038	6 749	741	6 009	5 246
2013											6 683	12	6 671	5 690
								Totals			129 532	82 602	46 932	42 732

Property

Loss year ending 30 June	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Paid to date	Undis-counted liability June 2013	Dis-count to present value
	Cumulative payments plus undiscounted outstanding liability measurement as at 30 June													
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Prior	7 785	7 668	7 415	7 406	6 955	8 585	8 880	8 879	7 907	7 907	7 907	7 907	-	-
2002	4 041	3 802	3 817	1 737	3 872	1 529	1 588	1 900	2 230	1 674	1 474	1 474	-	-
2003	1 162	853	586	426	668	447	447	447	456	456	456	456	-	-
2004		2 764	2 920	2 444	4 430	4 111	3 975	4 634	3 512	2 880	2 880	2 880	-	-
2005			12 812	4 035	4 027	2 849	2 700	2 718	2 704	2 689	2 689	2 689	-	-
2006				1 667	2 461	1 927	1 604	1 731	2 581	1 933	1 933	1 933	-	-
2007					3 269	2 907	2 666	2 256	2 285	2 142	2 180	2 180	-	-
2008						2 347	2 265	2 390	1 762	1 555	1 543	1 523	20	18
2009							2 777	2 116	1 599	1 689	1 666	1 388	278	263
2010								3 255	1 779	1 543	1 479	1 384	95	90
2011									4 568	3 270	3 060	2 408	652	624
2012										2 683	2 046	1 063	983	941
2013											1 996	26	1 970	1 885
								Totals			31 309	27 311	3 998	3 821

(g) Concentration risk

Whilst investments in the insurance portfolio contains some diversity, by its nature it is geographically concentrated in Adelaide and as such is exposed to the risk of potentially material property catastrophes of the State, being earthquake, bushfires, storms and floods. The reinsurance program is purchased to provide protection in excess of the retention level, which is $15 million for property, $15 million for medical malpractice (per event) and $20 million for liability classes. The Advisory Board annually reviews the appropriateness of the retention level.

SAFA provides the medical indemnity insurance for all public hospitals in South Australia and as such is exposed to the consequences of any factor which increases the cost of such cover for example, legal precedents.

(h) Sensitivity analysis

SAFA has tested the sensitivity of the results to a change in the key assumptions used in the valuation of outstanding claims liabilities. These include changes to the discount and superimposed inflation rates and changes in the expected payment pattern.

(h) Sensitivity analysis (continued)

The following table sets out the tests carried out and the results:

Insurance fund:	2013 Present value of outstanding liability Fund 1	Fund 2	Percentage change from central estimate Fund 1	Fund 2
	$'000	$'000	%	%
1. Discount rate:				
(a) Increase by 1%	258 362	52 931	-5.1	-3.2
(b) Decrease by 1%	287 236	56 555	5.6	3.5
2. Inflation rate:				
(a) Increase by 1%	286 392	56 515	5.2	3.4
(b) Decrease by 1%	259 004	53 162	-4.8	-2.7
3. Superimposed inflation rate				
(a) Increase by 1%	286 313	56 239	5.2	2.9
(b) Decrease by 1%	259 004	53 162	-4.8	-2.7
4. Other assumptions				
(a) Faster payment pattern - Long tail and MedMal	272 933	54 737	0.3	0.1
(b) Longer liability tail	272 432	54 824	0.1	0.3
(c) Longer MedMal tail	272 648	55 264	0.2	1.1

(i) Fair value hierarchy

The following table presents financial assets and liabilities measured at fair value in the Statement of Financial Position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input into the fair value measurement.

		Valuation technique		
2013	Quoted market price (Level 1)	Market observable inputs (Level 2)	Non-market observable inputs (Level 3)	Total
Financial assets:	$'million	$'million	$'million	$'million
Cash and cash equivalents	421.7	1 611.7	-	2 033.4
Investments[(a)]	38.0	1 762.8	275.0	2 075.8
Loans[(b)]	-	8 945.0	6 653.3	15 598.3
Derivatives receivable	-	336.1	-	336.1
Total	459.7	12 655.6	6 928.3	20 043.6
Financial liabilities:				
Deposits and short-term borrowings	724.0	5 307.2	-	6 031.2
Bonds, notes and debentures[(c)]	12 854.4	159.6	521.0	13 535.0
Derivatives payable	-	77.7	-	77.7
Total	13 578.4	5 544.5	521.0	19 643.9
2012				
Financial assets:				
Cash and cash equivalents	158.0	1 935.8	-	2 093.8
Investments[(a)]	219.0	1 478.9	273.9	1 971.8
Loans[(b)]	-	8 568.1	5 922.0	14 490.1
Derivatives receivable	-	1 251.4	-	1 251.4
Total	377.0	13 234.2	6 195.9	19 807.1
Financial liabilities:				
Deposits and short-term borrowings	724.0	5 740.2	-	6 464.2
Bonds, notes and debentures[(c)]	10 926.0	201.9	939.2	12 067.1
Derivatives payable	-	928.0	-	928.0
Total	11 650.0	6 870.1	939.2	19 459.3

Methods used for valuations in Levels 2 and 3:

Measurement of fair value

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. SAFA uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt. Other techniques, such as discounted cash flows, are used to determine fair value for the remaining financial instruments.

All valuation methods remain unchanged compared to the previous reporting period.

(a) *Investments* – investments categorised as Level 3 are valued utilising swap curves plus a margin.

(b) *Loans* – the amount in Level 3 represents the COF loan to the Treasurer, which is a loan represented by a pooled number of smaller borrowings and investments, that individually are classified as Level 1 or Level 2 in the fair value hierarchy, but the loan itself is considered inactive in the market.

(c) *Bonds, notes and debentures* – the borrowings in Level 3 are considered to be classed as inactive in the market therefore there are no quoted or recent historical market transactions. Securities are valued using discount cash flow methods, utilising internally constructed yield curves for Commonwealth Government securities and SAFA bonds.

Reconciliation of movement in Level 3

2013	30.06.12	Total gain/loss income statement[1]	Purchase/ Settlements	Sales/ Issues	30.06.13	Unrealised gain/ loss in income statement for assets held at 30.06.13
Financial assets:	$'million	$'million	$'million	$'million	$'million	$'million
Investments	273.9	10.8	-	(9.6)	275.0	1.4
Loans	5 922.0	198.0	1 148.7	(615.4)	6 653.3	(68.3)
Financial liabilities:						
Bonds, notes and debentures	939.2	(349.0)	(69.2)	-	521.0	(61.6)
	5 256.7	557.8	1 217.9	(625.0)	6 407.3	(5.3)

(1) Total net gains (losses) include realised and unrealised fair value movements (refer notes 18 and 19).

2012	30.06.11	Total gain/loss income statement[1]	Purchase/ Settlements	Sales/ Issues	30.06.12	Unrealised gain/ loss in income statement for assets held at 30.06.12
Financial assets:	$'million	$'million	$'million	$'million	$'million	$'million
Investments	275.9	11.3	0.1	(13.4)	273.9	(1.8)
Loans	6 894.2	385.4	1 602.7	(2 960.3)	5 922.0	118.1
Financial liabilities:						
Deposits and short-term borrowings	97.5	4.7	(102.2)	-	-	(40.5)
Bonds, notes and debentures	827.0	179.4	(67.2)	-	939.2	123.5
	6 245.6	212.6	1 772.2	(2 973.7)	5 256.7	33.3

(1) Total net gains (losses) include realised and unrealised fair value movements (refer notes 18 and 19).

There were no transfers into or out of Level 3 for the year ended 30 June 2013.

SAFA identifies assets and liabilities to have transferred between levels of the fair value hierarchy on the date where changed circumstances require a change in the method for determining fair values. If this date is not known, SAFA deems the transfer to have occurred at the end of the financial reporting period.

Level 3 financial instruments - sensitivity analysis

Whilst the total of Level 3 assets and liabilities is significant, SAFA's potential gains and losses in respect of these instruments has been minimised to a level which is not material.

Of the Level 3 assets and liabilities:

- $6.6 billion of assets relates to a loan extended by SAFA to the Treasurer of South Australia. This loan is wholly funded by a range of financial instruments listed under all levels of the fair value hierarchy. Any change in value of these assets and liabilities is passed onto the Treasurer, and hence the effective gain or loss borne by SAFA in relation to fair value movements in these instruments is $0. $521 million of Level 3 liabilities are utilised to fund the loan to the Treasurer of South Australia
- $275 million of assets relate to a floating rate note. The valuation methodology applied is based on discounted cash flows, utilising base rates and trading margin inputs. A one basis point decline in base interest rates would result in a gain of $5390, while a one basis point decline in the trading margin would result in a gain of $38 942.

(j) Ageing analysis

As at 30 June 2013 the amount of receivables including impaired assets that are past due was $2.447 million.

2013	Past due by				
	0-30 days	31-60 days	61-90 days	+91 days	Total
Not impaired:	$'million	$'million	$'million	$'million	$'million
Receivables	1.2	0.3	0.3	0.3	2.1
Impaired:					
Receivables	-	-	-	0.4	0.4
	1.2	0.3	0.3	0.7	2.5
2012					
Not impaired:					
Receivables	-	0.3	0.2	0.5	1.0
Impaired:					
Receivables	-	-	-	0.3	0.3
	-	0.3	0.2	0.8	1.3

Past due but not impaired receivables are SA Government debts considered recoverable regardless of their age and impaired receivables are long outstanding debts with non-SA Government entities where funds are deemed irrecoverable.

30. Average statement of financial position and margin analysis

The average balances represent the average month end balances and reflect the face value of SAFA's assets and liabilities. The average rate is calculated as interest divided by the average balance of interest bearing assets and liabilities.

		2013			2012	
	Average balance $'million	Interest $'million	Average rate %	Average balance $'million	Interest $'million	Average rate %
Assets:						
Interest earning assets:						
Cash and cash equivalents	2 352.9	82.1	3.49	1 826.4	88.3	4.83
Investments	1 259.4	66.6	5.29	1 546.7	81.0	5.24
Loans	14 790.2	625.2	4.23	13 128.3	664.7	5.06
Other assets	-	479.5	-	-	473.4	-
Total assets	18 402.5	1 253.4	4.21	16 501.4	1 307.4	5.05
Liabilities:						
Interest bearing liabilities:						
Deposits and short-term borrowings	5 275.7	158.2	3.00	6 382.3	224.6	3.52
Bonds, notes and debentures	13 597.7	689.3	5.07	10 212.4	582.8	5.71
Other liabilities	-	391.7	-	-	474.6	-
Total liabilities	18 873.4	1 239.2	4.49	16 594.7	1 282.0	4.87

31. Actuarial assumptions and methods

SAFA writes four broad classes of general insurance: property, liability, other liability and medical malpractice. Products included in these broad classes are detailed below:

Property (Short tail)	*Liability (Long tail)*	*Medical malpractice*	*Other liability (Long tail)*
Aviation property	Aviation liability	Medical malpractice	Volunteers
Buildings and contents	Builders' warranty		
Consequential loss	General liability		
Fidelity guarantee	Marine liability		
General property	Professional indemnity		
Machinery breakdown	Personal accident		
Marine property			
Motor vehicle			

Percentage risk margin adopted

The percentage risk margin adopted to reflect the inherent uncertainty of the central estimate was applied at the following rates by broad class:

	2013		2012	
	Fund 1	Fund 2	Fund 1	Fund 2
	%	%	%	%
Medical malpractice	32	25	32	25
Liability	33	23	33	23
Property	21	19	21	19
Other	33	23	33	23

The overall risk margin is determined allowing for the uncertainty of the outstanding claims estimate. Uncertainty is analysed taking into account potential uncertainties relating to the actuarial models and assumptions, the quality of the underlying data used in the models, the general insurance environment, and the impact of legislative reform.

AASB 1023 does not prescribe a fixed risk margin or probability of sufficiency. However, it is a requirement of the Australian Prudential Regulation Authority guidelines for private sector insurers that a minimum of 75% probability of sufficiency be satisfied through the application of the risk margin. Taking into account the nature of the risks underwritten by SAFA and distributions regarded as relevant by the industry for those risks, the application of the above risk margins by class result in a 75% probability that the provision for outstanding claims will be sufficient.

Discount/Inflation rates

SAFA used the following discount and inflation assumptions in the measurement of its outstanding claims.

	2013	2012
For the succeeding year:	%	%
Inflation rate (includes superimposed inflation) - medical malpractice	3.00*	3.00*
Inflation rate (includes superimposed inflation) - short tail classes	-	-
Inflation rate (includes superimposed inflation) - long tail classes	3.00*	3.00*
Discount rate - medical malpractice	3.70	3.10
Discount rate - short tail classes	2.80	2.60
Discount rate - long tail classes	3.10	2.65
For subsequent years:		
Inflation rate (includes superimposed inflation) - medical malpractice	3.00*	3.00*
Inflation rate (includes superimposed inflation) - short tail classes	-	-
Inflation rate (includes superimposed inflation) - long tail classes	3.00*	3.00*
Discount rate - medical malpractice	3.70	3.10
Discount rate - short tail classes	2.80	2.60
Discount rate - long tail classes	3.10	2.65

* The valuation methods adopted do not have an explicit inflation assumption, although allowance is made for superimposed inflation (3%) for both medical malpractice and long-tail classes.

Weighted average expected term to settlement of outstanding claims from the end of the reporting period:	2013		2012	
	Fund 1	Fund 2	Fund 1	Fund 2
	Years	Years	Years	Years
Medical malpractice	7.13	2.52	6.16	2.23
Liability	3.20	5.17	3.56	5.22
Property	1.67	1.87	1.56	1.60

Total outstanding claims

Fund 1	Central estimate $'million	Risk margin $'million	Indirect claim settlement margin $'million	2013 Total $'million
Expected future claims payments (inflated/undiscounted)	247.2	72.3	13.2	332.7
Discount to present value	(44.6)	(13.0)	(2.4)	(60.0)
Total outstanding claims	202.6	59.3	10.8	272.7

The impact of the revision of the inflation and discount assumptions is detailed below:

Outstanding claims:	Balance under 2012 assumptions* $'million	Balance under 2013 assumptions* $'million	Change due to revision of assumptions $'million
Medical malpractice	208.4	200.9	(7.5)
Liability	68.7	66.9	(1.8)
Property	4.9	4.9	-
Other	-	-	-
Total outstanding claims	282.0	272.7	(9.3)

* The outstanding claims positions as at 30 June 2013 and the economic assumptions as at 30 June 2012 have been used to identify the impact due to revision of those assumptions.

Fund 2	Central estimate $'million	Risk margin $'million	Indirect claim settlements margin $'million	2013 Total $'million
Expected future claims payments (inflated/undiscounted)	47.0	12.0	2.8	61.8
Discount to present value	(5.4)	(1.4)	(0.4)	(7.2)
Total outstanding claims	41.6	10.6	2.4	54.6

The impact of the revision of the inflation and discount assumptions is detailed below:

Outstanding claims:	Balance under 2012 assumptions* $'million	Balance under 2013 assumptions* $'million	Change due to revision of assumptions $'million
Medical malpractice	35.4	35.4	-
Liability	18.4	17.6	(0.8)
Property	1.8	1.6	(0.2)
Total outstanding claims	55.6	54.6	(1.0)

* The outstanding claims positions as at 30 June 2013 and the economic assumptions as at 30 June 2012 have been used to identify the impact due to revision of those assumptions.

32. Subsidiaries

Playford Capital Pty Ltd became a subsidiary of SAFA on 1 July 2012. The financial statements do not incorporate the assets, liabilities and results of the subsidiary in accordance with the accounting policy described in note 2(c).

Name of entity	Country of incorporation	Class of shares	Equity holding 2013	Equity holding 2012
Playford Capital Pty Ltd	Australia	Ordinary	100%	0%

As at 30 June 2013 Playford Capital had retained earnings of $6.8 million.

33. Events after the end of the reporting period

Effective 1 July 2013, SAFA will offer building indemnity insurance within South Australia. SAFA has also entered into a 100% quota share arrangement with an external insurance provider to manage these claims. This is unlikely to have any material effect on the operations or the state of affairs of SAFA as the Treasurer has indemnified SAFA for any operating profit or loss before tax relating to these activities.

South Australian Housing Trust

Functional responsibility

Establishment

The South Australian Housing Trust (the Trust) was established by the *South Australian Housing Trust Act 1995*. The Trust also administers the *Housing Improvement Act 1940*.

Functions

The functions of the Trust include the following:

- the ownership of houses and units for tenant occupation
- the construction and purchase of houses and other properties
- the management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants
- the management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust manages a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of grant programs managed is detailed in note 11 to the financial statements.

The Trust has a performance agreement with the Department for Communities and Social Inclusion (DCSI), Housing SA, to provide housing services on its behalf. Under the agreement, the Executive Director, Housing SA manages these services on behalf of the Trust.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31 of the PFAA and section 27(4) of the *South Australian Housing Trust Act 1995* require the Auditor-General to audit the accounts of the Trust 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 Trust 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:

- revenue, including raising rent and recovery
- accounts payable
- staffing costs
- maintenance expenditure
- council and water rates
- house and vacant land sales
- fixed assets including rental properties
- inventory
- community housing operations
- general ledger
- homelessness grant management
- financial management compliance program.

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.

In addition, some services including payroll and accounts payable processing were undertaken by SSSA and these were reviewed as part of the 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 Australian Housing Trust 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 Housing Trust 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 Housing Trust 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 Executive Director, Housing SA. The main matters raised with the Trust and the related responses are detailed below.

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

Rent

The following matters were raised with the Trust in 2012-13.

Effectiveness of manual proof of income review

Tenants can elect to provide their proof of income through either Income Confirmation Services or through the completion of a manual proof of income review form accompanied with documentation supporting current household income.

Audit review noted the following gaps in the Trust's manual proof of income review which increase the risk that tenants may receive rebates to which they are not entitled:

- The Trust does not obtain assurance the income details provided by tenants is complete (ie includes all sources of income).
- Income details provided by tenants are at a point in time which may not necessarily reflect their income over the period.

In response the Trust advised their policy is designed to assist tenants at a point in time. Amending the current proof of income review processes to address the gaps identified would result in many customers being disadvantaged and could result in a tenant debt or a rental rebate not being provided to a tenant at a time when it is most required. The repercussions for this would be hardship, potential arrears and eviction.

Completion of proof of income review and reversion of tenants to full market rent

The Trust's rent assessment guidelines require a proof of income review to be performed biannually (October and April) for tenants in receipt of reduced rent (ie rental rebates). The review is designed to determine whether tenants remain entitled to ongoing rental rebates. The October 2012 proof of income review was completed in late March 2013.

The rent assessment guidelines require rent reversion letters to be sent to tenants who fail to provide proof of income following the expiration of the period for return of the proof of income (early November 2012).

The audit revealed rent reversion letters were sent to tenants who failed to provide proof of income in late March 2013 and 743 tenants were reverted to full market rent effective April 2013. Consequently, tenants who failed to provide proof of income were not reverted to full market rent on a timely basis.

In response the Trust advised the current rent assessment system was developed some time ago and its design and functionality reflects the rent assessment policies at the time.

The Rents and Special Programs unit is currently undergoing a review to propose efficiencies to manage rents and special programs into the future, considering the current environment, workload levels and impacts of centralisation and complexity of rent assessments.

Other control issues

The audit also identified the following control issues:

- The Trust's rent assessment guidelines require that at least once every 12 months, a household occupancy declaration is sent to tenants where they are in receipt of reduced rent and all household occupants are participating in Income Confirmation Services. This process ensures the income of all people residing at a property is taken into account when determining total tenant rent payable. Audit review found the last household occupancy declaration process was conducted in June 2010.
- Rent increases due to proof of income review were not always applied from the effective date required by the Trust's rent assessment guidelines.
- Debt write-off reconciliations required by the Trust's customer debt management procedure were not always performed monthly.

In response the findings the Trust advised:

- the household occupancy declaration process was under review in 2011-12 with the intention to reintroduce the process in July/August 2013. This did not occur with a decision made to replace the household occupancy declaration process with an amnesty in August 2013. The Trust advised that the household occupancy declaration process will recommence in 2014

- due to the volume of proof of income reviews undertaken and resource limitations the assessment of proof of income and implementation of rent increases is staged. It is not practical to backdate the effective date of any rent increase where the tenant has responded on time, but the Trust has been unable to process the review. The Trust's rent assessment guidelines will be reviewed and amended to reflect the process used for the application of rent increases.

Council rates

Council rate expenditure is processed through the council rates system and in 2012-13 expenditure was $43 million. The audit of the Trust's council rate expenditure function identified opportunities to improve the control environment.

The Trust's council rates procedures establish the foundations for a satisfactory control environment over the processing of council rate payments. However, the audit revealed a number of instances where controls in the council rates procedures were not performed as required. These included:

- exception reports not being checked
- reconciliations not being performed monthly.

In addition, Audit noted a number of other areas where it was considered that controls could be improved. These included:

- instances where council rate payments were authorised for payment after disbursement had occurred. This is inconsistent with TI 8 which requires payments to be approved prior to disbursement

- council rates payable were not verified to declared rates as published in the South Australian Government Gazette

- scope to improve controls over the processing of manual council rate notices.

In response the Trust advised they are currently undertaking steps to establish processes that ensure key controls are performed by officers as required. This includes implementing self-audit processes to ensure adherence to procedures. The Trust also advised they are investigating whether system changes can be implemented to achieve improvements in control.

Water rates

Water rates expenditure

The Trust is responsible for the payment of water rates. Water rates expenditure is processed through the water rates system and in 2012-13 expenditure was $40 million. Audit review of controls in this area identified the following:

- Water rate payments were authorised for payment after disbursement had occurred. This is inconsistent with TI 8 which requires payments to be approved prior to disbursement.

- The monthly reconciliation of payments recorded on the water rates system and actual payments were not always performed timely.

- There was scope to improve controls over the processing of manual water rate notices.

In response the Trust advised the following:

- From the 2013-14 financial year, monthly reports will be produced for water rate notices manually input to the water rates system. These will be reviewed and independently verified to ensure accurate entry of water rates.

- The current authorisation report has been modified to ensure water rates due are approved one week prior to payment. This will ensure payments of water rates are authorised by officers with appropriate payment delegation prior to disbursement.

- Since November 2012 reconciliations between the water rates system and Masterpiece accounts payable system have been completed monthly.

Recovery of water rates from tenants

Tenants are responsible for the cost of their water consumption with the Trust recharging tenants for water rates paid on their behalf. Audit review of controls over this function identified the following:

- Evidence of an independent check of the authorised water rates updated into the water rates system was not maintained.

- Water allowances are not entered into the water rates system meaning system controls detailed in the Trust's water usage guidelines were not implemented. Further the audit identified there was no control to ensure:

  — reviews were performed of tenants' ongoing entitlement to water allowances as required by the Trust's water usage guidelines

  — credits required to be processed into the accounts receivable system had been accurately calculated and entered.

- The monthly reconciliation of water recovery invoices raised in the accounts receivable subledger and the water recovery income recorded in the general ledger were not always performed timely.

- The Remissions Clearing Account had not been effectively reconciled.

In response the Trust advised the following:

- A process has been implemented that includes verification of gazetted water rates through both documentation and the retention of evidence following sign-off by the team leader.

- The current water rates system does not possess the functionality to enable water allowances to be processed in the system. System modifications are not being considered and therefore the processing of water allowances will continue to be managed manually. To address control weaknesses identified by Audit over water allowances the following steps are to be implemented:

  — A spreadsheet is to be developed to enable reports to be developed, generated and distributed to operations managers and team leaders on a quarterly basis to allow for the identification, review and monitoring of water allowances.

  - From 2013-14 a report will be produced for spot checking purposes to ensure water allowances have been accurately calculated and entered.

- Since December 2012 the water recoveries reconciliations have occurred on a monthly basis. In addition a procedure outlining processing requirements and the reconciliation frequency has been documented.

- Housing SA has commissioned a new report to identify remissions provided to tenants not yet invoiced. This will provide complete details for the Housing SA reconciliation of the Remissions Clearing Account.

Project management control arrangements – Renewal SA

In mid-April 2012 significant restructuring of operations occurred with the Trust transferring a component of its major project functions to the Urban Renewal Authority (trading as Renewal SA). Assets for three project areas were transferred to Renewal SA along with staff responsible for project management functions.

During 2011-12 Audit sought clarification on arrangements in place for the control and management of Trust projects given the Trust is no longer responsible for the staff performing project management functions. In September 2012 the Trust advised that discussions were occurring between the Trust and Renewal SA to formalise arrangements including an Inter-Ministerial Agreement, an agreement between the Renewal SA and Trust boards, a housing plan and a memorandum of administrative arrangement.

In early July 2013 Audit requested an update on the formalisation of the above governance documents. The Trust advised:

- the Inter-Ministerial Agreement is currently with the Minister for Social Housing and the Minister for Housing and Urban Development for approval and sign-off

- the agreement between the Renewal SA and Trust boards is in draft and expected to be approved following approval of the Inter-Ministerial Agreement

- a final draft of the memorandum of administrative arrangement has been returned to Renewal SA for approval.

At the time of preparing this Report none of the above governance documents had been finalised.

Audit considers the formalisation and documentation of management arrangements with Renewal SA is fundamental to providing clarity about roles, responsibilities and accountabilities of the two organisations.

House and vacant land sales

The Trust undertakes a program of selling property assets as a source to fund debt repayment and capital programs. During 2012-13 the Trust sold dwellings generating $183 million in sale proceeds.

The audit included a review of controls over the approval and processing of sales transactions. The audit identified areas where it is considered controls could be improved. Audit's key observations are summarised below.

Sale of Trust properties undertaken by Renewal SA

As noted previously certain Renewal SA officers continue to perform project management functions on behalf of the Trust which include arranging and facilitating the sale of Trust properties.

The audit identified the Trust had not implemented effective arrangements to ensure the sale of Trust properties undertaken by Renewal SA were conducted in accordance with the Trust's house and vacant land sales policy and guidelines. Specifically, the audit identified instances where:

- sales of Trust properties were undertaken by Renewal SA without reference to a current market valuation as required by the Trust's house and vacant land sales guidelines

- property sale transactions undertaken by Renewal SA had not been approved in accordance with Housing SA's financial delegations.

In addition, the audit identified the Trust's house and vacant land sales policy and guidelines have not been reviewed and updated to reflect revised processes and control arrangements required to manage sales of Trust properties undertaken by Renewal SA.

In response to the findings the Trust advised:

- Sales and Acquisitions will work with Renewal SA to ensure processes relating to the timeliness of valuations are adhered to. Where applicable, delegate approval will be obtained where it is considered unnecessary to obtain a current market valuation

- sales of Trust properties undertaken by Renewal SA are now required to be approved by a Housing SA officer with delegated authority

- the Trust's house and vacant land sales guidelines will be updated to reflect process changes required as result of Renewal SA undertaking sale transactions on behalf of the Trust.

Progressive Purchase Scheme tenant insurance

Tenants purchasing properties under the Progressive Purchase Scheme are required to maintain insurance cover for the property.

The audit found controls designed to ensure Progressive Purchase Scheme tenants remained compliant with their insurance obligations did not operate as intended. Audit review of the spreadsheet used to monitor Progressive Purchase Scheme tenants' compliance with their insurance obligations identified tenants whose insurance policy:

- did not list the Trust as an interested party (ie joint owner)
- had expired.

Further, the audit found the spreadsheet used to monitor Progressive Purchase Scheme tenants' compliance with their insurance obligations was incomplete (ie did not include all Progressive Purchase Scheme tenants).

In response the Trust advised that relevant officers have been advised of the requirement to ensure proof of insurance is received from all Progressive Purchasing Scheme tenants. In addition, quarterly audits will be conducted to ensure proof of insurance is received from all Progressive Purchasing Scheme tenants and where proof of insurance has expired or is outstanding this will be followed up and actioned.

Other control issues

The audit also identified the following control issues:

- Monthly exception reporting to confirm compliance with the Trust's house and vacant land sales policy and related procedures had not been implemented.
- Instances were identified where properties were sold at less than the price approved by the delegated officer authorising the sale transaction.

The Trust advised exception reporting is currently being reviewed as part of Sales and Acquisitions reporting processes, and the review of the house and vacant land sales guidelines. In addition, changes to the Trust's sales tracker database will enable accurate information to be extracted for monthly reporting.

In response to the finding regarding properties being sold at less than the price approved by the delegated officer, the Trust advised current financial delegations allow for up to a 10% variance between current valuation and sale price. Therefore if the sale price negotiated is less than the approved price the Trust does not believe the sale transaction should be re-assessed and approved by the delegated officer.

This matter will be further reviewed in 2013-14.

Payroll

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Trust 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.

Trust - payroll control environment

While SSSA is responsible for payroll processing, important payroll controls are performed by the Trust. Specifically, Trust officers perform the key task of reviewing payroll reports to validate employee payments and leave records.

The audit considered the effectiveness of manager/supervisor review of bona fide reports as a control to provide assurance that only bona fide employees are paid. The audit found:

- fortnightly bona fide reports were not always produced and distributed to managers/supervisors timely. Bona fide reports for the period April 2013 - June 2013 were distributed to managers/supervisors in June 2013

- a significant number of bona fide reports had not been certified as reviewed or were not certified as reviewed within required timeframes.

The review of the Trust's controls over leave recording found:

- leave reports were not distributed to managers/supervisors for review timely. Leave reports for the period April 2013 - June 2013 were distributed to manager/supervisors in late July 2013

- the Trust did not have processes to confirm checking procedures were being performed effectively

- some managers/supervisors did not review leave reports as required.

Audit testing identified instances where leave recorded in attendance records was not recorded or was incorrectly recorded in the payroll system.

The Trust advised their primary objective was to now ensure managers understand and carry out their responsibilities in monitoring leave records and reviewing bona fide reports. To support this the Trust will:

- report regularly to Executive on a monthly basis on unscheduled leave days
- undertake a review of practices in business units to support good practice.

The Trust also advised the issue of bona fide and leave reports not being provided to Trust managers for review timely has now been resolved.

In relation to monitoring the operation of the review of leave report control, the Trust advised this is clearly the responsibility of managers and executives who have staff reporting to them. DCSI manages the process of providing electronic leave reports and have advised they do not plan to include a confirmation component.

Capital works in progress (CWIP)

The Trust's capital project systems support the recording and reporting on Trust expenditure on housing projects. These systems also support the reliable reporting of this activity in the Trust's financial statements. Account balances supported by the Trust's capital project systems include inventory ($106 million) and fixed assets work in progress ($128 million) and costs of sales for work in progress ($81 million).

The audit included a review of the Trust's internal controls supporting the accounting for work in progress.

Accounting for transfer of completed properties from CWIP into fixed asset accounts

Upon project completion properties are transferred out of CWIP into fixed asset accounts at their allocated project budgetary amounts. Audit review of the accounting treatment of the difference between actual costs and allocated project budgetary costs identified the following issues:

- Retained properties whose actual project costs exceed allocated project budgetary costs by less than 5% are being recognised in fixed assets accounts at less than their cost.

- Retained properties whose actual project costs were less than allocated project budgetary costs are being recognised in fixed assets accounts at in excess of their cost.

The recognition of retained properties in fixed asset accounts at an amount different from their costs is inconsistent with AASB 116.

In response the Trust advised:

- where actual project costs exceed allocated budgetary costs by less than 5% the variance will continue to be written off to the construction variance account. That is the asset will continue to be recognised at an amount lower than its actual cost

- where the actual project costs are less than the allocated budgetary costs the asset value will be adjusted downwards in all instances. This will result in the asset being recognised at its cost.

Other control issues

The audit also identified a number of areas where existing controls could be improved including:

- scope to improve the review and approval of the work in progress substantiation exercise
- the timely review and correction of reconciling items between job cost and the general ledger.

The Trust responded that appropriate action would be taken to address the matters raised.

General ledger

TI 2 requires the Chief Executive to ensure reconciliations are performed on a regular and timely basis.

The audit found processes detailed in the Trust's 'Working Papers: Reconciliation' procedure to monitor the performance of key reconciliations were not implemented as intended. Specifically, Audit noted:

- the Financial Accounting Branch did not obtain copies of monthly reconciliations of essential operating revenue and expense accounts and all balance sheet accounts

- a process to monitor and report on the performance of reconciliations had not been implemented.

In addition, Audit found the Financial Accounting Branch's reconciliation registers were ineffective as a monitoring tool as the reconciliation registers:

- did not detail all balance sheet accounts to be reconciled

- had not been updated to reflect the completion of reconciliations

- did not contain all information required to enable the Trust to effectively monitor the performance of reconciliations.

In response the Trust outlined a series of revised processes to monitor the performance of reconciliations across the organisation. A new series of reconciliation checklists are to be developed for senior managers which will be updated monthly for reconciliation performance and provided to the Manager Financial Accounting. Signed copies of all reconciliations will be provided to the Manager Financial Accounting and/or Manager Financial Reporting twice yearly for interim and final financial reporting.

Management of homelessness grant payments

The Trust provides grants to a number of government and non-government organisations for the provision of specialist homelessness services. During 2012-13 $52 million in grants was provided to homelessness service providers.

The audit included a review of the arrangements implemented by the Trust to support the effective management of grants to homelessness service providers. Audit review of the Trust's grant management processes identified areas where grant management processes and controls could be improved.

Update of prior year audit findings

Audit review in 2011-12 identified that quarterly service delivery reports which included information about key performance indicators (KPIs) were discontinued from 1 July 2011 pending the introduction of the Homeless to Home Case Management and Data Collection System (H2H system).

Technical difficulties with the implementation of the H2H system meant no monthly reports were produced and little information was available to ensure grant recipients were meeting their service obligations.

The current audit revealed the H2H system now has functionality to allow performance information to be extracted for review by project officers. However, breakdowns in performance reporting processes were identified. These included:

- reports generated from H2H system outlining service provider performance against KPIs did not include details of performance for service specific KPIs included in the service agreements
- qualitative data relating to service provision was not obtained every second quarter from service providers as prescribed in service agreements.

In response to the findings the Trust advised:

- for 2013-14 service specific KPIs have been reworded or removed from service agreements. The new service specific KPI data will be able to be extracted from H2H on a quarterly basis, allowing the Trust to measure service provider performance
- qualitative data relating to service provision is now being obtained through core monitoring validation and performance reviews as opposed to being provided in quarterly data reports.

Contract performance management framework

The Trust has developed and documented a contract performance management framework which provides the foundation for effective grant management.

Audit review found core monitoring procedures outlined in the contract performance management framework were not implemented as intended. Specifically Audit noted:

- service providers' performance against their KPIs was not reviewed monthly
- evidence of the review of quarterly expenditure reports was not always documented on the Funding and Grants Management System
- confirmation and review of the service providers' capital asset register was not undertaken quarterly
- core monitoring validation reviews have not been completed every six months.

The Trust advised it is currently developing a contract performance management procedure (CPMP) based on the DCSI contract management framework. The CPMP will be a more robust, streamlined performance review, based on risk which will enable the Trust to assess service provider performance against the master and service agreements.

In regard to the specific audit findings the Trust advised:

- reviewing KPIs quarterly best captures the needs and outcomes of service providers against their KPIs
- documenting project officer reviews of quarterly expenditure reports will be enforced
- a quarterly review of the service providers' capital asset register is considered to be onerous. Accordingly, the new CPMP will reflect that reviews of asset register be undertaken on an annual basis
- core monitoring validation reviews were not completed in the last six months of the 2012-13 year as the Trust was compelled to undertake performance reviews to assess if service agreements should be extended. The Trust also advised that a performance review, whilst less in depth than core monitoring validation review, still covered KPIs, outcomes and outputs of the service agreement, financial compliance, innovation/good practice, service delivery issues, organisational governance and assessment of recommendations from previous core monitoring reviews.

Other control issues

The audit also identified a number of areas where grant management processes and controls could be improved. Matters identified include the following:

- The Annual expenditure report submitted by some service providers had not been certified by two senior officers affirming the expenditure incurred was in accordance with the master and service agreements.
- Quarterly acquittal reports submitted by some service providers did not include details of budget and projected end of year outcomes. In addition, not all quarterly acquittal reports had been signed by two senior officers.
- The Trust did not have a control to ensure audited financial statements were received from all service providers. In addition, there was scope to improve and document the analysis performed on the audited financial statements.
- The Trust had not finalised the development of a performance framework to provide a practical means to evaluate the outcomes/outputs of the grant program.

In response the Trust advised the following:

- For 2012-13 reporting purposes, any annual expenditure reports received that have not been correctly certified and signed off have been returned to the service provider for resubmission with the required certification.
- Since the audit, the Trust instigated follow-up actions that resulted in the collection of all outstanding audited financial statements. Processes are now in place to ensure financial statements and auditor's reports are received and reviewed regardless of funding levels.

- The review and analysis of service provider audited financial statements will be documented and subject to management review and sign-off.
- The Trust will incorporate elements of a performance framework in the new CPMP.

In relation to the quarterly acquittal reports submitted by some service providers not containing details of budget and projected outcomes, the Trust advised that whilst the expenditure report template makes provision for inclusion of this information it is not a mandatory requirement. It only becomes a requirement where review of service provider performance warrants further detailed investigations, whereupon the Trust may request additional information.

Accounts payable

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 the Trust 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.

Trust - payment control environment

The audit also included a review and evaluation of procedures and controls implemented by the Trust.

The review of controls implemented by the Trust identified some areas where it is considered that controls could be improved including:

- differences identified between Basware system user access levels and the Trust’s financial delegations were not communicated to SSSA within prescribed timeframes
- opportunities to improve the means by which variations between Basware user access and the Trust’s financial delegations are tracked and flagged for future follow-up and closure
- the review of super delegate transactions was performed by an officer possessing super delegate status in Basware. Consequently not all transactions processed by super delegates were independently reviewed for validity
- policy and procedures supporting key monitoring and review activities undertaken by Trust officers were not documented.

The Trust response acknowledged these matters and provided details of action to be taken to strengthen the control environment.

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 Trust’s Board.

The audit identified that for the period of review (principally December 2012 to February 2013):

- invoices were not date stamped upon receipt
- the account payment performance report did not include an analysis/explanation for not achieving 100% of invoices paid within 30 days
- the account payment performance report for November 2012 was not presented to the Trust's Board within required timeframes
- date parameters used to prepare the account payment performance report was not always the invoice receipt date as required by TI 11.

In addition, policies and procedures addressing the full requirements of TI 11 had not been documented.

The Trust responded by specifying it would address the issues raised. However, regarding date parameters used to prepare the account payment performance report, the Trust advised that certain legacy feeder systems do not contain a field to capture the invoice receipt date. Further, the Trust advised cost benefits analysis does not support amendment of these systems to accommodate capturing this information.

Information and communications technology and control

DCSI provides services and support to the Trust's ICT environment.

In 2012-13, Audit undertook a high-level review of the Trust's key IT financial systems and infrastructure. Certain observations resulting from this review were raised with the Trust for attention. These include:

- finalisation of remediation of the Trust's business continuity and disaster recovery plans aligned with DCSI's corporate and ICT Services plans
- finalisation of the Trust's suite of IT security policies and procedures aligned with DCSI ICT services IT security documentation
- development of the Trust's application system development and implementation policies and procedures aligned with DCSI future strategic direction and effective sustainable business practices
- progressing a number of the Trust's related internal audit reviews through DCSI corporate and information security management systems management.

In response the Trust outlined actions to be taken to address the specific matters raised by Audit and provided targeted dates for completion out to December 2013.

Other commentary

Multi-trade contractor

The Trust is implementing a multi-trade contractor (MTC) model whereby an MTC or head contractor will manage the majority of all job orders issued by the Trust for responsive repairs and maintenance, programmed maintenance and capital upgrade maintenance within a defined geographic area. The MTC will be responsible for all aspects of delivering the maintenance works, from commencement through to inspection. There are a small number of contracts which involve specialist services which are excluded from the MTC and these include horticultural, fire safety, occupational therapy services, Maintenance Centre and supplies contracts.

In September 2011, Cabinet approved DPTI, in collaboration with Housing SA, to conduct a price comparison between the Across Government Facilities Management Arrangements (AGFMA) and the MTC model with a view to making a recommendation to DTF of the model offering the best advantage for Government. The price comparison exercise recommended that Housing SA remain independent of the AGFMA. The recommendation was endorsed by the Minister for Social Housing and Minister for Infrastructure and approved by the Treasurer in April 2012.

In May 2012 the Minister for Infrastructure advised Cabinet through a cabinet note that the Minister for Infrastructure, Minister for Social Housing and the Treasurer approved Housing SA adopting the MTC model for facilities management services for its asset portfolio.

A public request for tender was released in September 2012 seeking the provision of MTC services. The request for tender closed in November 2012. In April 2013 Cabinet approved the awarding of contracts to five multi-trade contractors pending the development of a communication strategy which was submitted to Cabinet in May 2013.

Contracts estimated to be worth $912 million over eight years (3 plus 3 plus 2) were executed with the five multi-trade contractors during July and August 2013. The MTC arrangements are due to be implemented from October 2013.

The procurement and implementation of MTC arrangements will be subject to audit review in 2013-14.

Interpretation and analysis of the financial report

Highlights of the financial report

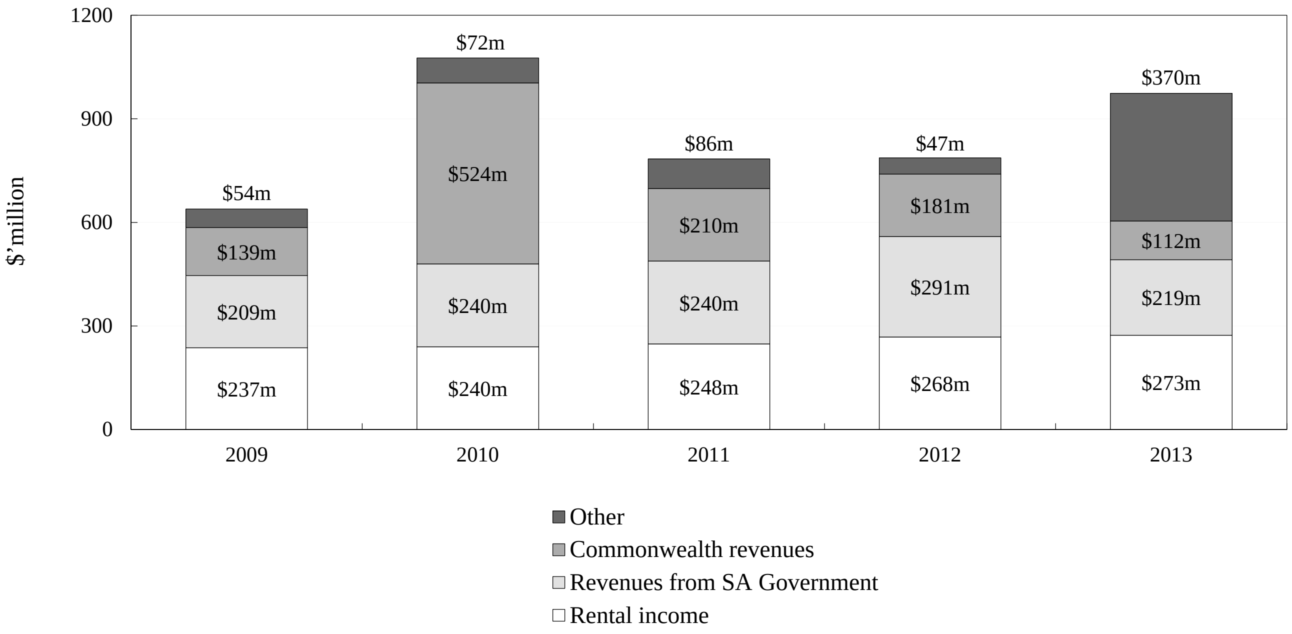
	2013 $'million	2012 $'million
Expenses		
Staffing costs	70	75
Finance costs	29	41
Maintenance	115	111
Council rates and water rates	83	76
Land tax equivalent	181	193
Depreciation and amortisation	88	90
Grants and subsidies	84	84
Other expenses	92	100
Total expenses	742	770
Income		
Rental income	273	268
Commonwealth revenues	112	181
Other	370	47
Total income	755	496
Net cost of (revenue from) providing services	(13)	274
Revenues from SA Government	219	291
Net result	232	17
Other comprehensive income	(411)	443
Total comprehensive result	(179)	460
Net cash provided by (used in) operating activities	72	91

	2013 $'million	2012 $'million
Assets		
Current assets	450	443
Non-current assets	9 808	10 369
Total assets	10 258	10 812
Liabilities		
Current liabilities	64	78
Non-current liabilities	130	491
Total liabilities	194	569
Total equity	10 064	10 243

Statement of Comprehensive Income

Income

For the five years to 2013 a structural analysis of income for the Trust is presented in the following chart.



Total income was $974 million, an increase of $187 million over the previous year. The movement in the main components of income were:

- SA Government revenues decreased by $72 million to a total of $219 million. Individual components of SA Government funding had the following outcomes:
  - — land tax equivalent reimbursement, down $12 million. Under the Commonwealth funding arrangement funds received from the Commonwealth are not permitted to be used to fund tax equivalent payments. As a consequence the State provides reimbursement for any tax equivalent amounts paid by the Trust which results in tax equivalent transactions having no impact on the Trust's net result. This year land tax equivalent reimbursements were impacted by decreasing property values and totalled $181 million ($193 million)
  - — general purpose grant decreased by $10 million to $26 million

— in 2011-12 $54 million was received from Renewal SA as compensation for properties transferred to Renewal SA as part of machinery of government changes

- Commonwealth revenues decreased by $69 million primarily as a result of capital funding reductions as follows:

  — National Partnership Agreement: Nation Building - Economic Stimulus Plan, down $31 million

  — National Partnership Agreement: Remote Indigenous Housing, down $41 million.

- rental income (net of rental rebates) increased by $5 million as a result of increased market rent, up $1 million, other rent, up $1 million and lower rent rebates, down $3 million. Rent rebates reduce the rent paid by low income tenants

- other revenue increased by $323 million due to the following:

  — forgiveness of interest bearing liabilities of $320 million. Effective 30 June 2013 the Treasurer forgave $320 million of the Trust's debt. This is discussed below under the heading 'Interest bearing liabilities'

  — assets received free of charge of $3 million. During the year Renewal SA transferred 11 affordable housing properties in the Woodville West project back to the Trust (refer note 36 to the financial statements).

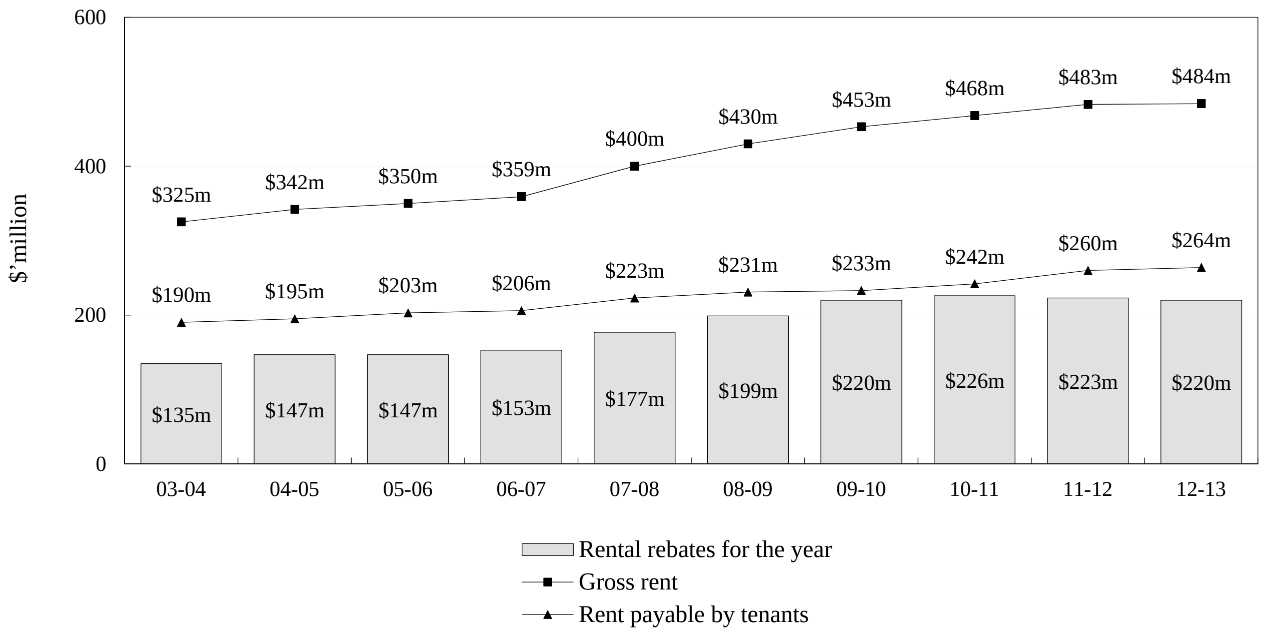
Rental operations

The following table shows the level of housing stock, excluding unlettable properties, as at 30 June for the past five years.

	2013 Number	2012 Number	2011 Number	2010 Number	2009 Number
Properties	43 548	43 705	44 436	44 706	45 103

88% (89%) of tenants pay reduced (rebated) rent due to low income.

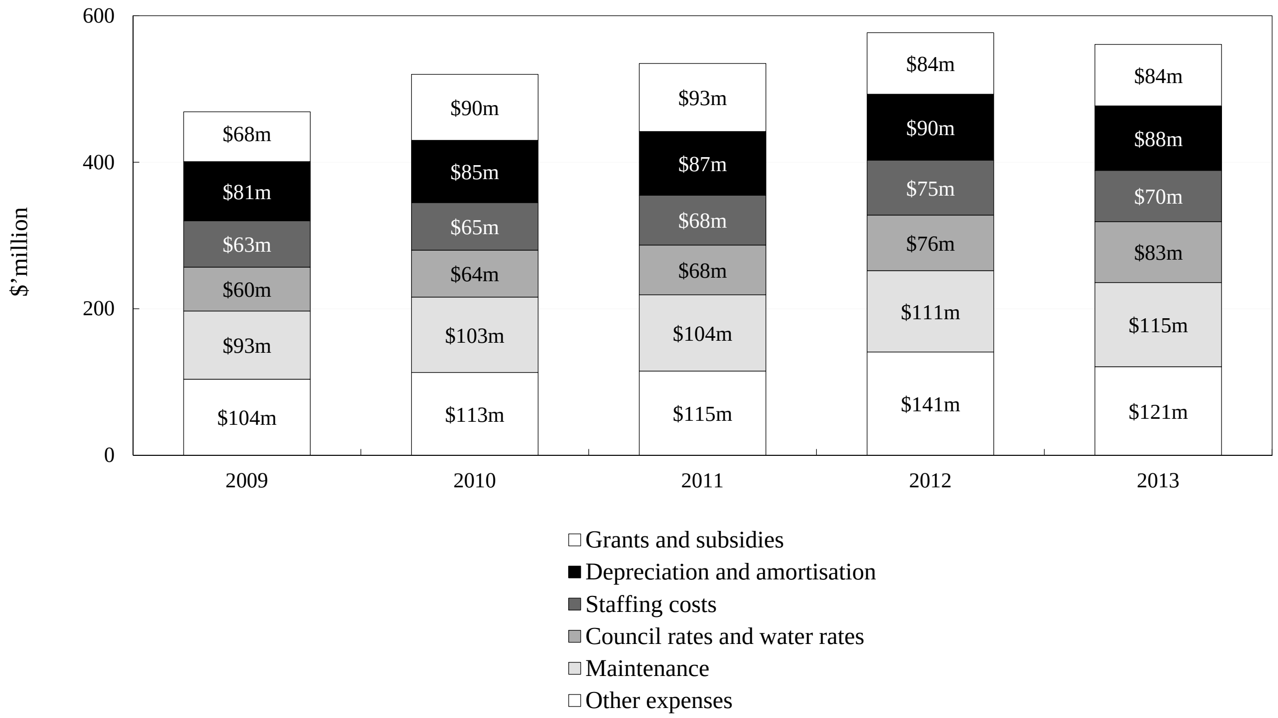
Data relating to housing stock levels and tenancies was provided by the Trust and is unaudited. The trend of rents and rebates is illustrated in the following chart:



The chart highlights that gross rent has steadily increased since 2003-04 due to increases in market rents. 2007-08 was also affected by an increase in tenant numbers due to the Trust taking over responsibility for indigenous housing. In 2013 gross rent increased by $1 million, rent revenue increased by $4 million (2%) and rent rebates decreased by $3 million (1%). The amount of rent rebates is dependent on each tenant's circumstances with rent payable being capped at 25% of household income or market rent, whichever is the lower.

Expenses

For the five years to 2013, a structural analysis of the major expense items for the Trust, other than tax equivalent expenses, is shown in the following chart.



The chart shows an upward trend in expenses over the period 2009 to 2012 with a decline in expenses in 2013.

In 2013 total expenses (excluding tax equivalent expenses) decreased by $16 million (3%). This decrease was due mainly to decreases in:

- staffing costs ($5 million) – principally as a result of reduced salaries and wages ($1 million), LSL ($2 million) and workers compensation ($1 million)
- finance costs ($12 million) – due to interest premium charges on early repayment of loans ($7 million), interest on borrowings ($3 million) and guarantee fee ($1 million).

Loss on disposal of assets

In 2013 the Trust incurred a loss on disposal of assets of $4 million compared with a loss in 2012 of $15 million. The Trust has agreed a financial viability strategy with DTF that requires a certain level of debt repayment each year, which is funded primarily through the sale of Trust properties.

For 2012-13 the asset disposal target was 490 properties to achieve a budgeted revenue target of $92 million and the debt repayment requirement was $50 million.

541 properties were sold in 2012-13. Total proceeds received from asset disposals for financial viability (sales of property excluding capital work in progress and debentured properties) for 2012-13 were $104 million compared to the net book value of $102 million.

The Trust determined that on average, properties sold at 105% of book value. A loss on disposal has been recognised after taking into account selling costs of $12 million. Note 14 to the financial statements sets out the details of asset disposals.

Debt repayments in 2012-13 were $50 million and are discussed below under the heading ‘Interest bearing liabilities’.

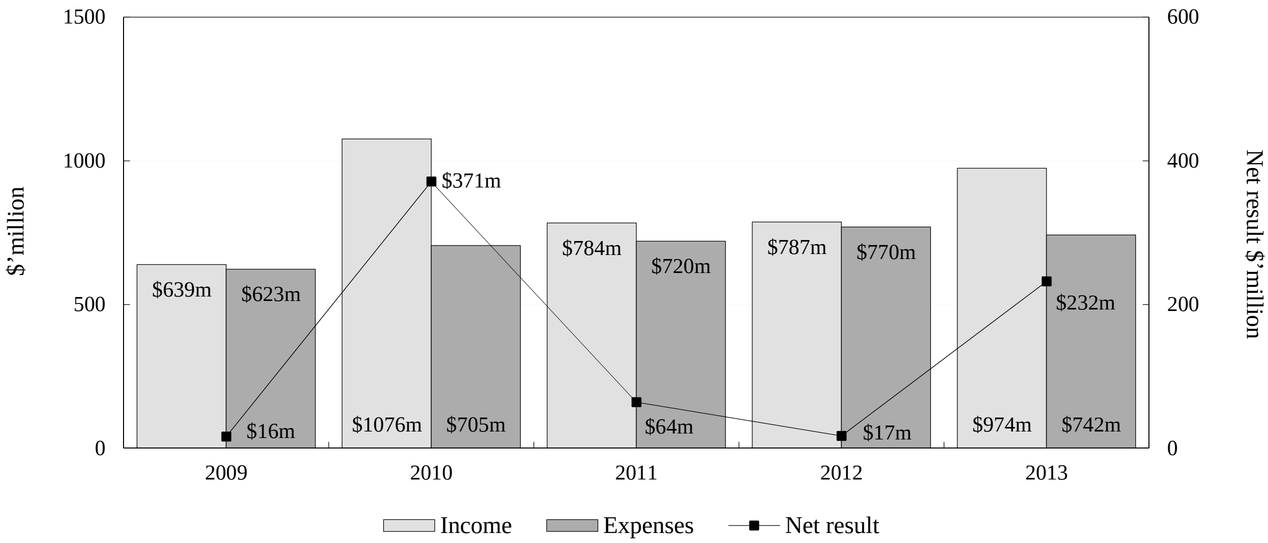
The balance of the proceeds from asset disposals is applied to fund the capital works program of the Trust.

Grant funded programs

The Trust’s recurrent direct expenditure on grant funded programs was $84 million ($84 million). Note 11 to the financial statements disclose a detailed list of grant and subsidies by grant program.

Net result

The following chart shows the income and expenses (including income tax equivalent but excluding administrative restructure) and net result for the five years to 2013.



The net result for 2013 has increased by $215 million from the previous year. The result has been impacted by the Treasurer’s forgiveness of $320 million of the Trust’s interest bearing liabilities.

The Trust has not recognised an income tax equivalent expense as approval was given to exclude the $320 million of income associated with the forgiveness of interest bearing liabilities in determining the Trust’s accounting profit for the purpose of calculating income tax equivalent payments.

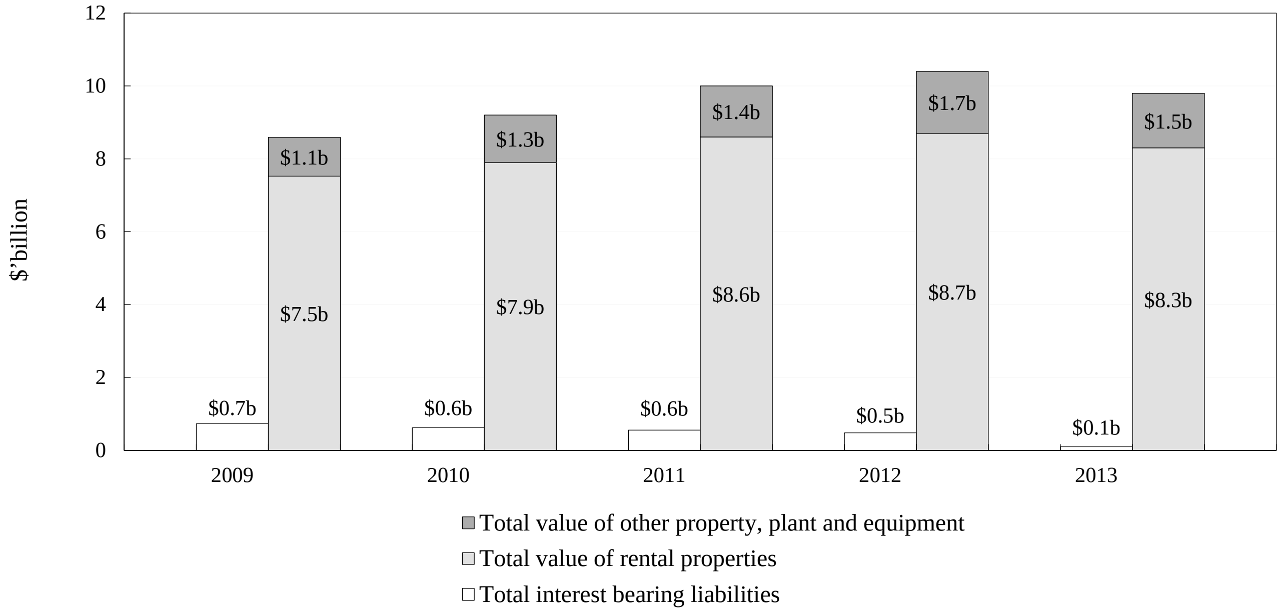
Unexpended grant funding commitments

State and Commonwealth Government funds received for a number of projects are yet to be fully expended. Note 37 to the financial statements details that $6 million of grant funds received during 2012-13, $56 million of grant funds received in 2011-12 and $3 million received in earlier financial years were unspent as at 30 June 2013. A total of $65 million was unspent at 30 June 2013.

Statement of Financial Position

The Trust's financial position is dominated by non-current property, plant and equipment assets. Current assets and liabilities are, while significant in their own right, not material relative to the non-current assets. Notwithstanding, at 30 June 2013 current liabilities amounted to $64 million ($78 million), while current assets were $450 million ($443 million).

The following chart demonstrates the Trust's indebtedness over the past five years in comparison to the value of the Trust's assets.



The decrease in indebtedness in 2013 results from the Treasurer's forgiveness of $320 million of the Trust's interest bearing liabilities.

Property, plant and equipment

In 2013 the value of rental properties decreased by $467 million (5%) to $8.3 billion. The decrease included a downward revaluation of assets of $344 million, disposal of assets of $102 million, transfers out of $61 million and depreciation expense of $72 million. This was offset by additions and transfers in of $119 million.

The chart shows a steady increase in the value of both rental properties and other property, plant and equipment for the period 2009 to 2012. In 2013, the value decreased due to lower market values associated with a subdued property market which resulted in a revaluation decrement.

The 2009 and 2010 increases primarily resulted from asset revaluations. The 2011 figures increased as a result of asset revaluations as outlined above and by the addition of assets built using the funding provided by the Commonwealth for the Economic Stimulus - Nation Building and Jobs Plan program. Other property, plant and equipment includes assets under arrangement of $1.2 billion (refer note 2.14(i) to the financial statements).

It is important to note that the Trust revalues all land and buildings annually using the Valuer-General's values. Because of the timing of the update of the Valuer-General's database and the Trust's financial reporting obligations, reported values lag current market values. As reported in note 2.14(ii) to the financial statements values for 2012-13 were issued by the Valuer-General as at 1 July 2012. This policy has been consistently applied and reflects the practicality of valuing a very large housing stock.

Interest bearing liabilities

The Trust’s interest bearing liabilities decreased by $371 million to $112 million. This decrease is principally due to the forgiveness of $320 million of the Trust’s loans with the Treasurer.

In June 2013 the Commonwealth Government wrote off $320 million of South Australian public housing debt as part of package to provide stimulus to the housing construction sector. Consistent with this the Treasurer forgave $320 million of the Trust’s debt effective 30 June 2013.

The Trust has a financial viability agreement with DTF that specifies an agreed level of debt repayment each year. In 2012-13 the agreed level of debt repayment was $50 million. Actual repayments of borrowings amounted to $50 million compared to $76 million the previous year.

Due to the difference between the face value of borrowings and the market value of borrowings at repayment, the Trust received an interest discount of $1 million being the interest discount on early repayment of loans. This arises from differences between the interest rates at the time of borrowing and repaying borrowings.

Total borrowings from the Treasurer of $110 million consist of concessional interest loans subject to a weighted average interest rate of 4.5%. The fair value of borrowings at 30 June 2013 was $103 million ($469 million).

Statement of Cash Flows

	2013 $’million	2012 $’million	2011 $’million	2010 $’million	2009 $’million
Net cash flows					
Operating	72	91	(2)	309	51
Investing	(6)	(4)	(3)	(3)	(5)
Financing	(50)	(76)	(65)	(109)	(24)
Change in cash	16	11	(70)	197	22
Cash at 30 June	296	280	269	339	142

In 2013 the Trust recorded an increase in cash of $16 million compared to a increase in cash of $11 million the previous year.

The decrease in cash flows from operating activities reflects the decrease in cash used in operations ($151 million), cash generated from operations ($89 million) and reduced receipts from the SA Government ($81 million). Cash outflows from financing activities saw repayment of borrowings of $50 million compared to $76 million the previous year.

Of the $296 million balance of cash on hand at 30 June 2013, $65 million relates to grants received in this and previous years that were unspent at year end. The unspent funds mainly relate to the National Partnership Agreements for Remote Indigenous Housing and Nation Building - Economic Stimulus Plan (refer note 37 to the financial statements).

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Staffing costs	6	69 831	75 327
Supplies and services	7	40 387	39 253
Business service fees	8	17 725	19 136
Rental property expenses	9	382 552	390 014
Depreciation and amortisation	10	88 377	89 712
Grants and subsidies	11	84 062	84 351
Finance costs	12	28 565	40 515
Impairment expenses	13	26 084	16 680
Net loss from disposal of assets	14	3 973	15 248
Total expenses		741 556	770 236
Income:			
Rental income	15	273 369	268 050
Interest revenue	16	10 712	12 799
Recoveries	17	31 087	30 231
Recurrent Commonwealth revenues	18	108 419	107 324
Capital Commonwealth revenues	19	3 897	74 110
Other revenue	20	327 713	4 035
Total income		755 197	496 549
Net cost of (revenue from) providing services		(13 641)	273 687
Revenues from (Payments to) SA Government:			
Recurrent revenues from SA Government	21	218 374	290 968
Capital revenues from SA Government	22	490	-
Total revenues from (payments to) SA Government		218 864	290 968
Net result before income tax equivalent		232 505	17 281
Income tax equivalent		-	-
Net result after income tax equivalent		232 505	17 281
Other comprehensive income:			
Changes in revaluation surplus		(411 162)	442 641
Total comprehensive result		(178 657)	459 922

Net result after income tax equivalent 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
Current assets:			
Cash and cash equivalents	23	295 791	280 085
Receivables	24	21 106	19 616
Inventories	25	104 775	123 124
Non-current assets classified as held for sale	26	28 260	20 060
Total current assets		449 932	442 885
Non-current assets:			
Inventories	25	1 427	2 019
Property, plant and equipment	27	9 799 343	10 360 157
Intangible assets	28	7 266	6 967
Total non-current assets		9 808 036	10 369 143
Total assets		10 257 968	10 812 028
Current liabilities:			
Payables	29	39 761	43 705
Staff entitlements	30	8 606	6 700
Interest bearing liabilities	31	2 288	13 523
Provisions	32	2 125	2 130
Other liabilities	33	11 202	12 253
Total current liabilities		63 982	78 311
Non-current liabilities:			
Interest bearing liabilities	31	109 953	469 318
Staff entitlements	30	13 762	14 863
Provisions	32	3 444	3 757
Payables	29	1 270	1 378
Other liabilities	33	1 550	1 737
Total non-current liabilities		129 979	491 053
Total liabilities		193 961	569 364
Net assets		10 064 007	10 242 664
Equity:			
Retained earnings		3 305 713	2 975 089
Revaluation surplus		6 758 294	7 267 575
Total equity		10 064 007	10 242 664

Total equity is attributable to the SA Government as owner

	Note
Unrecognised contractual commitments	34
Contingent assets and liabilities	35

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		6 990 493	2 857 460	9 847 953
Net result after income tax equivalent for 2011-12		-	17 281	17 281
Revaluation of property during 2011-12:				
Movement in rental houses due to revaluation:				
Transferred to capital works		(7 675)	-	(7 675)
Subject to sales contracts		(14 552)	-	(14 552)
Revaluation of APY leased properties		9 037	-	9 037
Increment in freehold land and buildings due to revaluation		455 831	-	455 831
Total comprehensive result for 2011-12		442 641	17 281	459 922
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(165 559)	-	(165 559)
Realisation of revaluation surplus on sale of freehold land and buildings		-	165 559	165 559
Total transfer between equity components 2011-12		(165 559)	165 559	-
Transactions with SA Government as owner:				
Net assets transferred as a result of an administrative restructure	36	-	(65 211)	(65 211)
Total transactions with SA Government as owner		-	(65 211)	(65 211)
Balance at 30 June 2012		7 267 575	2 975 089	10 242 664
Net result after income tax equivalent for 2012-13		-	232 505	232 505
Revaluation of property during 2012-13:				
Movement in rental houses due to revaluation:				
Transferred to capital works		(1 660)	-	(1 660)
Subject to sales contracts		(5 952)	-	(5 952)
Decrement in inventory vacant land due to revaluation		(72)	-	(72)
Decrement in freehold land and buildings due to revaluation		(403 478)	-	(403 478)
Total comprehensive result for 2012-13		(411 162)	232 505	(178 657)
Transfer to retained earnings of increment realised on sale of freehold land and buildings		(98 119)	-	(98 119)
Realisation of revaluation surplus on sale of freehold land and buildings		-	98 119	98 119
Total transfer between equity components 2012-13		(98 119)	98 119	-
Balance at 30 June 2013		6 758 294	3 305 713	10 064 007

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Staffing costs		(68 925)	(74 718)
Supplies and services		(45 524)	(50 439)
Business service fees		(17 725)	(19 136)
Rental property expenses		(203 173)	(207 021)
Grants and subsidies		(85 771)	(93 269)
Interest paid		(21 424)	(32 196)
Other finance costs		(7 384)	(8 561)
Land tax equivalents paid		(180 785)	(192 866)
GST paid to the Department for Communities and Social Inclusion		(2 352)	(23 117)
Payments for Paid Parental Leave Scheme		(229)	(61)
Purchase of rental property		(122 343)	(205 262)
Cash used in operations		(755 635)	(906 646)
Cash inflows:			
Rent received		263 703	261 580
Recoveries received		31 004	33 030
Other receipts		4 255	4 004
Receipts from Commonwealth		112 316	181 434
Interest received		10 712	13 000
Proceeds from sale of rental property		188 233	180 689
GST receipts from the Department for Communities and Social Inclusion		6 665	32 629
Cash generated from operations		616 888	706 366
Cash flows from SA Government:			
Receipts from SA Government		210 272	290 968
Cash generated from SA Government		210 272	290 968
Net cash provided by (used in) operating activities	38	71 525	90 688
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(3 749)	(1 896)
Purchase of intangibles		(2 355)	(2 254)
Cash provided by (used in) investing activities		(6 104)	(4 150)
Net cash provided by (used in) investing activities		(6 104)	(4 150)
Cash flows from financing activities:			
Cash outflows:			
Repayment of borrowings		(49 715)	(75 980)
Cash provided by (used in) financing activities		(49 715)	(75 980)
Net cash provided by (used in) financing activities		(49 715)	(75 980)
Net increase (decrease) in cash and cash equivalents		15 706	10 558
Cash and cash equivalents at 1 July		280 085	269 527
Cash and cash equivalents at 30 June	23	295 791	280 085

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
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	50 712	55 452	7 650	9 442	1 763	1 544
Supplies and services	30 577	29 335	5 252	5 751	821	801
Business service fees	12 319	14 139	2 701	2 515	375	423
Rental property expenses	365 362	372 700	16 900	16 972	283	335
Depreciation and amortisation	71 647	74 392	5 446	4 508	11 284	10 812
Grants and subsidies	12 785	16 119	2 267	2 916	511	663
Finance costs	28 565	40 515	-	-	-	-
Impairment expenses	19 720	11 537	1 101	853	738	697
Net loss from disposal of assets	3 711	14 717	(19)	136	281	395
Total expenses	595 398	628 906	41 298	43 093	16 056	15 670
Income (excluding capital grants):						
Rental income	251 740	248 668	13 816	12 343	7 813	7 039
Interest revenue	10 712	12 799	-	-	-	-
Recoveries	18 191	21 194	2 478	2 975	3 049	114
Recurrent Commonwealth revenues	95 599	94 691	4 643	4 456	-	-
Other revenue	326 612	2 679	375	313	1	370
Recurrent revenues from SA Government	120 662	192 046	19 986	23 006	5 193	8 147
Total income (excluding capital grants)	823 516	572 077	41 298	43 093	16 056	15 670
Net result before capital grants	228 118	(56 829)	-	-	-	-
Capital grants:						
Capital revenues from SA Government	110	-	380	-	-	-
Capital Commonwealth revenues	3 792	32 612	105	41 498	-	-
Total capital grants	3 902	32 612	485	41 498	-	-
Net result before income tax equivalent	232 020	(24 217)	485	41 498	-	-
Income tax equivalent	-	-	-	-	-	-
Net result after income tax equivalent	232 020	(24 217)	485	41 498	-	-

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

(Activities - refer note 5)	4		5		Total	
	2013	2012	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000	$'000	$'000
Staffing costs	4 999	4 330	4 707	4 559	69 831	75 327
Supplies and services	1 843	1 710	1 894	1 656	40 387	39 253
Business service fees	1 211	1 039	1 119	1 020	17 725	19 136
Rental property expenses	5	5	2	2	382 552	390 014
Depreciation and amortisation	-	-	-	-	88 377	89 712
Grants and subsidies	16 624	14 283	51 875	50 370	84 062	84 351
Finance costs	-	-	-	-	28 565	40 515
Impairment expenses	4 525	3 593	-	-	26 084	16 680
Net loss from disposal of assets	-	-	-	-	3 973	15 248
Total expenses	29 207	24 960	59 597	57 607	741 556	770 236
Income (excluding capital grants):						
Rental income	-	-	-	-	273 369	268 050
Interest revenue	-	-	-	-	10 712	12 799
Recoveries	7 351	5 690	18	258	31 087	30 231
Recurrent Commonwealth revenues	-	-	8 177	8 177	108 419	107 324
Other revenue	724	673	1	-	327 713	4 035
Recurrent revenues from SA Government	21 132	18 597	51 401	49 172	218 374	290 968
Total income (excluding capital grants)	29 207	24 960	59 597	57 607	969 674	713 407
Net result before capital grants	-	-	-	-	228 118	(56 829)
Capital grants:						
Capital revenues from SA Government	-	-	-	-	490	-
Capital Commonwealth revenues	-	-	-	-	3 897	74 110
Total capital grants	-	-	-	-	4 387	74 110
Net result before income tax equivalent	-	-	-	-	232 505	17 281
Income tax equivalent	-	-	-	-	-	-
Net result after income tax equivalent	-	-	-	-	232 505	17 281

Disaggregated Disclosures – Assets and Liabilities as at 30 June 2013

(Activities - refer note 5)	1		2		3	
	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	295 790	280 081	1	4	-	-
Receivables	17 915	16 847	3 117	2 769	74	-
Inventories	105 659	124 997	459	146	84	-
Non-current assets classified as held for sale	28 260	20 060	-	-	-	-
Property, plant and equipment	8 020 878	8 533 295	570 337	564 820	1 208 119	1 262 032
Intangible assets	7 266	6 967	-	-	-	-
Total assets	8 475 768	8 982 247	573 914	567 739	1 208 277	1 262 032
Liabilities:						
Payables	39 746	40 045	1 285	1 637	-	3 401
Staff entitlements	16 242	15 873	2 451	2 703	565	442
Provisions	5 508	5 792	14	14	47	81
Interest bearing liabilities	112 241	482 841	-	-	-	-
Other liabilities	12 752	13 990	-	-	-	-
Total liabilities	186 489	558 541	3 750	4 354	612	3 924

(Activities - refer note 5)	4		5		Total	
	2013	2012	2013	2012	2013	2012
Assets:	$'000	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	-	-	-	-	295 791	280 085
Receivables	-	-	-	-	21 106	19 616
Inventories	-	-	-	-	106 202	125 143
Non-current assets classified as held for sale	-	-	-	-	28 260	20 060
Property, plant and equipment	-	-	9	10	9 799 343	10 360 157
Intangible assets	-	-	-	-	7 266	6 967
Total assets	-	-	9	10	10 257 968	10 812 028
Liabilities:						
Payables	-	-	-	-	41 031	45 083
Staff entitlements	1 602	1 240	1 508	1 305	22 368	21 563
Provisions	-	-	-	-	5 569	5 887
Interest bearing liabilities	-	-	-	-	112 241	482 841
Other liabilities	-	-	-	-	12 752	13 990
Total liabilities	1 602	1 240	1 508	1 305	193 961	569 364

Notes to and forming part of the financial statements

1. Objectives of the South Australian Housing Trust (the Trust)

1.1 Objectives

The Trust is the State's principal housing authority. The Trust's roles and powers are based on the *South Australian Housing Trust Act 1995* (the Act), the *South Australian Co-operative and Community Housing Act 1991* (SACCH Act) and the *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Social Housing for overseeing the operations of the Trust. This responsibility may be formalised in a Ministerial Performance Agreement in accordance with section 28 of the Act that defines the objectives and responsibilities of the Trust.

1.1 Objectives (continued)

The primary objective of the Trust includes the provision of affordable housing to households and families on low to moderate incomes, including affordable home purchase opportunities, homelessness and support services; and the funding and regulation of community housing. The Board is responsible to the Minister for overseeing the operations of the Trust with the goals of:

- ensuring the sound administration of the Act and the implementation of the Minister's housing policies and plans
- achieving continuing improvements in the provision of secure and affordable public housing (section 16(1)(a))
- providing transparency and value in managing the resources available to the Trust and meeting government and community expectations as to probity and accountability (section 16(1)(b))
- achieving appropriate social justice objectives and the fulfilment of the Trust's community service obligations (section 16(1)(c))
- management of the service level arrangement with the Department for Communities and Social Inclusion (DCSI), Housing SA (section 16(2)(b)).

2. Summary of significant accounting policies

2.1 Statement of compliance

The Trust has prepared these financial statements in compliance with section 23 of the PFAA, and section 27 of the Act.

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

- TIs and the APSs promulgated under the provisions of the PFAA
- relevant AASs.

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

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 Trust's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

  (b) expenses incurred as a result of engaging consultants

  (c) employee TVSP information

  (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees

  (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

2.2 Basis of preparation (continued)

The Trust'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 revalued.
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.

2.3 Reporting entity

The Trust's financial statements include only Trust activities and do not incorporate any administered items. The Trust's financial statements include assets, income, expenses and liabilities, controlled or incurred by the Trust in its own right.

2.4 Transferred functions

On 26 April 2012, pursuant to the provisions of section 23 of the Act, a transfer of properties from the Trust to the newly formed Urban Renewal Authority, trading as Renewal SA, was effected by government gazettal. These properties consisted of all the non-tenanted properties of the Woodville West and River Street, Marden urban renewal projects (refer note 36). Simultaneously, to complement the activities transferred to the new Renewal SA, a comprehensive selection of staff from the Trust's functional areas of major projects, affordable housing and asset services were transferred to Renewal SA. These 83 people - 79.3 full-time equivalents- were gazetted over to Renewal SA effective from 23 April 2012.

2.5 Comparative figures

The presentation and classification of items in the financial statements are consistent with prior periods except where adjusted to reflect the early-adoption of specific revised APSs or AASs.

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.

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

2.6 Rounding

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

2.7 Income and expenses

Income and expenses are recognised in the Trust's Statement of Comprehensive Income when and only when it is probable that the flow of economic benefits to or from the entity will occur and can be reliably measured.

Income and expenses have been classified according to their nature and have not been offset unless required or permitted by another accounting standard.

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.

Expenses

Staffing costs

Staffing costs include all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Trust to the superannuation plan in respect of current services of current Trust staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Finance costs
All finance costs, including borrowing costs, are recognised as expenses.

Grants and subsidy expenses
Expenses are generally recognised when paid, which occurs in accordance with relevant funding agreements.

Income
Rent receivable
Rent receivable in respect of each property is recognised as revenue and charged to tenants weekly, in advance.

The Trust determines a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's rental policy is that no tenant will be required to pay more than 25% of their household income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Revenues from SA Government
Revenues received from the SA Government are recognised as revenues when the Trust obtains control over them, normally upon receipt.

Grants received
Grants for program funding are recognised as revenues when the Trust obtains control over the funding. Control over the funding is normally obtained upon receipt.

Disposal of non-current assets
Income from disposal of real property asset sales is recognised by the Trust when settlements are complete, which is determined to be the point when control of the asset has passed to the buyer. Refer note 14 for further details.

When revalued assets are sold, the revaluation increments are transferred to retained earnings.

Recoveries
Recoveries for costs on-charged to tenants by the Trust are included as income.

2.8 Taxation

In accordance with section 25 of the Act, the Trust may be required to pay to the State Government tax equivalents. Tax equivalent payments are required in respect of income tax and land tax.

The income tax liability is based on applying the Treasurer's accounting profit method which requires that the corporate income tax rate be applied to the net operating profit of the Trust, adjusted for any items approved by the Under Treasurer for exclusion from the profit figure. In 2013 the Under Treasurer approved the exclusion of $320 million of revenue associated with the Trust's debt write-off for the determination of the Trust's accounting profit. Land tax is calculated in the same manner as if it were payable under the *Land Tax Act 1936* which uses a site valuation of multiple holdings.

Treasury reimburses the cost of tax equivalent payments for land tax and income tax to the Trust resulting in a nil effect of these payments on the net result.

The Trust is liable for the cost of payroll tax, FBT, stamp duty and GST.

With respect to GST, the Trust is part of a GST group of which the nominated representative of the group is DCSI, which is responsible for paying GST on behalf of the Trust and is entitled to claim input tax credits. Administrative arrangements between DCSI and the Trust provide for the reimbursement of the GST consequence incurred/earned by the Trust. The reimbursement receivable from/payable to the Trust has been recognised as a payable/receivable in the Statement of Financial Position.

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

- the amount of GST incurred by the Trust as a purchaser that is not recoverable from the 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.

2.8 Taxation (continued)

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.

2.9 Current and non-current items

Assets and liabilities are characterised as either current or non-current in nature. The Trust has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.10 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank, cash on hand, including petty cash, cash management funds and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

2.11 Receivables

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

The majority of receivables relate to rent in respect of rental properties. Rents are recognised as revenue and charged to tenants weekly, in advance.

Trade receivables that arise in the normal course of selling goods and services to other agencies and to the public are normally settled within 30 days.

Other debtors that arise outside the normal course of selling goods and services to other agencies and to the public are subject to 30 days settlement terms.

The provision for doubtful debts/impairment loss is based on an actuarial review conducted by the consulting actuaries Brett & Watson Pty Ltd in May 2012 (refer note 24). The actuarial assessment conducted by Brett & Watson Pty Ltd was based on the requirements of AASB 139. The basic assumptions used in calculating the impairment loss included a discount rate of 2.6% p.a. based on the risk-free rate as at 30 June 2012, an estimated future debt write-off of 2.6% p.a. and an assumption that 72% of first arrangements will be written off by the end of their twelfth year. The provision covers variations to the net present value of debts as well as the debts not expected to be recovered. The next actuarial review will be undertaken in 2015.

2.12 Inventories

Inventories include capital work in progress, developed properties and vacant land that are expected to be sold in the ordinary course of business. Inventories are carried at the lower of cost and net realisable value. The amount of any inventory write-down to net realisable value is recognised as an expense in the period the write-down occurred. Any write-down reversals are recognised as an expense reduction.

(i) Capital work in progress relates to development projects containing both land and building components that are expected to be sold on completion.

(ii) Developed properties relate to land and building components that have been developed and may be sold in its current condition or transferred to capital work in progress as part of a development project. It is carried at cost.

(iii) Vacant land consists of land that is expected to be sold.

2.13 Non-current assets held for sale

Non-current assets classified as held for sale relate to rental properties and administrative properties that are no longer required for public rental or occupation and are expected to be sold through the private property market within the next 12 months. These assets are measured at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated, pending sale.

2.14 Property, plant and equipment

(i) Acquisition and recognition

Assets acquired at no value, or minimal value, are recorded at their fair value in the Statement of Financial Position unless they are acquired as part of a restructuring of administrative arrangement, in which case they are recorded at the value recorded by the transferor prior to transfer.

All other assets are initially brought to account as follows:

Rental properties, administrative properties, vacant land and plant and equipment

These assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition and are depreciated as outlined below. The Trust capitalises assets with a value of $5000 or greater.

Subsequent costs are included in the asset's carrying amount, as appropriate, including capitalised maintenance costs on rental properties.

Assets under arrangement

Assets under arrangement are tenantable properties which have had their legal title transferred to, a community housing organisation (CHO) in return for which the CHO has issued a debenture at fair value, or to a preferred growth provider (PGP) under a legal arrangement with similar control provisions. Properties transferred to PGP's are those built using Nation Building Economic Stimulus Plan funding. Recognition is based on the Trust's ability to control the future service potential of the assets and that these are probable and can be reliably measured. Control of these properties resides with the Trust through the SACCH Act and funding agreements which prescribe how the properties are to be used and managed on behalf of the Government, the eligible tenants that are entitled to use them and the rent that can be charged by the CHO or PGP.

The SACCH Act provides for members of housing co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific co-operative property.

Assets under arrangement are initially recognised at market value.

Anangu Pitjantjatjara Yankunytjatjara (APY) Lands leased properties

The Minister for Social Housing has entered into a 50 year lease arrangement with the APY Board to lease parcels of APY land to allow the construction of new houses and the upgrade of existing houses in remote areas utilising National Partnership Agreement funding. The Trust, as agent for the Minister, will oversee all capital works on the properties and overall management of the agreement. Under the terms of the ground lease, ownership of the new dwellings will pass to the APY Board at the end of the lease term. The constructed assets are recorded as capital works in progress and once complete are recognised as APY lands leased properties.

Capital work in progress

Capital work in progress reflects assets under construction that will either be sold or utilised in the Trust's operation.

The carrying amount for capital work in progress includes all construction costs, charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued but excludes any borrowing costs and feasibility or pre-construction costs.

(ii) Valuation

Rental properties, administrative properties, vacant land and assets under arrangement

In compliance with AASB 116 and APF III all land and buildings are subsequently measured at fair value less accumulated depreciation.

The Trust revalues all land and buildings annually using the Valuer-General's values for rating purposes, issued as at 1 July 2012 reflecting the capital amount that an unencumbered estate of fee simple in the land might reasonably be expected to realise upon sale in accordance with the *Valuation of Land Act 1971* and determined in line with the property market evidence at that time. This value is deemed to be fair value for financial reporting purposes.

Rental properties, administrative properties, vacant land and assets under arrangement (continued)
Revaluation occurred at 31 October 2012, using the 1 July 2012 values, for all land and buildings acquired or completed before 1 July 2011.

Capital work in progress
The carrying value of a constructed asset is compared to its market value upon transfer out of work in progress, either for use or for future sale and an adjustment is effected to ensure that the carrying amount does not exceed fair value.

Plant and equipment
Plant and equipment is brought to account at historical cost (deemed fair value).

(iii) *Depreciation and amortisation*
Property, plant and equipment assets have a limited useful life and are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential ranging from three to 50 years. The useful lives of all major assets held by the Trust 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, vacant land improvements and capital work in progress are not depreciated.

Depreciation of property, plant and equipment is determined as follows:

Class of asset	*Depreciation method*	*Useful life (years)*
Rental properties (dwellings)*	Straight-line	50
Administrative properties	Straight-line	10-30
Assets under arrangement	Straight-line	50
Leased assets APY	Straight-line	45-50
Plant and equipment	Straight-line	3-10

* An estimated useful life of 50 years is assumed for rental dwellings and depreciation expense is calculated at a rate of 2% p.a. on the opening revalued amount for each property.

2.15 Intangibles
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 capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138 and when the amount of expenditure is greater than or equal to $5000. Amortisation is calculated on a straight-line basis over three years from the date that the asset is ready for use.

Internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset as outlined in AASB 138.

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

2.16 Impairment
Receivables were tested for indications of impairment by way of an actuarial review at 30 June as detailed in note 2.11. The impairment loss has been offset against receivables and has been recognised in the Statement of Comprehensive Income under impairment expenses.

All other 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. If the amount by which the assets carrying amount exceeds the recoverable amount is material it is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the revaluation surplus.

2.17 Payables
Payables include creditors, accrued expenses and staff entitlement on-costs.

2.17 Payables (continued)

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 Trust.

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

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

Staff entitlement on-costs include payroll tax and superannuation contributions with respect to outstanding leave liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

Paid Parental Leave Scheme

The Commonwealth Paid Parental Leave Scheme payable represents amounts which DCSI has received from the Commonwealth Government to forward on to eligible employees via the Trust's standard payroll processes. That is DCSI is acting as a conduit through which the payment is made to eligible employees on behalf of the Family Assistance Office.

2.18 Staff entitlements

Under section 17 of the Act the Trust utilises staff of DCSI for the provision of services. The delivery of housing services is undertaken by Housing SA, DCSI under a service level agreement whereby the Trust delivers its services through DCSI.

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

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

Annual leave, skills and experience retention leave and sick leave

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.

No provision has been made for sick leave as sick leave is non-vesting and the anticipated average sick leave to be taken in future years by staff 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 current/non-current classification of the Trust's LSL liabilities has been calculated based on historical usage patterns.

Staff entitlement on-costs

Staff entitlement on-costs of payroll tax and superannuation are recognised separately under payables.

2.19 Provisions

Insurance

The Trust has arranged, through SAICORP, a division of SAFA, to insure all major risks of the Trust. The excess payable under this arrangement varies depending on each class of insurance held. The amount of insurance expense recognised is the premium paid to SAICORP and any losses met by the Trust as deductibles under the cover.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

Insurance (continued)
The provision for public risk and professional indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date. This provision is internally calculated.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

Workers compensation
DCSI is an exempt employer under the WRCA.

The workers compensation liability recognised for the staff who provide services to the Trust is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June 2013 data.

2.20 Borrowings
The Trust measures financial liabilities including borrowings/debt at historical cost, except for interest free loans (measured at the present value of expected repayments).

2.21 Leases
Operating leases
Leases where the lessor effectively retains substantially all the risks and benefits incidental to ownership of the leased items are classified as operating leases. Operating lease payments are charged to the Statement of Comprehensive Income on a straight-line basis, which is representative of the pattern of benefits derived from the leased assets.

Finance leases
Leases where the Trust as lessee assumes substantially all the risks and benefits associated with ownership of the assets are classified as finance leases. Finance leases are recognised in accordance with AASB 117 as assets and liabilities in the Statement of Financial Position at the lower of fair value or the present value of the minimum lease payments as determined at the inception of the lease.

2.22 Unearned revenue
Unearned revenue includes lump sums received for leases assigned on Trust properties which are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

2.23 Unrecognised contractual commitments and contingent assets and liabilities
Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. Financial risk management
The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises its debt. Note 31 details the interest rates applicable to interest bearing liabilities.

While the Trust has significant non-interest bearing and interest bearing assets and liabilities, such as cash on hand and on call, receivables and payables and borrowings from the SA Government, its exposure to market risk and cash flow interest risk is minimal.

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small. The Trust manages credit risk associated with its tenants by establishment of a credit policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the board.

3. Financial risk management (continued)

The Trust is also exposed to risk arising from property values in the real estate market, due to its reliance on asset sales to fund capital works and debt repayment. The property market is slowly improving relative to last year with improved sales performance, meeting budgeted targets. The Trust manages any risk of not meeting its sales revenue requirements by regular monitoring and reporting of sales performance.

The Trust has calculated the net fair value for concessional loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be book value.

In relation to liquidity/funding risk, the continued existence of the Trust in its present form, and with its present programs, is dependent on government policy for the Trust's administration and outputs.

4. New and revised accounting standards and policies

The AASs and interpretations that have been recently issued or amended but are not yet effective, have not been adopted by the Trust for the reporting period ended 30 June 2013. The Trust 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 Trust.

5. Activities of the Trust

In achieving its objectives, the Trust has organised its operations into the following business activities:

Activity 1: Public Housing

Management of public housing tenancies and assets, and promotion of the development of the social housing sector. Managing tenancies includes assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies. Managing assets includes maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs. Promoting development of the social housing sector includes furthering the Government's strategies to address the key issues of affordable housing and homelessness, as well as promoting innovation and partnering with private sector organisations.

Activity 2: Indigenous Housing

Management of tenancies and housing assets specifically for indigenous customers (who may also choose to access assistance via general public housing), and management of the Commonwealth Government's National Partnership Agreement for Remote Indigenous Housing. This agreement provides funding for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring on going maintenance and management of rental houses in remote indigenous communities.

Activity 3: Community Housing

Development, support and promotion of the community housing sector, including administering the SACCH Act, and assisting in the establishment, regulation and administration of housing co-operatives and housing associations in South Australia.

Activity 4: Private Rental Assistance

Provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

Activity 5: Homelessness Services and Support

Reforming and supporting the homelessness services sector to enable more integrated and responsive service provision. This includes provision and management of grant funding to non-government organisations that deliver services aimed at stopping people from becoming homeless, lessening the impact of homelessness, and assisting people to transition from being homeless to having stable housing and employment.

6. Staffing costs

	Note	2013 $'000	2012 $'000
Salaries and wages		53 048	54 305
Superannuation		6 618	7 037
Annual leave		5 509	5 391
Payroll tax		3 478	3 691
Other staff expenses		2 265	2 932
LSL		1 766	4 114
Retention leave		417	-
Workers compensation		785	1 887
TVSPs (refer below)		135	119
Board fees		270	289
Charged to capital program		(4 460)	(4 438)
Total staffing costs		69 831	75 327

TVSPs

	Note	2013 $'000	2012 $'000
Amount paid to staff:			
TVSPs		135	119
Annual leave and LSL paid during the reporting period		30	37
Recovery from DTF	17	135	119
Net cost to Trust		30	37

The number of employees who received a TVSP during the reporting period was 1 (1).

Remuneration of staff	Executive		Staff	
The number of staff whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number	2013 Number	2012 Number
\$134 000 - \$137 999*	-	-	-	2
\$138 000 - \$147 999	-	2	2	-
\$148 000 - \$157 999	3	2	-	1
\$158 000 - \$167 999	1	1	1	1
\$168 000 - \$177 999	1	2	-	-
\$178 000 - \$187 999	1	1	-	-
\$208 000 - \$217 999	1	-	-	-
\$218 000 - \$227 999	-	1	-	-
\$248 000 - \$257 999	-	1	-	-
\$268 000 - \$277 999	1	-	-	-
Total	8	10	3	4

* 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 DCSI executives and staff paid by the Trust under the service level agreement with DCSI 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, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these staff for the year was $1.915 million ($2.355 million).

Remuneration of board and committee members

Membership for various boards and committees during 2012-13 were:

SAHT Governing Board (appointed by the Governor)

C Long (Chair)
M Patetsos
G Crafter
M Hemmerling
J King
R Boorman

South Australian Affordable Housing Trust Board (appointed by the Board)

C Long (Chair)
M Patetsos
G Crafter
J King
M Hemmerling
R Boorman

Audit and Finance Committee (appointed by the Board)

M Patetsos (Chair)
J King
M Hemmerling
N Rantanen

The following additional committee has been disclosed in accordance with APF II, APS 4.12:

Housing Appeal Panel (appointed by the Minister)

K McEvoy
M Castles
U Dahl
K Dahl
A Faulkner
A King
A McLean

The fees paid to board members in their capacity as board members are set by Executive Council.

Some board members sit on more than one board.

The number of board and committee members whose remuneration from the Trust falls within the following bands:	2013 Number	2012 Number
$0 - $9 999	7	12
$10 000 - $19 999	-	1
$30 000 - $39 999	6	1
$40 000 - $49 999	-	5
$50 000 - $59 999	1	1
Total	14	20

	2013 $'000	2012 $'000
Total remuneration received, or due and received by board and committee members	294	301
Amounts paid to a superannuation plan for board and committee members	24	26

Transactions with members were 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.

7. Supplies and services

	2013	2012
Supplies and services provided by entities within the SA Government:	$'000	$'000
Operating lease	5 659	6 039
Insurance	2 556	2 197
Accommodation expenses	1 653	1 531
Audit fees - Auditor-General's Department(1)	400	370
Debt management	486	475
Fleet management	2 934	3 159
Communications	394	212
Computing expenses	175	-
Administration expenses	430	207
Renewal SA recharges	3 466	645
Total supplies and services - SA Government entities	18 153	14 835
Supplies and services provided by entities external to the SA Government:		
Contractors	5 288	5 172
Insurance	3 448	4 471
Computer expenses	2 748	5 473
Printing, stationery and postage	1 701	1 703
Accommodation expenses	2 352	2 622
Administration expenses	2 621	1 665
Operating lease	1 322	972
Travel and accommodation	1 114	1 485
Tenant relocation	605	564
Agent fees	620	631
Communications	457	615
Other customer related expenses	509	641
Staff development	432	423

7. Supplies and services (continued)

	2013 $'000	2012 $'000
Debt management	228	142
Consultants	299	77
Brokerage	104	67
Charged to capital program	(1 614)	(2 305)
Total supplies and services - non-SA Government entities	22 234	24 418
Total supplies and services	40 387	39 253

(1) Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements. No other services were provided by the Auditor-General's Department.

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	8	33	3	21
$10 000 - $50 000	4	101	3	56
Above $50 000	2	165	-	-
Total paid/payable to the consultants engaged	14	299	6	77

8. Business service fees

	2013 $'000	2012 $'000
Computing services and processing charges	7 607	7 475
Motor vehicles hire charges	332	385
Legal and financial services	420	491
GST expense	404	1 410
Staff development	840	1 151
Human resources services	1 476	1 325
Records management and mail services	701	579
Administration premises management	795	743
Procurement services	875	1 216
Geographical information services	258	808
Payroll services	588	574
Internal audit	538	525
Business planning, strategy and quality assurance	257	281
Insurance	254	215
Media and communications services	340	219
SSSA	1 885	1 703
Telecommunications management and charges	155	36
Total business service fees	17 725	19 136

9. Rental property expenses

Rental property expenses provided by entities within the SA Government:		
Land tax equivalent	180 785	192 866
Water rates	40 367	34 437
Stamp duty and search fees	137	67
Valuations	151	150
Emergency Services levy	174	154
Total rental property expenses - SA Government entities	221 614	227 674
Rental property expenses provided by entities external to the SA Government:		
Maintenance	115 300	110 782
Council rates	42 728	41 386
Construction variances	2 643	9 921
Property expenses	267	251
Total rental property expenses - non-SA Government entities	160 938	162 340
Total rental property expenses	382 552	390 014

		2013	2012
10.	**Depreciation and amortisation**		
	Depreciation:	$'000	$'000
	Rental properties	72 103	75 986
	Assets under arrangement	11 239	10 725
	Plant and equipment	418	346
	Administrative properties	187	160
	Commercial properties	22	-
	Total depreciation	83 969	87 217
	Amortisation:		
	Intangible assets	2 056	1 036
	Leasehold improvements	755	875
	APY buildings	1 597	584
	Total amortisation	4 408	2 495
	Total depreciation and amortisation	88 377	89 712

11. Grants and subsidies

	2013	2012
Grants and subsidies paid/payable to entities within the SA Government:		
Private rental assistance	8 137	6 752
National Affordable Housing Agreement: Specialist Homelessness Services	1 579	1 734
National Partnership Agreements:		
Homelessness	1 215	1 161
Remote Indigenous Housing	592	593
Affordable housing grants	765	873
Disability SA group home fitout subsidy	-	38
Indigenous Community Housing Program	26	-
Subsidies to other housing providers	73	15
Housing affordability fund	4 403	-
Other recurrent grants	-	3
Total grants and subsidies - SA Government entities	16 790	11 169
Grants and subsidies paid/payable to entities external to the SA Government:		
National Affordable Housing Agreements: Specialist Homelessness Services	34 308	32 698
Affordable housing grants	1 452	10 056
National Partnership Agreements:		
Homelessness	14 774	14 676
Social Housing	1 300	700
Remote Indigenous Housing	657	1 437
Private rental assistance	6 904	6 228
Emergency accommodation assistance	1 583	1 303
Indigenous Community Housing program	946	458
Subsidies to other housing providers	2 368	2 411
National Rental Affordability Scheme subsidies	2 396	1 344
CHO maintenance liability	225	430
Crisis accommodation	-	680
Emergency management grants	27	-
Subsidies to CHOs	287	234
Bookyana Veg Garden Project	-	114
Homelessness Improvement Fund	-	100
Yalata Community insurances	-	307
Other recurrent grants	45	6
Total grants and subsidies - non-SA Government entities	67 272	73 182
Total grants and subsidies	84 062	84 351

12. Finance costs

	2013	2012
Interest on borrowings	21 424	24 714
Treasurer's guarantee fee	7 141	8 319
Interest premium on early repayment of loans	-	7 482
Total finance costs - SA Government entities	28 565	40 515

13. Impairment expenses

	2013	2012
Impairment expenses provided by entities within the SA Government:	$'000	$'000
Asset write-offs[(1)]	13 973	9 898
Total impairment expenses - SA Government entities	13 973	9 898
Impairment expenses provided by entities external to the SA Government:		
Doubtful debts expense	12 111	6 782
Total impairment expenses - non-SA Government entities	12 111	6 782
Total impairment expenses	26 084	16 680

(1) Expensing of book value of assets demolished.

14. Net gain (loss) from disposal of assets

Rental properties:		
Proceeds from disposal	97 347	123 591
Net book value of assets disposed[(1)]	(105 415)	(132 607)
Net gain (loss) from disposal of rental properties	(8 068)	(9 016)
Inventory - capital work in progress:		
Proceeds from disposal	75 242	38 509
Net book value of assets disposed[(1)]	(70 932)	(44 740)
Net gain (loss) from disposal of completed assets	4 310	(6 231)
Inventory - vacant land:		
Proceeds from disposal	9 930	3 513
Net book value of assets disposed[(1)]	(10 145)	(3 514)
Net gain (loss) from disposal of vacant land	(215)	(1)
Total assets:		
Total proceeds from disposal	182 519	165 613
Total net book value of assets disposed[(1)]	(186 492)	(180 861)
Total net gain (loss) from disposal of assets	(3 973)	(15 248)

(1) The net book value of assets disposed comprises the carrying amount of the properties, plus the costs of marketing and agent fees and the cost of separating services and titles in respect of double units sold. In establishing the property value, the valuer includes the impact of capital improvements effected by the tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

15. Rental income

	2013	2012
Rent received/receivable from entities external to the SA Government:	$'000	$'000
Market rent income	483 854	482 958
Rental rebates	(219 860)	(222 623)
Other rent	9 375	7 715
Total rental income - non-SA Government entities	273 369	268 050

16. Interest revenue

Interest from entities within the SA Government	10 661	12 701
Interest from entities external to the SA Government	51	98
Total interest revenue	10 712	12 799

17. Recoveries

Recoveries received/receivable from entities within the SA Government:		
Administrative services to other agencies	381	655
TVSP recoveries	135	119
Other	158	136
Total recoveries - SA Government entities	674	910
Recoveries received/receivable from entities external to the SA Government:		
Maintenance	5 385	8 596
Private rental assistance	7 330	5 648
Water charges	13 864	10 141
General service recoveries	534	1 037

		2013	2012
17.	**Recoveries (continued)**	$'000	$'000
	Grant recoveries	2 988	262
	Insurance	217	3 560
	Other	95	77
	Total recoveries - non-SA Government entities	30 413	29 321
	Total recoveries	31 087	30 231
18.	**Recurrent Commonwealth revenues**		
	National Affordable Housing Agreement base funding	95 100	94 691
	National Partnership Agreements:		
	Homelessness	8 177	8 177
	Remote Indigenous Housing	4 643	3 967
	Sturt Street Accommodation program	499	489
	Total recurrent Commonwealth revenues	108 419	107 324
19.	**Capital Commonwealth revenues**		
	National Partnership Agreements:		
	Nation Building - Economic Stimulus Plan	-	30 709
	Remote Indigenous Housing	105	41 498
	Social Housing	-	36
	Homelessness	3 792	1 817
	National Housing Affordability Fund	-	50
	Total capital Commonwealth revenues	3 897	74 110
20.	**Other revenue**		
	Other revenue received/receivable from entities within the SA Government:		
	Interest discount due to early repayment of loans	642	-
	Assets received free of charge	2 945	-
	Forgiveness of interest bearing liability	320 000	-
	Total other revenue - SA Government entities	323 587	-
	Other revenue received/receivable from entities external to the SA Government:		
	Bad debts recovered	3 960	3 528
	Assets received free of charge	-	370
	Sundry revenue	166	137
	Total other revenue - non-SA Government entities	4 126	4 035
	Total other revenue	327 713	4 035
21.	**Recurrent revenues from SA Government**		
	Tax equivalent reimbursement	180 785	192 866
	General purpose grant	25 693	36 049
	National Partnership Agreement: Homelessness	6 550	6 550
	National Rental Affordability Scheme	2 089	994
	Violence Intervention program	526	-
	Enterprise bargaining supplementation funding	1 492	-
	Equal Remuneration Order supplementation funding	633	-
	Other state grants	606	688
	Compensation from Renewal SA	-	53 821
	Total recurrent revenues from SA Government	218 374	290 968
22.	**Capital revenues from SA Government**		
	Other state grants	490	-
	Total capital revenues from SA Government	490	-
23.	**Cash and cash equivalents**		
	Cash held in SAFA Cash Management Facility	234 754	143 723
	Deposits with the Treasurer	59 475	134 841
	Cash - development projects	1 525	1 483
	Cash on hand	37	38
	Total cash and cash equivalents	295 791	280 085

Deposits with the Treasurer
Relates to working cash held in the Westpac working account through DTF.

Cash - development projects
Relates to the ANZ accounts held for the Playford development projects.

The cash balance includes funds relating to the Affordable Housing Initiative. The movements in the fund's cash balance are as follows:

	2013	2012
	$'000	$'000
Affordable Housing Initiative Fund balance at 1 July	4 204	11 375
Interest revenue	1 873	2 726
Affordable Housing Initiative Fund land sales revenue	-	125
Approved payments from the Fund	(1 406)	(10 022)
Affordable Housing Initiative Fund balance at 30 June	4 617	4 204

24. Receivables

	2013	2012
Current:		
Receivables	27 020	27 908
Allowance for doubtful debts	(18 958)	(16 156)
Accrued revenues	12 621	3 006
GST receivable from DCSI	240	4 665
Prepayments	183	193
Total current receivables	21 106	19 616
Total receivables	21 106	19 616

Government/Non-government receivables

	2013	2012
Receivables from SA Government entities:		
Receivables	5 330	6 166
Accrued revenues	10 349	935
GST receivable from DCSI	240	4 665
Total receivables - SA Government entities	15 919	11 766
Receivables from non-SA Government entities:		
Receivables	2 732	5 586
Accrued revenues	2 272	2 071
Prepayments	183	193
Total receivables - non-SA Government entities	5 187	7 850
Total receivables	21 106	19 616

Interest rate and credit risk
Receivables are raised for all goods and services provided for which payment has not been received. Rent is payable in advance and charged weekly. All other receivables are subject to a term of 30 days.

Other than what is 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 received on demand. The credit risk is concentrated in the rental area due to the nature of the business of the Trust.

Prepayments, accrued revenues and the majority of receivables are non-interest bearing.

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 has been recognised in impairment expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss):	2013	2012
	$'000	$'000
Carrying amount at 1 July	16 156	17 933
Increase (Decrease) in the provision	12 111	6 782
Amounts written off	(9 309)	(8 559)
Carrying amount at 30 June	18 958	16 156

Bad and doubtful debts

The Trust has recognised a doubtful debts expense of $12.111 million ($6.782 million) in the Statement of Comprehensive Income.

Provision for doubtful debts policy - refer note 2.11.

Maturity analysis of receivables - refer note 39.3.

Categorisation of financial instruments and risk exposure information - refer note 39.

25. Inventories

	2013	2012
Current:	$'000	$'000
Capital work in progress	76 787	109 894
Developed properties	14 162	10 373
Vacant land	13 826	2 857
Total current inventories	104 775	123 124
Non-current:		
Capital work in progress	1 427	2 019
Total non-current inventories	1 427	2 019
Total inventories	106 202	125 143

26. Non-current assets classified as held for sale

Land	16 751	11 779
Buildings	11 509	8 281
Total non-current assets classified as held for sale	28 260	20 060

27. Property, plant and equipment

Rental properties:		
Land:		
Land at fair value	4 814 847	5 051 096
Buildings:		
Buildings at fair value	3 515 379	3 749 227
Accumulated depreciation	(47 098)	(50 635)
Total buildings	3 468 281	3 698 592
Total rental properties	8 283 128	8 749 688
Administrative properties:		
Land:		
Freehold land	1 993	2 180
Buildings:		
Buildings	4 617	3 769
Accumulated depreciation	(142)	(112)
Total buildings	4 475	3 657
Leasehold improvements:		
Leasehold improvements	6 758	8 363
Accumulated depreciation	(6 208)	(5 872)
Total leasehold improvements	550	2 491
Total administrative properties	7 018	8 328
Commercial properties:		
Land:		
Commercial properties	588	-
Buildings:		
Buildings	1 433	-
Accumulated depreciation	(22)	-
Total commercial properties - buildings	1 411	-
Total commercial properties	1 999	-
Assets under arrangement:		
Land:		
Assets under arrangement	641 619	667 039

27. Property, plant and equipment (continued)	2013	2012
Buildings:	$'000	$'000
Assets under arrangement	559 507	582 302
Accumulated depreciation	(7 309)	(7 288)
Total assets under arrangement - buildings	552 198	575 014
Total assets under arrangement	1 193 817	1 242 053
Vacant land:		
Land:		
Freehold land	82 573	81 978
Total vacant land	82 573	81 978
APY leased properties:		
APY buildings	99 587	43 523
Accumulated amortisation	(2 154)	(584)
Total APY leased properties	97 433	42 939
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	6 851	2 943
Accumulated depreciation	(1 788)	(1 579)
Total plant and equipment	5 063	1 364
Capital work in progress:		
Buildings and land	128 312	233 807
Total capital work in progress	128 312	233 807
Total property, plant and equipment	9 799 343	10 360 157
Total property, plant and equipment at fair value	9 728 901	10 189 477
Total property, plant and equipment at cost	135 163	236 750
Total accumulated depreciation	(64 721)	(66 070)
Total property, plant and equipment	9 799 343	10 360 157

Refer note 40 for reconciliation of property, plant and equipment.

28. Intangible assets

	2013	2012
Computer software:		
Internally generated computer software	11 043	9 925
Accumulated amortisation	(7 577)	(5 581)
Total computer software	3 466	4 344
Work in progress computer system development	3 800	2 623
Total work in progress computer system development	3 800	2 623
Total intangible assets	7 266	6 967

	Internally generated software		Work in progress computer system development		Total	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July	4 344	2 352	2 623	3 397	6 967	5 749
Additions	1 178	3 028	2 355	2 254	3 533	5 282
Transfers to internally generated software	-	-	(1 178)	(3 028)	(1 178)	(3 028)
Amortisation	(2 056)	(1 036)	-	-	(2 056)	(1 036)
Balance at 30 June	3 466	4 344	3 800	2 623	7 266	6 967

29. Payables	2013	2012
Current:	$'000	$'000
Creditors	31 355	38 328
Accrued expenses	7 250	4 422
Staff on-costs	1 156	955
Total current payables	39 761	43 705

29. Payables (continued)	2013	2012
Non-current:	$'000	$'000
Staff on-costs	1 270	1 378
Total non-current payables	1 270	1 378
Total payables	41 031	45 083
Payables to SA Government entities:		
Creditors	12 353	4 425
Accrued expenses	4 790	4 310
Staff on-costs	1 162	1 133
Total payables - SA Government entities	18 305	9 868
Payables to non-SA Government entities:		
Creditors	19 002	33 903
Accrued expenses	2 460	112
Staff on-costs	1 264	1 200
Total payables - non-SA Government entities	22 726	35 215
Total payables	41 031	45 083

This year, an actuarial assessment performed by DTF was used to calculate the LSL liability rather than using a shorthand measurement technique for this calculation. The net financial effect of changes in methodology and actuarial assumption was a decrease in LSL liability of $665 000.

In addition the average factor for the calculation of employer superannuation on-costs decreased from the 2012 rate of 10.3% to 10.2%. This rate is used in the employment on-cost calculation.

The net financial effect of these changes in the current year is a decrease in employment on-costs of $74 000. The estimated impact on future periods is not expected to be materially different from the impact in the current year.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days. 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 - refer note 39.3.

Categorisation of financial instruments and risk exposure information - refer note 39.

30. Staff entitlements	2013	2012
Current:	$'000	$'000
Annual leave	5 328	5 049
LSL	2 861	1 651
Retention leave	417	-
Total current staff entitlements	8 606	6 700
Non-current:		
LSL	13 762	14 863
Total non-current staff entitlements	13 762	14 863
Total staff entitlements	22 368	21 563

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 (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 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 decrease in the LSL liability of $665 000 and employee benefit expense of $726 000. 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.

30. Staff entitlements (continued)

The actuarial assessment performed by DTF left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

31. Interest bearing liabilities

	2013	2012
Current:	$'000	$'000
Borrowings - Treasurer[1]	2 045	13 280
Managed Houses Scheme	243	243
Total current interest bearing liabilities	2 288	13 523
Non-current:		
Borrowings - Treasurer[1]	107 949	467 071
Managed Houses Scheme	2 004	2 247
Total non-current interest bearing liabilities	109 953	469 318
Total interest bearing liabilities - SA Government entities	112 241	482 841

(1) The Commonwealth Government agreed to provide relief of $320 million of South Australian housing debt effective from 30 June 2013. Of the total $365 million benefit in reduced payments, interest and guarantee fees, $315 million is returned to the State Government over the next four years by reduced grant payments to the Trust and $50 million is to be reinvested in a range of new housing projects.

Treasurer's loans consist of concessional interest rate borrowing (originally under the Commonwealth State Housing Agreement) of $110 million ($480.4 million) which are repayable over a period of 29 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments with the weighted average interest rate being 4.5% (4.47%).

The fair value of the Treasurer's loans is $103.44 million ($468.82 million).

32. Provisions

	2013	2012
Current:	$'000	$'000
Public risk	760	824
Workers compensation	1 161	1 093
Professional indemnity	180	179
General insurance	24	34
Total current provisions - SA Government entities	2 125	2 130
Non-current:		
Workers compensation	3 421	3 710
General insurance	23	47
Total non-current provisions - SA Government entities	3 444	3 757
Total provisions	5 569	5 887

An asset of $27 000 for workers compensation recoveries has been recognised for 2012-13 (refer note 24).

	Public risk	Workers compensation	Professional indemnity	General insurance	Total
	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	824	4 803	179	81	5 887
Additional provisions recognised	1 848	785	31	-	2 664
Reduction in provisions	(1 876)	-	(30)	(34)	(1 940)
Payments made	(36)	(1 006)	-	-	(1 042)
Carrying amount at 30 June	760	4 582	180	47	5 569

33. Other liabilities

	2013	2012
Current:	$'000	$'000
Rent received in advance	8 285	9 667
Deposits held:		
Tenant deposits held	2 458	2 388
Sale deposits held	17	10
Unearned revenue	442	188
Total current other liabilities	11 202	12 253

33. Other liabilities (continued)

	2013	2012
Non-current:	$'000	$'000
Unearned revenue	1 550	1 737
Total non-current other liabilities	1 550	1 737
Total other liabilities	12 752	13 990
Other liabilities - SA Government entities:		
Unearned revenue	1 165	1 290
Total other liabilities - SA Government entities	1 165	1 290
Other liabilities - non-SA Government entities:		
Rent received in advance	8 285	9 667
Unearned revenue	827	635
Deposits held:		
Tenant deposits held	2 458	2 388
Sale deposits held	17	10
Total other liabilities - non-SA Government entities	11 587	12 700
Total other liabilities	12 752	13 990

34. Unrecognised contractual commitments

Remuneration commitments

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

	2013	2012
	$'000	$'000
Not later than one year	7 204	6 424
Later than one year but not later than five years	4 592	5 677
Total remuneration commitments	11 796	12 101

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

Capital commitments

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

	2013	2012
	$'000	$'000
Not later than one year	13 447	19 667
Later than one year but not later than five years	6 226	5 391
Total capital commitments	19 673	25 058

Recurrent commitments

The Trust's recurrent commitments are for agreements for expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable, are as follows:

Not later than one year	62 988	61 171
Later than one year but not later than five years	1 203	1 061
Total recurrent commitments	64 191	62 232

Management agreement commitments

The Trust's management agreement commitments are to manage houses subject to lease arrangements with the Superannuation Funds Management Corporation of South Australia (formerly Colonial First State and Motor Accident Commission) which are contracted but not provided for are payable as follows:

	2013	2012
	$'000	$'000
Not later than one year	315	306
Later than one year but not later than five years	5 355	5 213
Later than five years	7 482	8 851
Total management agreement commitments	13 152	14 370

Operating lease commitments

The Trust's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with some leases having the right of renewal.

Commitments under non-cancellable operating leases at the reporting date that are not recognised as liabilities in the financial statements, are payable as follows:

	2013 $'000	2012 $'000
Not later than one year	4 630	4 577
Later than one year but not later than five years	5 429	5 481
Later than five years	513	570
Total operating lease commitments	10 572	10 628

35. Contingent assets and liabilities

Contingent assets

The Trust does not have any contingent assets at 30 June 2013.

Contingent liabilities

Progressive Purchase Scheme

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 24 (29) of the properties included in the scheme are subject to mortgages with a collective loan balance of $438 000 ($609 000). The tenants' share of the value of the properties subject to mortgage is estimated to be $2.89 million ($3.965 million), based on the Valuer-General's overall capital value.

Rental purchase and sale under agreement house purchase schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. There are 17 (19) properties currently under this scheme. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of this agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of $3.621 million ($4.047 million). These properties together with the Trust's rental properties are subject to an agency agreement with SAICORP, a division of SAFA, and in the event of a claim will be indemnified by the Treasurer so as to limit the exposure of the Trust to $1 million.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2013 is $38.28 million ($33.168 million). The value of claims made this financial year is $7.032 million ($5.423 million).

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

Equity shares

The SACCH Act provides for members of housing co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific co-operative or association property. The Trust is obliged to repurchase the equity shares from holders who leave relevant co-operatives or associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed. The value of these equity shares at 30 June 2013 is $9.687 million ($9.967 million).

36. Transferred functions

The following assets and liabilities were transferred to Renewal SA:

	2013	2012
Transferred out	$'000	$'000
Non-current assets:		
Property, plant and equipment	-	67 520
Total non-current assets	-	67 520

Transferred out (continued)	2013	2012
Current liabilities:	$'000	$'000
Payables	-	(108)
Staff entitlements	-	(812)
Total current liabilities	-	(920)
Non-current liabilities:		
Payables	-	(112)
Staff entitlements	-	(1 277)
Total non-current liabilities	-	(1 389)
Total liabilities	-	(2 309)
Total net assets transferred out	-	65 211

Transfer of properties from Renewals SA

In December 2012, the Trust and Renewal SA sought the Treasurer's assistance in resolving issues surrounding the transfer of 69 Social Housing properties in the Woodville West project back to the Trust. Both parties sought the Treasurer's view on this matter. On 4 January 2013 the Treasurer concluded that 'it is my view that the transfer of the assets back to the Trust should occur through gazettal at the first available opportunity'.

Subsequently, in the gazettal of 7 February 2013, 11 of these 69 assets were transferred back to the Trust. They were recognised in the asset accounts at their Valuer-General's value of $2.59 million.

The remaining 58 assets were not transferred back to the Trust. Many of these remaining 58 assets have been disposed of by Renewal SA and cannot be gazetted back to the Trust. As these assets were funded by the Commonwealth under the Nation Building initiative, any funds associated with their disposal must be reinvested in Social Housing outcomes.

In May 2013 the Trust proposed that sales of the remaining 58 properties would be managed by Renewal SA and that the sales proceeds would be quarantined for the provision of social housing outcomes in line with the agreement on sales and reinvestment Housing SA has made with the Commonwealth. The Trust is currently awaiting a response from Renewal SA in relation to this matter.

37. Unexpended funding commitments

Unspent grant commitments

The following table shows grant revenue received during the financial year, but which remained unspent at year end:

	2013	2012
Unspent SA Government revenues:		
National Partnership Agreement: Homelessness	825	6 466
Alice Springs Safe House	-	70
Muggy's Youth Accommodation Redevelopment	86	-
Total unspent SA Government commitments	911	6 536
Unspent Commonwealth revenues:		
National Partnership Agreements:		
Nation Building - Economic Stimulus Plan	-	30 709
Remote Indigenous Housing	4 748	45 465
Homelessness (A Place to Call Home)	14	-
Social Housing	-	36
Sturt Street Supported Tenancy Accommodation	32	-
Total unspent Commonwealth grant commitments	4 794	76 210
Total unspent grants	5 705	82 746

All grants are subject to written agreements outlining the conditions of the funding, including the objectives, outcomes, performance criteria and reporting obligations. Non-compliance with these conditions may result in the Commonwealth or State recovering parts of the funding in accordance with the implementation plans (where applicable) for each agreement. The conditions attached to these grants can be summarised as:

National Partnership Agreement: Homelessness

A matching contribution by the State Government to assist in implementing programs that reduce homelessness in key groups including rough sleepers, people escaping violence, indigenous people, and people exiting social housing, institutional care or adult prisons.

Alice Springs Safe House
Funding is provided as a contribution towards maintaining a facility located in Alice Springs to provide emergency accommodation for large families escaping family and domestic violence. The facility is to be managed by the NPY Women's Council under a Memorandum of Administrative Arrangement with the Commonwealth and Homelessness Strategy Division of Housing SA.

Muggy's Youth Accommodation Redevelopment
Funding contribution towards the redevelopment of an existing youth accommodation facility in Plympton, operated by the Muggy's accommodation service.

National Partnership Agreement: Nation Building - Economic Stimulus Plan
Funding is contingent on the State agreeing to implement a number of reforms in the social housing sector and making a detailed periodic progress report to the Council of Australian Governments. The reforms include increasing the supply of social housing dwellings through construction of environmentally sustainable dwellings or major upgrade of existing uninhabitable dwellings, integration of public and community housing waiting lists, implementation of support programs for social housing tenants to transition to affordable private rental or home ownership, facilitating the transition from homelessness to secure accommodation and locating social housing closer to transport, facilities and employment opportunities.

National Partnership Agreement: Remote Indigenous Housing
Funding is granted for the purpose of addressing issues of overcrowding in remote indigenous communities by increasing the supply of new houses, improving the condition of existing houses and ensuring ongoing maintenance and management of rental houses in remote indigenous communities.

National Partnership Agreement: Homelessness
The Commonwealth Government provides grants to assist in implementing programs that reduce homelessness in key groups including rough sleepers, people escaping violence, indigenous people, and people exiting social housing, institutional care or adult prisons. This is supported by the State matching component.

National Partnership Agreement: Social Housing
Grants under this program are made on the basis that the funds will be used to construct new social housing dwellings within two years of the funding being allocated and need to address current social housing issues (eg decrease homelessness, improve housing opportunities for Indigenous Australians, support growth of not-for-profit sector).

Sturt Street Supported Tenancy Accommodation
Funding has been provided by the Commonwealth Government for the purpose of providing intensive support for six Indigenous women/family groups at any one time for three to six months in purpose-built transitional accommodation in Sturt Street, Adelaide and other support services. The project will also provide post-transition support to the groups for up to six to 12 months after they exit the accommodation.

Of the revenue reported as unspent at 30 June 2012, $55.796 million remains unspent at 30 June 2013. This total comprises the following: $315 000 for the National Partnership Agreement - Homelessness (State matching funds), $70 000 for the Alice Springs Safe House, $13.8 million for the National Partnership Agreement: Nation Building - Economic Stimulus Plan and $41.611 million for the National Partnership Agreement: Remote Indigenous Housing. These amounts have been incorporated into approved budgets for future expenditure.

Of the revenue reported as unspent in previous years $3.37 million remains unspent at 30 June 2013. This total comprises $1.041 million for the National Partnership Agreement - Homelessness, $2.274 million for the Crisis Accommodation Program and $55 000 for the Homelessness Regional alliance. These amounts have been incorporated into approved budgets for future expenditure.

38. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Statement of Cash Flows	295 791	280 085
Statement of Financial Position	295 791	280 085

Reconciliation of net cash inflows from operating activities to net cost of (revenue from) providing services

	2013	2012
Net cash provided by (used in) operating activities	71 525	90 688
Revenues from SA Government	(210 272)	(290 968)
	(138 747)	(200 280)

Reconciliation of net cash inflows from operating activities to net cost of (revenue from) providing services (continued)	2013 $'000	2012 $'000
Non-cash items:		
Forgiveness of liability	320 000	-
Depreciation and amortisation	(88 377)	(89 712)
Loan amortisation	243	243
Assets received free of charge	2 945	370
Allowance for doubtful debts	(2 802)	1 777
Interest discount due to early repayment of loans	642	-
Provision adjustment	724	1 842
Net gain (loss) from disposal of assets	(3 973)	(15 248)
Construction variance, surplus on property	(2 643)	(9 921)
Buildings and other assets written off	(13 973)	(9 898)
	212 786	(120 547)
Movements in assets/liabilities:		
Receivables	(4 300)	2 939
Property, plant and equipment	(60 177)	39 648
Payables	4 052	7 508
Staff entitlements	(805)	64
Provisions	(406)	(2 269)
Other liabilities	1 238	(750)
	(60 398)	47 140
Net revenue from (cost of) providing services	13 641	(273 687)

39. Financial instruments/Financial risk management

39.1 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.

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents:					
Cash and cash equivalents	23	295 791	295 791	280 085	280 085
Loans and receivables:					
Receivables (at cost)	24	20 683	20 683	14 758	14 758
Financial liabilities					
Payables:					
Payables (at cost)	29	37 744	37 744	41 398	41 398
Borrowings:					
Interest bearing liabilities (at cost)	31	112 241	105 687	482 841	471 310

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

Credit risk

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Currently the Trust does not hold any collateral as security to any of its financial assets.

39.2 Ageing analysis of financial assets

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

39.2 Ageing analysis of financial assets (continued)

	Past due by			
	Overdue for less than 30 days	Overdue for 30-90 days	Overdue for more than 90 days	Total
2013	$'000	$'000	$'000	$'000
Not impaired:				
Receivables	588	163	4 630	5 381
Impaired:				
Receivables	1 513	418	11 906	13 837
2012				
Not impaired:				
Receivables	454	88	4 275	4 817
Impaired:				
Receivables	1 166	226	10 992	12 384

Receivable amounts disclosed here exclude amounts relating to statutory receivables.

39.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities		
2013	Carrying amount	Less than 1 year	1-5 years	More than 5 years
Financial assets:	$'000	$'000	$'000	$'000
Cash and cash equivalents	295 791	295 791	-	-
Receivables	20 683	18 220	2 452	11
Total financial assets	316 474	314 011	2 452	11
Financial liabilities:				
Payables	37 744	37 744	-	-
Interest bearing liabilities	112 241	2 288	10 130	99 823
Total financial liabilities	149 985	40 032	10 130	99 823
2012				
Financial assets:				
Cash and cash equivalents	280 085	280 085	-	-
Receivables	14 758	8 565	6 157	36
Total financial assets	294 843	288 650	6 157	36
Financial liabilities:				
Payables	41 398	41 398	-	-
Interest bearing liabilities	482 841	13 523	56 450	412 868
Total financial liabilities	524 239	54 921	56 450	412 868

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

40. Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2012-13:

	Rental properties - land		Rental properties - buildings		Admin properties - land	
	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	5 050 829	4 883 025	3 698 592	3 761 494	2 180	2 080
Additions	1 188	-	76	-	-	-
Transfer in from other asset category	36 106	29 565	64 585	50 501	11	44
Maintenance upgrades	-	-	17 410	14 290	-	-
Assets classified as held for sale	(2 888)	3 488	(3 227)	5 787	-	-
Disposals	(64 029)	(78 913)	(38 633)	(52 021)	-	-
Transfer out to other asset category	(39 740)	(94 033)	(21 404)	(101 897)	(28)	-

40. Reconciliation of property, plant and equipment (continued)

	Rental properties - land 2013 $'000	Rental properties - land 2012 $'000	Rental properties - buildings 2013 $'000	Rental properties - buildings 2012 $'000	Admin properties - land 2013 $'000	Admin properties - land 2012 $'000
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)	(166 619)	307 964	(177 646)	94 248	(170)	56
Depreciation and amortisation expenses	-	-	(72 103)	(75 986)	-	-
Depreciation and amortisation on disposals	-	-	631	2 176	-	-
Carrying amount at 30 June	4 814 847	5 051 096	3 468 281	3 698 592	1 993	2 180

	Admin properties - buildings 2013 $'000	Admin properties - buildings 2012 $'000	Admin properties - leasehold improvements 2013 $'000	Admin properties - leasehold improvements 2012 $'000	Commercial property - land 2013 $'000	Commercial property - land 2012 $'000
Carrying amount at 1 July	3 657	3 106	2 491	2 509	-	-
Additions	-	-	166	1 187	-	-
Transfer in from other asset category	1 060	329	-	691	588	-
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	-	(1 771)	-	-	-
Transfer out to other asset category	(79)	-	-	(1 021)	-	-
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)	24	382	-	-	-	-
Depreciation and amortisation expenses	(187)	(160)	(755)	(875)	-	-
Depreciation and amortisation on disposals	-	-	419	-	-	-
Carrying amount at 30 June	4 475	3 657	550	2 491	588	-

	Commercial property - buildings 2013 $'000	Commercial property - buildings 2012 $'000	Assets under arrangement - land 2013 $'000	Assets under arrangement - land 2012 $'000	Assets under arrangement - buildings 2013 $'000	Assets under arrangement - buildings 2012 $'000
Carrying amount at 1 July	-	-	667 039	579 894	575 014	505 093
Additions	-	-	-	-	-	102
Transfer in from other asset category	1 433	-	8 720	49 563	22 812	73 453
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	-	-	(558)	-	(385)	-
Transfer out to other asset category	-	-	(7 105)	(2 776)	(3 774)	(2 411)
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)	-	-	(26 477)	40 358	(30 269)	9 473
Depreciation and amortisation expenses	(22)	-	-	-	(11 239)	(10 725)
Depreciation and amortisation on disposals	-	-	-	-	39	29
Carrying amount at 30 June	1 411	-	641 619	667 039	552 198	575 014

	Vacant land - land 2013 $'000	Vacant land - land 2012 $'000	APY leased properties 2013 $'000	APY leased properties 2012 $'000	Plant and equipment 2013 $'000	Plant and equipment 2012 $'000
Carrying amount at 1 July	81 978	68 647	42 939	32 795	1 364	1 482
Additions	-	-	-	-	94	97
Transfer in from other asset category	27 111	26 838	57 165	1 691	4 023	130
Maintenance upgrades	-	-	-	-	-	-
Assets classified as held for sale	-	-	-	-	-	-
Disposals	(732)	(124)	-	-	(270)	(285)
Transfer out to other asset category	(23 463)	(16 733)	(1 101)	-	-	-
Assets transferred due to administrative restructure	-	-	-	-	-	-
Revaluation increment (decrement)	(2 321)	3 350	-	9 037	-	-
Depreciation and amortisation expenses	-	-	(1 597)	(584)	(418)	(346)
Depreciation and amortisation on disposals	-	-	27	-	270	286
Carrying amount at 30 June	82 573	81 978	97 433	42 939	5 063	1 364

40. Reconciliation of property, plant and equipment (continued)

	Capital work in progress		Total property, plant and equipment	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Carrying amount at 1 July	233 807	236 203	10 359 890	10 076 328
Additions	97 554	175 020	99 078	176 406
Transfer in from other asset category	54 693	75 494	278 307	308 299
Maintenance upgrades	-	-	17 410	14 290
Assets classified as held for sale	-	-	(6 115)	9 275
Disposals	-	-	(106 378)	(131 343)
Transfer out to other asset category	(257 742)	(185 390)	(354 436)	(404 261)
Assets transferred due to administrative restructure	-	(67 520)	-	(67 520)
Revaluation increment (decrement)	-	-	(403 478)	464 868
Depreciation and amortisation expenses	-	-	(86 321)	(88 676)
Depreciation and amortisation on disposals	-	-	1 386	2 491
Carrying amount at 30 June	128 312	233 807	9 799 343	10 360 157

South Australian Metropolitan Fire Service

Functional responsibility

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Metropolitan Fire Service (SAMFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SAMFS 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 Metropolitan Fire Service
- South Australian State Emergency Service
- South Australian Country 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 SAMFS is the primary provider of structural firefighting services to the State of South Australia.

SAFECOM provides various services in support of the SAMFS's primary functions including corporate, strategic and compliance services. Also, the operations of the SAMFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about the SAMFS'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 52(2) of the FES Act provide for the Auditor-General to audit the accounts of the SAMFS 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 SAMFS 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 SAMFS 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 work 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 Metropolitan 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 Metropolitan 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 Metropolitan 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, SAMFS and other officers responsible for the governance of the SAMFS.

Major matters raised with SAFECOM and the SAMFS 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 SAMFS 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
Expenses		
Employee benefits expenses	101	98
Supplies and services	12	14
Other expenses	7	7
Total expenses	120	119
Total income	5	7
Net cost of providing services	(115)	(112)
Revenues from (Payments to) SA Government	107	101
Net result	(8)	(11)
Other comprehensive income	-	(4)
Total comprehensive result	(8)	(15)
Net cash provided by (used in) operating activities	(1)	(2)
Assets		
Current assets	9	18
Non-current assets	138	136
Total assets	147	154
Liabilities		
Current liabilities	21	17
Non-current liabilities	22	25
Total liabilities	43	42
Total equity	104	112

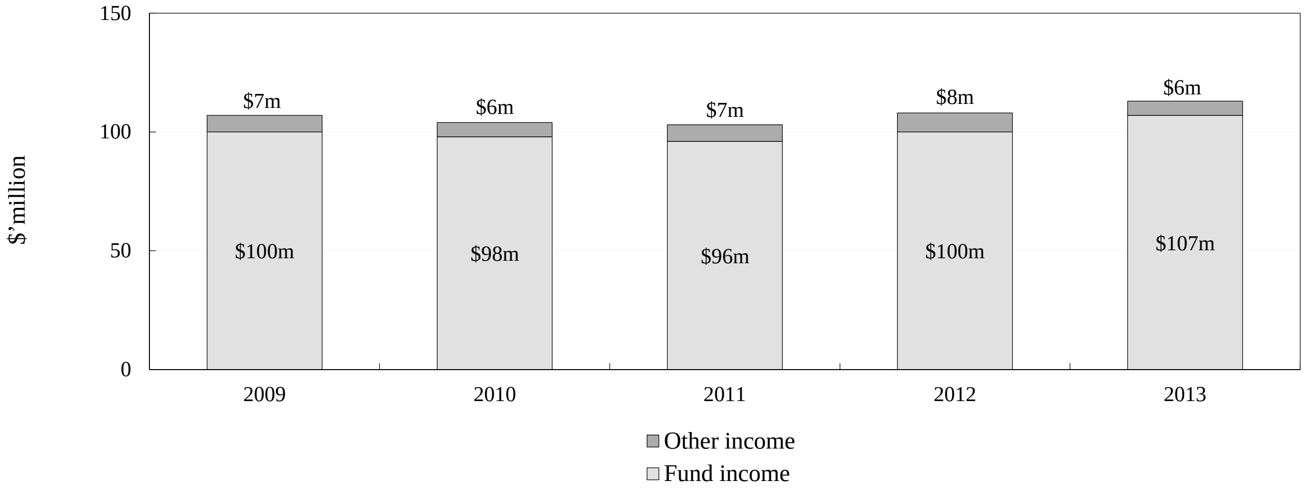
Statement of Comprehensive Income

Revenues from SA Government

The main source of funds for the SAMFS is the contributions from the Fund which account for 95% of revenues (refer note 15 to the financial statements).

The contributions from the Fund to the SAMFS increased by 7% to $107 million during 2012-13.

A structural analysis of income for the SAMFS for the five years to 2013 is presented in the following chart.



Expenses

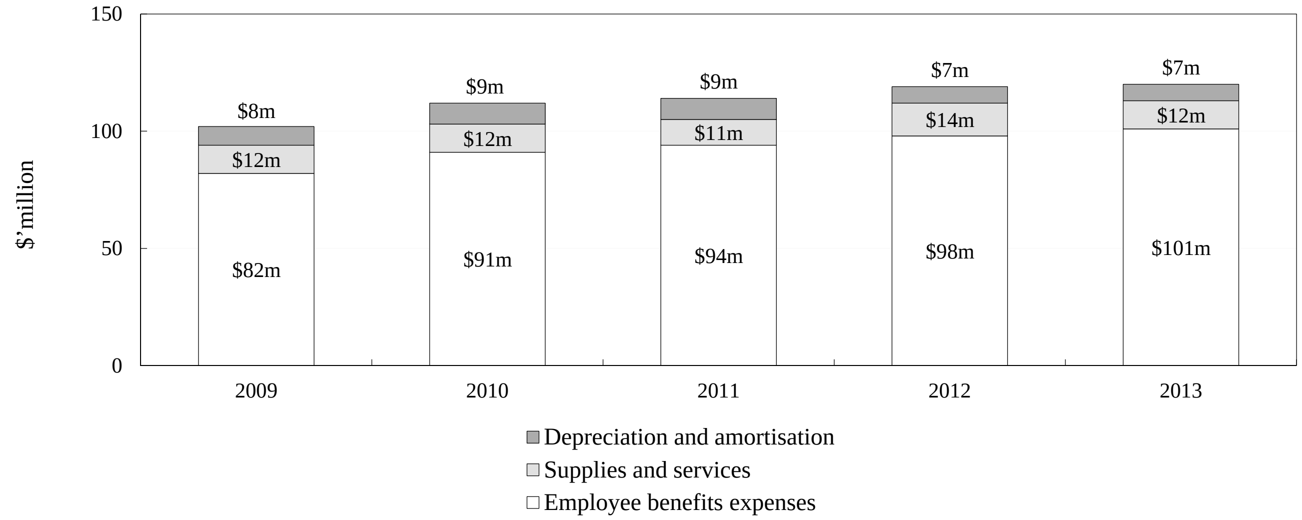
Total expenses increased by $1.4 million to $120 million. Employee benefits costs account for 84% of the total expenses of the SAMFS. During 2012-13, employee benefits expenses increased by $3 million or 3% due mainly to:

- LSL expenses decreasing by $4.6 million
- salaries and wages increasing by $2.6 million due to increases in overtime, allowances and salaries under the enterprise bargaining agreement for some staff
- workers compensation costs increasing by $1.7 million due to an actuarial assessment
- the recognition of expenses totalling $705 000 for the first time related to the skills and experience retention leave.

The decrease in LSL expense for 2013 was due mainly to an increase in the discount rate by 0.75% to 3.5% in 2013 and changes in actuarial assumptions resulting in an additional employee benefit expense of $3.5 million (refer note 22 to the financial statements)

Supplies and services decreased by $1.6 million to $12 million due mainly to an efficiency dividend and imposed savings.

For the five years to 2013, an analysis of the main operating expense items (excluding payments to SA Government) for the SAMFS is shown in the following chart.



Over the five years to 2013, expenses have increased by $18 million or 18%.

Net result

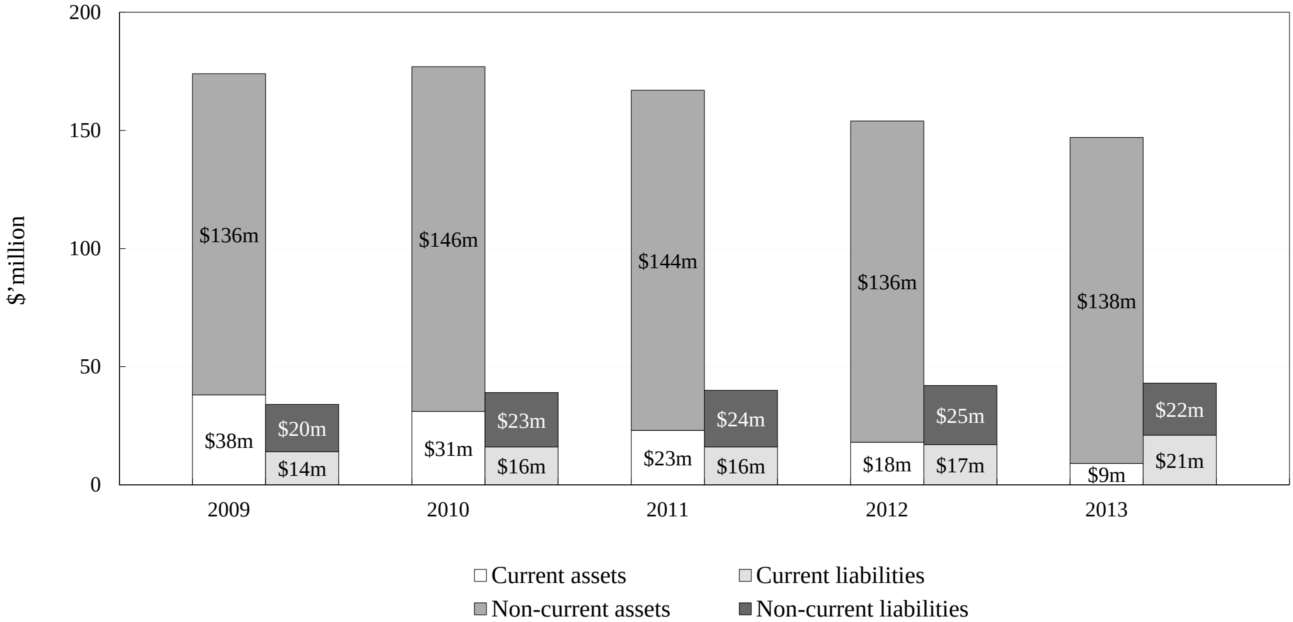
The decreased expenditure offset by increased funding still resulted in a net deficit for the year of $8 million compared to a net deficit of $11 million in 2011-12. The SAMFS's cash and cash equivalents reduced by $9 million as part of this approved budgeted outcome.

Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset 'property, plant and equipment' which accounts for 94% of total assets. Property, plant and equipment increased by $2 million during the year to $138 million due mainly to capital works in progress acquisitions of $9 million offset by depreciation expense for the year of $7 million.

During 2012-13 current assets decreased by $9 million to $9 million mainly due to a reduction in cash and cash equivalents for capital works in progress acquisitions. Current liabilities increased by $4 million to $21 million during the year and now exceed current assets by $12 million predominantly due to the decrease in cash and cash equivalents.

For the five years to 2013, a structural analysis of assets and liabilities is shown in the following chart.



The fair values of the main asset classes held by the SAMFS were land and buildings, $94 million ($96 million) and vehicles, $33 million ($35 million) (refer note 19 to the financial statements for more information).

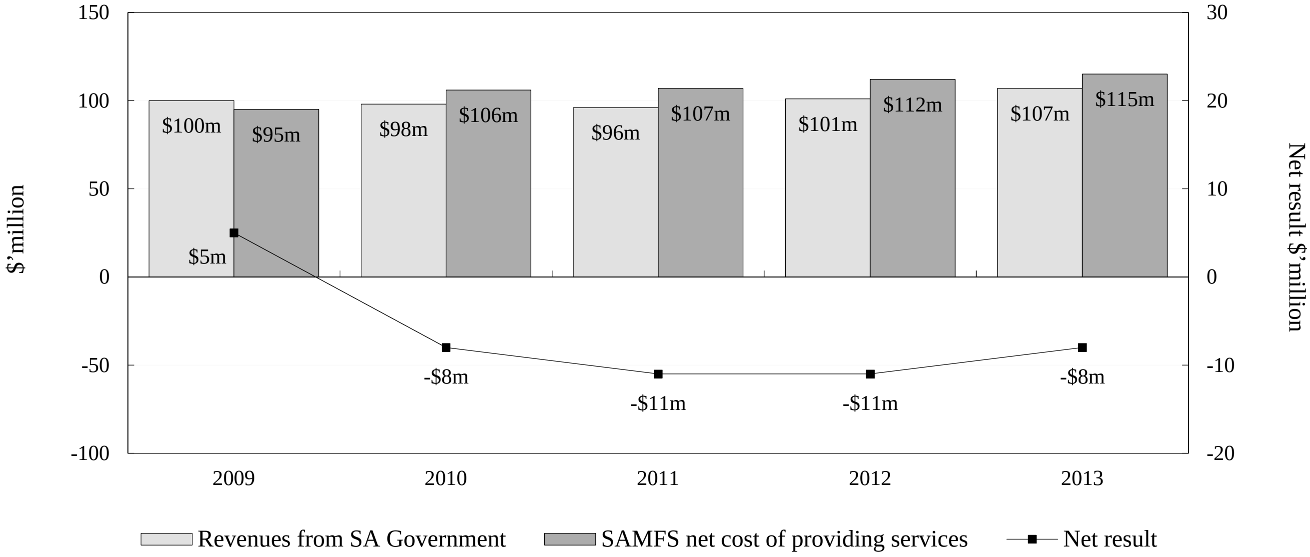
Statement of Cash Flows

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

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows					
Operating	(1)	(2)	(3)	4	15
Investing	(8)	(3)	(3)	(12)	(13)
Change in cash	(9)	(5)	(6)	(8)	2
Cash at 30 June	8	17	22	28	36

Further commentary on operations

The following chart shows the funding received by the SAMFS 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
Expenses:			
Employee benefits expenses	5	100 809	98 019
Supplies and services	6	12 457	14 034
Depreciation and amortisation expenses	7	7 027	6 719
Other expenses	8	-	126
Total expenses		120 293	118 898
Income:			
Net gain (loss) from disposal of non-current assets	9	25	(1)
Revenues from fees and charges	10	4 092	3 954
Commonwealth revenue	11	903	1 194
Interest revenues	12	352	829
Resources received free of charge	13	10	-
Other income	14	373	491
Total income		5 755	6 467
Net cost of providing services		114 538	112 431
Revenues from (Payments to) SA Government:			
Revenues from SA Government	15	107 031	101 381
Net result		(7 507)	(11 050)
Other comprehensive income:			
Changes in revaluation surplus	19	-	(4 284)
Total comprehensive result		(7 507)	(15 334)

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
Current assets:			
Cash and cash equivalents	16	8 183	16 737
Receivables	17	879	1 001
Non-current assets held for sale	18	255	255
Total current assets		9 317	17 993
Non-current assets:			
Property, plant and equipment	19	137 897	136 090
Intangible assets	20	9	23
Total non-current assets		137 906	136 113
Total assets		147 223	154 106
Current liabilities:			
Payables	21	5 583	4 312
Employee benefits	22	14 484	11 812
Provisions	23	1 144	1 450
Total current liabilities		21 211	17 574
Non-current liabilities:			
Payables	21	1 366	1 702
Employee benefits	22	14 614	18 120
Provisions	23	5 930	5 101
Total non-current liabilities		21 910	24 923
Total liabilities		43 121	42 497
Net assets		104 102	111 609
Equity:			
Revaluation surplus	24	96 609	96 609
Retained earnings	24	7 493	15 000
Total equity		104 102	111 609

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26
Contingent assets and liabilities	27

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		100 893	26 050	126 943
Net result for 2011-12		-	(14 010)	(14 010)
Loss on revaluation of property, plant and equipment during 2011-12	19	(4 284)	-	(4 284)
Total comprehensive result for 2011-12		(4 284)	(14 010)	(18 294)
Balance at 30 June 2012	24	96 609	12 040	108 649
Prior year error	3	-	2 960	2 960
Restated balance at 30 June 2012		96 609	15 000	111 609
Net result for 2012-13		-	(7 507)	(7 507)
Total comprehensive result for 2012-13		-	(7 507)	(7 507)
Balance at 30 June 2013	24	96 609	7 493	104 102

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefits payments		(100 997)	(96 121)
Supplies and services payments		(14 859)	(14 862)
GST paid to the ATO		(105)	(90)
Payments for Paid Parental Leave Scheme		(11)	(11)
Cash used in operations		(115 972)	(111 084)
Cash inflows:			
Fees and charges		4 752	4 310
Receipts from Commonwealth		903	1 194
Interest received		380	868
GST recovered from the ATO		1 598	1 205
Receipts for Paid Parental Leave Scheme		11	11
Other receipts		427	491
Cash generated from operations		8 071	8 079
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	15	106 964	100 323
Other receipts from SA Government	15	67	1 058
Cash generated from SA Government		107 031	101 381
Net cash provided by (used in) operating activities	25	(870)	(1 624)
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(7 721)	(3 194)
Cash used in investing activities		(7 721)	(3 194)
Cash inflows:			
Proceeds from sale of property, plant and equipment		37	3
Cash generated from investing activities		37	3
Net cash provided by (used in) investing activities		(7 684)	(3 191)
Net increase (decrease) in cash and cash equivalents		(8 554)	(4 815)
Cash and cash equivalents at 1 July		16 737	21 552
Cash and cash equivalents at 30 June	16	8 183	16 737

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian Metropolitan Fire Service (MFS) continues in existence under the *Fire and Emergency Services Act 2005* (the Act) and under the Act has the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in any fire district
- to provide efficient and responsive services in any fire district for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fire and other emergencies occurring in any fire district

Objectives (continued)

- to develop and maintain plans to cope with the effects of fires or emergencies in any fire district
- to provide services or support to assist with recovery in the event of a fire or other emergency in a fire district
- to perform any other function assigned to the MFS by or under this or any other Act.

Funding arrangements

Funding of the MFS is primarily derived from the Community Emergency Services Fund in accordance with the *Emergency Services Funding Act 1998*.

2. Summary of significant accounting policies

(a) Statement of compliance

The MFS 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 MFS has applied AASs that are applicable to not-for-profit entities as the MFS 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 MFS 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 MFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in 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 MFS has elected not to utilise this threshold, ie all revenue, expense, financial assets and liabilities relating to the 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 MFS'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 and the comparative information presented.

(c) Reporting entity

The MFS is established under the Act. Under the Act, the MFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the MFS.

(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 MFS is not subject to income tax. The MFS 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 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 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 MFS 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:

Revenues from SA Government

Contributions from the Community Emergency Services Fund and other receipts from the SA Government are recognised as income when the MFS 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 MFS obtains control of revenues or obtains the right to receive the revenues and the income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

Generally, the MFS 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 MFS have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

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

Any gain on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

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 donations received, miscellaneous expense 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 MFS 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 MFS to the superannuation plan in respect of current services of current MFS staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Payments to SA Government
Payments to the SA Government include the return of surplus cash from the proceeds for the sale of surplus land and buildings and are paid directly to the Consolidated Account.

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.

Depreciation and amortisation (continued)

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

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:

Class of asset	*Useful life (years)*
Communications equipment	10
Vehicles	15
Plant and equipment	10
Computer equipment	5
Buildings	50
Intangibles	5

(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 MFS has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(k) Assets

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

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position include cash at bank and on hand and 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. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the MFS will not be able to collect the debt. Bad debts are written off when identified.

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 MFS 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.

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 MFS has been unable to attribute this expenditure to the intangible asset rather than to the MFS 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 MFS.

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 MFS has received from the Commonwealth Government to forward onto eligible employees via the MFS's standard payroll processes. That is, the MFS 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 with respect to outstanding liabilities for salaries and wages, LSL, annual leave and skills and experience retention leave.

The MFS 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 and sick leave

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

The annual leave liability and the skills and experience retention leave liability are 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 MFS 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 MFS expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions (continued)
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at 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 MFS 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 MFS 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 MFS for the period ending 30 June 2013. The MFS 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 MFS.

There was one prior period adjustment for 2012-13.

This related to the overstatement of the provision for LSL liability and associated expenses in 2012, by an amount of $2.96 million. The error was due to the 2011-12 LSL calendar days entitlements being calculated on the working day rates.

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 $2.96 million
- the total comprehensive result increasing by $2.96 million
- current payables decreased by $30 000
- current employee benefits decreased by $319 000
- non-current payables decreased by $224 000
- non-current employee benefits decreased by $2.387 million.

Restated 2012 comparative balances are detailed in the Statement of Comprehensive Income and in notes 5, 21 and 22.

4. Activities of the MFS
In achieving its objectives, the MFS provides services within six general areas: leadership, prevention, preparedness, response, recovery and business excellence. These services are classified under one activity titled 'Metropolitan Fire Service'.

5. Employee benefits expenses

	2013 $'000	2012 $'000
Salaries and wages	72 697	70 117
Annual leave	9 676	9 070
Skills and experience retention leave	705	-
LSL	(301)	4 292
Employment on-costs - superannuation	10 488	8 814
Employment on-costs - other	4 589	4 462
Workers compensation costs	2 569	872
Other employment related expenses	386	392
Total employee benefits expenses	100 809	98 019

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$134 000 - $137 999*	n/a	9
$138 000 - $147 999	18	10
$148 000 - $157 999	10	4
$158 000 - $167 999	5	5
$168 000 - $177 999	3	1
$208 000 - $217 999	-	1
$228 000 - $237 999	-	1
$238 000 - $247 999	1	-
$248 000 - $257 999	1	1
$298 000 - $307 999	1	1
Total	39	33

* 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 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 $6.198 million ($5.219 million).

6. Supplies and services

	2013 $'000	2012 $'000
Accommodation	242	197
Auditor's remuneration	26	24
Communications	533	569
Computing costs	889	968
Consultancy, contractor and legal fees	876	1 436
Consumables	1 097	1 173
Energy	735	609
Government Radio Network	1 655	1 701
Insurance premiums	243	352
Minor plant and equipment	704	796
Operational costs	30	64
Operating lease costs	721	887
Repairs and maintenance	2 312	2 196
Travel and training	613	914
Uniforms and protective clothing	929	998
Other expenses	852	1 150
Total supplies and services	12 457	14 034

Consultancies

The number and dollar amount of consultancies paid/payable (included in consultants expense shown above) fell within the following bands:	2013 Number	2012 Number
Below $10 000	2	2
Total	2	2

Consultancies (continued)	2013 $'000	2012 $'000
Below $10 000	5	3
Total amount paid/payable to the consultants engaged	5	3

Auditor's remuneration		
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	26	24
Total auditor's remuneration	26	24

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	237	188
Auditor's remuneration	26	24
Computing costs	190	156
Consultancy, contractor and legal fees	64	50
Consumables	-	1
Government Radio Network	1 655	1 701
Insurance premiums	239	352
Minor plant and equipment	8	10
Operating lease costs	313	823
Repairs and maintenance	502	11
Travel and training	65	147
Uniforms and protective clothing	-	5
Other expenses	267	240
Total supplies and services provided by entities within the SA Government	3 566	3 708

7. Depreciation and amortisation expenses

Depreciation:		
Buildings	2 304	2 476
Vehicles	4 113	3 669
Computers	8	4
Plant	351	334
Communications	237	222
Total depreciation	7 013	6 705
Amortisation:		
Software	14	14
Total amortisation	14	14
Total depreciation and amortisation expenses	7 027	6 719

8. Other expenses

Asset revaluation decrement	-	126
Total other expenses	-	126

9. Net gain (loss) from disposal of non-current assets

Land and buildings:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	-
Costs of disposal of land and buildings	(2)	(4)
Net gain (loss) from disposal of land and buildings	(2)	(4)
Vehicles:		
Proceeds from disposal	37	3
Net book value of assets disposed	(10)	-
Net gain (loss) from disposal of vehicles	27	3

9. Net gain (loss) from disposal of non-current assets (continued)

	2013	2012
Total assets:	$'000	$'000
Total proceeds from disposal	37	3
Total value of assets disposed	(10)	-
Costs of disposal	(2)	(4)
Net gain (loss) from disposal of non-current assets	25	(1)

10. Revenues from fees and charges

Fire alarm attendance fees	1 956	1 910
Fire safety fees	304	274
Fire alarm monitoring fees	1 820	1 725
Training and other recoveries	-	5
Salary recoveries	12	39
Other recoveries	-	1
Total revenues from fees and charges	4 092	3 954

Fees and charges received/receivable from entities within the SA Government

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	368	351
Fire safety fees	7	9
Fire alarm monitoring fees	186	186
Training and other recoveries	-	5
Salary recoveries	3	-
Total fees and charges received/receivable from entities within the SA Government	564	551

11. Commonwealth revenues

Grants and contributions	903	1 194
Total Commonwealth revenues	903	1 194

Commonwealth revenues include contributions towards the cost of providing fire and emergency services to Commonwealth property.

There are no conditions attached to these contributions.

12. Interest revenues

Interest on deposit accounts from entities within the SA Government	352	829
Total interest revenues	352	829

13. Resources received free of charge

Goods received free of charge	10	-
Total resources received free of charge	10	-

Resources received free of charge from entities within the SA Government

Resources received free of charge during 2012-13 related to the transfer of a fire appliance from the South Australian Country Fire Service.

14. Other income

Rent received	59	116
Other	314	375
Total other income	373	491

The following other income (included in the other income shown above) was received/receivable from entities within the SA Government:

Rent received	27	33
Other	10	15
Total other income received/receivable from entities within the SA Government	37	48

15. Revenues from (Payments to) SA Government

	2013	2012
Revenues from SA Government:	$'000	$'000
Contributions from Community Emergency Services Fund	106 964	100 323
Other revenues from SA Government	67	1 058
Total revenues from SA Government	107 031	101 381

Total revenues from government consist of $96.192 million ($93.66 million) for operational funding and $10.772 million ($6.663 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 5, 6, 19 and 20. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

16. Cash and cash equivalents

	2013	2012
	$'000	$'000
Cash on hand	11	12
Deposits with the Treasurer	8 172	16 725
Total cash and cash equivalents	8 183	16 737

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 approximates fair value.

17. Receivables

	2013	2012
Current:		
Receivables	568	791
Allowance for doubtful debts	(163)	(224)
	405	567
Accrued revenues	74	143
GST input tax recoverable	400	291
Total current receivables	879	1 001

Receivables from entities within the SA Government

	2013	2012
The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:		
Receivables	61	68
Allowance for doubtful debts	-	-
	61	68
Accrued revenues	41	92
Total current receivables from entities within the SA Government	102	160

Movements in the allowance for doubtful debts (impairment loss)

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.

	2013	2012
	$'000	$'000
Carrying amount at 1 July	(224)	(64)
Amounts written off	17	-
Decrease (Increase) in the allowance	44	(160)
Carrying amount at 30 June	(163)	(224)

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 30.3.

18. Non-current assets held for sale

	2013	2012
	$'000	$'000
Land held for sale	255	255
Total non-current assets held for sale	255	255

The Burra and Port Lincoln sites are surplus to requirements at balance date.

19. Property, plant and equipment

	2013	2012
Land:		
At valuation	40 920	40 855
Total land	40 920	40 855
Buildings:		
At valuation	56 244	56 244
At cost (deemed fair value)	745	425
Accumulated depreciation	(3 452)	(1 148)
Total buildings	53 537	55 521
Vehicles:		
At valuation	34 452	34 452
At cost (deemed fair value)	4 308	2 091
Accumulated depreciation	(6 081)	(1 968)
Total vehicles	32 679	34 575
Communication equipment:		
At valuation	1 140	1 140
At cost (deemed fair value)	543	302
Accumulated depreciation	(345)	(108)
Total communication equipment	1 338	1 334
Computer equipment:		
At valuation	9	9
At cost (deemed fair value)	13	13
Accumulated depreciation	(10)	(2)
Total computer equipment	12	20
Plant and equipment:		
At valuation	1 642	1 642
At cost (deemed fair value)	136	33
Accumulated depreciation	(531)	(180)
Total plant and equipment	1 247	1 495
Capital works in progress:		
At cost (deemed fair value)	8 164	2 290
Total work in progress	8 164	2 290
Total property, plant and equipment	137 897	136 090

Valuation of assets
At 1 January 2012 independent valuations for land, buildings, vehicles, communication, computer plant and equipment were undertaken by Liquid Pacific's 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 suitability 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.

Movement and reconciliation of property, plant and equipment

2013	Land $'000	Buildings $'000	Vehicles $'000	Communi-cations equipment $'000	Computer equipment $'000	Plant and equipment $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July	40 855	55 521	34 575	1 334	20	1 495	2 290	136 090
Acquisitions	-	-	-	-	-	-	8 820	8 820
Transfers to (from) capital works in progress	65	320	2 217	241	-	103	(2 946)	-
Depreciation expense	-	(2 304)	(4 113)	(237)	(8)	(351)	-	(7 013)
Assets received for nil consideration	-	-	10	-	-	-	-	10
Disposals	-	-	(10)	-	-	-	-	(10)
Carrying amount at 30 June	40 920	53 537	32 679	1 338	12	1 247	8 164	137 897
2012								
Carrying amount at 1 July	39 455	68 880	29 842	1 443	9	1 575	2 811	144 015
Acquisitions	-	-	-	-	-	-	3 190	3 190
Transfers to (from) capital works in progress	845	425	2 091	301	13	36	(3 711)	-
Depreciation expense	-	(2 476)	(3 669)	(222)	(4)	(334)	-	(6 705)
Gain (Loss) on revaluation of property, plant and equipment	555	(11 308)	6 311	(62)	2	218	-	(4 284)
Net revaluation decrement expensed	-	-	-	(126)	-	-	-	(126)
Carrying amount at 30 June	40 855	55 521	34 575	1 334	20	1 495	2 290	136 090

20. Intangible assets

	2013 $'000	2012 $'000
Computer software	324	324
Accumulated amortisation	(315)	(301)
Total intangible assets	9	23

Movement reconciliation of intangible assets

	2013	2012
Carrying amount at 1 July	23	37
Amortisation expense	(14)	(14)
Carrying amount at 30 June	9	23

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.

21. Payables

	2013 $'000	2012 $'000
Current payables:		
Accrued expenses	557	715
Creditors	2 461	1 494
FBT payable	96	93
Employment on-costs	2 469	2 010
Total current payables	5 583	4 312

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:

	2013	2012
Accrued expenses	222	187
Creditors	1 834	441
FBT payable	96	93
Employment on-costs	1 233	926
Total current payables - SA Government entities	3 385	1 647

Current payables to entities within the SA Government (continued)	2013	2012
Non-current payables:	$'000	$'000
Employment on-costs	1 366	1 702
Total non-current payables	1 366	1 702

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	770	955
Total non-current payables - SA Government entities	770	955

Employment on-costs

As a result of an actuarial assessment performed by DTF, 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 $316 000 and employee benefit expense of $316 000. 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 30.3.

22. Employee benefits

	2013	2012
Current:	$'000	$'000
Annual leave	7 818	7 213
Skills and experience retention leave	705	-
LSL	3 441	2 425
Accrued salaries and wages	2 520	2 174
Total employee benefits - current	14 484	11 812
Non-current:		
Skills and experience retention leave	-	-
LSL	14 614	18 120
Total employee benefits - non-current	14 614	18 120

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.

The net financial effect of the changes in the methodology and actuarial assumption in the current financial year is a decrease in the LSL liability of $3.5 million and employee benefit expense of $3.5 million. 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.

23. Provisions

	2013	2012
Current liabilities:	$'000	$'000
Provision for workers compensation	1 144	1 450
Total current provisions	1 144	1 450
Non-current liabilities:		
Provision for workers compensation	5 930	5 101
Total non-current provisions	5 930	5 101
Total provisions	7 074	6 551

Provision movement

Carrying amount at 1 July	6 551	7 593
Additional provisions recognised (released)	2 644	843
Reductions arising from payments	(2 121)	(1 885)
Carrying amount at 30 June	7 074	6 551

The MFS 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.

24. Equity

	2013	2012
	$'000	$'000
Retained earnings	7 493	15 000
Revaluation surplus	96 609	96 609
Total equity	104 102	111 609

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.

25. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June	2013 $'000	2012 $'000
Cash and cash equivalents disclosed in the Statement of Financial Position	8 183	16 737
Balance as per the Statement of Cash Flows	8 183	16 737

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

Net cash provided by (used in) operating activities	(870)	(1 624)
Revenues from SA Government	(107 031)	(101 381)
Non-cash items:		
Depreciation and amortisation	(7 027)	(6 719)
Assets received free of charge	10	-
Asset revaluation decrement recognised in Statement of Comprehensive Income	-	(126)
Net gain (loss) from disposal of non-current assets	25	(1)
Movements in assets/liabilities:		
Receivables	(122)	(167)
Payables	166	(815)
Employee benefits	834	(2 640)
Provisions	(523)	1 042
Net cost of providing services	(114 538)	(112 431)

26. 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	392	333
Later than one year but not later than five years	267	285
Total operating lease commitments	659	618

Operating lease commitments (continued)

The abovementioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property 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

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

	2013	2012
	$'000	$'000
Within one year	3 445	-
Total capital commitments	3 445	-

These capital commitments are for property and vehicles.

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	2012
	$'000	$'000
Within one year	548	533
Later than one year but not later than five years	1 291	1 859
Total remuneration commitments	1 839	2 392

Amounts disclosed include commitments arising from executive contracts. The MFS 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	2012
	$'000	$'000
Within one year	181	106
Later than one year but not longer than five years	723	167
Total other commitments	904	273

Contractual commitments relate to operational equipment, personal protective clothing and photocopier services.

27. Contingent assets and liabilities

Contingent assets

The MFS is not aware of any other contingent assets.

Contingent liabilities

The MFS has a contingent liability in the form of unresolved litigation, however, the outcome cannot be reliably determined at this stage. In each case the financial exposure to the MFS is limited to a $10 000 excess under insurance arrangements.

28. Remuneration of board and committee members

Members of the board and committees, during the 2013 financial year were:

South Australian Metropolitan Fire Service Disciplinary Committee

Graham Dart
Roy Thompson (retired 19 August 2012)*
Michael Vander-Jeugd*
Brendan West*
Chris Smith (appointed 20 August 2012)*

The number of members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$0	4	3
$1 - $9 999	1	1
Total	5	4

28. Remuneration of board and committee members (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 $2525 ($5050).

* 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 MFS are on conditions no more favourable than those that it is reasonable to expect the MFS 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 it is considered to be reimbursement of direct expenses incurred by relevant members.

29. Events after the reporting period

There were no events after the reporting period affecting the financial statements.

30. Financial instruments/Financial risk management

30.1 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.

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	16	8 183	8 183	16 737	16 737
Receivables(1)(2)	17	642	642	934	934
Financial liabilities					
Payables(1)	21	2 992	2 992	2 187	2 187

(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, 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.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 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 MFS's debtors defaulting on their contractual obligations resulting in financial loss to the MFS. The MFS 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 30.1 represents the MFS's maximum exposure to credit risk.

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

30.2 Ageing analysis of financial assets

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

		Past due by			
2013	Current (not overdue) $'000	Overdue for less than 30 days $'000	Overdue for 30-60 days $'000	Overdue for more than 60 days $'000	Total $'000
Not impaired:					
Receivables	286	104	21	68	479
Impaired:					
Receivables	-	-	-	163	163
2012					
Not impaired:					
Receivables	299	54	57	300	710
Impaired:					
Receivables	-	-	-	224	224

30.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturity	
2013	Carrying amount	Less than 1 year	1-5 years
Financial assets:	$'000	$'000	$'000
Cash and cash equivalents	8 183	8 183	-
Receivables	642	642	-
Total financial assets	8 825	8 825	-
Financial liabilities:			
Payables	2 992	2 992	1 495
Total financial liabilities	2 992	2 992	1 495
2012			
Financial assets:			
Cash and cash equivalents	16 737	16 737	-
Receivables	934	934	-
Total financial assets	17 671	17 671	-
Financial liabilities:			
Payables	2 187	2 187	1 926
Total financial liabilities	2 187	2 187	1 926

The financial assets and liabilities of the MFS are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band years.

Liquidity risk

Liquidity risk arises where the MFS is unable to meet its financial obligations as they are due to be settled. The MFS is funded principally from contributions from the Community Emergency Services Fund. The MFS 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 MFS 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 MFS'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 30.1 represents the MFS's maximum exposure to financial liabilities.

Market risk

The MFS has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The MFS'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 MFS as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

South Australian Motor Sport Board

Functional responsibility

Establishment

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

Functions

The main functions of the Board are to promote motor sport events within the State including entering into agreements, establishing a temporary motor racing circuit and conducting and managing motor racing events. For details of the Board's functions refer note 1 to the financial statements.

The Board comprises nine members appointed by the Governor and is subject to the general control and direction of the Premier.

The Board has secured the right to stage a motor sport event for a period of 10 years, concluding in 2015. Pursuant to a Naming Rights Sponsorship Agreement, the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with DPC, the Board is responsible for staging the World Solar Challenge in October 2013.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 18(3) of the SAMS Act provide for the Auditor-General to audit the accounts of the Board 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 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:

- payroll
- expenditure
- revenue
- procurement
- fixed assets
- general ledger
- cash at bank

Audit findings and comments

Auditor's report on the financial report

The following is an extract from the 2012-13 Independent Auditor's Report, which details the qualification to the Board's financial statements.

> ***Basis for Qualified Opinion***
>
> *State Government grant - capital*
>
> *As detailed in note 2.8 to the financial report, funding received by the South Australian Motor Sport Board for race staging is recognised as a liability and subsequently amortised over five years or the unexpired period of the race staging deed, whichever is the shorter. The current and non-current liabilities recognised for this are described as 'Deferred State Government grant - capital' in the Statement of Financial Position. These liabilities total $2 million as at 30 June 2013.*
>
> *State Government grant - infrastructure*
>
> *During the three years to 30 June 2009, the South Australian Motor Sport Board received grants from the State Government for construction of infrastructure. Of this, $18.7 million was spent on the capital costs of assets. The South Australian Motor Sport Board deferred recognising grant revenue for this amount by recognising current and non-current liabilities described as 'Deferred State Government grant - infrastructure' in the Statement of Financial Position. These liabilities are being amortised to revenue over the estimated useful life of the infrastructure assets. As a result, only $7.9 million of the $18.7 million has been recognised as revenue. The remaining $10.8 million is recognised as current and non-current liabilities as at 30 June 2013.*
>
> *Requirements of Australian Accounting Standards and Treasurer's Instructions*
>
> *In my opinion, both the 'capital' and 'infrastructure' State Government grant funds received represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Accounting Policy Framework APF V 'Income Framework' issued pursuant to the Treasurer's Instructions. The State Government grants were controlled by the South Australian Motor Sport Board, meet the income recognition criteria upon their receipt and consequently these grants should have been recorded as assets and income on receipt.*
>
> *The financial effect of not complying with AASB 1004 'Contributions' and APF V 'Income Framework' is as follows:*
>
> - *Total income, operating surplus and total comprehensive result are overstated by $1.1 million (overstated by $752 000 for the year ended 30 June 2012).*
> - *Current liabilities are overstated by $2.1 million (overstated by $2 million for the year ended 30 June 2012).*
> - *Non-current liabilities are overstated by $10.7 million (overstated by $11.9 million for the year ended 30 June 2012).*
> - *Total liabilities are overstated by $12.8 million (overstated by $13.9 million for the year ended 30 June 2012).*
> - *Total equity is understated by $12.8 million (understated by $13.9 million for the year ended 30 June 2012).*

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the South Australian Motor Sport Board 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 Motor Sport Board 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 Motor Sport Board have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit of the Board were detailed in a management letter to the officers responsible for the governance of the Board. The main matters raised with the Board and the related responses are detailed below.

Implementation of TI 2

TI 2 requires public authorities to establish and review, at least on an annual basis, their fraud policies.

Audit noted that the Board's fraud policy was last reviewed in July 2011.

In response the Board advised this was an oversight that has now been rectified.

Payment authorisation delegations

Pursuant to TI 8 the Premier has authorised the Board and the Chief Executive to authorise payments up to $1 million and $500 000 respectively and the Chief Executive has delegated payment authority to nominated Board employees.

Neither the Minister's delegations nor the Chief Executive's delegations mention whether the authorisation limits are GST exclusive or inclusive.

In response the Board advised it has historically used the GST exclusive amount when setting authorisations. The Chief Executive's delegations have been amended to remove any doubt.

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 to the Board on account payment performance.

The audit noted:

- the need to amend the basis of preparing accounts payable performance data to align with the requirements of TI 11

- monthly reports did not provide all the information required by TI 11.

In response the Board advised:

- the calculation worksheet has been amended to prepare performance data on a basis which is consistent with TI 11
- the report format has been revised to meet the information requirements of TI 11.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Income		
State Government grants	11	8
User charges	20	20
Amortisation of grants	2	2
Total income	33	30
Expenses		
Supplies and services	27	25
Depreciation and amortisation	2	2
Employee benefit expenses	2	2
Total expenses	31	29
Operating surplus and total comprehensive result	2	1
Assets		
Current assets	7	4
Non-current assets	15	17
Total assets	22	21
Liabilities		
Current liabilities	6	6
Non-current liabilities	11	12
Total liabilities	17	18
Total equity	5	3

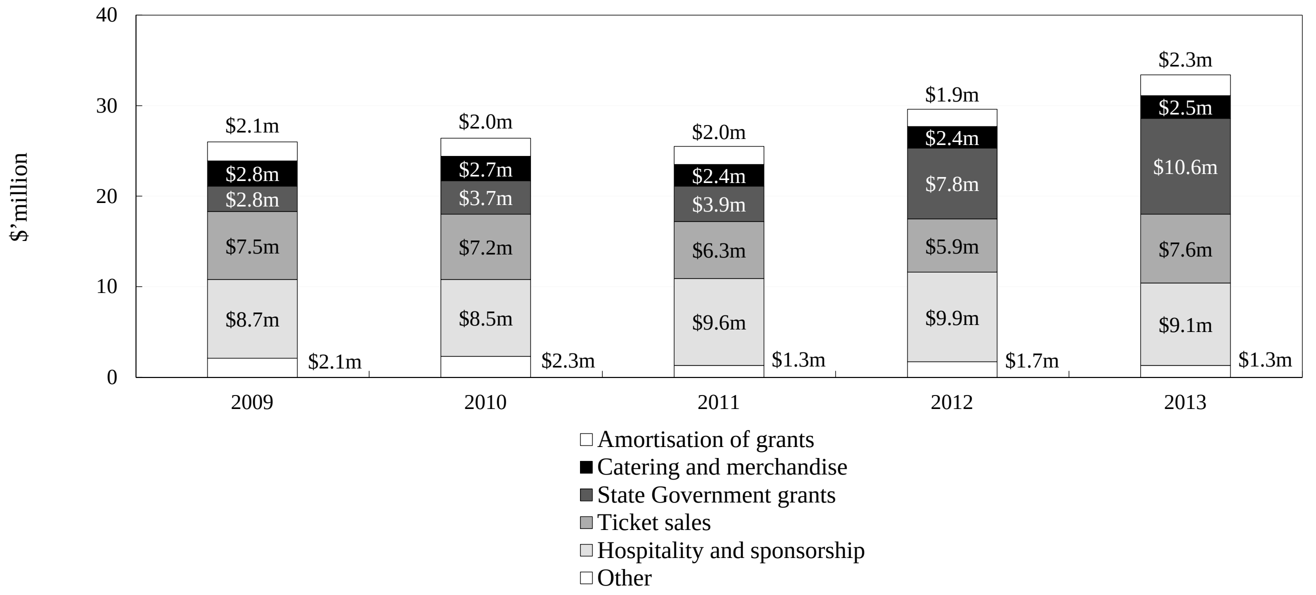
Statement of Comprehensive Income

Income

The Board has not applied AASs and mandatory APFs when reporting its capital and infrastructure grant revenues. Reference should be made to note 2.8 to the Board's financial statements and to commentary provided under the heading 'Auditor's report on the financial report'.

The Board's decision not to apply APF V and AASB 1004 has resulted in an overstatement of income of $1.1 million ($752 000 overstatement).

A structural analysis of income for the Board for the five years to 2013 is presented in the following chart.



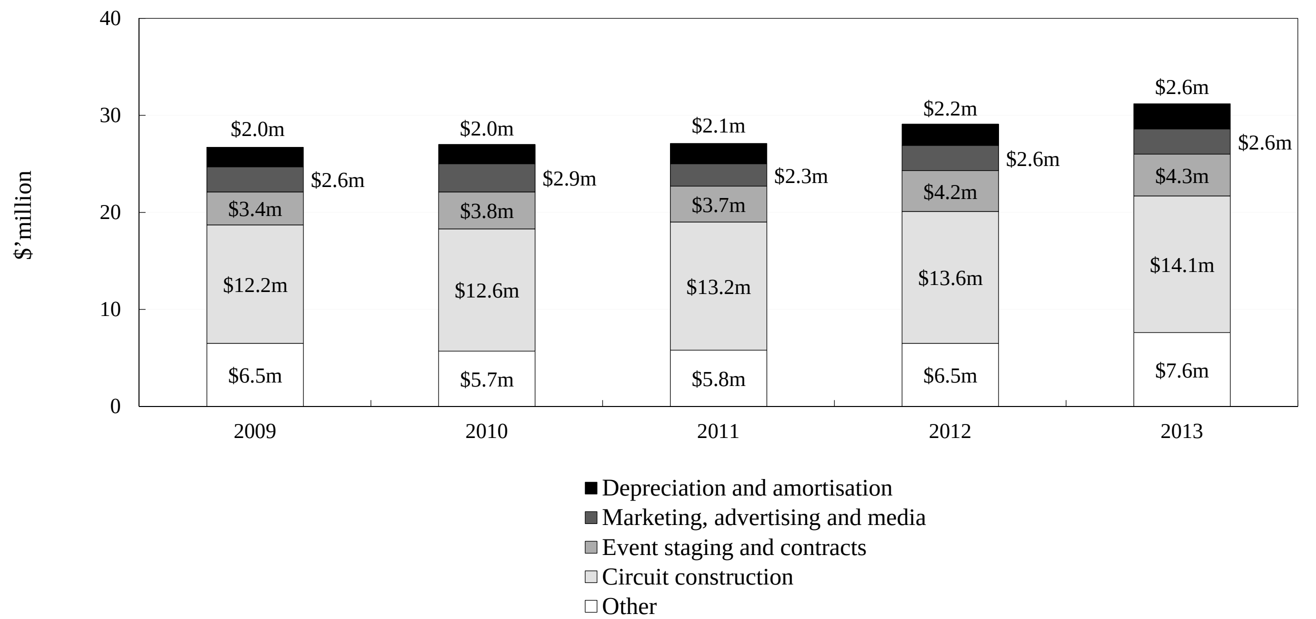
The chart illustrates the increase in overall income in 2013 which was principally due to an increase in State Government grants and ticket sales, offset by a decrease in hospitality and sponsorship income.

It also highlights that the decline in income from ticket sales for the four years to 2012 was reversed in 2013.

Expenses

The Board's activities remain predominately delivered through contracted services and therefore salaries costs are comparatively low.

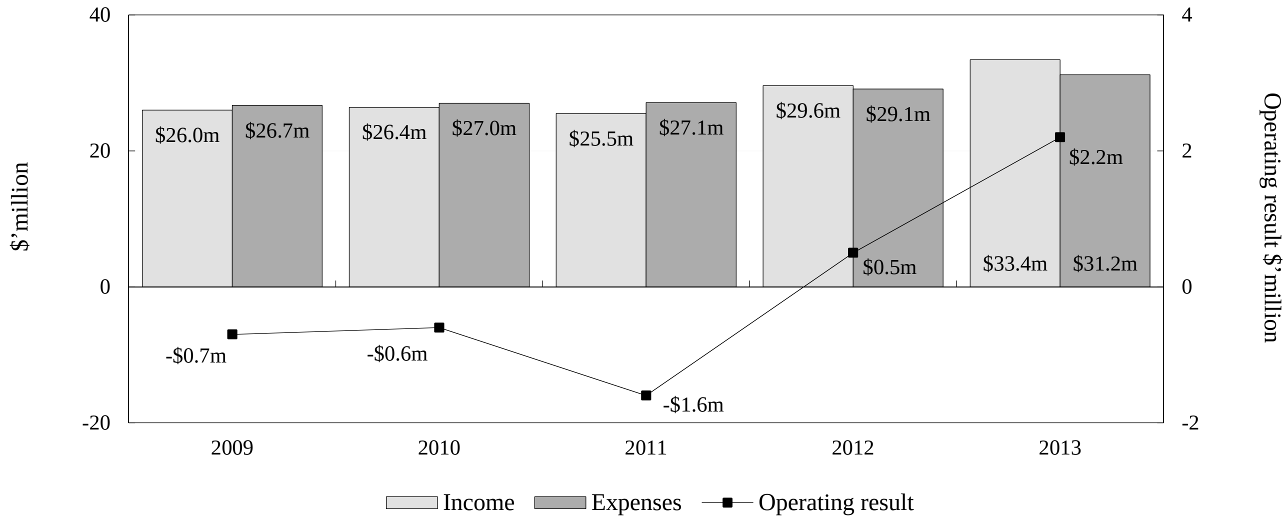
A structural analysis of the main expense items for the Board for the five years to 2013 is shown in the following chart.



The chart illustrates that overall expenditure remained steady between 2009 and 2011 and then increased across all expenditure categories in 2012 and 2013.

Net result

The following chart shows the movement in income, expenses and the operating result for the current and preceding four years.



The Board recorded an operating surplus of $2.1 million ($510 000) which is the second operating surplus since 2008-09. The $1.6 million improvement is principally due to a $2.9 million increase in grant income and a $1.7 million increase in ticket sales offset by an $859 000 decrease in hospitality and sponsorship income and the $2.1 million increase in expenditure previously discussed.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2013. The table shows the Board's cash balance at 30 June 2013 was the highest for the four years.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	2.4	(0.2)	0.4	(1.0)
Investing	0.5	(0.6)	-	-
Change in cash	2.9	(0.8)	0.4	(1.0)
Cash at 30 June	6.6	3.7	4.5	4.1

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
State Government operating grants	1	10 631	7 766
Interest	4	347	444
User charges	5	20 130	19 426
Amortisation of capital grants	2.8,15	732	377
Amortisation of infrastructure grants	2.8,15	1 536	1 585
Total income		33 376	29 598
Expenses:			
Supplies and services	6	26 970	25 379
Depreciation and amortisation	10	2 622	2 209
Allowance for doubtful debts	9	130	21
Employee benefit expenses	7	1 504	1 479
Total expenses		31 226	29 088
Operating surplus		2 150	510
Total comprehensive result		2 150	510

Operating surplus 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
Current assets:			
Cash and cash equivalents	8	6 627	3 671
Receivables	9	416	593
Total current assets		7 043	4 264
Non-current assets:			
Concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements	10	14 700	16 609
Total non-current assets		14 700	16 609
Total assets		21 743	20 873
Current liabilities:			
Payables	11	2 208	1 968
Employee benefits	12	149	132
Provisions	13	1	1
Other liabilities	14	1 244	1 732
Deferred State Government grant - capital	15	673	584
Deferred State Government grant - infrastructure	15	1 460	1 460
Total current liabilities		5 735	5 877
Non-current liabilities:			
Payables	11	5	4
Employee benefits	12	39	31
Provisions	13	1	1
Deferred State Government grant - capital	15	1 357	968
Deferred State Government grant - infrastructure	15	9 334	10 870
Total non-current liabilities		10 736	11 874
Total liabilities		16 471	17 751
Net assets		5 272	3 122
Equity:			
Reserve for extreme weather	2.12	1 100	1 100
Retained earnings		3 569	1 419
Revaluation surplus		603	603
Total equity		5 272	3 122

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	16		
Contingent assets and liabilities	17		

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

	Note	Reserve for extreme weather $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 30 June 2011		846	603	1 163	2 612
Operating result for 2011-12		-	-	510	510
Total comprehensive result for 2011-12		-	-	510	510
Other transfers:	2.12				
Transfer to (from) reserve for extreme weather		254	-	(254)	-
Total other transfers		254	-	(254)	-
Balance at 30 June 2012		1 100	603	1 419	3 122
Operating result for 2012-13		-	-	2 150	2 150
Total comprehensive result for 2012-13		-	-	2 150	2 150
Balance at 30 June 2013		1 100	603	3 569	5 272

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash inflows:			
Receipts from customers and sponsors		22 179	20 739
Interest received		347	444
SA Government contributions - operating		10 631	7 766
GST recovered from the ATO		1 076	1 374
Cash generated from operations		34 233	30 323
Cash outflows:			
Payments for supplies and services		(29 833)	(28 520)
Employee benefit payments		(1 479)	(1 420)
GST paid to the ATO		(462)	(583)
Cash used in operations		(31 774)	(30 523)
Net cash provided by (used in) operating activities	18.2	2 459	(200)
Cash flows from investing activities:			
Cash inflows:			
SA Government contributions - capital		1 210	1 210
Cash generated from investing activities		1 210	1 210
Cash outflows:			
Purchase of racing infrastructure, plant and equipment		(713)	(1 808)
Cash used in investing activities		(713)	(1 808)
Net cash provided by (used in) investing activities		497	(598)
Net increase (decrease) in cash and cash equivalents		2 956	(798)
Cash and cash equivalents at 1 July		3 671	4 469
Cash and cash equivalents at 30 June	18.1	6 627	3 671

Notes to and forming part of the financial statements

1. Organisational structure, objectives and funding

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

The principal objectives of the Board are to:

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

The Board has the right to stage a motor sport event for a period of 10 years concluding in 2015. Pursuant thereto the event is known as the 'Clipsal 500 Adelaide'. Pursuant to an agreement with DPC, the Board has assumed responsibility for the staging of the 'World Solar Challenge' in October 2013.

During the year, the Board received funding of $10.631 million for operating activities (of which $1.6 million related to 2011-12) and $1.21 million for event staging capital from the State Government. The State Government received signage, hospitality and other promotional benefits from the event under the 'South Australia – a Brilliant Blend' logo.

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

2. Statement of significant accounting policies

2.1 Statement of compliance

The Board 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 provision of the PFAA except as described in note 2.8 below in relation to the Board's financial accounting and reporting treatment of the capital and infrastructure grant funds provided by the State Government.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Board for the reporting period ending 30 June 2013 (refer note 3).

2.2 Basis of accounting

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 Board's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

  (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies

  (b) expenses incurred as a result of engaging consultants (refer note 20)

2.2 Basis of accounting (continued)

(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 Board to those employees (refer note 7)

(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 (refer note 21.3).

The Board'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 and the comparative information presented.

2.3 Reporting entity

The financial statements cover the South Australian Motor Sport Board as an individual reporting entity. It is a statutory authority of the State of South Australia, established pursuant to the *South Australian Motor Sport Act 1984*.

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.

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

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 Board is exempt from income tax.

The Board 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.

2.7 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.

2.8 Amortisation of State Government grants

The State Government has since 1999 provided a total of $13.904 million for race staging capital. A further $23 million was provided for the infrastructure upgrade of which $4.33 million has been spent on non-capital items. The balance of $18.67 million is held as a non-current liability 'deferred State Government grant - infrastructure' and is being amortised over the estimated useful life of the assets acquired. In 2012-13 $1.536 million has been amortised leaving a deferred State Government grant - infrastructure liability of $10.794 million.

In accordance with International Accounting Standard 'Accounting for Government Grants and Disclosure of Government Assistance' (IAS 20), capital grants received for event staging capital are being amortised over five years or the remaining number of years the Board is committed to staging the race whichever is the shorter. The grants have been recognised as a deferred State Government grant - capital liability.

AASB 1004 and APF V require that a contribution to a not-for-profit entity must be recognised as an asset and income when the entity 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). The Board believes that application of this policy would incorrectly report the operating result. If AASB 1004 and APF V had been applied, the result for the reporting period would have been as follows:

	2013		2012	
	AASB 1004 APF V	IAS 20	AASB 1004 APF V	IAS 20
Revenue - State Government grant:	$'000	$'000	$'000	$'000
Capital	1 210	-	1 210	-
Amortisation - State Government grant:				
Capital	-	732	-	377
Infrastructure	-	1 536	-	1 585
Operating surplus (deficit)	1 092	2 150	(242)	510
Assets	21 743	21 743	20 873	20 873
Liabilities	3 647	16 471	3 869	17 751
Equity	18 096	5 272	17 004	3 122

Therefore the application of AASB 1004 and APF V would result in an operating surplus for the year of $1.092 million. The application of IAS 20 results in an operating surplus of $2.15 million which the Board believes to be a true reflection of the result for the year.

2.9 Income and expenses

Income, except as described in note 2.8, and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board will occur and can be reliably measured.

Income and 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.

Income

The following are specific recognition criteria:

Revenues from user charges

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

The revenue is recognised when:

- the amount of the revenue, stage of completion and transaction costs incurred can be reliably measured
- it is probable that the economic benefits associated with the transaction will flow to the Board.

Revenues from sales
Revenues from sales are recognised when the significant risks and rewards of ownership transfer to the purchaser.

Interest income
Interest income includes interest received on term deposits and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Net gain 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 determined by comparing proceeds with carrying amount. When revalued non-current assets are sold, the revaluation surplus is transferred to retained earnings.

Expenses
The following are specific recognition criteria:

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

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

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.

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

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

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

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

Class of asset	*Useful life (years)*
Concrete safety barriers and debris fencing	4-20
Overpasses, shade structures and seating	2-20
Pit building structure	4-20
Other racing infrastructure, plant and equipment	2-20
Leasehold improvements	Life of lease

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

2.11 Assets and liabilities
Assets and 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.

Assets

Cash and cash equivalents

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

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

Cash is measured at nominal value.

Receivables

Receivables include amounts receivable from goods and services, GST receivable, prepayments and other accruals.

Receivables arise in the normal course of selling goods and services 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 Board will not be able to collect the debt. Bad debts are written off when identified.

Non-current assets

The Board does not own any land or permanent buildings.

- *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.

- *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 Board revalues its concrete safety barriers and debris fencing, overpasses, shade structures and seating and pit building structure. However if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

  Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

Liabilities

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 Board.

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, WorkCover levies and superannuation contributions in respect to outstanding liabilities for salaries and wages, LSL and annual leave.

The Board makes contributions to 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 superannuation schemes.

Leases

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

The Board has entered into operating leases.

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

Employee benefits

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

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

  The liability for salary and wages 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.

  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 represents the present value of the estimated future payments to be made in respect of services provided by Board employees up to the reporting date.

  In determining the liability, consideration is given to future increases in salary and wage rates and the Board's experience of employee retention and leave taken.

Workers compensation provision
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 Board is responsible for the payment of workers compensation claims.

Other liabilities
Funds held in trust represent advance ticket sales, exclusive of GST, for the year 2014 event.

2.12 Reserve for extreme weather

The Board believes that rain or excessive heat over the period of the event will have a significant impact on the financial position of the organisation. The Board has considered that it is prudent and commercially sound to create a reserve for extreme weather at future events. This reserve ($1.1 million) has been created by transfers to/from retained earnings and is reviewed annually by the Board.

2.13 Staffing arrangements

The Chief Executive of DTF is the employing authority of all staff of the Board. The Chief Executive of DTF has delegated all of his powers and functions relating to the employment of staff to the Chief Executive of the Board.

The Treasurer has also issued a direction to the Board to make payments with respect to any matter arising in connection with the employment of a person under the *South Australian Motor Sport Act 1984*.

As a consequence, the Board is no longer able to be registered as a non-exempt employer with WorkCoverSA under section 59(1) of the WRCA. As an exempt (self-insured) employer the Board is required to recognise in the accounts a liability for outstanding workers compensation claims where applicable.

2.14 Unrecognised contractual commitments and contingent assets and liabilities

Operating lease and event staging commitments arising from contractual sources 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.

2.15 Insurance

The Board has arranged through SAICORP, a division of SAFA, to insure major risks of the Board. The excess payable under this arrangement varies depending on each class of insurance held.

3. New and revised accounting standards and policies

The Board 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 Board for the period ending 30 June 2013. The Board 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 Board.

4. Interest

	2013	2012
	$'000	$'000
Interest from entities within the SA Government	339	429
Interest from entities external to the SA Government	8	15
Total interest	347	444

5. User charges

User charges received/receivable from entities within the SA Government:		
Other income	-	40
Catering and merchandise	1	-
Sponsorship	225	428
Total user charges - SA Government entities	226	468

5. User charges (continued)

	2013	2012
User charges received/receivable from entities external to the SA Government:	$'000	$'000
Hospitality and sponsorship	8 870	9 526
Ticketing sales	7 560	5 857
Catering and merchandise	2 464	2 389
Entry fees	183	507
Hire of assets	153	-
Bad debts recovered	1	-
Other income	673	679
Total user charges - non-SA Government entities	19 904	18 958
Total user charges	20 130	19 426

6. Supplies and services

Supplies and services provided by entities within the SA Government:		
Administration	131	126
Event staging and contracts	122	66
Marketing, advertising and media	97	83
Circuit construction	223	114
Total supplies and services - SA Government entities	573	389
Supplies and services provided by entities external to the SA Government:		
Circuit construction	13 922	13 475
Hospitality, sponsorship and ticketing costs	308	173
Catering and merchandise costs	1 180	1 184
Event staging and contracts	4 219	4 162
Patron entertainment	2 164	1 521
Security and ground staff	1 263	1 180
Administration	871	759
Marketing, advertising and media	2 470	2 536
Total supplies and services - non-SA Government entities	26 397	24 990
Total supplies and services	26 970	25 379

7. Employee benefit expenses

Salaries, wages, annual and sick leave	1 296	1 273
LSL	17	23
Employment on-costs - superannuation	116	113
Employment on-costs - other	75	70
Total employee benefit expenses	1 504	1 479

Remuneration of employees	2013	2012
The number of employees who received or were due to receive remuneration within the following bands were:	Number	Number
$158 000 - $167 999	-	1
$168 000 - $177 999	1	-
$264 000 - $273 999	-	1
$268 000 - $277 999	1	-
Total	2	2

The table includes all employees who received remuneration equal to or greater than the base executive level remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was $438 000 ($438 000).

8. Cash and cash equivalents

	2013	2012
	$'000	$'000
Short-term deposits with SAFA	6 586	3 549
Cash on hand and at bank	41	122
	6 627	3 671

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months. They are lodged with SAFA and earn interest at the respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

9. Receivables

	2013	2012
Current:	$'000	$'000
Trade debtors	474	608
Allowance for doubtful debts	(141)	(21)
GST receivable	83	-
Prepayments	-	6
Total receivables	416	593

SA Government/non-SA Government receivables:		
Receivables from SA Government entities:		
Trade debtors	-	201
Total receivables from SA Government entities	-	201
Receivables from non-SA Government entities:		
Trade debtors	474	407
Allowance for doubtful debts	(141)	(21)
GST receivable	83	-
Prepayments	-	6
Total receivables from non-SA Government entities	416	392
Total receivables	416	593

Receivables amounting to $296 000 ($340 000) and the corresponding liability relating to advanced ticket sales exclusive of GST for the year 2013 event (refer note 11) have not been recognised as they have been treated as agreements equally proportionately unperformed.

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 the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2013	2012
	$'000	$'000
Carrying amount at 1 July	21	-
Increase in the allowance	130	21
Amounts written-off	(10)	-
Carrying amount at 30 June	141	21

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 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.

Refer note 22 for maturity analysis of receivables, categorisation of financial instruments and risk exposure information.

10. Concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements

	2013	2012
	$'000	$'000
Concrete safety barriers and debris fencing:		
Gross carrying amount:		
Balance at 1 July	3 339	3 336
Acquisitions	91	3
Balance at 30 June	3 430	3 339

10.	**Concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements (continued)**	2013 $'000	2012 $'000
	Concrete safety barriers and debris fencing (continued):		
	Accumulated depreciation:		
	Balance at 1 July	(1 946)	(1 790)
	Depreciation expense	(181)	(156)
	Balance at 30 June	(2 127)	(1 946)
	Net carrying amount	1 303	1 393
	Overpasses, shade structures and seating:		
	Gross carrying amount:		
	Balance at 1 July	8 151	7 000
	Acquisitions	40	1 151
	Assets written off	(42)	-
	Balance at 30 June	8 149	8 151
	Accumulated depreciation:		
	Balance at 1 July	(3 222)	(2 504)
	Depreciation expense	(882)	(718)
	Depreciation on assets written off	42	-
	Balance at 30 June	(4 062)	(3 222)
	Net carrying amount	4 087	4 929
	Pit building structure:		
	Gross carrying amount:		
	Balance at 1 July	10 321	10 273
	Acquisitions	27	48
	Balance at 30 June	10 348	10 321
	Accumulated depreciation:		
	Balance at 1 July	(1 891)	(1 397)
	Depreciation expense	(542)	(494)
	Balance at 30 June	(2 433)	(1 891)
	Net carrying amount	7 915	8 430
	Other racing infrastructure, plant and equipment:		
	Gross carrying amount:		
	Balance at 1 July	9 716	9 135
	Acquisitions	385	606
	Assets written off	(446)	(25)
	Balance at 30 June	9 655	9 716
	Accumulated depreciation:		
	Balance at 1 July	(7 876)	(7 092)
	Depreciation expense	(998)	(809)
	Depreciation on assets written off	446	25
	Balance at 30 June	(8 428)	(7 876)
	Net carrying amount	1 227	1 840
	Leasehold improvements:		
	Gross carrying amount:		
	Balance at 1 July	219	219
	Acquisitions	170	-
	Assets written off	(219)	-
	Balance at 30 June	170	219
	Accumulated amortisation:		
	Balance at 1 July	(202)	(170)
	Amortisation expense	(19)	(32)
	Amortisation on leasehold improvements written off	219	-
	Balance at 30 June	(2)	(202)
	Net carrying amount	168	17
	Total concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements	14 700	16 609

Valuation of concrete safety barriers, debris fencing and track overpasses

An independent valuation of the concrete safety barriers, debris fencing and track overpasses was undertaken by Valcorp Australia Pty Ltd in June 2009. The valuation was undertaken on a fair value basis.

Impairment

There were no indications of impairment of concrete barriers, patron facilities, other racing infrastructure, plant and equipment and leasehold improvements at 30 June 2013.

11. Payables

	2013	2012
Current:	$'000	$'000
Trade creditors	1 375	370
Other creditors and accruals	812	1 518
Employment on-costs	21	19
GST payable	-	61
Total current payables	2 208	1 968
Non-current:		
Employment on-costs	5	4
Total non-current payables	5	4
Total payables	2 213	1 972
SA Government/non-SA Government payables:		
Payables to SA Governments entities:		
Trade creditors	42	1
Other creditors and accruals	44	43
Employment on-costs	26	23
Total payables to SA Government entities	112	67
Payables to non-SA Government entities:		
Trade creditors	1 333	369
Other creditors and accruals	768	1 475
GST payable	-	61
Total payables to non-SA Government entities	2 101	1 905
Total payables	2 213	1 972

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid. 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.

Refer note 22 for maturity analysis of payables, categorisation of financial instruments and risk exposure information.

12. Employee benefits

	2013	2012
Current:	$'000	$'000
Annual leave	87	80
LSL	62	52
Total current employee benefits	149	132
Non-current:		
LSL	39	31
Total non-current employee benefits	39	31
Total employee benefits	188	163

13. Provisions

Current:		
Provision for workers compensation	1	1
Total current provisions	1	1
Non-current:		
Provisions for workers compensation	1	1
Total non-current provisions	1	1
Total provisions	2	2
Carrying amount at 1 July	2	-
Provisions recognised	-	2
Carrying amount at 30 June	2	2

13. Provisions (continued)

The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

14. Other liabilities

	2013	2012
Current:	$'000	$'000
Funds held in trust	1 244	1 732
Total current other liabilities	1 244	1 732
SA Government/Non-SA Government other liabilities:		
Other liabilities to non-SA Government entities:		
Funds held in trust	1 244	1 732
Total other liabilities to non-SA Government entities	1 244	1 732

Funds held in trust represent advanced ticket sales exclusive of GST for the year 2014 event.

15. Deferred State Government grants

	2013	2012
Capital:		
Deferred State Government grant - capital	13 904	12 694
Accumulated amortisation	(11 874)	(11 142)
	2 030	1 552
Reconciled to:		
Current	673	584
Non-current	1 357	968
	2 030	1 552
Infrastructure grant:		
Deferred State Government grant - infrastructure	19 968	19 968
Transferred to income	(1 298)	(1 298)
Accumulated amortisation	(7 876)	(6 340)
	10 794	12 330
Reconciled to:		
Current	1 460	1 460
Non-current	9 334	10 870
	10 794	12 330

16. Unrecognised contractual commitments

16.1 Operating lease commitments

	2013	2012
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	206	87
Later than one year but not longer than five years	436	-
Total operating lease commitments	642	87

The lease is for office accommodation leased from Tamrae Pty Limited. The lease is non-cancellable with an initial term of three years, with a further six years on the finalising of the Race Staging Sanction agreement beyond 2015. Rent is payable monthly in advance.

16.2 Event staging commitments

The Board has commitments for the staging of future events.

Commitments contracted at the reporting date but not recognised as liabilities are payable as follows:	2013 $'000	2012 $'000
Within one year	15 033	14 489
Later than one year but not longer than five years	16 188	25 413
Total event staging commitments	31 221	39 902

16.3 Remuneration commitments

	2013	2012
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	999	840
Later than one year but not longer than five years	712	813
Total remuneration commitments	1 711	1 653

16.3 Remuneration commitments (continued)

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

17. Contingent assets and liabilities

The Board is not aware of any contingent assets or liabilities in relation to the Board's activities.

In addition, the Board has made no guarantees.

18. Cash flow reconciliation

18.1 Reconciliation of cash and cash equivalents at 30 June

	2013	2012
	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	6 627	3 671
Balance as per the Statement of Cash Flows	6 627	3 671

18.2 Reconciliation of net cash provided by (used in) operating activities to operating surplus

	2013	2012
Operating surplus	2 150	510
Adjustment for non-cash income and expense items:		
Depreciation and amortisation	2 622	2 209
Amortisation of State Government grant - capital	(732)	(377)
Amortisation of State Government grant - infrastructure	(1 536)	(1 585)
Transfers to provisions:		
Doubtful debts	130	21
Workers compensation	-	2
Movements in assets/liabilities:		
Assets:		
Receivables	47	(555)
Liabilities:		
Employee benefits	25	60
Payables	241	(80)
Other liabilities	(488)	(405)
Net cash provided by (used in) operating activities	2 459	(200)

19. Auditor's remuneration

Amounts due and receivable by the Auditor-General's Department for the audit of the Board's financial statements for the reporting period total $32 000 ($36 000). No other services were provided by the Auditor-General's Department.

20. Consultants

There were no consultants engaged where individual amounts exceeded $10 000. Payments to consultants amounted to $3000 ($8000).

21. Key management personnel

21.1 Board members

The *South Australian Motor Sport Act 1984* requires two members to be nominated by the Corporation of the City of Adelaide and one member to be nominated by the Confederation of Australian Motor Sport. The following persons held the position of governing board member during the reporting period:

A Ford - Chairman
G Boulton, AM - Deputy Chairman
S Ciccarello
A Rischbieth
C Smerdon
M Llewellyn-Smith, AM (appointed 17 February 2013)
N Malani
T Schenken
N Govan
A Williamson (resigned 16 February 2013)

21.2 Other key management personnel

The following persons also held authority and responsibility for planning, directing and controlling the activities of the Board, directly of indirectly during the financial year:

M Warren - Chief Executive
M Whitford - Head of Marketing (resigned 16 October 2012)
A Muecke - Marketing Manager (appointed 10 November 2012)
N Cayzer - Commercial Manager

21.3 Remuneration of governing board members

The number of governing board members who received or were due to receive remuneration within the following bands were:

	2013 Number	2012 Number
$0 - $9 999	1	3
$10 000 - $19 999	7	5
$20 000 - $29 999	2	3
Total	10	11

The total remuneration received or receivable by the governing board members was $189 000 ($183 000), which includes superannuation contributions of $16 000 ($15 000).

21.4 Board member transactions

Board members and their related parties conduct transactions with entities within the economic entity that occur within a normal staffing, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Board member or related party at arm's length in similar circumstances.

These transactions include the following and have been quantified below where transactions are considered likely to be of interest to the users of these financial statements:

T Schenken	CAMS Ltd	$167 095	Licence fees, permit fees and insurance
T Schenken	V8 Supercars Australia (Pty) Ltd	$1 967 462	Race staging deed and television requirements
T Schenken	V8 Supercars Australia (Pty) Ltd	$667 734	Hospitality, rights income and infrastructure recoveries
C Smerdon	Vectra Corporation Ltd	$1 991	Hospitality
C Smerdon	Travellink Pty Ltd	$22 461	Travel wholesaler commission, hospitality and merchandise
N Malani, A Williamson M Llewellyn-Smith, AM	Adelaide City Council	$144 524	Circuit construction and operating costs

All corporate facilities purchased by board members or their related parties are at arm's length rates.

There are no loans to board members.

22. Financial instruments/Financial risk management

Categorisation of financial instruments

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

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	8	6 627	6 627	3 671	3 671
Loans and receivables - at cost:	9				
Receivables(i)(ii)		333	333	587	587
Total		6 960	6 960	4 258	4 258
Financial liabilities					
Financial liabilities - at cost:					
Payables(i)	11	2 187	2 187	1 888	1 888
Other liabilities	14	1 244	1 244	1 732	1 732
Total		3 431	3 431	3 620	3 620

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

Categorisation of financial instruments (continued)

(ii) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 9 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Board does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 8, 9, 11 and 14).

Credit risk

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

The carrying amount of financial assets as detailed in the categorisation of financial instruments table represents the Board's maximum exposure to credit risk.

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 9 for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

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

		Past due by			
	Current (not overdue)	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables(i)	145	72	64	193	474
Impaired:					
Receivables(i)	-	-	-	(141)	(141)
	145	72	64	52	333
2012					
Not impaired:					
Receivables(i)	347	23	17	221	608
Impaired:					
Receivables(i)	-	-	-	(21)	(21)
	347	23	17	200	587

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

Maturity analysis of financial assets and financial liabilities

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

		Contractual maturities		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2013	$'000	$'000	$'000	$'000
Financial assets:				
Cash and cash equivalents	6 627	6 627	-	-
Receivables	333	333	-	-
Total	6 960	6 960	-	-

Maturity analysis of financial assets and financial liabilities (continued)

		Contractual maturities		
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
2013 (continued)	$'000	$'000	$'000	$'000
Financial liabilities:				
Payables	2 187	2 187	-	-
Other liabilities	1 244	1 244	-	-
Total	3 431	3 431	-	-
2012				
Financial assets:				
Cash and cash equivalents	3 671	3 671	-	-
Receivables	587	587	-	-
Total	4 258	4 258	-	-
Financial liabilities:				
Payables	1 888	1 888	-	-
Other liabilities	1 732	1 732	-	-
Total	3 620	3 620	-	-

Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they are due to be settled. The continued existence of the Board is dependent on State Government policy and on continuing appropriations by Parliament for the Board's operations. The Board 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 Board's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table above represent the Board's maximum exposure to financial liabilities.

Market risk

Market risk for the Board is primarily through interest rate risk. The Board's only exposure to interest rate risk relates to cash at bank and short-term deposits with SAFA. Movement in SAFA interest rates are monitored on a daily basis.

As at 30 June 2013 the Board has in place two hedging contracts with SAFA to manage foreign exchange risk for 2013-14 totalling $1.314 million. As with all hedges there are financial risks.

There is no exposure to other price risks.

Sensitivity disclosure analysis

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

23. Events after the reporting period

There were no events after the reporting period that have material financial implications on these financial statements.

South Australian State Emergency Service

Functional responsibility

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian State Emergency Service (SASES) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SASES 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 State Emergency Service
- South Australian Country Fire 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 SASES is to provide emergency services to the State of South Australia and work towards a safe and prepared community.

SAFECOM provides various services in support of the SASES's primary functions including corporate, strategic and compliance services. Also, the operations of the SASES are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

For more information about the SASES'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 120(2) of the FES Act provide for the Auditor-General to audit the accounts of the SASES 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 SASES 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 SASES 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 work 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 State Emergency 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 State Emergency 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 State Emergency 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, SASES and other officers responsible for the governance of the SASES.

Major matters raised with SAFECOM and the SASES 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 SASES 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
Expenses		
Employee benefits expenses	4	3
Supplies and services	7	7
Other expenses	2	2
Total expenses	13	12
Total income	-	1
Net cost of providing services	(13)	(11)
Revenues from (Payments to) SA Government	15	13
Net result	2	2
Other comprehensive income	-	1
Total comprehensive result	2	3
Net cash provided by (used in) operating activities	4	3
Assets		
Current assets	3	2
Non-current assets	35	33
Total assets	38	35
Liabilities		
Current liabilities	2	2
Non-current liabilities	1	1
Total liabilities	3	3
Total equity	35	32

Statement of Comprehensive Income

The main source of funds for the SASES is the contributions from the Fund which account for 96% of revenues (refer note 15 to the financial statements for details).

The contributions from the Fund to the SASES increased by $1.2 million to $15 million (9%) during 2012-13. Total expenses increased by $450 000. There was a net result of $2 million ($2 million).

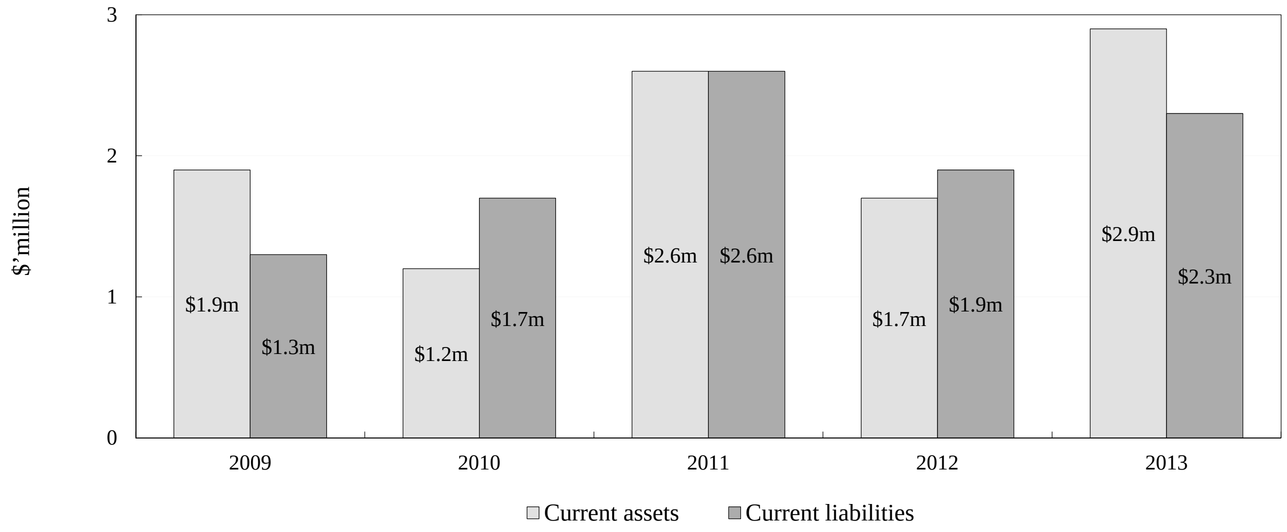
Statement of Financial Position

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 $1.4 million during the year to $35 million due mainly to capital works in progress acquisitions of $3.7 million offset by depreciation expense for the year of $2.3 million.

The fair values of the main asset classes held by the SASES were land and buildings ($20.1 million) and vehicles ($10.4 million).

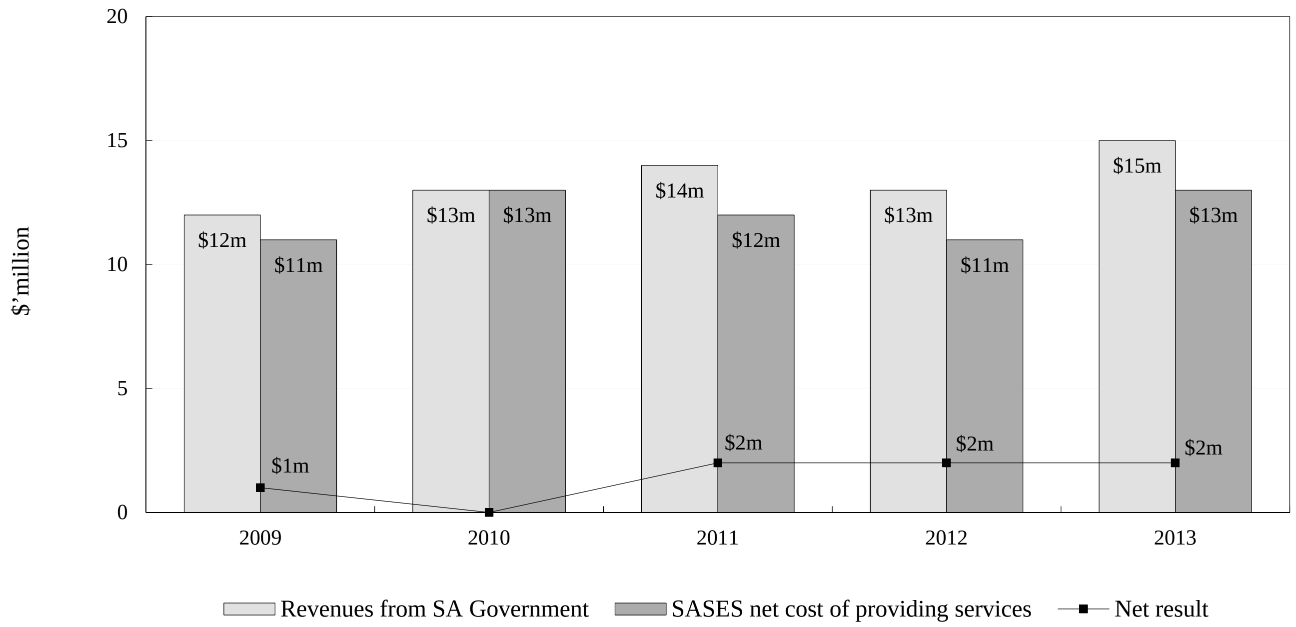
At balance date, current assets exceed current liabilities by $615 000. Current assets included an increase in cash and cash equivalents of $1.3 million to $2.5 million.

The following chart shows the current assets and current liabilities of the SASES for the past five years.



Further commentary on operations

The following chart shows the funding received by the SASES from the Fund and the net cost of providing 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
Expenses:			
Employee benefits expenses	5	3 542	3 328
Supplies and services	6	7 028	6 931
Grants and subsidies	7	79	79
Depreciation and amortisation	8	2 266	1 970
Other expenses	9	-	96
Net loss from disposal of non-current assets	10	7	68
Total expenses		12 922	12 472
Income:			
Revenues from fees and charges	11	52	2
Interest revenues	12	35	37
Resources received free of charge	13	-	644
Other income	14	222	334
Total income		309	1 017
Net cost of providing services		12 613	11 455
Revenues from (Payments to) SA Government:			
Revenues from SA Government	15	14 949	13 436
Net result		2 336	1 981
Other comprehensive income:			
Changes in revaluation surplus	19	-	1 402
Total comprehensive result		2 336	3 383

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
Current assets:			
Cash and cash equivalents	16	2 481	1 212
Receivables	17	286	275
Other financial assets	18	112	235
Total current assets		2 879	1 722
Non-current assets:			
Property, plant and equipment	19	35 059	33 641
Intangible assets	20	6	12
Total non-current assets		35 065	33 653
Total assets		37 944	35 375
Current liabilities:			
Payables	21	1 686	1 321
Employee benefits	22	469	332
Provisions	23	109	209
Total current liabilities		2 264	1 862
Non-current liabilities:			
Payables	21	40	49
Employee benefits	22	422	520
Provisions	23	571	633
Total non-current liabilities		1 033	1 202
Total liabilities		3 297	3 064
Net assets		34 647	32 311
Equity:			
Revaluation surplus	24	6 916	6 916
Retained earnings	24	27 731	25 395
Total equity		34 647	32 311

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

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		5 514	23 414	28 928
Net result for 2011-12		-	1 653	1 653
Gain on revaluation of property, plant and equipment during 2011-12	19	1 402	-	1 402
Balance at 30 June 2012	24	6 916	25 067	31 983
Prior period error	3	-	328	328
Restated balance at 30 June 2012		6 916	25 395	32 311
Net result for 2012-13		-	2 336	2 336
Balance at 30 June 2013	24	6 916	27 731	34 647

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Employee benefit payments		(3 662)	(3 620)
Supplies and services payments		(8 166)	(8 519)
Grants and subsidies payments		(79)	(79)
Cash used in operations		(11 907)	(12 218)
Cash inflows:			
Fees and charges		52	2
Interest received		33	39
GST recovered from the ATO		962	929
Other receipts		246	459
Cash generated from operations		1 293	1 429
Cash flows from SA Government:			
Contributions from Community Emergency Services Fund	15	14 665	13 423
Other receipts from SA Government	15	284	13
Cash generated from SA Government		14 949	13 436
Net cash provided by (used in) operating activities	25	4 335	2 647
Cash flows from investing activities:			
Cash outflows:			
Purchase of property, plant and equipment		(3 206)	(3 372)
Purchase of investments		123	21
Cash used in investing activities		(3 083)	(3 351)
Cash inflows:			
Proceeds from sale of property, plant and equipment		17	-
Cash generated from investing activities		17	-
Net cash provided by (used in) investing activities		(3 066)	(3 351)
Net increase (decrease) in cash and cash equivalents		1 269	(704)
Cash and cash equivalents at 1 July		1 212	1 916
Cash and cash equivalents at 30 June	16	2 481	1 212

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives

The South Australian State Emergency Service (SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* (the Act) with the following objectives:

- to assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency
- to assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*
- to deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency

Objectives (continued)

- to deal with any emergency until such time as any body or person that has the lawful authority to assume control of operations for dealing with the emergency has assumed control
- to respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency
- to undertake rescues.

Funding arrangements

Funding of the SES is primarily derived from the Community Emergency Services Fund in accordance with the *Emergency Services Funding Act 1998*.

Funds generated by units through fund raising activities are held locally for expenditure in the local community. These funds are recognised as part of the 'other income' within the SES's financial statements.

2. Summary of significant accounting policies

(a) Statement of compliance

The SES 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 SES has applied AASs that are applicable to not-for-profit entities as the SES 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 SES 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 SES's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in 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 SES has elected not to utilise this threshold ie all revenue, expense, financial assets and liabilities relating to the 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.

  The SES'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 and the comparative information presented.

(c) Reporting entity

The SES is established under the Act. Under the Act, the SES is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the SES.

(d) Trust funds

From December 2012 the agency administers, but does not control, certain activities on behalf of the Australian Council of State and Territory Emergency Services. It is accountable for the transactions relating to those trust activities but does not have the discretion, for example, to deploy the resources for the achievement of the agency's own objectives.

Transactions and balances relating to the trust assets are not recognised as the agency's income, expenses, assets and liabilities, but are disclosed in note 30 as trust funds.

The accrual basis of accounting and applicable accounting standards have been adopted.

(e) Comparative information

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

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

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

(f) Rounding

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

(g) Taxation

The SES is not subject to income tax. The SES 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 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 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.

(i) Income

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

(i) Income (continued)

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:

Revenues from SA Government

Contributions from the Community Emergency Services Fund and other receipts from the SA Government are recognised as income when the SES obtains control over the funding. Control over funding is normally obtained 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 donations received and other minor revenues.

(j) Expenses

Expenses are recognised to the extent that it is probable that the flow of economic benefits from the SES 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 salaries and leave entitlements. These are recognised when incurred.

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the SES to the superannuation plan in respect of current services of current SES 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 and amortisation (continued)
Depreciation/Amortisation is calculated on a straight-line basis over the estimated useful life of the following classes of assets as follows:

Class of asset	*Useful lives (years)*
Communications equipment	10
Vehicles	15
Plant and equipment	10
Computer equipment	5
Buildings	40
Intangibles	5

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 Department have been contributions with unconditional stipulations attached.

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

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

(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 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. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the SES will not be able to collect the debt. Bad debts are written off when identified.

Other financial assets
The SES measures other financial assets at cost. All assets in this category are either short or medium-term cash deposits.

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 SES only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

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

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

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

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

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

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

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.

Payables (continued)
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 SES 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 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 liability are 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 SES 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 SES 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 SES 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.

(n) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those 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 SES 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 SES for the period ending 30 June 2013. The SES 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 SES.

There was one prior period adjustment for 2011-12.

This related to the overstatement of the provision for LSL liability and associated expenses in 2012, by an amount of $328 000. The error was due to the 2011-12 LSL calendar days entitlements being calculated on the working day rates.

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 $328 000
- the total comprehensive result increasing by $328 000
- current payables decreased by $3000
- current employee benefits decreased by $35 000
- non-current payables decreased by $25 000
- non-current employee benefits decreased by $265 000.

Restated 2012 comparative balances are detailed in the Statement of Comprehensive Income and in notes 5, 21 and 22.

4. Activities of the SES

In achieving its objectives, the SES provides these services classified under one activity titled ‘State Emergency Service’.

5. Employee benefits expenses

	2013 $’000	2012 $’000
Salaries and wages	2 778	2 510
Annual leave	259	162
Skills and experience retention leave	9	-
LSL	105	191
Employment on-costs:		
Superannuation	314	262
Other	149	131
Workers compensation costs	(106)	(22)
Other employment related expenses	34	94
Total employee benefits expenses	3 542	3 328

Employee remuneration

The number of employees whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$134 000 - $137 999*	n/a	1
$148 000 - $157 999*	2	1
$158 000 - $167 999	-	1
$188 000 - $197 999	-	1
$248 000 - $257 999	1	-
Total	3	4

Employee remuneration (continued)

* 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 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 $561 000 ($645 000).

6. Supplies and services

	2013	2012
	$'000	$'000
Accommodation	27	24
Auditor's remuneration	26	28
Communications	255	261
Computing costs	419	252
Consultancy, contractors and legal fees	590	482
Consumables	343	369
Energy	153	136
Government Radio Network	1 939	1 920
Insurance premiums	97	94
Minor plant and equipment	257	309
Operating lease costs	677	1 009
Repairs and maintenance	701	691
Travel and training	867	664
Uniforms and protective clothing	286	265
Operational costs	132	199
Other expenses	259	228
Total supplies and services	7 028	6 931

Consultancies

	2013		2012	
The number and dollar amount of consultancies paid/payable (included in consultants expenses shown above) fell within the following bands:	Number	$'000	Number	$'000
Below $10 000	3	11	1	3
Between $10 000 and $50 000	-	-	1	22
Total amount paid/payable to consultants engaged	3	11	2	25

Auditor's remuneration

	2013	2012
	$'000	$'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of the financial statements	26	28
Total external auditor's remuneration	26	28

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 amount shown above) were provided by entities within the SA Government:

Accommodation	16	14
Auditor's remuneration	26	28
Communications	23	39
Computing costs	40	49
Consultancy, contractors and legal fees	139	11
Consumables	21	87
Energy	27	29
Government Radio Network	1 939	1 920
Insurance premiums	80	72
Minor plant and equipment	-	5
Operating lease costs	403	801
Repairs and maintenance	34	55

	2013	2012
Supplies and services provided by entities within the SA Government (continued)	$'000	$'000
Travel and training	40	30
Operational costs	1	2
Other expenses	87	67
Total supplies and services provided by entities within the SA Government	2 876	3 209

7. Grants and subsidies

	2013	2012
Grants and subsidies	79	79
Total grants and subsidies expense	79	79

All grants and subsidies are provided to non-SA Government recipients.

8. Depreciation and amortisation expense

	2013	2012
Depreciation:		
Buildings	730	674
Vehicles	1 126	925
Computers	7	2
Plant and equipment	211	176
Communications	186	178
Total depreciation	2 260	1 955
Amortisation:		
Software	6	15
Total amortisation	6	15
Total depreciation and amortisation	2 266	1 970

9. Other expenses

	2013	2012
Asset revaluation decrement	-	96
Total other expenses	-	96

10. Net gain (loss) from disposal of non-current assets

	2013	2012
Land and buildings:		
Proceeds from disposal	-	-
Net book value of assets disposed	-	(68)
Net gain (loss) from disposal of land and buildings	-	(68)
Vehicles:		
Proceeds from disposal	17	-
Net book value of assets disposed	(24)	-
Net gain (loss) from disposal of vehicles	(7)	-
Total assets:		
Total proceeds from disposal	17	-
Total value of assets disposed	(24)	(68)
Net gain (loss) from disposal of non-current assets	(7)	(68)

11. Revenues from fees and charges

	2013	2012
Salary recoveries	19	2
Other recoveries	33	-
Total revenues from fees and charges	52	2

Fees and charges received/receivable from entities within the SA Government

The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:

	2013	2012
Salary recoveries	-	1
Other recoveries	33	-
Total fees and charges received/receivable from entities within the SA Government	33	1

12. Interest revenues

	2013	2012
Interest on deposit accounts from entities within the SA Government	35	37
Total interest revenues	35	37

13. Resources received free of charge

	2013 $'000	2012 $'000
Asset contributions from local government councils and other organisations	-	644
Total resources received free of charge	-	644

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 2011-12, one property has been transitioned into the control of the Minister for Emergency Services (valued at fair value of $400 000) and properties transferred from the South Australian Country Fire Service (valued at fair value of $244 000).

Resources received free of charge from entities within the SA Government

	2013 $'000	2012 $'000
The following resources received free of charge (included in the resources received free of charge revenues shown above) were received/receivable from entities within the SA Government:		
Asset contributions from local government councils and other organisations	-	244
Total resources received free of charge from entities within the SA Government	-	244

14. Other income

	2013	2012
Donations	-	1
Groups and brigades fundraising	65	9
Insurance recoveries	17	15
Other	140	309
Total other income	222	334

Other income received/receivable from entities within the SA Government

	2013	2012
The following other income (included in other income revenues shown above) was received/receivable from entities within the SA Government:		
Other	-	108
Total other income received/receivable from entities within the SA Government	-	108

15. Revenues from (Payments to) SA Government

	2013	2012
Revenues from SA Government:		
Contributions from the Community Emergency Services Fund	14 665	13 423
Other revenues from SA Government	284	13
Total revenues from SA Government	14 949	13 436

Total revenues from SA Government consist of $11.599 million ($10.254 million) for operational funding, $3.337 million ($3.169 million) for capital projects and $13 000 ($13 000) Volunteer Marine Rescue Council funding. For details on the expenditure associated with the operational funding and capital funding refer notes 5 to 7 and 19 to 20. There was no material variation between the amount appropriated and the expenditure associated with this appropriation.

16. Cash and cash equivalents

	2013 $'000	2012 $'000
Cash on hand	2	2
Deposits with the Treasurer	1 459	376
Cash at bank (non-SA Government)	134	136
Cash at bank (non-SA Government) - groups/brigades	671	658
Short-term deposits (non-SA Government) - groups/brigades	198	23
Short-term deposits	17	17
Total cash and cash equivalents	2 481	1 212

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 earn a floating interest rate, based on daily deposit rates. The carrying amount of cash and cash equivalents represents fair value.

17. Receivables

	2013	2012
Current:	$'000	$'000
Receivables	19	20
Allowance for doubtful debts	-	-
	19	20
Accrued revenues	4	3
GST input tax recoverable	263	252
Total current receivables	286	275

Current 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	-	-
Allowance for doubtful debts	-	-
	-	-
Accrued revenues	4	3
Prepaid salaries and wages	-	-
Total current receivables from entities within the SA Government	4	3

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.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note 29.

18. Other financial assets

	2013	2012
	$'000	$'000
Medium-term deposits - groups and brigades	112	235
Total other financial assets	112	235

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information

Refer note 29.

19. Property, plant and equipment

Land:		
At valuation	2 807	2 807
At cost (deemed fair value)	-	-
Accumulated depreciation	-	-
Total land	2 807	2 807
Buildings:		
At valuation	15 851	15 853
At cost (deemed fair value)	2 556	19
Accumulated depreciation	(1 087)	(357)
Total buildings	17 320	15 515
Vehicles:		
At valuation	9 491	9 518
At cost (deemed fair value)	2 532	585
Accumulated depreciation	(1 647)	(525)
Total vehicles	10 376	9 578
Communications equipment:		
At valuation	1 344	1 344
At cost (deemed fair value)	387	87
Accumulated depreciation	(275)	(89)
Total communications equipment	1 456	1 342

19. Property, plant and equipment (continued)

	2013	2012
Computer equipment:	$'000	$'000
At valuation	10	10
At cost (deemed fair value)	27	-
Accumulated depreciation	(8)	(1)
Total computer equipment	29	9
Plant and equipment:		
At valuation	1 021	1 020
At cost (deemed fair value)	641	267
Accumulated depreciation	(304)	(93)
Total plant and equipment	1 358	1 194
Capital works in progress:		
At cost (deemed fair value)	1 713	3 196
Total work in progress	1 713	3 196
Total property, plant and equipment	35 059	33 641

Valuation of assets

At 1 January 2012 independent valuations for land, buildings, vehicles, communication, computer plant and equipment were undertaken by Liquid Pacific's 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 suitability 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.

Resources received free of charge

Refer note 13.

Impairment

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

Movement reconciliation of property, plant and equipment

	Land	Buildings	Vehicles	Communi-cations equipment	Computer equipment	Plant and equipment	Work in progress	Total
2013	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	2 807	15 515	9 578	1 342	9	1 194	3 196	33 641
Acquisitions	-	-	-	-	-	-	3 703	3 703
Transfer to (from) capital works in progress	-	2 535	1 948	300	27	375	(5 186)	(1)
Depreciation expense	-	(730)	(1 126)	(186)	(7)	(211)	-	(2 260)
Disposals	-	-	(24)	-	-	-	-	(24)
Carrying amount at 30 June	2 807	17 320	10 376	1 456	29	1 358	1 713	35 059
2012								
Carrying amount at 1 July	2 793	15 872	8 371	1 529	11	985	783	30 344
Acquisitions	-	-	-	-	-	-	3 370	3 370
Transfer to (from) capital works in progress	-	18	585	87	-	267	(957)	-
Depreciation expense	-	(674)	(925)	(178)	(2)	(176)	-	(1 955)
Net revaluation increment	(323)	60	1 547	-	-	118	-	1 402
Assets received for nil consideration	403	241	-	-	-	-	-	644
Disposals	(66)	(2)	-	-	-	-	-	(68)
Other adjustments	-	-	-	(96)	-	-	-	(96)
Carrying amount at 30 June	2 807	15 515	9 578	1 342	9	1 194	3 196	33 641

20. Intangible assets

	2013 $'000	2012 $'000
Computer software	328	328
Accumulated amortisation	(322)	(316)
Intangible assets	6	12

Movement reconciliation of intangible assets

Carrying amount at 1 July	12	27
Amortisation expense	(6)	(15)
Carrying amount at 30 June	6	12

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.

21. Payables

Current payables:		
Accrued expenses	108	136
Creditors	1 492	1 099
FBT payable	11	23
Employment on-costs	75	63
Total current payables	1 686	1 321

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	27	22
Creditors	63	154
FBT payable	11	23
Employment on-costs	38	33
Total current payables to entities within the SA Government	139	232

Non-current payables:		
Employment on-costs	40	49
Total non-current payables	40	49

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	23	28
Total non-current payables to entities within the SA Government	23	28

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 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 $2000 and employee benefit expense of $2000. 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 29.

22. Employee benefits

	2013	2012
Current:	$'000	$'000
Accrued salaries and wages	4	1
Annual leave	296	261
Skills and experience retention leave	9	-
LSL	160	70
Total current employee benefits	469	332
Non-current:		
LSL	422	520
Total non-current employee benefits	422	520

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 with the actuarial assessment.

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is a decrease in the LSL liability of $30 000 and employee benefit expense of $30 000. 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.

23. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	109	209
Total current provisions	109	209
Non-current:		
Provision for workers compensation	571	633
Total non-current provisions	571	633
Total provisions	680	842
Provision movement:		
Carrying amount at 1 July	842	1 074
Additional provisions recognised (released)	(106)	(21)
Reductions arising from payments	(56)	(211)
Carrying amount at 30 June	680	842

The SES 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.

24. Equity

	2013	2012
	$'000	$'000
Retained earnings	27 731	25 395
Revaluation surplus	6 916	6 916
Total equity	34 647	32 311

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.

25. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents at 30 June	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	2 481	1 212
Balance as per the Statement of Cash Flows	2 481	1 212

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

	2013	2012
Net cash provided by (used in) operating activities	4 335	2 647
Revenues from SA Government	(14 949)	(13 436)
Non-cash items:		
Depreciation and amortisation	(2 266)	(1 970)
Assets received free of charge	-	644
Asset revaluation decrement recognised in Statement of Comprehensive Income	-	(96)
Net loss from disposal of non-current assets	(7)	(68)
Movements in assets/liabilities:		
Receivables	11	(114)
Payables	141	657
Employee benefits	(39)	49
Provisions	162	232
Net cost of providing services	(12 612)	(11 455)

26. 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	433	410
Later than one year but not later than five years	55	306
Total operating lease commitments	488	716

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property 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

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

	2013	2012
	$'000	$'000
Within one year	55	-
Total capital commitments	55	-

Prior capital commitments were for property.

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	2012
	$'000	$'000
Within one year	416	204
Later than one year but not later than five years	596	505
Total remuneration commitments	1 012	709

Amounts disclosed include commitments arising from executive contracts. The SES 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	214	344
Later than one year but not later than five years	156	181
Total other commitments	370	525

Contractual commitments relate to computer rollout and broadband connection.

27. Contingent assets and liabilities

Contingent assets

In 2009-10 the SES made prepayments for capital works projects of $170 720 for works that did not materialise. Recovery of the prepayment has been sought. The SES is aware of a possible contingent asset in relation to the recovery of costs associated with a defective asset. The financial impact cannot be determined at this stage.

Contingent liabilities

The SES has a potential contingent liability in the form of possible litigation, however, the outcome or financial impact cannot be reliably determined at this stage.

28. Events after the reporting period

There were no events after the reporting period affecting the financial statements

29. Financial instruments/Financial risk management

29.1 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.

		2013		2012	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets					
Cash and cash equivalents	16	2 481	2 481	1 212	1 212
Receivables(1)(2)	17	23	23	23	23
Other financial assets	18	112	112	235	235
Financial liabilities					
Payables	21	1 574	1 574	1 213	1 213

(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, 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.

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 17 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 SES's debtors defaulting on their contractual obligations resulting in financial loss to the SES. The SES 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 29.1 represents the SES's maximum exposure to credit risk.

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

Credit risk (continued)

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the SES does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

29.2 Ageing analysis of financial assets

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

		Past due by			
	Current (not overdue)	Overdue for less than 30 days	Overdue for 30-60 days	Overdue for more than 60 days	Total
2013	$'000	$'000	$'000	$'000	$'000
Not impaired:					
Receivables	7	-	-	16	23
Other financial assets	112	-	-	-	112
Impaired:					
Receivables	-	-	-	-	-
2012					
Not impaired:					
Receivables	8	-	-	15	23
Other financial assets	235	-	-	-	235
Impaired:					
Receivables	-	-	-	-	-
Allowance for impairment	-	-	-	-	-

29.3 Maturity analysis of financial assets and liabilities

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

		Contractual maturities	
	Carrying amount	Less than 1 year	1-5 years
2013	$'000	$'000	$'000
Financial assets:			
Cash and cash equivalents	2 481	2 481	-
Receivables	23	23	-
Other financial assets	112	112	-
Total financial assets	2 616	2 616	-
Financial liabilities:			
Payables	1 574	1 574	-
Total financial liabilities	1 574	1 574	-
2012			
Financial assets:			
Cash and cash equivalents	1 212	1 212	-
Receivables	23	23	-
Other financial assets	235	235	-
Total financial assets	1 470	1 470	-
Financial liabilities:			
Payables	1 213	1 213	-
Total financial liabilities	1 213	1 213	-

The financial assets and liabilities of the SES are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band years.

Liquidity risk

Liquidity risk arises where the SES is unable to meet its financial obligations as they are due to be settled. The SES is funded principally from contributions from the Community Emergency Services Fund. The SES 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 SES 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 SES'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 29.1 represents the SES's maximum exposure to financial liabilities.

Market risk

The SES has non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets (cash at bank and investments). The SES's exposure to market risk and cash flow interest risk is minimal. There is minimal exposure to foreign currency or other price risks.

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

Sensitivity disclosure analysis

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

30. Trust funds

	2013	2012
	$'000	$'000
Cash at bank	154	-
	154	-

The trust funds represent funds held by the Australian Council of State Emergency Services. The funds will be utilised to meet expenses incurred by each of the SES headquarters in Australia. The SES will administer these funds until they are fully expended.

South Australian Superannuation Board

Functional responsibility

Establishment

The South Australian Superannuation Board (the Board) is a body corporate established by section 6(2) of the *Superannuation Act 1988* (the Act). The Board is responsible to the Minister for Finance.

Functions

The Board is responsible for the administration of the following superannuation schemes:

- South Australian Superannuation Scheme (SAS Scheme) under the Act
- Southern State Superannuation Scheme (Triple S Scheme) under the *Southern State Superannuation Act 2009*
- Super SA Retirement Investment Fund under the Southern State Superannuation Regulations 2009 comprising:
  - Income Stream
  - Flexible Rollover Product
- South Australian Ambulance Service Superannuation Scheme (SA Ambulance Scheme) under Schedule 3 of the Act.

The Board's administration of these schemes encompasses maintenance of:

- accounts in the name of all members
- employer contribution accounts
- proper accounts for each financial year on receipts of contributions and payments of benefits.

Note 1 to the financial statements provides further details of the Board's functions. For details of the objectives, scheme structures and funding arrangements of the superannuation schemes refer note 1 to the financial statements of the individual superannuation schemes which directly follow this section of Part B of this Report.

Service provision arrangements

The Board utilises the services of DTF – State Superannuation Office to administer the superannuation schemes. The services provided are defined in a service level contract.

The Superannuation Funds Management Corporation of South Australia is responsible for the investment and management of the schemes' funds under the above legislation and the *Superannuation Funds Management Corporation of South Australia Act 1995*.

Further information on the investment and management of superannuation monies is provided under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

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 Board 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.

Information on the audit coverage, findings and audit opinion on the financial statements of the individual superannuation schemes is provided under 'South Australian Ambulance Service Superannuation Scheme', 'South Australian Superannuation Scheme', 'Southern State Superannuation Scheme' and 'Super SA Retirement Investment Fund' which directly follow this section of Part B of this Report.

The commentary under the heading 'Communication of audit matters' provides the overall issues that are not covered in the audit commentary on the individual schemes.

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 Superannuation Board 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 Superannuation Board 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 Superannuation Board have been conducted properly and in accordance with law.

Communication of audit matters

The Board was advised of recommended measures to improve certain financial and controls processes, notably the need to:

- ensure that important reconciliations including fund rollovers, one-off contributions and over the counter cash, are prepared and reviewed on a timely basis

- establish, update or review policies and procedures for a range of activities including adding/modifying systems user access, reviewing monthly security reports and processing refunds to mitigate the risk of loss of corporate knowledge, particularly if key people leave the organisation

- ensure that internal checking processes are conducted in accordance with documented procedures for adequate segregation of duties and authorisations by appropriate responsible officers. Specific issues related to the authorisation of direct debit files, follow-up of unpresented cheques, independent review of annual member salary review for the calculation of contributions and data uploading, and retention of supporting documentation for identification of matured members

- strengthen system access including appropriate authorisation of user access forms and timely review of user access for systems.

The Board responded and advised the following remedial action:

- It will endeavour to devote resources to ensure reconciliations are performed and reviewed on a timely basis.

- A review of policies and procedures has commenced and is expected to be completed by 30 June 2014.

- An appropriate segregation of duties operates across the direct debit authorisation process; follow-up of unpresented cheques will be performed six monthly; the checking process for the annual review of salaries will be reviewed; a review will be undertaken to determine the documentation required to be maintained to support identification of matured members and staff will be reminded of the need to retain the information.

- Requirements for authorisation and review of user access will be reviewed and staff will be reminded of those requirements.

Interpretation and analysis of the financial report

The Board's financial statements reflect its administration role in that:

- expenses relate predominantly to fees paid to DTF to administer the superannuation schemes

- revenues are mainly for the reimbursement of DTF fees from the relevant superannuation schemes.

Each superannuation scheme administered by the Board is reported separately in accordance with AAS 25.

Highlights of the financial report

	2013 $'million	2012 $'million
Expenses and income		
Total expenses	16.6	14.9
Total income	19.7	18.8
Total comprehensive result	3.1	3.9
Net cash provided by (used in) operating activities	5.2	3.4
Assets		
Cash and cash equivalents	17.5	12.3
Receivables	1.9	2.9
Total assets	19.4	15.2
Liabilities	2.0	0.9
Equity	17.4	14.3

Statement of Comprehensive Income

The net surplus for the year was $3.1 million. This result reflects:

- revenues from fees and charges of $19.7 million. Of this amount, $17.8 million (90%), represents the administration fees charged to the superannuation schemes administered by the Board
- administration expense of $16.6 million. A majority of this amount is payment to DTF for administrative services.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Administration expenses	4	16 558	14 948
Total expenses		16 558	14 948
Income:			
Fees and charges	5	19 677	18 844
Total income		19 677	18 844
Total comprehensive result	9	3 119	3 896

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	6	17 520	12 292
Receivables	7	1 868	2 866
Total assets		19 388	15 158
Current liabilities:			
Payables	8	2 008	897
Total liabilities		2 008	897
Net assets		17 380	14 261
Equity:			
Retained earnings	9	-	-
Reserves	9	17 380	14 261
Total equity		17 380	14 261

Total equity is attributable to the SA Government as owner

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

	Note	Retained earnings $'000	Reserves $'000	Total $'000
Balance at 30 June 2012		-	14 261	14 261
Total comprehensive result for the year 2012-13		3 119	-	3 119
Transferred to reserves	9	(3 119)	3 119	-
Balance at 30 June 2013		-	17 380	17 380

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

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Cash outflows:			
Administration expenses		(15 448)	(12 762)
Cash used in operations		(15 448)	(12 762)
Cash inflows:			
Interest		426	454
Receipts from fees and charges		20 250	15 754
Cash generated from operations		20 676	16 208
Net cash provided by (used in) operating activities	11	5 228	3 446
Net increase (decrease) in cash and cash equivalents		5 228	3 446
Cash and cash equivalents at 1 July		12 292	8 846
Cash and cash equivalents at 30 June	6	17 520	12 292

Notes to and forming part of the financial statements

1. Objectives and funding

Objectives of the South Australian Superannuation Board (the Board)

The Board was established under section 6 of the *Superannuation Act 1988* (the Act) and is responsible to the Minister for Finance for all aspects of the administration of the Act (Pension and Lump Sum schemes), and the *Southern State Superannuation Act 2009* (Triple S Scheme, Flexible Rollover Product and Income Stream), except for investment matters relating to the schemes and products. Under clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared that the Board act as trustee of the South Australian Ambulance Service Superannuation Scheme and be responsible for administering the trust deed and rules.

The Act provides that the Board may make use of the staff or facilities of an administrative unit of the South Australian public sector. The State Superannuation Office, a branch of DTF, provides administrative services to the Board. The State Superannuation Office adopts the Super SA name as administrator of the Board schemes and products. The superannuation legislation also provides for the Board to charge administration costs.

The Board is responsible for payment of the service level agreement (SLA) fee to DTF for costs incurred in the administration of the schemes and products. This amount is then recouped from the various schemes and products as per the SLA.

The Board has carefully considered anticipated future expenditure and sets aside money to cover expected future specific purposes.

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 provision of the PFAA.

The Board has applied AASs that are applicable to not-for-profit entities, as the Board 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 Board for the reporting period ended 30 June 2013 (refer note 3).

(b) Basis of preparation

The preparation of the financial statements requires:

- accounting policies 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:
  - revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. A threshold of $100 000 for separate identification of these items applies
  - 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 Board's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis.

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 comparative information is presented.

(c) Comparative information

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

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

(d) Rounding

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

(e) Taxation

The Board is not subject to income tax.

The Board is not registered for GST and no GST is recoverable or payable to the ATO.

(f) Events after 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.

(g) Income and expenses

Income and expenses are recognised to the extent that it is probable that the flow of economic benefits to or from the Board 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 following are specific recognition criteria:

Income

Fees and charges are derived from the recovery of administration fees from the superannuation schemes and products which the Board administers. Revenue is recognised when earned.

Interest comprises of the interest received on the cash held in the Board's deposit account, with DTF, which receives interest at the applicable SA Government rate. Interest is recognised when it is earned.

Expenses

Administration expenses are the payment of the administration fees to DTF for the provision of services to the Board. This expense is recognised upon delivery of the service.

(h) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes deposits held in the deposit account.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as outlined above.

Cash is measured at nominal value.

(i) Receivables

Receivables include amounts owing from services provided prior to the end of the reporting period that are unpaid at the end of the reporting period. Receivables include all amounts not received relating to the normal operations of the Board.

(j) Payables

Payables include creditors and accrued expenses.

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

Accrued expenses represent 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, as per TI 11.

3. New and revised accounting standards and policies

The Board 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 yet been adopted by the Board for the period ended 30 June 2013. The Board 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 Board.

4. Administration expenses

	2013	2012
	$'000	$'000
Administration fees	16 505	14 876
Other expenses(i)	53	72
Total administration expenses	16 558	14 948

(i) Other expenses include amounts paid or due and payable to the Auditor-General's Department for the audit of the Board for the reporting period which were $16 720 ($16 280) GST inclusive. No other services have been provided by the Auditor-General's Department.

5. Fees and charges

	2013 $'000	2012 $'000
Interest	426	468
Recovery of administration fees	17 751	16 876
Other income(i)	1 500	1 500
Total fees and charges	19 677	18 844

(i) The Board policy 'Operational Risk Reserve - Triple S' proposes that between $1 million to $1.5 million be transferred from the Triple S insurance reserve to the operational risk reserve over a five year period until it represents 0.125% of total assets of the Triple S Scheme.

6. Cash and cash equivalents

	2013 $'000	2012 $'000
Cash at bank	17 520	12 292
Total cash and cash equivalents	17 520	12 292

Interest rate risk

Cash at bank earns a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

7. Receivables

	2013 $'000	2012 $'000
Recovery of Super SA Select set-up costs	317	-
Sundry debtors	1 534	2 850
Audit fee recovery	17	16
Total receivables	1 868	2 866

All receivables will be settled within 12 months of the reporting date.

8. Payables

	2013 $'000	2012 $'000
Sundry creditors	-	55
Audit fee payable	17	16
Administration fee payable	1 991	826
Total payables	2 008	897

All payables are normally settled within 30 days from the date of the invoice or date the invoice is first received.

9. Retained earnings and reserves

	Opening balance $'000	Total comprehensive result $'000	Transfers to reserves $'000	2013 $'000	2012 $'000
Retained earnings	-	3 119	(3 119)	-	-

Reserves:	Opening balance $'000	Transfers to reserve $'000	Transfers from reserve $'000	2013 $'000	2012 $'000
Board election reserve:(i)					
South Australian Superannuation Scheme	58	1	(12)	47	58
Southern State Superannuation Scheme	82	2	(24)	60	82
Office administration reserve:(ii)					
South Australian Superannuation Scheme	2 519	457	-	2 976	2 519
Southern State Superannuation Scheme	3 953	966	-	4 919	3 953
Capital and development reserve:(iii)					
South Australian Superannuation Scheme	1 709	51	-	1 760	1 709
Southern State Superannuation Scheme	2 416	72	-	2 488	2 416
Triple S operational risk reserve:(iv)					
Southern State Superannuation Scheme	3 524	1 606	-	5 130	3 524
Total reserves	14 261	3 155	(36)	17 380	14 261

9. Retained earnings and reserves (continued)

The transfers to/from reserves are transfers from equity based on specific reserve balances and purposes which are outlined below:

(i) The Board election reserve represents amounts which have been put aside for the three yearly Board election costs. The transfers to reserve amount represents interest allocated during the year. The transfers from reserve represents part of the 2012-13 Board election held in 2011-12.

(ii) The office administration reserve represents amounts which are to be used on the approval of the Board for specified purposes and any unspent funds are returned to this reserve on a yearly basis. The transfers to reserve amount represents interest allocated during the year plus the refund from DTF of the under spent SLA fee for 2012-13.

(iii) The capital and development reserve represents amounts which have been put aside for future capital replacement costs. The transfers to reserve amount represents interest allocated during the year plus the refund from DTF of the unspent capital and development funds. There was no refund for unspent capital in 2012-13.

(iv) The Triple S operational risk reserve represents amounts held as part of the Board's risk management policy that states that the Board is committed to minimising risk, adopting appropriate risk controls and managing, amongst other risks, operational risk. The transfers to reserve represent interest allocated during the year plus transfers from Triple S to the Board of $1.5 million.

The funding of this reserve is from the Triple S insurance reserve. The Board determined that an amount between $1 million - $1.5 million will be deducted each year for a period of approximately five years. The amount transferred from the insurance reserve will be assessed each year and will also take into account the three yearly actuarial assessment of the insurance pool to ensure sufficient reserves are held in the insurance reserve.

10. Remuneration of board and committee members

Members that were entitled to receive remuneration for membership during the 2012-13 financial year were:

Philip Jackson (Presiding Member)	1 July 2012 - 30 June 2013
Kevin Cantley* (John Wright* - Deputy)	1 July 2012 - 30 June 2013
Bill Griggs* (Aaron Chia* - Deputy)	1 July 2012 - 30 June 2013
Virginia Deegan (Liz Hlipala - Deputy)	1 July 2012 - 30 June 2013
Jan McMahon (Leah York** - Deputy)	1 July 2012 - 30 June 2013

The number of members whose remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$0	2	2
$1 - $9 999	1	1
$20 000 - $29 999	2	2
$30 000 - $39 999	-	1
$40 000 - $49 999	1	-
Total	6	6

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 $99 000 ($99 000).

Amounts paid to a superannuation plan for board/committee members were $8000 ($8000).

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

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

** Ms L York is a deputy for Jan McMahon and was eligible for sitting fees for attending meetings during the year.

11. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents - cash at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	17 520	12 292
Balance as per Statement of Cash Flows	17 520	12 292

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

	2013	2012
Total comprehensive result	3 119	3 896
Movements in assets/liabilities:		
Receivables	998	(1 331)
Payables	1 111	881
Net cash provided by (used in) operating activities	5 228	3 446

12. Financial instruments

The Board holds all cash in a deposit account with DTF which receives interest at the applicable SA Government rate. There are no fair value differences as carrying values approximate fair value and there is minimal exposure to interest rate or market risk due to the nature of the financial assets and liabilities held.

13. Transactions within SA Government

	2013	2012
	$'000	$'000
Administration expenses	16 558	14 948
Fees and charges	19 251	18 376
Receivables	1 834	2 810
Payables	2 008	897
Total transactions within Government	39 651	37 031

14. Events after the reporting period

At the 8 June 2012 Board meeting, the Board agreed to provide funding of $500 000 from its Capital and Development Reserve account for the purpose of establishing Super SA Select (the Fund). The Funding Deed was executed on 28 June 2013 with a drawdown date of 5 July 2013.

The terms of the loan are set out in Schedule 2 of the Public Corporations (Southern Select Super Corporation) Regulations 2012 (the Regulations) and the tri-partite funding deed between the Board, the Minister for Finance and the Southern Select Super Corporation (the trustee). The repayment of the loan by the trustee from Super SA Select, together with interest, will be in accordance with Schedule 2 of the Regulations.

South Australian Ambulance Service Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Clause 9 of Schedule 3 of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts and financial report of the South Australian Ambulance Service Superannuation Scheme (the SA Ambulance Scheme) for each financial year.

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:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the SA Ambulance 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 South Australian Ambulance Service 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.

Communication of audit matters

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

Interpretation and analysis of the financial report

In accordance with AAS 25, the financial report comprises a Statement of Changes in Net Assets and a Statement of 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.

Highlights of the financial report

	2013 $'million	2012 $'million
Revenue		
Contribution revenue	13.9	12.4
Investment revenue	21.6	4.4
Total revenue	35.5	16.8
Expenses		
Benefits expenses	5.5	8.6
Other expenses	1.3	1.1
Income tax expense	3.5	1.1
Total expenses	10.3	10.8
Net increase (decrease) in funds	25.2	6.0
Assets		
Investments	175.6	149.9
Other assets	2.5	3.5
Total assets	178.1	153.4
Liabilities		
Current liabilities	1.2	1.8
Total liabilities	1.2	1.8
Net assets available to pay benefits	176.9	151.6

Statement of Changes in Net Assets

There was a net increase in funds of $25.3 million for 2012-13, reflecting:

- contributions revenue of $13.9 million ($12.4 million) consisting predominantly of contributions by employers of $12.2 million ($10.7 million)
- returns on investments of $21.6 million ($4.4 million). Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report
- benefits expenses of $5.5 million ($8.6 million).

Statement of Net Assets

The main item in the Statement of Net Assets is investments. They increased by $25.7 million to $175.6 million due mainly to the returns on investments and contributions revenue offset by benefits paid.

Further commentary on operations

Liability for accrued benefits

An actuarial review is undertaken every three years. The most recent review was undertaken as at 30 June 2011. The estimated liability for accrued benefits at 30 June 2011 was $141.8 million as disclosed in note 8 to the financial statements.

The vested benefits as at 30 June 2013 were $168.5 million as disclosed in note 9 to the financial statements. Vested benefits represent benefits that members are entitled to receive had their membership been terminated at reporting date.

Members

The number of members and contributions received for the past three years were:

	2013	2012	2011
Non-contributory members	21	22	25
Contributory members	792	813	852
Contributions received ($'000)	1 457	1 228	1 300

The number of contributory members decreased by 21. This is consistent with a closed scheme where retirements occur causing a reduction in membership. The SA Ambulance Scheme was closed to new members with effect from 1 July 2008.

Statement of Changes in Net Assets
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Net assets available to pay benefits at 1 July		151 639	145 679
Revenue:			
Investment revenue		21 561	4 427
Other revenue		24	33
Contribution revenue:			
Contributions by employers	3	12 243	10 727
Contributions by members		1 457	1 228
Rollovers from other schemes		183	365
Spouse contributions		7	6
Government co-contributions		15	24
Total contribution revenue		13 905	12 350
Total revenue		35 490	16 810
Expenses:			
Direct investment expenses	6	855	760
Administration expenses	4	394	397
Benefits expenses	7	5 477	8 601
Total expenses		6 726	9 758
Income tax expense	12(a),(b)	3 532	1 092
Net increase (decrease) in funds		25 232	5 960
Net assets available to pay benefits at 30 June	11	176 871	151 639

Statement of Net Assets
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments:			
Inflation linked securities B		18 251	15 181
Property B		21 865	16 711
Australian equities B		39 118	33 455
International equities B		35 762	25 178
Long-term fixed interest		8 060	8 446
Short-term fixed interest		6 763	6 811
Diversified strategies growth B		11 605	8 751
Diversified strategies income		26 073	21 267
Cash		8 097	14 118
Total investments		175 594	149 918
Other assets:			
Cash and cash equivalents		1 389	993
Deferred tax assets	12(d)	1 077	2 524
Other assets		17	14
Total other assets		2 483	3 531
Total assets		178 077	153 449
Current liabilities:			
Benefits payable		9	426
Other liabilities		25	106
Current tax liabilities	12(c)	1 172	1 278
Total current liabilities		1 206	1 810
Total liabilities		1 206	1 810
Net assets available to pay benefits	11	176 871	151 639

Notes to and forming part of the financial statements

1. Objectives and funding

(a) South Australian Ambulance Service Superannuation Scheme (the Scheme)

On 29 June 2006, the Treasurer declared the Scheme a scheme and fund established pursuant to clause 2 of Schedule 3 of the *Superannuation Act 1988* (the Act). The net assets of the SA Ambulance Service Superannuation Fund (the former scheme) as at 30 June 2006 were transferred to the Scheme. The Scheme is an exempt public sector superannuation scheme in terms of Schedule 1AA of the Superannuation Industry (Supervision) Regulations 1994 (Cwlth). The Scheme is a taxed scheme by virtue of Schedule 4 of the Income Tax Assessment Regulations 1997 (Cwlth).

The Scheme is governed by a trust deed and rules pursuant to the Act and became effective from 1 July 2006. The Scheme's membership includes contributory, non-contributory, spouse, and preserved members. The main benefit for contributory members is a defined benefit. Non-contributory, spouse and preserved members are entitled to accumulation benefits. A member, other than a spouse member, has the option of transferring between the category of being a contributory and non-contributory member. The Scheme provides benefits to members on retirement, resignation, death, permanent or temporary disablement and serious ill health.

Member and employer contributions are deposited by the Treasurer into the fund established for the Scheme (the Fund). The Scheme was closed to further new members with effect from 1 July 2008.

(b) South Australian Superannuation Board (the Board)

Pursuant to clause 2(1)(d) of Schedule 3 of the Act, the Treasurer declared the Board the trustee of the Scheme from 1 July 2006. As trustee of the Scheme, the Board is responsible for administering the trust deed and rules.

(c) Superannuation Funds Management Corporation of South Australia (Funds SA)

Pursuant to clause 2(1)(c) of Schedule 3 of the Act, the Treasurer declared the Fund to be invested and managed by Funds SA from 1 July 2006.

For further information on the investment of the Fund, reference should be made to the annual report of Funds SA.

(d) Funding arrangements

For the year ended 30 June 2013, contributory members contributed 5% of post-tax salary or 5.9% of pre-tax salary. Members could also make additional voluntary contributions on either a pre-tax or post-tax basis. The employer contributed at the rate of 12% of member salaries. For members who were entitled to the SA Ambulance Service Award superannuation benefit under the Scheme, the employer contributed an additional 3% of salaries (3.72% for elective services employees and emergency services staff).

Non-contributory members are employees employed on a casual basis or those employees who elected prior to 30 June 2006 to not be a defined benefit member. Non-contributory members may make voluntary post-tax or pre-tax contributions. The employer contribution for non-contributory members is 9% of salary in order to satisfy the Superannuation Guarantee requirements under Commonwealth law.

An actuarial review as at 30 June 2011 determined the current employer contribution for the defined benefit scheme members of 12% can be maintained. This amount was deemed sufficient to fund the ongoing liabilities of the Scheme. The 12% employer contribution comprises: 10.16% for the defined benefit employer contribution; 0.63% represents administration expenses; and 1.21% represents insurance premiums. The components, which comprise contributions by employers, are provided in note 3.

From 1 July 2006, the insurance cover for death, total and permanent disablement and income protection was provided as a self-insurance arrangement within the Fund. As a result of the 2011 self-insurance review, the insurance contribution has been reduced from 1.77% to 1.21% and of this: 0.91% represents insurance premiums for death, total and permanent disablement and serious ill health cover; and 0.30% represents premiums for income protection cover.

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 provision 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.

This financial report has been prepared on an accrual basis where this can be reliably 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 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 as provided by Funds SA.

(i) Inflation linked securities B

The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which 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.

(ii) *Property B*
The property B 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 B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts (UUTs)). Pooled vehicles (UUTs) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUTs). 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 B*
The diversified strategies growth B 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 valuations of private equity investments are 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 funds 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*
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) ***Income tax***
The Scheme is a complying superannuation fund within the provisions of the ITAA and accordingly the concessional tax rate of 15% has been applied.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities, which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Scheme expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(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 investment.

Reference should be made to Funds SA's annual report for the strategic asset allocations applying to each of the investment options. The Scheme is fully invested in the balanced option.

(e) Revenue

Superannuation contributions, transfers and rollovers from other schemes are brought to account on an accrual basis where this can be reliably measured. Other revenue is brought to account on an accrual basis.

Spouse contributions are additional voluntary contributions by members on behalf of an eligible spouse. Government co-contributions are additional contributions made by the Federal Government on behalf of eligible members. Rollovers from other schemes are contributions received by the Board from external funds on behalf of the SA Ambulance Service members.

(f) Receivables and payables

Receivables are carried at nominal amounts due which approximate fair value.

Benefits payable comprises the entitlements of members who ceased employment prior to year end but had not been paid at that time.

(g) 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 Net Assets are shown inclusive of GST.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

(i) 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. Contributions by employers

	2013	2012
	$'000	$'000
Employer contributions	11 183	9 821
Insurance premiums	697	596
Administration expenses	363	310
	12 243	10 727

4. Administration expenses

Administration fees	362	343
Other expenses	32	54
	394	397

5. Auditor's remuneration

Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $24 090 ($23 430) GST inclusive. No other services were provided by the Auditor-General's Department.

6. Direct investment expenses

Direct investment expenses comprise fees paid to Funds SA. Funds SA advises the amount based on the Scheme's proportionate investment.

In 2012-13 the increase in investment management expenses was largely attributable to:

- 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.

7. Benefits expenses

	2013	2012
	$'000	$'000
Retirement	4 413	5 593
Resignation	549	526
Total and permanent disablement	70	1 627
Death	-	700
Serious ill health	300	-
Salary continuance	145	155
	5 477	8 601

8. Liability for accrued benefits

Actuarial valuations to determine the liability for accrued benefits are conducted at least every three years. The most recent actuarial valuation was undertaken as at 30 June 2011 and the next review will be undertaken as at 30 June 2014. The liability was determined on the basis of the present value of the expected future payments that will arise from membership of the Scheme up to 30 June 2011. The figure reported has been determined by reference to the expected future salary level increases (4%) and by application of the market-based, risk-adjusted discount rate (7%).

	2011	2008
	$'000	$'000
Liability for accrued benefits	141 768	112 247

9. Vested benefits

Vested benefits are benefits that are not conditional upon continued membership of the Scheme (or any factor other than resignation from the Scheme) and include benefits which members were entitled to receive had they terminated their Scheme membership as at the reporting date.

9. Vested benefits (continued)

	2013 $'000	2012 $'000
Vested benefits	168 537	147 921

10. Guaranteed benefits

No guarantees have been made in respect of any part of the liability for accrued benefits.

11. Net assets available to pay benefits

(a) Assets available to pay benefits

	2013	2012
Funds held at 1 July	148 126	141 642
Contributions by members	1 457	1 228
Contributions by employers	11 546	10 131
Investment revenue	21 114	4 341
Rollovers from other schemes	183	365
Spouse contributions	7	6
Government co-contributions	15	24
Other revenue	24	33
	34 346	16 128
Benefits expenses	(5 033)	(7 395)
Direct investment expenses	(855)	(760)
Administration expenses	(394)	(397)
Income tax expense	(3 532)	(1 092)
	(9 814)	(9 644)
Assets available to pay benefits	172 658	148 126

(b) Insurance reserve

	2013	2012
Opening balance of insurance reserve	3 513	4 037
Employer fees	697	596
Investment revenue	447	86
	1 144	682
Benefits payments:		
Total and permanent disablement	-	(464)
Death	-	(588)
Serious ill health	(300)	-
Temporary disablement	(144)	(154)
	(444)	(1 206)
Closing balance of insurance reserve	4 213	3 513
Net assets available to pay benefits	176 871	151 639

12. Taxation

(a) Major components of tax expense

	2013	2012
Current income tax:		
Current tax charge	2 225	2 020
Adjustment to current tax for prior periods	(103)	(639)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	1 410	(289)
Income tax expense	3 532	1 092

(b) Income tax expense

	2013	2012
Changes in net assets before tax	28 764	6 141
Tax applicable at the rate of 15%	4 315	921
Tax effect of income and losses that are not assessable/or deductible in determining taxable income:		
Investment income	(721)	132
Member contributions	(222)	(189)
Transfers in	(27)	(51)
Tax effect of expenses that are not deductible in determining taxable income:		
Benefits expenses	821	1 427

	2013	2012
(b) Income tax expense (continued)		
Tax effect of other adjustments:	$'000	$'000
Imputation and foreign tax credits	(531)	(509)
Over provision prior period	(103)	(639)
Income tax expense	3 532	1 092

(c) Current tax liabilities

	2013	2012
Balance at 1 July	1 278	2 201
Income tax paid - prior periods	(1 139)	(1 509)
Income tax paid - current period	(1 053)	(742)
Current year's income tax provision	2 225	2 020
Over provision - prior period	(139)	(692)
Total current tax liabilities	1 172	1 278

(d) Deferred tax assets

The amount of deferred tax assets recognised in the Statement of Net Assets at reporting date is made up as follows:

	2013	2012
Accrued expenses	4	4
Realised capital losses carried forward (discounted)	1 773	1 741
Unrealised capital losses carried forward (discounted)	(700)	779
Total deferred tax assets	1 077	2 524

13. Related parties

The Board acts as trustee for the Scheme. For details of board membership and remuneration refer to the Board's financial report.

14. 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.

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.

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 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 Statement of Changes in Net Assets, all changes in market conditions will directly affect investment revenue.

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 investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2013			
Balanced	Nominal standard deviation	8.1	14 223
Total			14 223
2012			
Balanced	Nominal standard deviation	8.1	12 143
Total			12 143

(iv) Sensitivity analysis (continued)

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 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 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 tables are the contractual undiscounted cash flows.

2013	Less than three months $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
Benefits payable	9	9	9
Other liabilities	25	25	25
Current tax liabilities	1 172	1 172	1 172
Vested benefits[(i)]	168 537	168 537	168 537
Total	169 743	169 743	169 743
2012			
Benefits payable	426	426	426
Other liabilities	106	106	106
Current tax liabilities	1 278	1 278	1 278
Vested benefits[(i)]	147 921	147 921	147 921
Total	149 731	149 731	149 731

(c) Liquidity risk (continued)

(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).

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2013		
Unlisted managed investment schemes:		
Funds SA	175 594	175 594
	175 594	175 594
2012		
Unlisted managed investment schemes:		
Funds SA	149 918	149 918
	149 918	149 918

(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.

South Australian Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 20AB(2) of the *Superannuation Act 1988* provides for the Auditor-General to audit the accounts kept by the South Australian Superannuation Board (the Board) for each financial year. The Board maintains the accounts of the South Australian Superannuation Scheme (the Scheme).

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
- processing of contribution data
- maintenance of member accounts
- benefit payments
- liability for accrued benefits.

The investment and management of the Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (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 South Australian 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.

Communication of audit matters

For information on the audit findings, refer to the South Australian Superannuation Board in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Revenue		
Investment revenue	677	120
Contribution revenue	528	482
Other revenue	37	36
Total revenue	1 242	638
Expenses		
Benefits expense	827	761
Direct investment expense	25	22
Other expenses	14	13
Total expenses	866	796
Transfer from (to) Consolidated Account	-	(13)
Operating result	376	(171)
Net cash provided by (used in) operating activities	(189)	(233)
Assets		
Investments	4 549	4 084
Other assets	16	17
Total assets	4 565	4 101
Liabilities		
Liability for accrued benefits	10 503	10 427
Current liabilities	20	7
Total liabilities	10 523	10 434
Excess of liabilities over net assets	5 958	6 333

Operating Statement

Revenues

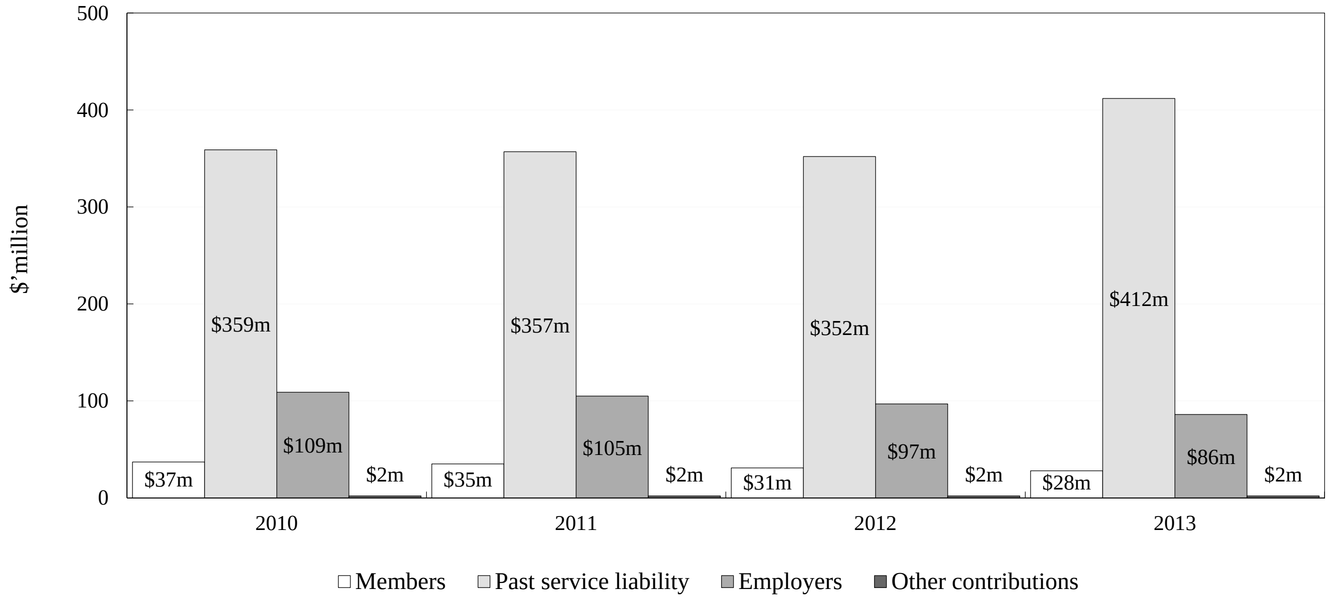
Investment activity for the year resulted in a return of $677 million ($120 million).

The increase in investment revenue is due mainly to improved returns from Australian and global shares. Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Contribution revenue increased by $46 million to $528 million, due mainly to the net effect of an increase in contributions for past service liability of $59 million (refer note 1(d) to the financial statements for further information) and a decrease of $13 million in employer and member contributions. The decrease in employer and member contributions is indicative of a closed scheme where the number of members is decreasing due to retirement.

During the year the Government transferred $409 million ($349 million) into the South Australian Superannuation Scheme Contribution Account for past service liability funding. Public sector employers contributed $3 million ($3 million).

A structural analysis of contribution revenues of the Scheme for the four years to 2013 is presented in the following chart.



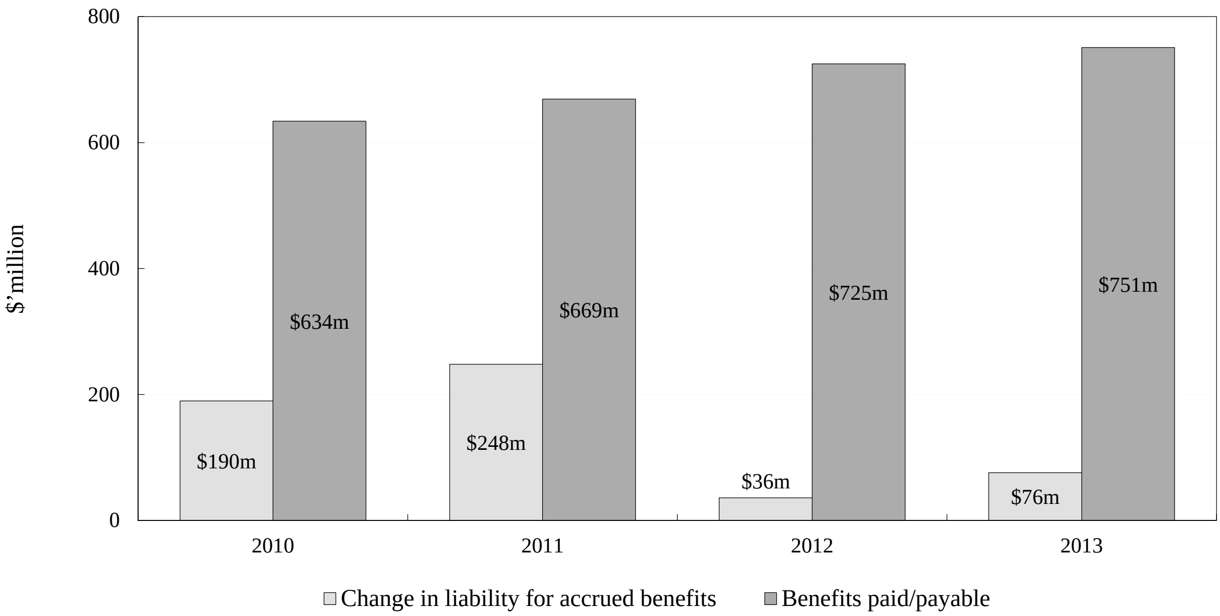
The chart shows that over the last four years employer and member contributions have slowly reduced. This is expected as the new and old schemes are closed schemes with no new contributors.

Past service liability payments represent funding from both the Government (since 1994) and public sector employers to meet accrued superannuation liabilities. The Government expects to fully fund its liabilities by 30 June 2034.

Expenses

The Scheme's dominant expenditure item is benefits expense which increased by $66 million to $827 million for the year.

For the four years to 2013 a structural analysis of the components of benefits expense is shown in the following chart.



Benefits expense comprises the benefits paid and the change in the liability for accrued benefits. The above chart demonstrates that benefits expense can fluctuate significantly due to changing assumptions in the calculation of the estimated liability for accrued benefits. An actuarial review is undertaken every three years but the assumptions from this review are used to calculate the accrued liability in years between reviews. Further details of the liability are provided below under the heading ‘Statement of Financial Position’.

Over the period of review there has been a steady increase in benefits paid. This is expected as more members reach retirement age. Benefits paid are also affected by increases in final salary and inflation adjustments to pensions.

Statement of Financial Position

The estimated liability for accrued benefits increased by $76 million to $10.5 billion for which net assets of $4.5 billion were available to pay benefits. This has resulted in an excess of liabilities over net assets of $6 billion. Of the $10.5 billion liability, $8.7 billion (83%) represents the old scheme (pension) liability and $1.8 billion (17%) is the new scheme (lump sum) liability. The demographic assumptions of the 2010 triennial actuarial review were applied to the calculation of the liability for accrued benefits.

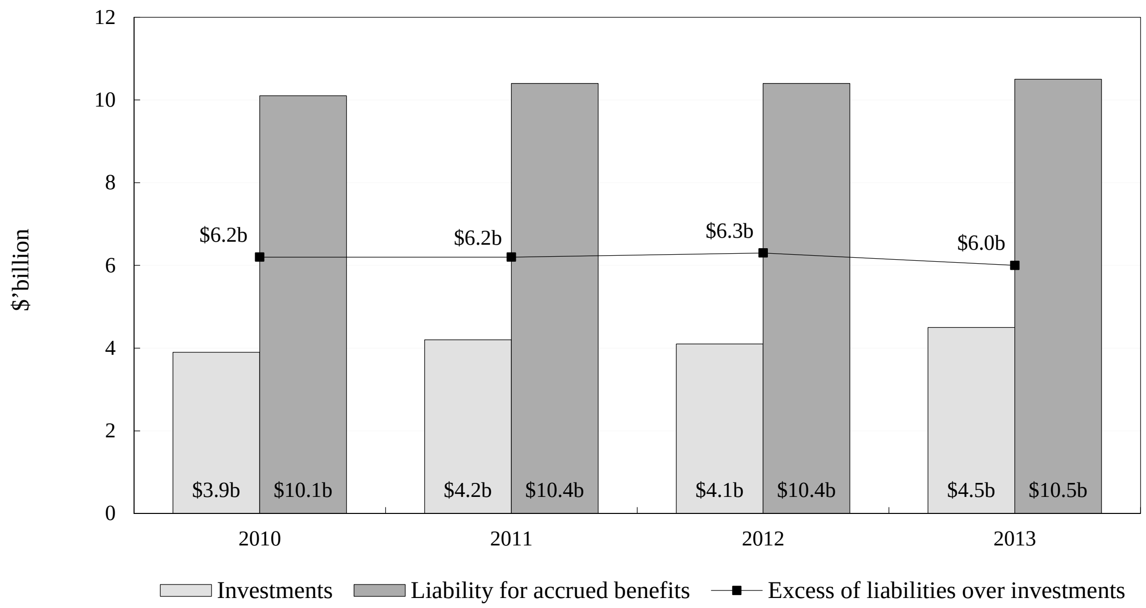
Consistent with the 2009-10 liability calculation for financial reporting the following rates were used:

- discount rate 7%
- long-term salary inflation 4%
- long-term CPI factor 2.5%.

The liabilities for the old scheme and new scheme increased by $5 million and $71 million respectively. Benefits expense increased by $66 million. This was due to:

- an increase in the investment earning rate for the new scheme
- the duration of the liability decreasing by one year affecting the net present value.

For the four years to 2013 a structural analysis of investments and liability for accrued benefits is shown in the following chart.



From 30 June 2010 investments increased predominantly due to positive returns and additional funds available for investment through contributions for past service liability.

Statement of Cash Flows

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

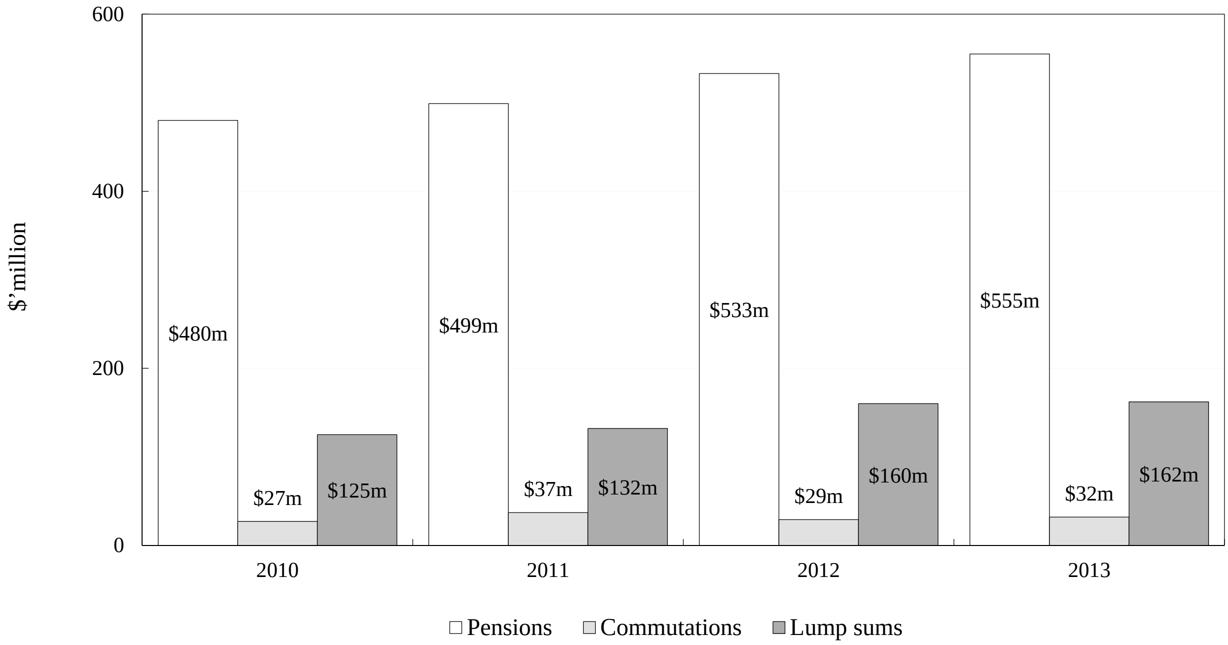
	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net cash flows				
Operating	(189.1)	(232.8)	(145.5)	(136.1)
Investing	186.4	233.8	148.6	110.4
Change in cash	(2.7)	1.0	3.1	(25.7)
Cash at 30 June	6.5	9.2	8.2	5.1

The reduction in the operating cash outflow for 2012-13 is due mainly to a transfer to the Scheme of $38 million from the Consolidated Account.

Benefits paid

In 2012-13 total benefits paid amounted to $751 million ($725 million), which included $555 million ($533 million) paid as pensions. Details of benefits paid/payable are disclosed in note 7 to the financial statements.

The following chart analyses the most significant benefits paid for the four years to 2013.



The chart shows an increasing trend in pensions and lump sums paid as more members reach retirement age. Pensions are also adjusted for increases in inflation.

Further commentary on operations

Funding of benefit payments

Benefit payments are funded from a number of sources which have remained relatively consistent. Over half of the benefit payments are funded from the SA Government Employer Account.

The South Australian Superannuation Fund (the Fund) portion of a benefit is fully funded. Member contributions are deposited in the Fund and on payment of a benefit, a proportion of the amount is charged against the Fund. The amount charged is determined by legislation and regulation.

There are numerous arrangements covering the funding of the employer liability for accrued superannuation benefits. Depending on the employer's arrangement with the Board they may either:

- make provisions for superannuation liabilities in their own accounts and pay for benefits as they emerge
- contribute fortnightly to employer contribution accounts managed by Funds SA, in this way funding their accruing liability
- make cash contributions to the Treasurer, which are invested with Funds SA.

Note 1(d) to the financial statements provides details of the various funding arrangements.

Although a portion of the total superannuation liability is currently unfunded, members' entitlements to benefits are required to be paid out of the Consolidated Account, or a special deposit account established for that purpose.

Pensioners

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

	2013	2012	2011	2010
Pensioners	15 471	15 433	15 359	15 332
Pensions paid ($'million)	555	533	499	480

Contributions by members

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

		2013		2012	2011
	Old Scheme	New Scheme	Total	Total	Total
Contributors (excludes preserved members)	1 548	4 262	5 810	6 575	7 413
Contributions revenue ($'000)	6 687	21 642	28 329	31 180	35 313

Operating Statement
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue:			
Investment revenue		677 300	120 041
Other revenue	17	36 352	36 513
Contribution revenue:			
Contributions for past service liability	1(d)	373 873	352 461
Contributions by employers		86 309	96 582
Contributions by members		28 329	31 180
Rollovers from other schemes		1 396	1 554
Government co-contributions	18	372	441
Total contribution revenue		490 279	482 218
Total revenue		1 203 931	638 772
Expenses:			
Direct investment expenses	4	25 341	21 574
Co-contributions transferred to other scheme	18	372	441
Higher education superannuation costs	20	9 258	8 921
Administration expenses	5	4 591	4 558
Benefits expense	8	826 710	760 870
Total expenses		866 272	796 364
Transfer from (to) Consolidated Account	21	38 100	(13 300)
Operating result		375 759	(170 892)

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments:			
Inflation linked securities A		350 550	385 424
Property A		662 615	623 036
Australian equities A		1 110 530	959 043
International equities A		1 212 392	963 819
Long-term fixed interest		80 366	104 864
Short-term fixed interest		49 263	74 066
Diversified strategies growth A		376 292	238 341
Diversified strategies income		597 708	525 392
Cash		107 978	208 777
Socially responsible		1 492	857
	10	4 549 186	4 083 619
Other assets:			
Cash and cash equivalents	12	6 493	9 151
Contributions receivable	3	2 034	2 378
Other income receivable	16	6 652	5 217
Receivables	19	304	219
		15 483	16 965
Total assets		4 564 669	4 100 584
Current liabilities:			
Benefits payable		10 141	6 444
Payables	13	9 395	852
Total liabilities		19 536	7 296
Net assets available to pay benefits	6	4 545 133	4 093 288
Liability for accrued benefits	8	(10 502 714)	(10 426 628)
Excess of liabilities over net assets		(5 957 581)	(6 333 340)

Statement of Cash Flows
for the year ended 30 June 2013

		2013	2012
		Inflows	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Contributions received:			
Contributions for past service liability		411 973	352 461
Contributions by employers		86 574	96 758
Contributions by members		28 407	31 236
Rollovers from other schemes		1 396	1 555
Government co-contributions		372	441
		528 722	482 451
Other income:			
Reimbursement from other sources:			
Public authorities		34 603	35 301
Temporary disability reimbursements		28	41
Other		298	343
		34 929	35 685
GST recoup received		251	301
Benefits paid:			
Pensions		(553 204)	(531 675)
Commutation of pension benefits		(32 693)	(30 859)
Lump sums		(161 064)	(161 945)
		(746 961)	(724 479)
Administration expenses		(5 619)	(4 088)
Co-contributions transferred to other scheme		(372)	(441)
Higher education superannuation costs		-	(8 922)
Transferred from (to) Consolidated Account	21	-	(13 300)
Net cash provided by (used in) operating activities	11	(189 050)	(232 793)
Cash flows from investing activities:			
Receipts from Funds SA		678 459	658 253
Payments to Funds SA		(492 067)	(424 551)
Net cash provided by (used in) investing activities		186 392	233 702
Net increase (decrease) in cash and cash equivalents held		(2 658)	909
Cash and cash equivalents at 1 July		9 151	8 242
Cash and cash equivalents at 30 June	12	6 493	9 151

Notes to and forming part of the financial statements

1. Objectives and funding

(a) South Australian Superannuation Scheme (the Scheme)

The Scheme is a voluntary superannuation scheme which exists pursuant to the *Superannuation Act 1988* (the Act). It previously existed in different forms under various other legislation. The Act provides for superannuation benefits for persons employed by the SA Government and other prescribed persons and makes provisions for the families of such persons. It is not available to Members of Parliament, the judiciary or to police officers who are each provided for under separate legislation.

(a) South Australian Superannuation Scheme (the Scheme) (continued)

Contributors to the Scheme may be either old scheme contributors, who are entitled to a pension based benefit, or new scheme contributors who are entitled to a lump sum based benefit. The old scheme contributors segment of the Scheme was closed to new members in May 1986. The new scheme contributors segment of the Scheme was closed to new members in May 1994.

Contributors make contributions from after tax salary based on a percentage of their salary, with the standard contribution rate being between 5% and 6%. Contributors may elect to vary their contribution rate in accordance with section 23 of the Act. A contribution account is maintained for each contributor. If a member ceases to contribute they will be automatically covered by the Southern State Superannuation Scheme, to meet the minimum requirements of the Commonwealth legislation.

Since October 1989, the Act has required that contributions be paid to the Treasurer, who in turn deposits those contributions into the South Australian Superannuation Fund (the Fund), which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act requires the Fund to be treated as being made up of two divisions, being the Old Scheme Division and the New Scheme Division. Each division consists of the contributions and the accretions arising from the investment of those contributions in respect of relevant old or new scheme contributors. Consistent with the accounts of the Fund the accounts of the Scheme are also maintained in respect of each division.

(b) South Australian 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 has contracted DTF to provide administrative services in accordance with the Act. A portion of the administrative costs are recovered from the Scheme. The Board's financial report provides the total administration cost paid to DTF.

Under 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 Fund and the South Australian Superannuation Scheme Contribution Account (the Account), reference should be made to the annual report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA.

(d) Funding arrangements

Under section 20B of the Act, any payment made to a contributor must be made out of the Consolidated Account or a special deposit account established for that purpose. The Treasurer may subsequently reimburse the Consolidated Account or special deposit account with DTF from the Fund the proportion of any such payment charged against the contributor's contribution account. The prescribed proportion of that payment or benefit payments to be charged to the old scheme contributor's accounts is determined by the Board in accordance with section 47C and 47D of the Act. During the year ended 30 June 2013 no payments ($13.3 million) were made to the Consolidated Account.

The Treasurer may also seek reimbursement of the employer portion of any such payments from certain employer bodies under agreements made between the Treasurer and/or the Board and those employer bodies. The employer portion of benefits is met from the Account established by the Treasurer to record employer superannuation contributions. The employer portion of payments may be in relation to State Government departments, statutory authorities and former State Government employees now employed by the Commonwealth Government. Employer contributions for these agencies were 26% (26%) for old scheme contributors and 14.75% (14.75%) for new scheme contributors.

Funding for the employer portion of payments met from the Account is from monies deposited under arrangements with respective employers. Monies deposited in the Account are invested and managed by Funds SA but do not form part of the Fund. The Treasurer seeks reimbursement from the Account balances as benefits are paid. The arrangements with employers are:

(i) *State Government departments*

State Government departments pay fortnightly employer contributions to the Treasurer for their emerging superannuation liabilities which are deposited by the Treasurer into the Account. During the reporting period $64.3 million ($73.5 million) was received or receivable from State Government departments.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2013 the Government transferred a total of $370.5 million ($349.2 million) into the Account. Current Government policy is that it will continue to pay contributions to the Account to meet the accrued past service liability so that the liability will be fully funded by 30 June 2034.

(ii) *Statutory authorities*

Where the employer proportion of a payment relates to statutory authorities, three different funding arrangements exist. These arrangements are made by the Board, which has entered into agreements with individual authorities pursuant to section 5 of the Act. The terms agreed in any such arrangements must be approved by the Minister. The three arrangements are:

- *State Government liability for statutory authorities*

  These authorities have made arrangements with the Board to fund their emerging superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment. These monies are deposited in the Account. In addition, the Government has commenced a process of funding the past service superannuation liability for these authorities as outlined in note 1(d)(i).

- *Employer contribution accounts*

  Certain public sector employers have made arrangements with the Board to fund their superannuation liabilities by making regular payments to the Treasurer based on an actuarial assessment performed every three years. The Treasurer deposits these monies in the Account into what are referred to as the employer contribution accounts. The Treasurer seeks reimbursement from the employer contribution account balances as benefits are paid.

  Contributions of $2.3 million ($2.2 million) have also been received from SA Water $508 000 ($528 000) from WorkCoverSA and $561 000 ($517 000) from ForestrySA to fund their accrued superannuation liabilities.

- *Public authorities accounts (universities)*

  Some public authorities make provisions in their own accounts for their future superannuation liabilities and no balances are maintained in the Account. The Treasurer seeks reimbursement from the Account in the first instance and simultaneously seeks reimbursement directly from these authorities as benefits are paid.

Of the total contributions received from statutory authorities, $20.1 million ($22.7 million) relates to amounts received or receivable from SA Government entities and $1.9 million ($348 000) relates to amounts received from non-SA Government entities.

The liability for future benefits is funded to the extent of benefits to be reimbursed from the Fund, the Account, and the public authorities accounts referred to in note 1(d)(ii) above. The liability for future benefits is only partially funded in respect of benefits to be reimbursed from State Government departments and the State Government liability for statutory authorities. The net assets figure shown in this report represents the amount available to meet these future benefits.

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.

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.

This financial report has been prepared on an accrual basis where this can be reliably 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 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, 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 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*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) *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. Therefore no income tax has been brought to account in this financial report.

(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 ending 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 investment.

During the financial year all of the above investment options were available to members for assets invested in the South Australian Superannuation Fund Account (New Scheme Division). The assets of the South Australian Superannuation Fund Account (Old Scheme Division) and the Account 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) Revenue
Superannuation contributions and other revenue are recognised on an accrual basis where this can be reliably measured.

(f) 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 that approximate fair value. Other 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.

(g) GST
Revenues, expenses and assets are recognised net of the amount of the 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.

(g) GST (continued)

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.

(h) 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. Contributions receivable

	2013	2012
	$'000	$'000
Contributions receivable by members	462	541
Contributions receivable by employers	1 572	1 837
	2 034	2 378

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:

- 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

	Old Scheme Division	New Scheme Division	Total 2013	Total 2012
	$'000	$'000	$'000	$'000
Administration expenses[(i)]	2 438	1 994	4 432	4 414
Bank fees	27	-	27	32
Other expenses[(ii)]	60	49	109	107
Consultancy expenses	23	-	23	5
Total administration expenses	2 548	2 043	4 591	4 558

(i) Administration expenses

Administration expenses comprise the costs incurred by DTF in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Board recovers a share of the administration cost from the Scheme. The cost is recovered in two components:

- Subsection 17(7) of the Act requires that the Fund meet a prescribed portion of these costs, currently 30%.
- 70% of costs were deducted from the employer contributions received during the year.

(ii) Other expenses

Other expenses include Auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $105 000 ($102 000) GST inclusive. No other services were provided by the Auditor-General's Department.

6. Net assets available to pay benefits

Net assets available to pay benefits consist of the combined balances of the Fund and the Account. Movements in the balances of these accounts are detailed below:

(a) South Australian Superannuation Fund Account (employee component)

	Old Scheme Division $'000	New Scheme Division $'000	Total 2013 $'000	Total 2012 $'000
Funds held at 1 July	1 188 816	579 328	1 768 144	1 834 350
Contributions	6 687	21 642	28 329	31 180
Rollovers from other schemes	5	1 391	1 396	1 554
Investment revenue	200 065	84 268	284 333	44 486
Government co-contributions	40	332	372	441
Other income	47	39	86	105
	206 844	107 672	314 516	77 766
Benefits paid	(83 406)	(54 203)	(137 609)	(133 154)
Direct investment expenses	(7 421)	(3 094)	(10 515)	(8 984)
Co-contributions transferred to other schemes	(40)	(332)	(372)	(441)
Administration expenses	(776)	(613)	(1 389)	(1 393)
	(91 643)	(58 242)	(149 885)	(143 972)
Funds held at 30 June	1 304 017	628 758	1 932 775	1 768 144

(b) South Australian Superannuation Scheme Contribution Account (employer component)

	2013 $'000	2012 $'000
Funds held at 1 July	2 325 144	2 393 801
Employer contributions:		
State Government departments	64 335	73 489
Statutory authorities	21 974	23 093
Contributions for past service liability	411 973	352 461
	498 282	449 043
Investment revenue	392 967	75 555
Other income - public authorities	36 025	36 107
Other income - interest received	201	242
Other income - temporary disability	40	59
	927 515	561 006
Benefits paid:		
Old scheme contributors	(508 578)	(488 087)
New scheme contributors	(104 437)	(103 600)
Direct investment expenses	(14 826)	(12 590)
Higher education superannuation costs	(9 258)	(8 921)
Administration expenses	(3 202)	(3 165)
Transfer from (to) Consolidated Account	-	(13 300)
	(640 301)	(629 663)
Funds held at 30 June	2 612 358	2 325 144
Total net assets available to pay benefits	4 545 133	4 093 288

7. Benefits paid/payable

	2013			2012		
Pensions:	Old Scheme Division	New Scheme Division	Total	Old Scheme Division	New Scheme Division	Total
Funded from:	$'000	$'000	$'000	$'000	$'000	$'000
South Australian Superannuation Fund	77 336	94	77 430	74 223	92	74 315
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	25 079	-	25 079	24 222	-	24 222
Public authorities	33 122	3	33 125	32 763	3	32 766
SA Government Employer Account	418 322	890	419 212	401 181	868	402 049
Gross scheme costs	553 859	987	554 846	532 389	963	533 352

7. Benefits paid/payable (continued)

	2013 Old Scheme Division	2013 New Scheme Division	2013 Total	2012 Old Scheme Division	2012 New Scheme Division	2012 Total
	$'000	$'000	$'000	$'000	$'000	$'000
Commutations:						
Funded from:						
South Australian Superannuation Fund	4 529	-	4 529	4 089	-	4 089
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	6 839	-	6 839	5 197	-	5 197
Public authorities	1 106	-	1 106	1 467	-	1 467
SA Government Employer Account	19 877	-	19 877	18 455	-	18 455
Gross scheme costs	32 351	-	32 351	29 208	-	29 208
Lump sums:						
Funded from:						
South Australian Superannuation Fund	1 535	53 789	55 324	2 541	51 564	54 105
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	979	26 231	27 210	1 377	26 312	27 689
Public authorities	140	1 691	1 831	10	2 041	2 051
SA Government Employer Account	2 989	75 129	78 118	3 415	72 772	76 187
Gross scheme costs	5 643	156 840	162 483	7 343	152 689	160 032
Retrenchments:						
Funded from:						
South Australian Superannuation Fund	6	88	94	-	-	-
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	245	245	-	-	-
Public authorities	33	-	33	-	-	-
SA Government Employer Account	92	-	92	-	-	-
Gross scheme costs	131	333	464	-	-	-
Targeted separation packages:						
Funded from:						
South Australian Superannuation Fund	-	232	232	-	645	645
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	-	-	-	-	313	313
Public authorities	-	-	-	-	-	-
SA Government Employer Account	-	248	248	-	1 291	1 291
Gross scheme costs	-	480	480	-	2 249	2 249
Total benefits paid/payable	591 984	158 640	750 624	568 940	155 901	724 841
Total benefit payments:						
Funded from:						
South Australian Superannuation Fund	83 406	54 203	137 609	80 853	52 301	133 154
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	32 897	26 476	59 373	30 796	26 625	57 421
Public authorities	34 401	1 694	36 095	34 240	2 044	36 284
SA Government Employer Account	441 280	76 267	517 547	423 051	74 931	497 982
Gross scheme costs	591 984	158 640	750 624	568 940	155 901	724 841

8. Liability for accrued benefits

The accrued superannuation liabilities of the Scheme as determined by consulting actuaries Brett and Watson Pty Ltd are shown below.

For the old scheme contributors and the employer funded defined benefit component in respect of new scheme contributors, the accrued 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 2012.

8. Liability for accrued benefits (continued)

For the employee funded, defined contribution component for new scheme contributors, the accrued liability is the balance of the employees' contribution accounts as at 30 June 2013.

The expected future benefit payments have been determined using the 2010 triennial review assumptions relating to mortality, disability, withdrawal, preservation and retirement. The review's salary promotion scale and economic assumptions have also been used, while general salary increases of 1.5% p.a. above the Adelaide CPI have been allowed for. 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 the CPI.

	2013			2012		
Changes in the liability for accrued benefits:	Old Scheme Division $'000	New Scheme Division $'000	Total $'000	Old Scheme Division $'000	New Scheme Division $'000	Total $'000
Liability for accrued benefits at 1 July	8 664 300	1 762 328	10 426 628	8637 200	1 753 399	10 390 599
Benefits expense[(i)]	597 286	229 424	826 710	596 040	164 830	760 870
Benefits paid[(ii)]	(591 984)	(158 640)	(750 624)	(568 940)	(155 901)	(724 841)
Liability for accrued benefits at 30 June	8 669 602	1 833 112	10 502 714	8 664 300	1 762 328	10 426 628
Represented by:						
South Australian Superannuation Fund	1 222 987	628 824	1 851 811	1 212 600	579 328	1 791 928
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 265 551	404 048	1 669 599	1 252 200	353 300	1 605 500
SA Government Employer Account	5 857 469	785 765	6 643 234	5 869 700	815 300	6 685 000
Public authorities	323 595	14 475	338 070	329 800	14 400	344 200
Total	8 669 602	1 833 112	10 502 714	8 664 300	1 762 328	10 426 628

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.
(ii) Refer note 7.

Although the total liability for accrued benefits shown above is $10.5 billion, the SA Government is only responsible for funding the SA Government Employer Account of $6.6 billion and part of the employer contribution accounts. The remaining liability includes the members fund, commercial entities and the Commonwealth share of the universities.

Pursuant to the Act, actuarial reviews of the Scheme must be conducted on a three yearly basis to address the cost of the Scheme to the Government and the proportion of future benefits that can be met from the Fund. The last review was carried out as at 30 June 2010 by Mr Stuart Mules, Fellow of the Institute of Actuaries of Australia. His report to the Minister dated 2 December 2010, was tabled in Parliament on 22 March 2011. These 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.

9. 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) and include benefits which contributors would be entitled to receive on termination of their Scheme membership.

Resigning contributors have two options in the Old Scheme Division (Pension Scheme) and a third option in the New Scheme Division (Lump Sum Scheme). Firstly, they can elect to take a cash refund of their own contributions, accumulated with interest, with their employer Superannuation Guarantee entitlement preserved in the Scheme. Secondly, they can elect to take a fully vested, preserved benefit which will be based on their full accrued entitlement as at the date of resignation and will be increased during preservation in line with increases in investment earnings and the CPI. Alternatively, Lump Sum Scheme members can transfer their benefit to another scheme where the employer benefit is equal to twice the member balance (at standard rates) plus a productivity component.

9. Vested benefits (continued)

The vested benefits shown below assume that all resignation benefits will be taken in the form of preserved or transferred benefits. The value of vested benefits has been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

As for accrued benefits, vested benefits have been calculated as at 30 June 2013 based on membership data as at 30 June 2012.

	2013 Old Scheme Division $'000	2013 New Scheme Division $'000	2013 Total $'000	2012 Old Scheme Division $'000	2012 New Scheme Division $'000	2012 Total $'000
South Australian Superannuation Fund	1 205 368	628 824	1 834 192	1 196 600	579 328	1 775 928
South Australian Superannuation Scheme Contribution Account:						
Employer contribution accounts	1 242 328	422 223	1 664 551	1 216 900	366 200	1 583 100
SA Government Employer Account	5 772 073	848 276	6 620 349	5 721 700	884 500	6 606 200
Public authorities	322 247	15 055	337 302	328 200	16 800	345 000
Total	8 542 016	1 914 378	10 456 394	8 463 400	1 846 828	10 310 228

10. Summary of investments

The interests of the Fund and the South Australian Scheme Contribution Account in the unitised investment portfolio of Funds SA are as follows:	2013 Fund - Old Scheme Division $'000	2013 Fund - New Scheme Division $'000	2013 Scheme Contribution Accounts $'000	Total 2013 $'000	Total 2012 $'000
Inflation linked securities A	99 677	51 970	198 903	350 550	385 424
Property A	194 268	80 692	387 655	662 615	623 036
Australian equities A	326 397	132 818	651 315	1 110 530	959 043
International equities A	356 100	145 708	710 584	1 212 392	963 819
Long-term fixed interest	22 338	13 454	44 574	80 366	104 864
Short-term fixed interest	10 788	16 948	21 527	49 263	74 066
Diversified strategies growth A	111 427	42 515	222 350	376 292	238 341
Diversified strategies income	173 678	77 463	346 567	597 708	525 392
Cash	13 680	67 001	27 297	107 978	208 777
Socially responsible	-	1 492	-	1 492	857
Total	1 308 353	630 061	2 610 772	4 549 186	4 083 619

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

	2013 $'000	2012 $'000
Operating result	375 759	(170 892)
Increase (Decrease) in liability for accrued benefits	76 086	36 029
Investment revenue	(677 300)	(120 041)
Direct investment expense	25 341	21 574
Movements in assets/liabilities:		
Other income receivable	(1 435)	(824)
Contributions receivable	344	233
PAYG withholding tax	-	(1 439)
Benefits payable	3 697	1 943
Receivables	(85)	(8)
Payables	8 543	632
Net cash provided by (used in) operating activities	(189 050)	(232 793)

12. Reconciliation of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents include 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	6 493	9 151

13. Payables

	2013	2012
	$'000	$'000
Administration fees payable	-	738
Audit fees	109	107
Bank fee	1	3
Health commissions	1	1
Higher education superannuation costs payable	9 258	-
Overseas pensions	15	-
Returned benefit payments payable	11	3
	9 395	852

14. PAYG withholding tax

There was $0 ($0) PAYG withholding tax due on benefit payments which had not been remitted to the Commissioner of Taxation as at 30 June 2013.

15. Benefit entitlements

Contributors' benefit entitlements are specified by the Act.

16. Other income receivable

	2013	2012
	$'000	$'000
Temporary disability debtors	45	32
Public authorities	6 607	5 185
	6 652	5 217

17. Other revenue

Bank interest	287	346
Public authorities	36 025	36 107
Temporary disability	40	59
Switch fee	-	1
	36 352	36 513

18. Government co-contributions

During the 2012-13 financial year, the Scheme received co-contributions from the ATO amounting to $372 000 ($441 000). Whilst members of the Scheme are eligible to receive the co-contribution, the contributions are not retained in the Scheme and are immediately transferred to the Southern State Superannuation Scheme upon receipt for crediting to members' existing or newly created accounts.

19. Receivables

	2013	2012
	$'000	$'000
Bank interest	23	34
Benefit repayments	219	161
Overpaid pensions	23	24
GST recoup from ATO	39	-
	304	219

20. Higher education superannuation costs

An amount of $9.3 million ($8.9 million) was payable to the Commonwealth Government which related to the South Australian share of the 2012-13 higher education superannuation costs under the Commonwealth-State agreement. This agreement provides that the employer component of the superannuation benefits payable to former employees of South Australian universities who were members of one of the main State schemes, be shared.

21. Transfer from (to) Consolidated Account

The Treasurer approved a transfer of $38.1 million from the Consolidated Account in 2012-13 (transfer of $13.3 million to the Consolidated Account).

22. 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.

22. Financial instruments (continued)

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.

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.

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 the 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 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 by Funds SA 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 Operating Statement, all changes in market conditions will directly affect investment revenue.

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 investment assets from possible changes in market price risk:

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2013			
High growth	Nominal standard deviation	12.9	1 998
Growth	Nominal standard deviation	10.5	459 249
Balanced	Nominal standard deviation	9.1	2 782
Moderate	Nominal standard deviation	7.0	879
Conservative	Nominal standard deviation	5.0	1 675
Capital defensive	Nominal standard deviation	3.0	1 012
Cash	Nominal standard deviation	1.2	576
Socially responsible	Nominal standard deviation	11.1	166
Total			468 337
2012			
High growth	Nominal standard deviation	12.7	1 866
Growth	Nominal standard deviation	10.3	406 178
Balanced	Nominal standard deviation	9.0	1 822
Moderate	Nominal standard deviation	6.9	551
Conservative	Nominal standard deviation	4.9	1 080
Capital defensive	Nominal standard deviation	2.5	562
Cash	Nominal standard deviation	1.1	570
Socially responsible	Nominal standard deviation	11.1	95
Total			412 724

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 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.

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.

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	Total contractual cash flows	Carrying amount liabilities
2013	$'000	$'000	$'000
Benefits payable	10 141	10 141	10 141
Payables	9 395	9 395	9 395
Vested benefits[(i)]	10 456 394	10 456 394	10 456 394
Total	10 475 930	10 475 930	10 475 930
2012			
Benefits payable	6 444	6 444	6 444
Payables	852	852	852
Vested benefits[(i)]	10 310 228	10 310 228	10 310 228
Total	10 317 524	10 317 524	10 317 524

(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).

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Scheme)	Level 2 $'000	Total $'000
2013		
Unlisted managed investments schemes:		
Funds SA	4 549 186	4 549 186
	4 549 186	4 549 186
2012		
Unlisted managed investments schemes:		
Funds SA	4 083 619	4 083 619
	4 083 619	4 083 619

(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.

23. Related parties

Details of the members of the Board and their remuneration for the 2012-13 financial year are disclosed in the notes to the Board's financial report.

Southern State Superannuation Scheme

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15 of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Southern State Superannuation Scheme (Triple S Scheme) for each financial year.

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:

- receipting and banking of contributions
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Triple S Scheme's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (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 Southern State 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.

Communication of audit matters

For information on the audit findings, refer to the South Australian Superannuation Board in Part B of this Report.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Revenue		
Investment revenue	1 253	271
Contribution revenue	1 099	1 010
Total revenue	2 352	1 281

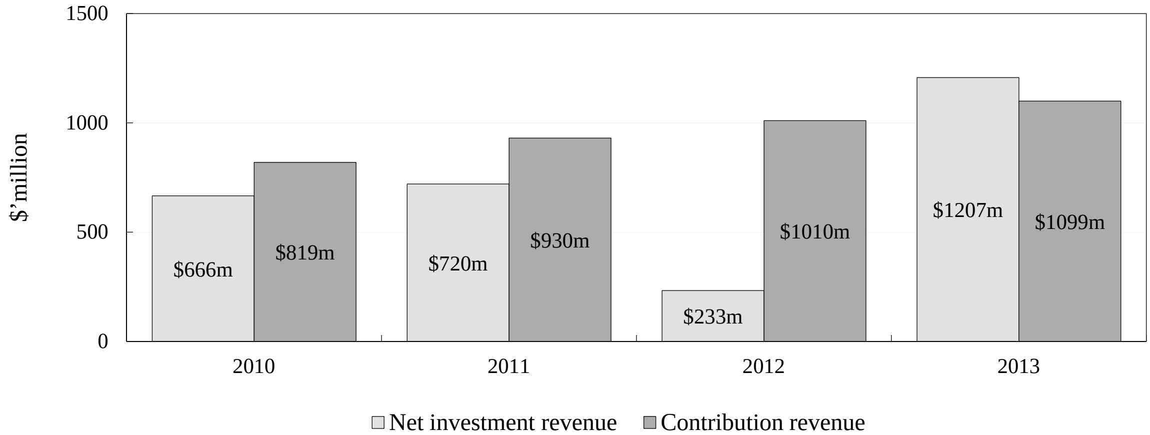
	2013 $'million	2012 $'million
Expenses		
Direct investment expenses	46	38
Other expenses	13	12
Total expenses	59	50
Benefits accrued as a result of operations	2 293	1 231
Net cash provided by (used in) operating activities	397	406
Assets		
Investments	9 932	8 328
Other assets	29	30
Total assets	9 961	8 358
Liabilities		
Current liabilities	27	12
Total liabilities	27	12
Net assets available to pay benefits	9 934	8 346
Represented by:		
Liability for accrued benefits	9 791	8 223
Reserves	143	123
	9 934	8 346

Operating Statement

Revenues

Total revenue increased by $1.1 billion to $2.4 billion mainly as a result of increased investment revenue of $982 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Triple S Scheme for the four years to 2013 is presented in the following chart.



The chart shows strong returns on investments until 2011-12 when returns were lower due to declining economic conditions in European markets. The increased investment revenue in 2012-13 is due mainly to improved returns from Australian and global shares. Investment returns are discussed in the commentary under 'Superannuation Funds Management Corporation of South Australia' elsewhere in Part B of this Report.

Contribution revenue continues to increase each year.

Contribution revenue

Active members of the Triple S Scheme can elect to make contributions. Employers are required to make contributions for all active members of the Triple S Scheme. An analysis of amounts contributed by members and employers for the four years to 2013 is presented in the following chart.

The chart indicates that the value of contributions by employers has increased over the four year period by $183 million (29%). In the same period member contributions have increased by $15 million (16%).

Member contributions have increased despite a continuing decline in the number of active (contributory) members over the four year period. This is predominantly due to salary increases and one-off contributions of $15.4 million in 2010-11.

Membership statistics for the last three years are provided in the following table.

	2013 Number	2012 Number	2011 Number
Contributory	30 364	30 926	31 444
Non-contributory	83 544	82 041	80 350

	2013 %	2012 %	2011 %
Contributory	26.7	27.4	28.1
Non-contributory	73.3	72.6	71.9

Statement of Financial Position

The improved investment performance together with additional funds invested has contributed to the net assets available to pay benefits increasing by $1.6 billion. The movement in net assets is indicative of the accumulative nature of the Triple S Scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the Triple S Scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

	2013 $'billion	2012 $'billion	2011 $'billion	2010 $'billion
Net assets available to pay benefits	9.9	8.3	7.7	6.5

Statement of Cash Flows

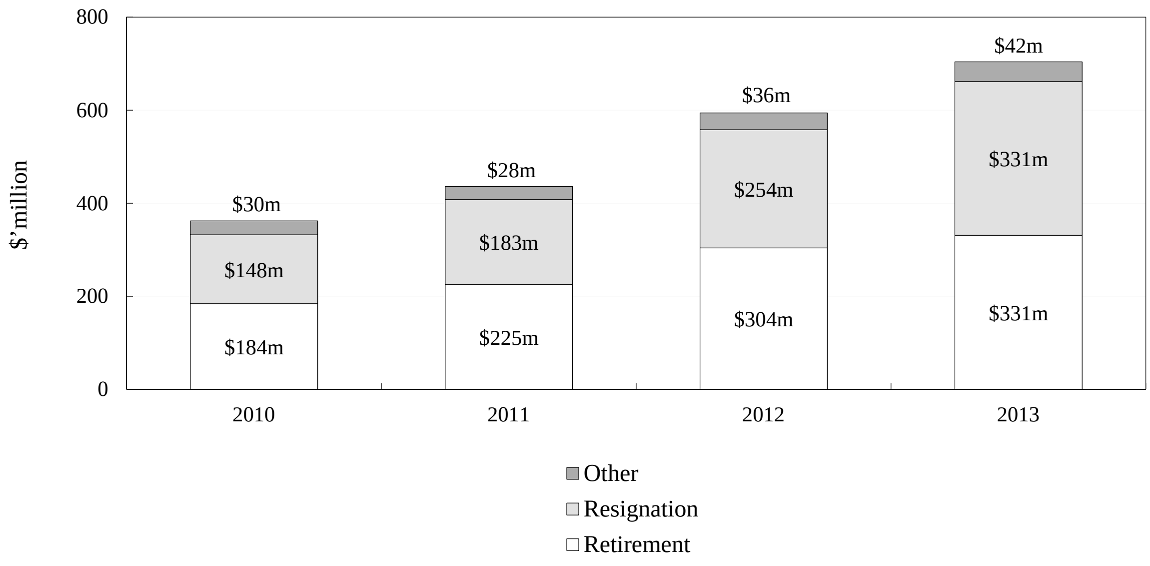
The following table summarises the net cash flows for 2013 and 2012.

	2013 $'million	2012 $'million
Net cash flows		
Operating	397	406
Investing	(398)	(403)
Change in cash	(1)	3
Cash at 30 June	13	14

The analysis of cash flows shows that the Triple S Scheme maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $704 million ($594 million). The following chart analyses benefits paid for the four years to 30 June 2013 and shows an increasing trend. This is expected in an open scheme that was established 18 years ago.



In 2013 benefit payments increased due mainly to:

- an increase in the average length of membership of Triple S Scheme members
- the average length of time that members have been contributing to superannuation as a whole
- an increase in the number of benefits paid.

Operating Statement
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue:			
Investment revenue		1 252 941	270 622
Other revenue		480	588
Contribution revenue:			
Contributions by members	1(a)	107 195	113 518
Contributions by employers	1(a)	808 045	749 768
Rollovers from other schemes		177 389	139 809
Government co-contributions		5 606	6 339
Total contribution revenue		1 098 235	1 009 434
Total revenue		2 351 656	1 280 644
Expenses:			
Direct investment expenses	3	46 420	37 735
Transfer to Board reserves		1 500	1 500
Insurance administration expenses	13	1 184	1 124
Administration expenses	4	9 964	9 238
Total expenses		59 068	49 597
Benefits accrued as a result of operations		2 292 588	1 231 047

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments:			
Inflation linked securities A		979 181	937 480
Property A		1 239 665	943 759
Australian equities A		2 107 359	1 685 451
International equities A		2 318 586	1 680 265
Long-term fixed interest		414 550	400 952
Short-term fixed interest		398 188	374 541
Diversified strategies growth A		613 688	465 161
Diversified strategies income		1 262 500	1 031 355
Cash		582 456	802 116
Socially responsible		16 247	6 493
		9 932 420	8 327 573
Other assets:			
Cash and cash equivalents	5	12 864	14 479
Contributions receivable	6	16 299	15 707
Receivables	7	141	54
		29 304	30 240
Total assets		9 961 724	8 357 813
Current liabilities:			
Benefits payable	8	25 792	10 133
Payables	9	1 592	2 151
Total liabilities		27 384	12 284
Net assets available to pay benefits	10	9 934 340	8 345 529
Represented by:			
Liability for accrued benefits:			
Allocated to members' accounts	11,16	9 791 834	8 217 876
Not allocated to members' accounts	12	(685)	5 262
		9 791 149	8 223 138
Reserves:			
Death, invalidity and income protection insurance reserve	13	132 197	114 142
Administration fee reserve	14	10 994	8 249
		143 191	122 391
	15	9 934 340	8 345 529

Statement of Cash Flows
for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions by members		107 173	113 521
Contributions by employers		807 475	750 061
Rollovers from other schemes		177 003	139 948
Government co-contributions		5 606	6 339
		1 097 257	1 009 869
GST received		610	686
Other revenue		489	593
Benefits paid:			
Retirement		(328 517)	(303 068)
Resignation		(318 821)	(254 489)
Invalidity		(17 438)	(15 575)
Death		(11 009)	(13 075)
Payments to unclaimed monies		(1 515)	(51)
Transfers to select fund		(800)	-
Temporary disability		(9 980)	(7 938)
		(688 080)	(594 196)
Insurance administration expenses		(1 184)	(1 124)
Transfer to Board reserves		-	(1 500)
Administration expenses		(11 674)	(7 525)
GST paid		(707)	(628)
Net cash provided by (used in) operating activities	17	396 711	406 175
Cash flows from investing activities:			
Receipts from Funds SA		251 485	219 613
Payments to Funds SA		(649 811)	(622 514)
Net cash provided by (used in) investing activities		(398 326)	(402 901)
Net increase (decrease) in cash and cash equivalents held		(1 615)	3 274
Cash and cash equivalents at 1 July		14 479	11 205
Cash and cash equivalents at 30 June	5	12 864	14 479

Notes to and forming part of the financial statements

1. Objectives and funding

(a) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme)

The Scheme is both a contributory and non-contributory superannuation scheme established pursuant to the *Southern State Superannuation Act 2009* (the Act). The Scheme commenced on 1 July 1995 pursuant to the *Southern State Superannuation Act 1994* and is continued under the Act. The Southern State Superannuation Regulations 2009 provide the majority of the Scheme rules that, until 31 July 2009, were set out under the *Southern State Superannuation Act 1994*.

Members can elect to make contributions to the Scheme based on a percentage of their salary commencing from 1%, under Regulation 17. A member of the police force, an operations employee of the SA Ambulance Service who commenced employment after 1 July 2008 or a former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme must contribute at a rate of at least 4.5% of salary. A separate contribution account is maintained for each member.

(a) Southern State Superannuation Scheme (the Scheme or the Triple S Scheme) (continued)

Member and employer contributions and any rollover amounts and co-contribution amounts are deposited by the Treasurer into the Southern State Superannuation Fund (the Fund) which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

An employer is required to pay contributions to the Treasurer under section 21 of the Act. The employer contributes 9% of salary where the member has elected to contribute less than 4.5% of salary. Where the member has elected to contribute 4.5% or more of salary, the employer must contribute at a rate of 10%.

Benefits, represented by the balances of all member accounts, are available for employees who retire, resign, are retrenched, elect 'transition to retirement' or 'early access to super' whilst still an employee of the South Australian public sector or die and for those who terminate their employment because of invalidity. The balance of individual member entitlements is provided in annual statements forwarded to each member.

(b) South Australian Superannuation Board (the Board)

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act to maintain accounts of receipts and payments.

The Act charges the Board 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 is required under section 13 of the Act to adjust a member's contribution account, rollover account and co-contribution account to reflect movements in the value of units allocated to each account.

Pursuant to section 14 of the Act, where a member or members have nominated a class of investments, or a combination of classes of investments, the Board shall adjust a member's contribution account, rollover account and co-contribution account to reflect the movement in the value of units held in the class of investments nominated by the member.

(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.

Section 10(3) of the Act provides that the Fund is to be invested and managed by Funds SA.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA.

(d) Funding arrangements

The Act requires that member contributions, employer contributions, rollovers from other schemes and co-contributions paid by the Commonwealth be paid to the Treasurer, who, in turn, deposits these amounts into the Fund, the Consolidated Account (which is appropriated to the necessary extent) or to a special deposit account, with DTF, established for that purpose. During the current reporting period contributions were made to a special deposit account. All employer contributions are received from SA Government entities.

Under section 10 of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a special deposit account established for that purpose. During the current reporting period payments were made from the special deposit account.

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 provision 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) Basis of accounting (continued)

This financial report has been prepared on an accrual basis where this can be reliably 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 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 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 internal 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 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*
  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 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 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 valuations of private equity investments are 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 funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (September 2009).

(vi) Diversified strategies growth A (continued)

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

Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) 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) 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 ending 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 investment.

During the financial year all of the above investment options were available to members of the Scheme.

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.

(d) Revenue

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

(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 that approximate fair value.

Other 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 comprise the entitlements of members who ceased employment and had provided the Scheme with appropriate notification, but where the benefits had not been paid prior to year end.

(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 the 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.

(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. 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:

- 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.

4. Administration expenses

	2013	2012
	$'000	$'000
Administration expenses(i)	9 865	9 145
Other expenses(ii)	99	93
	9 964	9 238

(i) Regulation 16 provides for an administrative charge to be debited each year to member's employer contribution accounts and section 10 of the Act requires the amount to be paid from the Fund. The purpose of this charge is to provide for existing and future costs of administering the Scheme. The amount of the charge is determined by the Board. For the year ended 30 June 2013, the charge was $1.35 per week per member for all members, active and non-active. The charge for a member with an aggregate balance of $1000 or less, is the lesser of the charges applicable to members, or the amount of interest credited to the member's employer contribution account with a minimum of $10. This charge is included on member annual statements. For the year ended 30 June 2013 the amount charged to members' employer contribution accounts was $11.3 million ($10.6 million).

Administration expenses incurred by the Board in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2013, based on actual costs of administering the Scheme, amounted to $9.9 million ($9.1 million).

(ii) Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled $80 080 ($77 990) GST inclusive. No other services were provided by the Auditor-General's Department.

5. 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	2012
	$'000	$'000
Cash and cash equivalents	12 864	14 479

	2013	2012
6. Contributions receivable		
Contributions from members	1 200	1 178
Contributions from employers	15 099	14 529
	16 299	15 707
7. Receivables		
Refund from ATO for GST	97	-
Interest receivable	44	54
	141	54
8. Benefits payable		
Benefits payable	25 792	10 133

9. Payables

	2013 $'000	2012 $'000
Audit fees payable	91	89
Administration fees payable	-	1 711
Bank fees payable	1	1
Rollovers payable to other scheme	-	350
Transfer to Triple S operation risk reserve	1 500	-
	1 592	2 151

10. Net assets available to pay benefits

Funds held at 1 July	8 345 529	7 708 210
Contributions by members	106 137	112 172
Spouse contributions	1 058	1 346
Employer contributions	808 045	749 768
Rollovers from other schemes	177 389	139 809
Government co-contributions	5 606	6 339
Investment revenue	1 252 941	270 622
Other revenue	480	588
	2 351 656	1 280 644
Benefits paid and payable	(703 777)	(593 728)
Direct investment expenses	(46 420)	(37 735)
Administration expenses	(9 964)	(9 238)
Insurance administration expenses	(1 184)	(1 124)
Transfer to Board – Triple S operational risk reserve	(1 500)	(1 500)
	(762 845)	(643 325)
Total net assets available to pay benefits	9 934 340	8 345 529

11. Allocated to members' accounts

The value of funds which have been formally allocated to member accounts equals the vested benefits as per note 16. The formal allocation of earnings to members' accounts has been determined for the 2013 year.

12. Not allocated to members' accounts

All accumulation schemes carry some type of unallocated amount. This unallocated amount arises because the financial report of the Scheme is prepared on an accrual basis while monies are allocated to members' accounts on a cash basis.

13. Death, invalidity and income protection insurance reserve

The Scheme provides an insurance benefit based on units of cover, subject to certain limitations, in the event of death or invalidity before age 65. An income protection insurance benefit, subject to eligibility criteria, is also available in the event of a member becoming temporarily disabled before age 60.

The standard insurance benefit of two units of cover costs $1.50 per week and is compulsory for most members of the Scheme except casual employees who elect to opt out of insurance and those who opted out of an additional unit of cover under Item 1, Schedule 3 of the repealed Southern State Superannuation Regulations 1995, and those who are special category members in terms of Regulation 28. Police officers and operations employees of the SA Ambulance Service, who commenced employment after 1 July 2008, or former standard contributory member of the South Australian Ambulance Service Superannuation Scheme who elected to transfer to the Triple S Scheme, are required to have at least six units of standard insurance cover. The value of a unit of standard insurance for members up to age 34 years is $75 000. The value of a unit declines from age 35. For those members who want the value of a unit of insurance to be fixed, irrespective of age, there is an option of fixed insurance where costs increase with age. Additional units can be purchased (subject to medical evidence) to provide permanent employees with cover up to $1.5 million and casual employees up to $750 000.

As required by section 17 of the repealed Act, a report was obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2010. The actuary concluded that the current premiums are below the true cost of providing the insurance but there are adequate reserves to support the current premiums for over 10 years. In accordance with section 17 of the Act, a report will be obtained on the costs and liabilities of the insurance arrangements in existence as at 30 June 2013.

To be eligible for the income protection insurance benefit, a member must be an active member, working full-time or part-time and receiving an employer contribution. Casual employees not automatically provided with the benefit can apply and be accepted for cover subject to medical evidence. Income protection payments can continue for 24 months for members employed full or part-time. Casual employees can be paid for up to 12 months.

13. Death, invalidity and income protection insurance reserve (continued)

	2013 $'000	2012 $'000
Opening balance of the death, invalidity and income protection insurance reserve	114 142	110 767
Investment earnings on insurance reserve at 14.73%(i)	16 898	3 433
Premiums and charges	24 196	22 551
	41 094	25 984
Benefit payments:		
Invalidity	6 358	6 222
Death	3 988	5 807
Disability pensions	10 005	7 956
Administration fees(ii)	1 184	1 124
Transfers to Triple S operational risk reserve	1 500	1 500
TPD legal costs	4	-
	23 039	22 609
Net transfer value to the death, invalidity and income protection insurance reserve	18 055	3 375
Closing balance of reserve	132 197	114 142

(i) The insurance reserve is notionally invested in the balanced option.
(ii) The amount relates to the annual administration fee paid for administering the insurance arrangements.

14. Administration fee reserve

This reserve has been set aside for future scheme requirements. The movement in the reserve reflects the difference between administration fees collected from members and the cost of administering the scheme during the year.

	2013 $'000	2012 $'000
Opening balance of administration fee reserve	8 249	6 547
Investment earnings on administration fee reserve at 14.73%(i)	1 320	226
Premiums and charges:		
Member fees	11 279	10 610
Switching fees	10	11
	12 609	10 847
Payments:		
Administration fees(ii)	(9 864)	(9 145)
Net transfer value to the administration fee reserve	2 745	1 702
Closing balance of reserve	10 994	8 249

(i) The administration fee reserve is notionally invested in the balanced option.
(ii) The amount relates to the annual service level agreement paid for administering the Scheme.

15. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to members and beneficiaries, calculated as the balance of member accounts plus the value of reserves and amounts not allocated to member accounts.

	2013 $'000	2012 $'000
Liability for accrued benefits at 1 July	8 345 529	7 708 210
Increase (Decrease) in accrued benefits	2 292 588	1 231 047
Benefits paid/payable	(703 777)	(593 728)
Liability for accrued benefits at 30 June	9 934 340	8 345 529

16. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any other 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.

	2013 $'000	2012 $'000
Vested benefits	9 791 834	8 217 876

17. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities	2013 $'000	2012 $'000
Benefits accrued as a result of operations	2 292 588	1 231 047
Benefits paid and payable	(703 777)	(593 728)
Investment revenue	(1 252 941)	(270 622)
Direct investment expenses	46 420	37 735
Movements in assets/liabilities:		
Contributions receivable	(592)	315
Receivables	(87)	61
Payables	(559)	1 799
PAYG withholding tax	-	(112)
Benefits payable	15 659	(320)
Net cash provided by (used in) operating activities	396 711	406 175

18. Benefit entitlements

Benefit entitlements are specified by the Act.

19. 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.

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.

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

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

(i) *Currency risk (continued)*

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 financial 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.

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 investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2013			
High growth	Nominal standard deviation	12.9	85 058
Growth	Nominal standard deviation	10.5	27 637
Balanced	Nominal standard deviation	9.1	737 108
Moderate	Nominal standard deviation	7.0	5 265
Conservative	Nominal standard deviation	5.0	13 283
Capital defensive	Nominal standard deviation	3.0	7 205
Cash	Nominal standard deviation	1.2	3 749
Socially responsible	Nominal standard deviation	11.1	1 803
Total			881 108

(iv) Sensitivity analysis (continued)

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2012			
High growth	Nominal standard deviation	12.7	73 068
Growth	Nominal standard deviation	10.3	23 112
Balanced	Nominal standard deviation	9.0	609 767
Moderate	Nominal standard deviation	6.9	2 342
Conservative	Nominal standard deviation	4.9	8 667
Capital defensive	Nominal standard deviation	2.5	3 684
Cash	Nominal standard deviation	1.1	4 268
Socially responsible	Nominal standard deviation	11.1	721
Total			725 629

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 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.

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.

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.

(c) Liquidity risk (continued)

	Less than three months $'000	Total contractual cash flows $'000	Carrying amount liabilities $'000
2013			
Benefits payable	25 792	25 792	25 792
Payables	1 592	1 592	1 592
Vested benefits (see below)	9 791 834	9 791 834	9 791 834
Total	9 819 218	9 819 218	9 819 218
2012			
Benefits payable	10 133	10 133	10 133
Payables	2 151	2 151	2 151
Vested benefits (see below)	8 217 876	8 217 876	8 217 876
Total	8 230 160	8 230 160	8 230 160

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).

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	9 932 420
	9 932 420
2012	
Unlisted managed investments schemes:	
Funds SA	8 327 573
	8 327 573

(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.

20. Related parties

Details of the members of the Board and their remuneration for the 2012-13 financial year are disclosed in the notes to the Board's financial report.

Super SA Retirement Investment Fund

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 15(3) of the *Southern State Superannuation Act 2009* provides for the Auditor-General to audit the accounts of the Super SA Retirement Investment Fund (the Fund) for each financial year.

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
- processing of contribution data
- maintenance of member accounts
- benefit payments.

The investment and management of the Fund's assets is reviewed as part of the Superannuation Funds Management Corporation of South Australia (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 Super SA Retirement Investment Fund 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.

Communication of audit matters

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

Interpretation and analysis of the financial report

The Super SA Retirement Investment Fund comprises transactions for the Income Stream and Flexible Rollover Product.

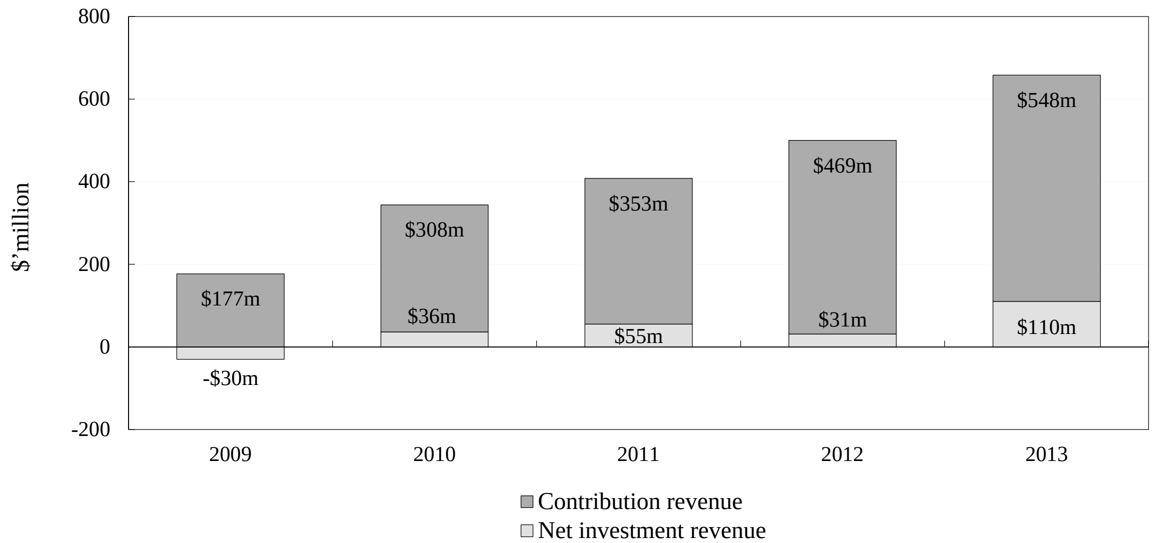
Highlights of the financial report	2013 $'million	2012 $'million
Revenue		
Investment revenue	115.1	34.7
Contribution revenue	548.5	469.3
Other revenue	2.6	2.3
Total revenue	666.2	506.3
Expenses		
Direct investment expenses	4.8	3.4
Income tax expense	44.4	32.3
Other expenses	0.7	0.7
Total expenses	49.9	36.4
Benefits accrued as a result of operations	616.3	469.9
Net cash provided by (used in) operating activities	288.8	240.8
Assets		
Investments	1 481.0	1 084.5
Other assets	23.6	21.3
Total assets	1 504.6	1 105.8
Liabilities		
Current liabilities	23.9	19.4
Total liabilities	23.9	19.4
Net assets available to pay benefits	1 480.7	1 086.4
Liability for accrued benefits	1 480.7	1 086.4

Operating Statement

Revenues

Total revenue increased by $159.9 million to $666.2 million. The increase is predominantly due to an increase in investment revenue of $80.4 million and an increase in rollovers from other schemes of $65.3 million.

A structural analysis of net investment revenue (investment revenue less direct investment expenses) and contribution revenue of the Fund for the five years to 2013 is presented in the following chart.

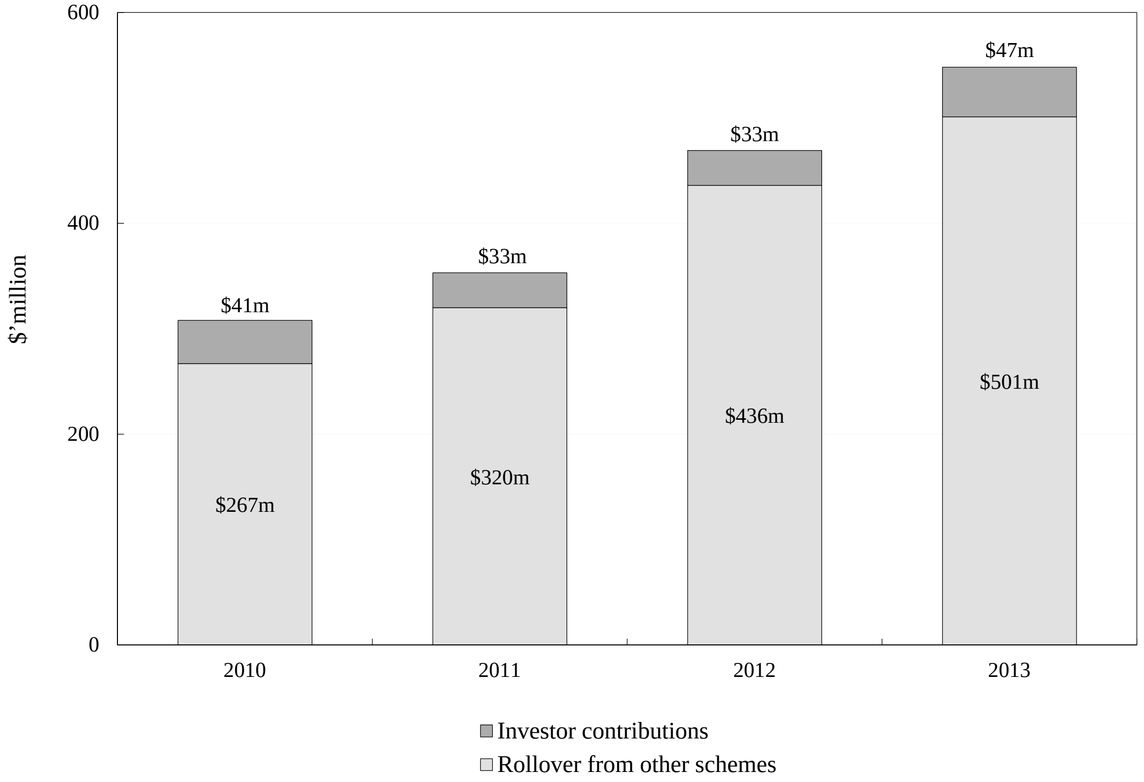


The amount of revenue from contributions has increased significantly over the last five years mainly as a result of the increase in rollovers from other schemes. Contributions are further discussed below.

The increase in the net investment revenue in 2012-13 reflects an improved return on investments. Investment returns are discussed in the commentary under ‘Superannuation Funds Management Corporation of South Australia’ elsewhere in Part B of this Report.

Contribution revenue

An analysis of contribution revenue for the four years to 2013 is presented in the following chart.



The chart indicates that the rollovers from other schemes are the dominant factor affecting contributions. These have increased significantly over the four year period in line with growth in membership.

Membership statistics for the last four years are provided in the following table.

	2013 Number	2012 Number	2011 Number	2010 Number
Flexible Rollover Product	3 168	2 793	2 434	2 113
Income Stream	4 142	3 236	2 337	1 610

Statement of Financial Position

There has been growth in investments and liability for accrued benefits over the eight years of the Fund’s operations. This is indicative of the accumulative nature of the scheme where the increases reflect the total of contributions received and net investment income less benefits paid and other expenses. The accumulative nature of the scheme means that it is fully funded.

The net assets available to pay benefits over the last four years were:

	2013 $'million	2012 $'million	2011 $'million	2010 $'million
Net assets available to pay benefits	1 481	1 086	813	578

Statement of Cash Flows

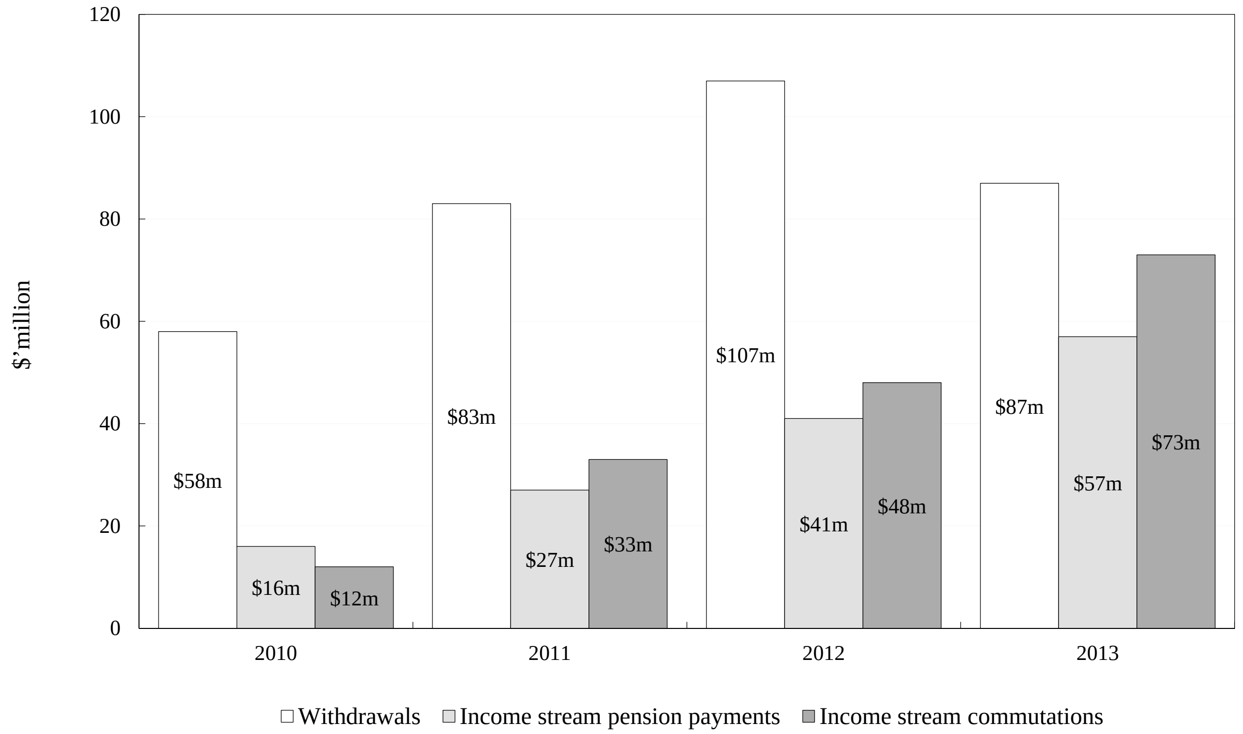
The following table summarises the net cash flows for the current and previous year.

	2013 $'million	2012 $'million
Net cash flows		
Operating	288.8	240.8
Investing	(284.2)	(235.9)
Change in cash	4.6	4.9
Cash at 30 June	22.3	17.7

The analysis of cash flows shows that the Fund maintains a relatively small balance of funds on hand. Amounts not used to pay benefits and other expenses are transferred to Funds SA for investment.

Benefits paid

Total benefits paid amounted to $218 million ($196.3 million). The following chart analyses the major benefits paid for the four years to 30 June 2013 and shows an increasing trend. This is expected in an open scheme which was established eight years ago and is experiencing strong membership growth.



Operating Statement
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Revenue:			
Investment revenue		115 075	34 699
Other revenue		2 652	2 320
Contribution revenue:			
Contributions by investors	1(a)	47 488	33 550
Government co-contributions		138	173
Rollovers from other schemes		500 841	435 522
Total contribution revenue		548 467	469 245
Total revenue		666 194	506 264
Expenses:			
Direct investment expenses	3	4 784	3 459
Administration expenses	4	718	680
Total expenses		5 502	4 139
Income tax expense	16(a),16(b)	44 417	32 246
Benefits accrued as a result of operations		616 275	469 879

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Investments:			
Inflation linked securities B		158 472	101 894
Property B		132 895	83 812
Australian equities B		214 946	145 212
International equities B		200 001	109 239
Long-term fixed interest		57 479	41 866
Short-term fixed interest		98 814	67 705
Diversified strategies growth B		52 571	28 658
Diversified strategies income		186 330	119 639
Cash		368 155	381 744
Socially responsible		11 301	4 741
Total investments		1 480 964	1 084 510
Other assets:			
Cash and cash equivalents	5	22 339	17 686
Deferred tax assets	16(d)	1 209	2 962
Receivables	11	63	724
		23 611	21 372
Total assets		1 504 575	1 105 882
Current liabilities:			
Benefits payable	6	7 279	3 269
Payables	12	44	155
PAYG withholding tax		49	27
Current tax liabilities	16(c)	16 487	15 996
Total liabilities		23 859	19 447
Net assets available to pay benefits	7	1 480 716	1 086 435
Represented by:			
Liability for accrued benefits:			
Allocated to investors' accounts	8,14	1 475 753	1 080 931
Not allocated to investors' accounts	9	2 306	5 504
		1 478 059	1 086 435
Reserves:			
Operational risk reserve	10	2 657	-
	13	1 480 716	1 086 435

Statement of Cash Flows for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Contributions received:			
Contributions by investors		47 487	33 551
Government co-contributions		138	173
Rollovers from other schemes		501 487	434 199
		549 112	467 923
GST paid/recoup received		(5)	6
Other revenue		666	837
Benefits paid:			
Full withdrawal		(35 692)	(40 893)
Death		(643)	(156)
Partial withdrawal		(51 201)	(66 088)
Income Stream pension payments		(57 343)	(41 497)
Income Stream commutations		(73 073)	(47 628)
		(217 952)	(196 262)
Administration expenses		(829)	(757)
Income tax expense		(42 173)	(30 954)
Net cash provided by (used in) operating activities	15	288 819	240 793
Cash flows from investing activities:			
Receipts from Funds SA		216 394	185 444
Payments to Funds SA		(500 560)	(421 381)
Net cash provided by (used in) investing activities		(284 166)	(235 937)
Net increase (decrease) in cash and cash equivalents held		4 653	4 856
Cash and cash equivalents at 1 July		17 686	12 830
Cash and cash equivalents at 30 June	5	22 339	17 686

Notes to and forming part of the financial statements

1. Objectives and funding

(a) Super SA Retirement Investment Fund (the Fund)

The Flexible Rollover Product and the Super SA Income Stream Product (the Income Stream) were introduced from April 2005 under the now repealed *Southern State Superannuation Act 1994.*

The Fund continues in existence under section 30(9) of the *Southern State Superannuation Act 2009* (the Act) which provides that the Governor may make regulations enabling the South Australian Superannuation Board (the Board) to provide investment services and the provision of other products and services for the benefit of persons who have retired or otherwise ceased to be employed.

Part 3, Division 4 of the Southern State Superannuation Regulations 2009 provides that the Board may accept money from public sector superannuation beneficiaries or the spouses of public sector beneficiaries.

The Fund comprises of two different products: the Flexible Rollover Product and the Income Stream.

The Flexible Rollover Product may receive after-tax investor contributions and rollovers from investors.

The Income Stream may only receive rollovers from investors.

(a) Super SA Retirement Investment Fund (the Fund) (continued)

The Fund offers investors the opportunity to reinvest funds, providing them with tax advantages, low fees and choice of investment options.

The Fund is only available to investors who have retired, are reaching retirement age, or have terminated employment with the South Australian public sector. The Fund allows investors in the Flexible Rollover Product to maintain their current insurance through the Triple S Scheme, and provides access to non-preserved benefit amounts.

Benefits, represented by the balances of investors' accounts, are available to investors. The balance of individual investor entitlements is provided on annual statements forwarded to each investor.

Investor contributions are deposited by the Treasurer into the Fund which is managed and invested by the Superannuation Funds Management Corporation of South Australia (Funds SA).

(b) The Board

The purpose of this financial report is to discharge the responsibilities of the Board under section 15 of the Act and section 45 of the Southern State Superannuation Regulations 2009, to maintain proper accounts of receipts and payments.

The Act charges the Board with responsibility for all aspects of the administration of the Act except for the management and investment of the assets relating to the Flexible Rollover Product and Income Stream.

(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 funds pursuant to strategies formulated by Funds SA. The Fund is not Crown property and therefore operates in a taxed environment.

For further information on investment activities, reference should be made to the annual report of Funds SA. The financial report of Funds SA discloses the investment assets, liabilities, income and expenses relating to the investment activities of Funds SA (an SA Government entity).

(d) Funding arrangements

Investments by investors in one or more of the products available in the Fund are paid to the Board, and invested by Funds SA. All investments are the personal property of the investor who makes the investment, and, as such, are subject to tax on investment earnings where applicable.

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 provision 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.

This financial report has been prepared on an accrual basis where this can be reliably 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 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 Fund have been measured at net market value as provided by Funds SA.

(i) Inflation linked securities B

The inflation linked securities portfolio invests in discretely managed portfolios and pooled funds, both of which 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.

(ii) *Property B*
Property 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*
  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 B*
Assets in the Australian equities B asset sector are all externally managed and comprise a number of individually pooled vehicles (unlisted unit trusts (UUTs)). Pooled vehicles (UUTs) are managed by professional fund managers. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

(iv) *International equities B*
Assets held in the international equities B asset sector are all externally managed and comprise pooled vehicles (UUTs). 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 B*
The diversified strategies growth B portfolio comprise investments in Australian and international private equity funds and Australian and international pooled funds, which are invested and managed by external managers. The valuations of private equity investments are 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 funds 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*
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*
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.

(ix) *Socially responsible*
The socially responsible investment portfolio comprises an externally managed pooled vehicle (UUT). The valuation is performed and supplied by the relevant fund manager.

(c) Income tax

The Board is a body corporate established under the *Superannuation Act 1988* (SA) and is responsible for the administration of a number of schemes that are constitutionally protected superannuation funds in terms of section 295-15 of the ITAA, Regulation 995-1.04 (Schedule 4) of the Regulations to that Act. The constitutionally protected superannuation funds are exempt from income tax. The Fund, which comprises the Flexible Rollover Product and Income Stream, is subject to income tax.

The Flexible Rollover Product and the Income Stream commenced on 1 April 2005 and are entitled to concessional tax treatment at the rate of 15%.

Current tax
Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable benefits accrued for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial report and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities which affect neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are estimated to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Fund expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Fund intends to settle its current tax assets and liabilities on a net basis.

(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 investment.

During the financial year all of the above investment options were available to investors in the Flexible Rollover Product and the Income Stream.

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) Revenue
Superannuation rollovers and investor contributions are brought to account when received.

(f) Receivables and payables
Other receivables are carried at nominal amounts due which approximate fair value.

Other payables are recognised when the Fund is obligated to make future payments for services received and are carried at the amount payable on demand.

Benefits payable comprises the entitlements of investors who requested payment and had provided the Fund with appropriate notification, but where the benefits had not been paid prior to year end.

(g) 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 the 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%.

(g) GST

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

(h) 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. Direct investment expenses

Direct investment expenses comprise of fees paid to Funds SA. Funds SA advises the amount based on the Fund's proportionate investment.

In 2012-13 the increase in investment management expenses was largely attributable to:

- 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.

4. Administration expenses

	2013	2012
	$'000	$'000
Administration expenses(i)	704	668
Other expenses(ii)	14	12
	718	680

(i) Administration expenses incurred by the Board in administering the Fund are met in the first instance from the Department of Treasury and Finance Operating Account. DTF seeks reimbursement from the Board monthly. The charge for the year ended 30 June 2013, based on actual costs of administering the Fund, amounted to $704 000 ($668 000).

(ii) Other expenses include auditor's remuneration. Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Fund for the reporting period totalled $7480 ($7260) GST inclusive. No other services were provided by the Auditor-General's Department.

5. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash and cash equivalents include 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	2012
Cash and cash equivalents:	$'000	$'000
Flexible Rollover Product	7 908	6 769
Income Stream	14 431	10 917
	22 339	17 686

6. Benefits payable

Benefits payable by the Flexible Rollover Product	1 870	799
Benefits payable by the Income Stream	5 409	2 470
	7 279	3 269

7. Net assets available to pay benefits

(a) Income Stream

Funds held at 1 July	716 860	500 305
Rollovers from other schemes	294 278	228 629
Internal transfers(i)	105 560	83 655
Investment income	77 945	22 631
Other revenue	2 268	1 849
	480 051	336 764

		2013	2012
(a)	***Income Stream (continued)***	$'000	$'000
	Benefits paid and payable	(133 392)	(90 756)
	Direct investment expenses	(3 276)	(2 244)
	Administration expenses	(528)	(500)
	Internal transfers[(i)]	(21 641)	(10 761)
	Income tax	(23 346)	(15 948)
		(182 183)	(120 209)
	Funds held at 30 June	1 014 728	716 860
(b)	***Flexible Rollover Product***		
	Funds held at 1 July	369 575	312 948
	Contributions by investors	46 541	32 887
	Government co-contributions	138	173
	Rollovers from other schemes	206 563	206 893
	Internal transfers[(i)]	18 579	10 909
	Spouse contributions	947	663
	Investment income	37 130	12 068
	Other revenue	384	471
		310 282	264 064
	Benefits paid and payable	(88 602)	(105 941)
	Direct investment expenses	(1 508)	(1 215)
	Administration expenses	(190)	(180)
	Internal transfers[(i)]	(102 498)	(83 803)
	Income tax	(21 071)	(16 298)
		(213 869)	(207 437)
	Funds held at 30 June	465 988	369 575
	Total net assets available to pay benefits	1 480 716	1 086 435

(i) Internal transfers are transfers between the Income Stream and the Flexible Rollover Product that do not appear in the Operating Statement as they occur within the products. Difference in internal transfers between Income Stream and the Flexible Rollover Product are due to transfers within the individual schemes, usually relating to family law splits.

8. Allocated to investors' accounts

The value of funds which have been formally allocated to investor accounts equals the vested benefits as per note 14. The formal allocation of earnings to investors' accounts has been determined for the 2013 year.

9. Not allocated to investors' accounts

All accumulation schemes carry a proportion of amounts yet to be allocated. This unallocated amount arises because the financial report of the Fund is prepared on an accrual basis while monies are allocated to investors on a cash basis.

10. Operational risk reserve

The operational risk reserves for Income Stream and Flexible Rollover Product were initially established at 31 December 2012 of 0.2% of funds under management.

As at 30 June 2013 the reserve account balances were as follows:	2013 $'000	2012 $'000
Flexible Rollover Product	849	-
Income Stream	1 808	-
	2 657	-

11. Receivables

	2013	2012
Refund from ATO for GST	9	4
Bank interest receivable	54	65
Rollover receivable	-	655
	63	724

12. Payables

	2013	2012
Rollover refundable to other schemes	28	36
Administration fees payable to DTF	-	111
Rejected benefit payments to be repaid	8	-
Other	8	8
	44	155

13. Liability for accrued benefits

The liability for accrued benefits is the obligation to pay benefits to beneficiaries, calculated as the balance of accounts plus the value of reserves and the amounts not allocated to accounts.

	2013 $'000	2012 $'000
Liability for accrued benefits at 1 July	1 086 435	813 253
Increase in accrued benefits	616 275	469 879
Benefits paid and payable	(221 994)	(196 697)
Liability for accrued benefits at 30 June	1 480 716	1 086 435

14. Vested benefits

Vested benefits are benefits which are not conditional upon continued membership of the Fund, or any other factor. Vested benefits include benefits which investors are entitled to receive had they terminated their membership as at the reporting date.

	2013	2012
Vested benefits:	$'000	$'000
Income Stream	1 011 228	713 120
Flexible Rollover Product	464 525	367 811
	1 475 753	1 080 931

15. Reconciliation of benefits accrued as a result of operations to net cash provided by (used in) operating activities

Benefits accrued as a result of operations	616 275	469 879
Benefits paid and payable	(221 994)	(196 697)
Investment revenue	(115 075)	(34 699)
Direct investment expenses	4 784	3 459
Investors administration fee received	(1 997)	(1 492)
Movements in assets/liabilities:		
Contributions receivable	-	1
Receivables	661	(393)
Deferred tax assets	1 753	(366)
Current tax liabilities	491	1 658
Payables	(111)	(991)
PAYG withholding tax	22	8
Benefits payable	4 010	426
Net cash provided by (used in) operating activities	288 819	240 793

16. Income tax

(a) Major components of tax expense

Current income tax:		
Current tax charge	42 823	35 063
Adjustment to current tax for prior periods	(100)	(2 354)
Deferred income tax:		
Relating to the originating and reversal of temporary differences	1 694	(463)
Income tax expense	44 417	32 246

(b) Income tax expense

Benefits accrued before tax	660 692	502 124
Tax applicable at the rate of 15%	99 104	75 319
Tax effect of expenses that are not deductible in determining taxable income:		
Non-deductible expenses	9	73
Tax effect of income (losses) that is not assessable/ deductible in determining taxable income:		
Investment income	(8 760)	757
Member contributions and transfers in	(39 270)	(35 407)
Exempt pension income	(3 502)	(3 752)
Tax effect of other adjustments:		
Imputation and foreign tax credits	(3 064)	(2 390)
Over provision prior period	(100)	(2 354)
Income tax expense	44 417	32 246

(c) Current tax liabilities

	2013 $'000	2012 $'000
Balance at 1 July	15 996	14 338
Income tax paid - current period	(26 336)	(19 067)
Income tax paid - prior periods	(15 838)	(11 887)
Current year's income tax provision	42 823	35 063
Over provision prior period	(158)	(2 451)
	16 487	15 996

(d) Deferred tax assets

The amount of deferred tax assets recognised in the Statement of Financial Position at reporting date is made up as follows:

Realised capital losses carried forward (discounted)	3 066	3 016
Unrealised capital losses carried forward (discounted)	(1 857)	(54)
	1 209	2 962

17. Financial instruments

The Fund'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 Fund and is in accordance with the Fund'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.

The Fund'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 Fund are discussed below. This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk.

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

The Fund's investment risk management policies are established to identify and analyse the risks faced by the Fund, including those risks managed by the Fund'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 Fund's activities.

The Board receives regular reports from Funds SA concerning compliance with the Fund'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 Fund'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 changes in foreign exchange rates.

The Fund'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.

(i) *Currency risk (continued)*

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 financial 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 Fund'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.

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 sub markets
- 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 investment assets from possible changes in market price risk.

Investment option	Sensitivity variable	Standard deviation %	Changes in investment assets $'000
2013			
High growth	Nominal standard deviation	12.30	6 165
Growth	Nominal standard deviation	10.08	10 084
Balanced	Nominal standard deviation	8.80	45 386
Moderate	Nominal standard deviation	6.82	10 195
Conservative	Nominal standard deviation	4.83	10 706
Capital defensive	Nominal standard deviation	2.89	5 613
Cash	Nominal standard deviation	1.16	2 781
Socially responsible	Nominal standard deviation	10.55	1 193
Total			92 123
2012			
High growth	Nominal standard deviation	12.25	4 961
Growth	Nominal standard deviation	9.95	8 856
Balanced	Nominal standard deviation	8.72	30 328
Moderate	Nominal standard deviation	6.78	5 549
Conservative	Nominal standard deviation	4.74	5 314
Capital defensive	Nominal standard deviation	2.39	3 266
Cash	Nominal standard deviation	1.02	2 777
Socially responsible	Nominal standard deviation	10.56	501
Total			61 552

(iv) Sensitivity analysis (continued)

A positive or negative rate of return equal to the standard deviations above would have an equal but opposite effect on the Fund'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 Fund.

The net market value of financial assets included in the Statement of Financial Position represents the Fund's maximum exposure to credit risk in relation to those assets. The Fund 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 Fund does not have any assets which are past due or impaired.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund'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 Fund's reputation.

The Fund's liquidity position is monitored on a daily basis. The Fund'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.

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

	Less than three months	Total contractual cash flows	Carrying amount liabilities
2013	$'000	$'000	$'000
Benefits payable	7 279	7 279	7 279
Payables	44	44	44
PAYG withholding tax	49	49	49
Current tax liabilities	16 487	16 487	16 487
Vested benefits(i)	1 475 753	1 475 753	1 475 753
Total	1 499 612	1 499 612	1 499 612
2012			
Benefits payable	3 269	3 269	3 269
Payables	155	155	155
PAYG withholding tax	27	27	27
Current tax liabilities	15 996	15 996	15 996
Vested benefits(i)	1 080 931	1 080 931	1 080 931
Total	1 100 378	1 100 378	1 100 378

(c) Liquidity risk (continued)

(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 Fund 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).

Financial assets at fair value through profit or loss (Level 1 and Level 3 are not relevant to the Fund)	Level 2 $'000	Total $'000
2013		
Unlisted managed investment schemes:		
Funds SA	1 480 964	1 480 964
	1 480 964	1 480 964
2012		
Unlisted managed investment schemes:		
Funds SA	1 084 510	1 084 510
	1 084 510	1 084 510

(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.

18. Related parties

Details of the members of the Board and their remuneration for the 2012-13 financial year are disclosed in the notes to the Board's financial report.

South Australian Tourism Commission

Functional responsibility

Establishment

The South Australian Tourism Commission (the Commission), a body corporate, was established pursuant to the *South Australian Tourism Commission Act 1993*. The Commission is responsible to the Minister for Tourism.

Functions

The Commission was established to promote South Australia as a tourist destination and further develop and improve the State's tourism industry.

For more information about the Commission'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 23(3) of the *South Australian Tourism Commission Act 1993* provide for the Auditor-General to audit the accounts of the Commission 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 Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether 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:

- revenue
- expenditure
- payroll
- financial accounting
- control over overseas operations
- governance, including the financial management compliance program
- follow-up of procurement and contract management matters from the South Australian Visitor and Travel Centre review.

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 Tourism Commission 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 Tourism Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for all matters raised under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Tourism Commission have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. The responses to the management letters were generally considered to be satisfactory. The main matters raised with the Commission and the related responses are detailed below.

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

Procurement and contract management - South Australian Visitor and Travel Centre (SAV&TC)

The Commission announced its intention to appoint a commercial operator to manage the SAV&TC in February 2011. The tender was issued to the market on 5 March 2011 and closed on 4 April 2011. The contract was signed on 6 June 2011 with a commencement date of 1 July 2011. A contract variation was signed on 20 February 2012 that terminated the arrangements with the contractor on 30 June 2012. The Commission resumed control of the SAV&TC from 1 July 2012.

During 2011-12 a number of key officers charged with governance of the Commission left the Commission, including the Chair of the Board, three board members, Chief Executive and Director Corporate Services. The new Chair temporarily held the dual role of Chair/Chief Executive from March 2012 until a new Chief Executive commenced in April 2013.

As stated in the 2011-12 Report to Parliament, the Commission audit included a review of the procurement and contract management arrangements for the SAV&TC. In September 2012 audit findings were reported to the Commission and the Commission responded to those findings. The matters considered and raised by Audit from the review and the Commission's response were to be included in a later Report to Parliament.

The audit review indicated that there were significant deficiencies in the procurement process and some shortcomings in the contract management process. Key matters from the review were the following:

Evaluation of tenderers and purchase recommendation

There was no detailed evaluation report supporting the recommendation of the preferred tenderer. While a purchase recommendation was prepared, this document:

- did not detail the outcomes of the individual evaluation process including the specific reasons for decisions of the evaluation team

- provided no details of qualitative and quantitative assessment results, further clarifications sought, the outcome of due diligence checks, and the impact of these matters on the evaluation team's selection of the preferred offer

- did not detail the reasons for selecting the preferred tenderer.

Conflicts of interest

The request for proposal document outlining probity expectations for tenderers included the requirement to declare any actual or potential conflict of interest. Certain tenderer submissions did not declare potential/actual conflicts of interest.

Audit was informed that advice was received from the probity advisor on how this matter could be managed. However, this advice was given verbally and not in writing as required by the probity plan document.

The purchase recommendation document, including the tender evaluation analysis and outcome, also made no specific mention of the probity advice on the conflict of interest matters. Consequently, there was an absence of a documented evidentiary trail of reasoning and decision-making concerning this significant probity matter.

Audit also noted that conflict of interest declarations were not completed by one evaluation team member and could not be located for another evaluation team member.

Maintenance of documentation and compliance

Audit found:

- a lack of documentation in a number of areas to support key decisions, approvals and advice received

- numerous instances of non-compliance with State Procurement Board policies and guidelines

- risk management processes did not comply with some of the requirements of the Commission's risk management framework.

Contract management

The review of the contract management arrangements identified:

- the contract management plan was not reviewed and updated for missing elements once the tender had been awarded

- a detailed risk management strategy was not prepared

- some payments had been made prior to the Commission ensuring that relevant contractual conditions had been satisfied

- the disengagement plan did not include a number of elements required by the agreement with the contractor.

Commission's response

The Commission's response in September 2012 accepted the majority of audit recommendations and indicated proposed actions to improve procurement and contract management processes. The Commission also considered that a number of findings had been addressed.

Improvement action included:

- reviewing the membership and structure of the accredited purchasing unit
- reviewing and updating relevant procurement and contract management policies and procedures and checklists
- creating a new Commercial and Procurement Unit and Commercial and Contracts Manager role to manage procurement and contract management risks.

Audit follow-up

Audit reviewed the proposed improvements during 2012-13. Audit was satisfied that the Commission had progressively addressed the procurement and contract management matters arising from the SAV&TC review. Measures taken included:

- updating the accredited purchasing unit terms of reference
- reviewing and updating the policies, frameworks, guidelines, checklists, templates and other documentation used for the governance and control of procurement and contract management. This included ensuring the Commission's documentation aligns with State Procurement Board policies and guidelines and incorporates a risk framework and risk review within the procurement structure
- establishing the Commercial and Procurement Unit and appointing a Commercial and Contracts Manager and a Risk Consultant, and assigning additional responsibilities to the Procurement Coordinator for record keeping for declarations of interest, approvals and other documentation
- providing training to staff involved in procurement and contract management facilitated by the Crown Solicitor's Office.

Shared Services SA – CHRIS payroll control environment

SSSA processes payroll transactions specific to the CHRIS HRMS system on behalf of the Commission 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.

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 the Commission 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 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.

Other findings in 2012-13

Other matters communicated to the Commission during the year related to:

- controls to ensure all leave is recorded in the payroll system
- the level of access some finance officers had to Masterpiece to process transactions and make changes to accounts payable, accounts receivable and the general ledger
- evidencing the independent review of foreign currency bank accounts reconciliations
- further restricting access to the system used to process foreign currency payments.

The Commission's response detailed action taken that addressed all the matters raised except for the level of access to Masterpiece. For this matter the Commission considered that the relevant officers require the access as part of their roles and the Commission is willing to formally accept the risk arising from the access provided.

In addition Audit raised one matter with SSSA on the lack of reconciliations between the outstanding debtor follow-up spreadsheet and the aged trial balance. SSSA's response indicated that remediation included record keeping of aged trial balances and relevant spreadsheets.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Expenses		
Employee benefits expenses	10.4	12.2
Advertising and promotion	20.8	23.9
Industry assistance	11.1	8.8
Other	17.1	19.6
Total expenses	59.4	64.5
Income		
Revenues from SA Government	51.9	55.6
Other	6.8	8.6
Total income	58.7	64.2
Net result and total comprehensive result	(0.7)	(0.3)
Net cash provided by (used in) operating activities	0.4	0.6
Assets		
Current assets	4.7	4.8
Non-current assets	2.8	3.1
Total assets	7.5	7.9

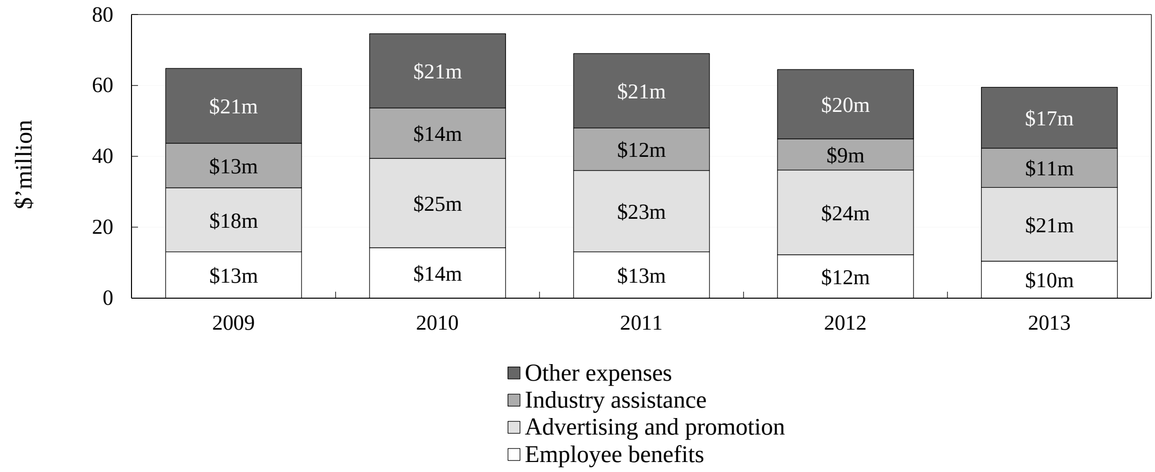
	2013 $'million	2012 $'million
Liabilities		
Current liabilities	6.1	5.6
Non-current liabilities	2.1	2.2
Total liabilities	8.2	7.8
Total equity	(0.7)	0.1

Statement of Comprehensive Income

The Commission is reliant on SA Government funding as its major revenue source to fund its operations. The level and timing of the Commission's financial activities vary from year to year depending on the planned mix of marketing, destination development and events supported and the extent to which specific Commission identified opportunities are funded.

Expenses

The following chart shows a structural analysis of the main expense items for the five years to 2013.



Total expenses decreased by $5.1 million to $59.4 million in 2013. Significant factors contributing to this change were:

- a decrease in employee benefits expenses of $1.8 million due to a reduction in full-time equivalent employees and TVSP payments in 2011-12
- a decrease in advertising and promotion expenses of $3.1 million, mainly due to reduced expenditure on media advertising of $2.1 million and the discontinuation of the Industry Cooperative Marketing initiative of $1.2 million. These decreases were offset by a $1.2 million increase in production expenses
- an increase in industry assistance of $2.3 million, relating predominantly to the airline industry
- a decrease in other expenses of $2.5 million, due mainly to:
  - — a decrease in contractors of $1.4 million, mainly relating to previous years including higher costs for building a new website
  - — a decrease in event operations of $633 000 primarily due to a reduction of in-kind revenue recognised for managed events.

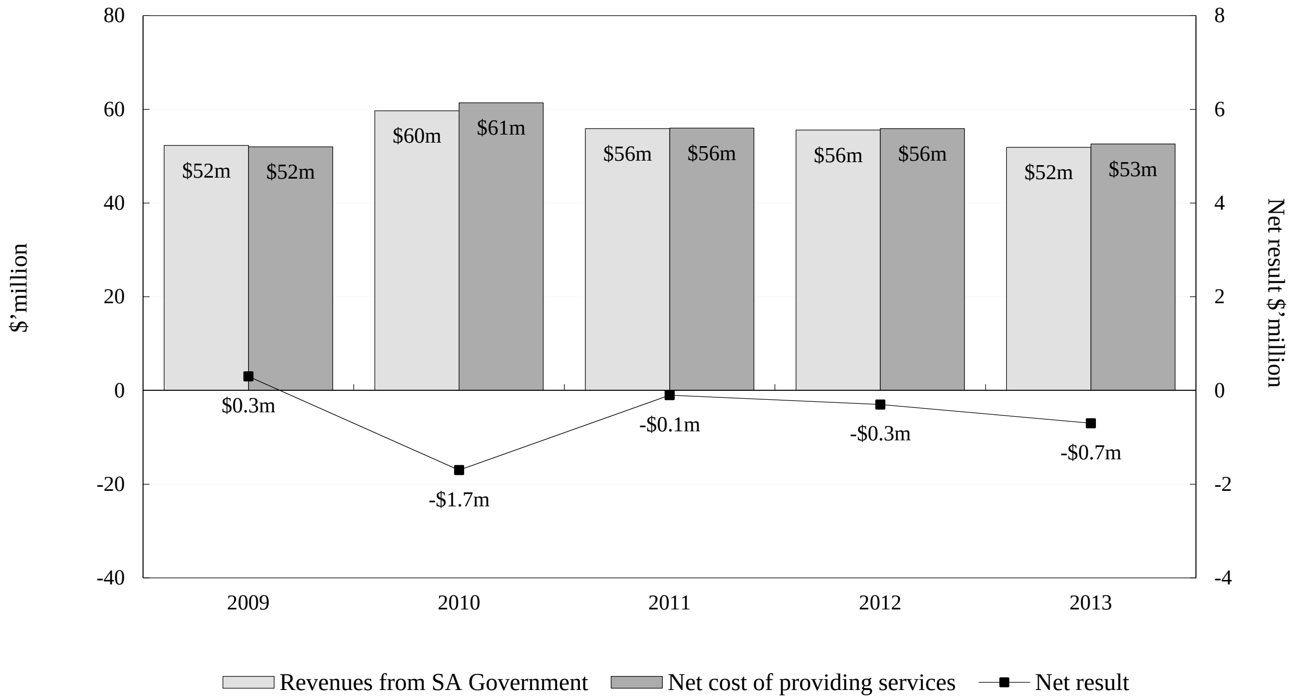
Income

Income for the year totalled $58.7 million ($64.2 million). The majority of income comprises revenue from the SA Government, which amounted to $51.9 million ($55.6 million) and represented 88% (87%) of total income. The Commission advised the main reasons for the decrease in revenue from the SA Government were savings initiatives.

Other income of $6.8 million ($8.6 million) predominantly consists of participation fees, event entry fees and refunds/recoups of expenses. The decrease in other income of $1.8 million is due mainly to the decreases in advertising and cooperative marketing income of $541 000, and in-kind revenue recognised of $843 000.

Net result

The following chart shows the revenues from government, net cost of services and net result for the five years to 2013.



The chart indicates that funding from the SA Government covered the majority, but not all, of the net costs of services for the last five years resulting in deficits for the past four years. The cash flows over this time indicate that government funding has met the Commission's cash funding requirements.

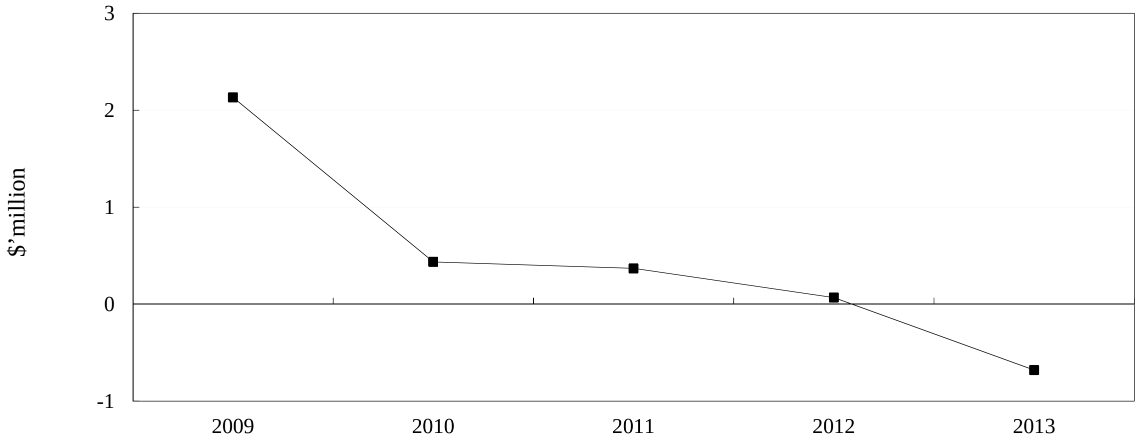
Statement of Financial Position

Current assets and liabilities

At 30 June 2013 current liabilities amounted to $6.1 million ($5.6 million), exceeding current assets of $4.7 million ($4.8 million) by $1.4 million ($766 000). While a deficiency in working capital can be of concern, the Commission has historically had sufficient cash flow, mainly though revenues from SA Government, to meet operating requirements.

Equity (net assets)

The following chart shows the equity as at 30 June for the past five years.



As discussed above the Commission has operated with a deficit over the past four years. This has resulted in a gradual reduction of the Commission's total equity (net assets), with a negative position being reported for the first time in 2012-13.

Statement of Cash Flows

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows					
Operating	0.5	0.6	(0.7)	0.9	1.4
Investing	(0.3)	(0.1)	(0.2)	(0.5)	(1.2)
Financing	-	-	(0.1)	(0.2)	(0.1)
Change in cash	0.2	0.5	(1.0)	0.2	0.1
Cash at 30 June	3.5	3.3	2.8	3.8	3.6

As discussed above the cash flow statement indicates the Commission is managing its operations within the cash revenue provided by the Government.

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Expenses:			
Employee benefits expenses	5	10 363	12 214
Advertising and promotion	6	20 767	23 868
Industry assistance	7	11 104	8 817
Administration and accommodation	8	8 950	10 748
Event operations		7 752	8 385
Depreciation expense	9	511	510
Net loss from the disposal of non-current assets	12	-	16
Total expenses		59 447	64 558
Income:			
Participation fees	10	4 474	5 915
Commission on sales		92	64
Entry fees and merchandise sales		951	1 182
Refunds and recoups		595	579
Other income	11	708	887
Net gain from the disposal of non-current assets	12	6	-
Total income		6 826	8 627
Net cost of providing services		52 621	55 931
Revenues from (Payments to) SA Government:			
Revenues from SA Government	13	51 874	55 630
Total revenues from (payments to) SA Government		51 874	55 630
Net result		(747)	(301)
Total comprehensive result		(747)	(301)

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
Current assets:			
Cash and cash equivalents	14	3 452	3 263
Receivables	15	1 223	1 564
Total current assets		4 675	4 827
Non-current assets:			
Plant and equipment	16	2 412	2 658
Investments	17	400	400
Total non-current assets		2 812	3 058
Total assets		7 487	7 885
Current liabilities:			
Payables	18	4 866	4 295
Other current liabilities	19	154	168
Employee benefits	20	1 042	1 114
Provisions	21	12	16
Total current liabilities		6 074	5 593
Non-current liabilities:			
Payables	18	119	117
Other non-current liabilities	19	629	784
Employee benefits	20	1 292	1 265
Provisions	21	52	58
Total non-current liabilities		2 092	2 224
Total liabilities		8 166	7 817
Net assets		(679)	68
Equity:			
Contributed capital	22	64	64
Retained earnings	22	(743)	4
Total equity		(679)	68

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 23

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

	Contributed capital $'000	Retained earnings $'000	Total equity $'000
Balance at 30 June 2011	64	305	369
Net result for 2011-12	-	(301)	(301)
Total comprehensive result for 2011-12	-	(301)	(301)
Balance at 30 June 2012	64	4	68
Net result for 2012-13	-	(747)	(747)
Total comprehensive result for 2012-13	-	(747)	(747)
Balance at 30 June 2013	64	(743)	(679)

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	Inflows
		(Outflows)	(Outflows)
Cash flows from operating activities:	Note	$'000	$'000
Cash outflows:			
Employee benefits payments		(10 442)	(12 092)
Payments for supplies and services		(52 236)	(56 108)
Cash used in operations		(62 678)	(68 200)
Cash inflows:			
Fees and charges		5 768	6 895
Commission earned		92	111
GST recovered from the ATO		3 151	3 517
Other receipts		2 241	2 631
Cash generated from operations		11 252	13 154
Cash flows from SA Government:			
Receipts from SA Government		51 874	55 677
Cash generated from SA Government		51 874	55 677
Net cash provided by (used in) operating activities	26	448	631
Cash flows from investing activities:			
Cash outflows:			
Purchase of plant and equipment		(275)	(163)
Cash used in investing activities		(275)	(163)
Cash inflows:			
Proceeds from sale of plant and equipment		16	-
Cash generated from investing activities		16	-
Net cash provided by (used in) investing activities		(259)	(163)
Net increase (decrease) in cash and cash equivalents		189	468
Cash and cash equivalents at 1 July		3 263	2 795
Cash and cash equivalents at 30 June	14	3 452	3 263

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

(Activities - refer note 4)	1		2	
	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	2 099	2 716	2 010	2 130
Advertising and promotion	878	795	2 158	2 217
Industry assistance	5 906	2 866	3 930	4 740
Administration and accommodation	1 175	1 301	3 178	3 637
Event operations	-	-	7 752	8 385
Depreciation expense	71	86	210	189
Net loss from the disposal of non-current assets	-	-	-	16
Total expenses	10 129	7 764	19 238	21 314
Income:				
Participation fees	64	176	3 851	4 853
Commission on sales	-	-	-	-
Entry fees and merchandise sales	-	2	944	1 166
Refunds and recoups	43	98	186	137
Other income	2	10	524	630
Net gain (loss) from the disposal of non-current assets	3	-	(7)	-
Total income	112	286	5 498	6 786
Net cost of providing services	10 017	7 478	13 740	14 528
Revenues from (Payments to) SA Government:				
Revenues from SA Government	9 866	7 544	13 693	14 354
Total revenues from (payments to) SA Government	9 866	7 544	13 693	14 354
Net result	(151)	66	(47)	(174)
Total comprehensive result	(151)	66	(47)	(174)

(Activities - refer note 4)	3		Total	
	2013	2012	2013	2012
Expenses:	$'000	$'000	$'000	$'000
Employee benefits expenses	6 254	7 368	10 363	12 214
Advertising and promotion	17 731	20 856	20 767	23 868
Industry assistance	1 268	1 211	11 104	8 817
Administration and accommodation	4 597	5 810	8 950	10 748
Event operations	-	-	7 752	8 385
Depreciation expense	230	235	511	510
Net loss from the disposal of non-current assets	-	-	-	16
Total expenses	30 080	35 480	59 447	64 558
Income:				
Participation fees	559	886	4 474	5 915
Commission on sales	92	64	92	64
Entry fees and merchandise sales	7	14	951	1 182
Refunds and recoups	366	344	595	579
Other income	182	247	708	887
Net gain (loss) from the disposal of non-current assets	10	-	6	-
Total income	1 216	1 555	6 826	8 627
Net cost of providing services	28 864	33 925	52 621	55 931
Revenues from (Payments to) SA Government:				
Revenues from SA Government	28 315	33 732	51 874	55 630
Total revenues from (payments to) SA Government	28 315	33 732	51 874	55 630
Net result	(549)	(193)	(747)	(301)
Total comprehensive result	(549)	(193)	(747)	(301)

Expenses and income attributed to the Commission as a whole have been allocated to each of the activities on the basis of full-time equivalent employees in each of the activities.

A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

Notes to and forming part of the financial statements

1. Objectives of the South Australian Tourism Commission (the Commission)

Objectives

The purpose of the Commission established under the *South Australian Tourism Commission Act 1993* is to assist in securing economic and social benefits for the people of South Australia through the promotion of South Australia as a tourism destination and the further development and improvement of the State's tourism industry. The principal goals of the Commission are to:

- add value to the efforts of the tourism industry and other government agencies, by ensuring a coordinated approach to the promotion of South Australia which results in an increase in visitor numbers to all regions of the State thereby increasing the value of tourism to the economy and generating employment for South Australians
- attract, develop, own and support major and strategic events that generate substantial economic and social benefits for South Australia and promote the image and profile of Adelaide and South Australia
- ensure the development of South Australia's tourism resources in a socially responsible way with emphasis on the continued maintenance and preservation of South Australia's environmental and cultural heritage and the profitability and effective utilisation of infrastructure
- achieve a strong corporate team and positive corporate culture that uses its resources in the most effective and efficient manner.

Financial arrangements

The Commission's principal source of funding consists of monies appropriated by Parliament. The financial activities of the Commission are primarily conducted through a special deposit account pursuant to section 21 of the PFAA.

2. Summary of significant accounting policies

(a) Statement of compliance

The Commission 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 Commission has applied AASs that are applicable to not-for-profit entities, as the Commission 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 Commission 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 Commission'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 to be 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 transaction or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in these financial statements:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the 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

(b) Basis of preparation (continued)

(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 Commission 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 Commission'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 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 Commission is a statutory authority of the State of South Australia, established pursuant to the *South Australian Tourism Commission Act 1993.*

The financial statements and accompanying notes include all the controlled activities of the Commission. Transactions and balances relating to administered resources are not recognised as Commission income, expense, assets and liabilities. As administered items are not significant in relation to the Commission's overall financial performance and position, they are disclosed in note 28. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for controlled items.

Administered items

The Commission was responsible for the operation of the South Australian Visitor and Travel Centre (SAV&TC) until 30 June 2011. The SAV&TC arranged bookings of tourism products such as accommodation, transfers and tours on behalf of tourism operators. The SAV&TC administered the collection of money from customers and forwarded payments to operators. Note 28 provides the financial details of this administered arrangement for residual carryover items for 2011-12 and 2012-13.

This item is not recorded in the Statement of Comprehensive Income or the Statement of Financial Position as the Commission did not have control over these funds.

(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 Commission is not subject to income tax. The Commission 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 an expense item as applicable
- receivables and payables, which are stated with the amount of GST included.

(f) 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 are disclosed on a gross basis.

(g) 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 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 Commission 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 transactions or other event.

The following are specific recognition criteria:

Contributions received

Contributions are recognised as an asset and income when the Commission 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 Commission 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 has been approved; the 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 Commission have been contributions with unconditional stipulations attached and have been recognised as an asset and income upon receipt.

Revenues from SA Government

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

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

Participation fees

The Commission earns income from participants in the tourism industry through cooperative marketing schemes, sponsorship of events, subscriptions and training fees.

Commission

Commission consists of income earned on residual sales made through the SAV&TC, and online sales made through the Commission's website (southaustralia.com). Commission earned on sales through the SAV&TC is recognised at the date of ticketing. The gross sales collected on behalf of tourism operators by the SAV&TC are recorded in the schedule of administered items at note 28.

Entry fees and merchandise sales
Income from entry fees and merchandise sales is derived in respect of events owned and managed by the Commission.

Other income
Other income consists of supply commissions, gain on foreign exchange and sundry income.

Net gain from the disposal of non-current assets
Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and has been determined by comparing proceeds with carrying amount.

(i) Expenses
Expenses are recognised to the extent that it is probable that the flow of economic benefits from the Commission 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 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 the contributions made by the Commission to the superannuation plan in respect of current services of current Commission staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Industry assistance
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 Commission have been contributions with unconditional stipulations attached.

Depreciation
All non-current assets, having limited useful lives, are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and depreciation 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 (fitouts) is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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

Class of asset	*Useful life (years)*
General plant and equipment	3-5
Event plant and equipment	5-10
Fitouts	10-11
Pageant plant and equipment	3-28

(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 Commission 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.

Where an asset line item combines amounts expected to be recovered within 12 months and more than 12 months, the Commission 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 and in other short-term, highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

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 where there is objective evidence that the Commission 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.

  All non-current tangible assets with a value equal to or in excess of $10 000 are capitalised. All pageant floats, regardless of their value, are recognised as non-current assets in the Statement of Financial Position. Pageant floats are recorded at historic cost less accumulated depreciation.

- *Impairment*

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

(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 Commission 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 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 Commission.

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

Payables (continued)
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 payroll tax, workers compensation levies and superannuation contributions in respect to outstanding liabilities for salary and wages, LSL, annual leave and skills and experience retention leave.

The Commission 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.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Commission 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 over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Lease incentives
All incentives for the operating lease for office accommodation are recognised as an integral part of the net consideration agreed for the use of the leased accommodation. Incentives received to enter into operating leases are recognised as a liability.

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

The lease incentive received is in the form of leasehold improvements, and as such is capitalised as an asset and depreciated over the remaining term of the lease.

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 salaries 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 are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid. In the unusual event where salaries and wages, annual leave and skills and experience retention 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
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 services. 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 periods on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The unconditional portion of the LSL provision is classified as current as the Commission does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of LSL relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions
Provisions are recognised when the Commission 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 Commission 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 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 Commission is responsible for the payment of workers compensation claims.

(m) Unrecognised contractual commitments and contingent assets and liabilities
Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources 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 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.

(n) Foreign currency
Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Associated currency gains and losses, where material, are disclosed separately in notes 8 and 11 to the Statement of Comprehensive Income.

3. New and revised accounting standards and policies
The Commission 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 Commission for the period ending 30 June 2013. The Commission has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Commission.

4. Activities of the Commission
In achieving its objective, the Commission provides a range of services classified into the following activities:

Activity 1: Destination Development
To develop a more appealing and accessible South Australia of tomorrow.

Activity 2: Tourism Events
To promote South Australia and tourism to South Australia through attracting, managing, developing and sponsoring major events in South Australia.

Activity 3: Tourism Marketing
To communicate a more appealing South Australia of today to get more people to holiday in South Australia.

The disaggregated disclosures schedule presents expenses and income information attributable to each of the activities for the years ended 30 June 2013 and 30 June 2012. Expenses and income attributed to the Commission as a whole have been allocated to each of the activities on the basis of full-time equivalent employees in each of the activities. A disaggregated disclosure of the Commission's assets and liabilities has not been provided as the information is not reliably available.

5. Employee benefits expenses	2013 $'000	2012 $'000
Salaries and wages	8 055	8 660
TVSPs (refer below)	66	824
LSL	147	530
Annual leave	624	673
Skills and experience retention leave	16	-
Employment on-costs - superannuation	797	827
Employment on-costs - other	494	541
Board fees	164	159
Total employee benefits expenses	10 363	12 214

TVSPs

Amount paid to 30 June to separated employees:		
TVSPs	66	824
Annual leave and LSL paid to those employees	16	225
Recovery from DTF	104	725
Net cost to the Commission	(22)	324

The number of employees who received a TVSP during the reporting period was 1 (14).

Remuneration of employees	2013	2012
The number of employees whose remuneration received or receivable falls within the following bands:	Number	Number
$138 000 - $147 999	1	-
$148 000 - $157 999	2	-
$168 000 - $177 999	-	1
$178 000 - $187 999	2	1
$188 000 - $197 999	1	2
$248 000 - $257 999	1	1
$428 000 - $437 999	-	1
Total	7	6

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 and includes salaries and wages, termination payments, 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 $1.275 million ($1.425 million).

6. Advertising and promotion	2013	2012
Advertising and promotion paid/payable to entities external to the SA Government:	$'000	$'000
Consumer advertising	7 535	9 666
Cooperative consumer marketing	3 040	4 625
Familiarisations	1 523	1 962
Other consumer marketing	205	245
Production	4 363	3 170
Marketing research	804	931
Trade marketing	1 012	874
Other advertising and promotion	2 285	2 395
Total advertising and promotion - non-SA Government entities	20 767	23 868

7. Industry assistance		
Industry assistance paid/payable to entities external to the SA Government:		
Sponsorship of events	4 360	4 164
Tourism infrastructure grants	1 568	1 391
Tourism marketing boards/information centre grants	605	100
Marketing/Industry support	3 874	2 304
Trade show subsidies/membership of tourism industry bodies	58	64
Total industry assistance - non-SA Government entities	10 465	8 023
Industry assistance paid/payable to entities within the SA Government:		
Sponsorship of events	114	285
Marketing support	129	150
Tourism infrastructure grants	396	359
Total industry assistance - SA Government entities	639	794
Total industry assistance	11 104	8 817

8. Administration and accommodation

	2013 $'000	2012 $'000
Administration and accommodation paid/payable to entities external to the SA Government:		
Communication and computing	1 852	1 834
Stationery, postage, couriers and freight	145	167
Contractors and consultants	1 884	3 334
Taxis, hire cars and car parking	224	221
Domestic and international travel	654	842
Seminars, courses and training	185	204
Accommodation and service costs	1 064	936
Bad debts and allowances for doubtful debts	30	44
Loss on foreign exchange	12	140
Other	829	985
Total administration and accommodation - non-SA Government entities	6 879	8 707
Administration and accommodation paid/payable to entities within the SA Government:		
Accommodation and service costs	1 061	1 016
Motor vehicle	273	336
Computer processing	64	61
Insurance	204	169
Audit, legal and other fees	469	459
Total administration and accommodation - SA Government entities	2 071	2 041
Total administration and accommodation	8 950	10 748

Consultants

The number and dollar amount of consultancies paid/payable (included in administration and accommodation) that fell within the following bands:	2013 Number	2013 $'000	2012 Number	2012 $'000
Below $10 000	1	6	2	6
$10 000 - $50 000	1	16	1	28
Total paid/payable to consultants engaged	2	22	3	34

9. Depreciation expense

	2013 $'000	2012 $'000
General plant and equipment	88	107
Event plant and equipment	23	22
Fitouts	277	278
Pageant plant and equipment	123	103
Total depreciation expense	511	510

10. Participation fees

	2013	2012
Participation fees received/receivable from entities external to the SA Government:		
Cooperative marketing/advertising	237	778
Sponsorship revenue	3 505	3 654
Trade/Consumer show participation/workshops/training	148	257
In-kind revenue	257	1 100
Total participation fees - non-SA Government entities	4 147	5 789
Participation fees received/receivable from entities within the SA Government:		
Sponsorship and participation fees	327	126
Total participation fees - SA Government entities	327	126
Total participation fees	4 474	5 915

11. Other income

	2013	2012
Other income received/receivable from entities external to the SA Government:		
Service fees	3	8
Supply commissions	190	211
Gain on foreign exchange	122	34
Sundry income	393	634
Total other income - non-SA Government entities	708	887

12. Net gain (loss) from the disposal of non-current assets

	2013	2012
Plant and equipment:	$'000	$'000
Proceeds from disposal	16	-
Net book value of assets disposed	(10)	(16)
Total net gain (loss) from the disposal of non-current assets	6	(16)

13. Revenues from SA Government

Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	51 874	55 630
Total revenues from SA Government	51 874	55 630

14. Cash and cash equivalents

Cash on hand	3	4
Cash at bank	3 424	3 259
Deposits with the Treasurer	25	-
Total cash and cash equivalents	3 452	3 263

Deposits with the Treasurer

Includes funds held in the accrual appropriation excess funds account. The balance of these funds is not available for general use. That is, funds can only be used in accordance with the Treasurer's or Under Treasurer's approval.

Interest rate risk

Cash on hand and at bank is non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

15. Receivables

	2013	2012
Current:	$'000	$'000
Receivables	508	994
Allowance for doubtful debts	-	(44)
	508	950
GST input tax recoverable	642	486
Accrued revenue	8	49
Prepayments	65	79
Total receivables	1 223	1 564

Receivables from SA Government entities:		
Receivables	13	-
Total receivables from SA Government entities	13	-

The total receivables figure does not include non-current receivables as the Commission does not have any receivables that meet the definition of non-current. Any non-current receivables would be disclosed in this note.

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 under 'administration and accommodation' in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

	2013	2012
	$'000	$'000
Carrying amount at 1 July	44	5
Increase in the allowance	30	43
Amounts written off	(74)	(4)
Carrying amount at 30 June	-	44

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.

(a) Maturity analysis of receivables - refer note 27.
(b) Categorisation of financial instruments and risk exposure information - refer note 27.

16. Plant and equipment

	2013 $'000	2012 $'000
Plant and equipment at cost (deemed fair value)	5 261	5 167
Accumulated depreciation	(2 849)	(2 509)
Total plant and equipment	2 412	2 658

Carrying amount of plant and equipment

Plant and equipment includes $476 000 ($478 000) of fully depreciated plant and equipment still in use.

Impairment

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

Reconciliation of non-current assets

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

2013	General plant and equipment $'000	Events plant and equipment $'000	Fitouts $'000	Pageant plant and equipment $'000	Total $'000
Carrying amount at 1 July	231	69	1 641	717	2 658
Additions	67	-	-	208	275
Disposals	(10)	-	-	-	(10)
Depreciation	(88)	(23)	(277)	(123)	(511)
Carrying amount at 30 June	200	46	1 364	802	2 412
2012					
Carrying amount at 1 July	338	91	1 919	673	3 021
Additions	-	-	-	163	163
Disposals	-	-	-	(16)	(16)
Depreciation	(107)	(22)	(278)	(103)	(510)
Carrying amount at 30 June	231	69	1 641	717	2 658

17. Investments

The Australian Tourism Data Warehouse Pty Ltd (ATDW) is an Australian proprietary company limited by shares, jointly owned by all state and territory tourism authorities and Tourism Australia. The ATDW is a central content and distribution platform for the Australian tourism industry. Paragraph 10 of the Shareholders Agreement restricts the disposal of shares to other shareholders only. Therefore there is no active market for shares, and fair value is not reliably determinable. Historical cost has been used as the measurement of fair value. The Commission's shareholding of 400 000 D Class shares in ATDW does not give the Commission controlling interest in ATDW.

18. Payables

	2013 $'000	2012 $'000
Current:		
Creditors	1 544	2 781
Accrued expenses	3 146	1 302
Employment on-costs	176	212
Total current payables	4 866	4 295
Non-current:		
Employment on-costs	119	117
Total non-current payables	119	117
Total payables	4 985	4 412
Payables to SA Government entities:		
Creditors	17	3
Accrued expenses	141	680
Employment on-costs	295	328
Total payables to SA Government entities	453	1 011

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%. The average factor for the calculation of employer superannuation contribution on-cost has decreased from 10.3% (2012) to 10.2% (2013). 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 $1000. The estimated impact on 2014 and 2015 is $1000 and $1000 respectively.

Interest rate and credit risk

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

(a) Maturity analysis of payables - refer note 27.
(b) Categorisation of financial instruments and risk exposure information - refer note 27.

19. Other liabilities

	2013	2012
Current:	$'000	$'000
Lease incentive	154	154
Unclaimed monies	-	3
Unearned revenue	-	11
Total current other liabilities	154	168
Non-current:		
Lease incentive	629	784
Total non-current other liabilities	629	784
Total other liabilities	783	952

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

20. Employee benefits

Current:		
Annual leave	598	714
LSL	281	307
Skills and experience retention leave	16	-
Accrued salaries and wages	147	93
Total current employee benefits	1 042	1 114
Non-current:		
LSL	1 292	1 265
Total non-current employee benefits	1 292	1 265
Total employee benefits	2 334	2 379

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 3% (2012) to 3.75% (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 decrease in the LSL liability of $465 000, employment on-costs payable of $43 000 and employee benefits expense of $508 000. The impact on future periods is impracticable to estimate as the LSL liability is calculated using a number of assumptions, of which 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.

21. Provisions

	2013	2012
Current:	$'000	$'000
Provision for workers compensation	12	16
Total current provisions	12	16
Non-current:		
Provision for workers compensation	52	58
Total non-current provisions	52	58
Total provisions	64	74

21. Provisions (continued)

	2013 $'000	2012 $'000
Carrying amount at 1 July	74	-
Additional provisions recognised	9	171
Reductions arising from payments/other sacrifice of future economic benefits	2	(5)
Reductions resulting from re-measurement or settlement without cost	(21)	(92)
Carrying amount at 30 June	64	74

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.

22. Equity

	2013 $'000	2012 $'000
Contributed capital	64	64
Retained earnings	(743)	4
Total equity	(679)	68

23. Unrecognised contractual commitments

(a) 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	1 597	1 553
Later than one year but not longer than five years	6 265	6 419
Later than five years	181	1 611
Total operating lease commitments	8 043	9 583

The Commission's operating leases are for office accommodation and warehousing. These commitments have been calculated at rates specified in the lease agreements. The leases are non-cancellable with terms ranging up to 11 years with some leases having the right of renewal. Rent is payable monthly in advance.

(b) Other commitments

	2013 $'000	2012 $'000
Within one year	14 682	9 629
Later than one year but not longer than five years	14 752	9 889
Later than five years	1 250	2 500
Total other commitments	30 684	22 018

The Commission's other commitments are for agreements for international marketing representation, tourism development projects, event sponsorship and other cooperative and service contracts. There are no purchase options available to the Commission.

(c) 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	5 580	5 317
Later than one year but not longer than five years	2 854	3 387
Total remuneration commitments	8 434	8 704

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

24. Auditor's remuneration

	2013 $'000	2012 $'000
Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	101	109

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

25. Remuneration of board members

Members of the Board during the 2012-13 financial year were:

South Australian Tourism Board

J Jeffreys	L Tuit	M Tilley
I Horne	B Hayes	J Turbill
K Lloyd	J Irving	A Bullock (from 1 October 2012)

25. Remuneration of board members (continued)

The number of members whose total remuneration received or receivable falls within the following bands:	2013 Number	2012 Number
$0 - $9 999	-	3
$10 000 - $19 999	8	6
$20 000 - $29 999	1	3
Total	9	12

Remuneration of members reflects all costs of performing board 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 $179 000 ($180 000). Amounts paid to a superannuation plan for board members totalled $15 000 ($14 000).

Where government employees received remuneration for board duties during the financial year, this was in accordance with terms and conditions determined by the Governor under section 8(3) of the *South Australian Tourism Commission Act 1993*, and approved by Cabinet and the Governor in Executive Council.

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

26. Cash flow reconciliation

	2013	2012
Reconciliation of cash and cash equivalents at 30 June:	$'000	$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	3 452	3 263
Balance as per the Statement of Cash Flows	3 452	3 263

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

	2013	2012
Net cash provided by (used in) operating activities	448	631
Revenues from SA Government	(51 874)	(55 630)
Non-cash items:		
Depreciation expense	(511)	(510)
Net gain (loss) from disposal of non-current assets	6	(16)
Movements in assets/liabilities:		
Receivables	(341)	(318)
Employee benefits	45	(121)
Provisions	10	(74)
Other liabilities	169	171
Payables	(573)	(64)
Net cost of providing services	(52 621)	(55 931)

27. Financial instruments/Financial risk management

27.1 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 assets, financial liability and equity instrument are disclosed in note 2.

		Carrying amount	
		2013	2012
Financial assets	Note	$'000	$'000
Cash and cash equivalents:			
Cash and cash equivalents	14,26	3 452	3 263
Loans and receivables:			
Receivables(1)(2)	15	503	1 043
Held-to-maturity investments:			
Shares	17	400	400
Total financial assets		4 355	4 706
Financial liabilities			
Financial liabilities at cost:			
Payables(1)	18	4 532	3 347
Other current liabilities	19	-	14
Total financial liabilities		4 532	3 361

27.1 Categorisation of financial instruments (continued)

(1) Receivables and payables amounts disclosed above 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 are excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

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

Fair value

The Commission does not recognise any financial assets or financial liabilities at fair value (refer notes 2, 14, 15, 17, 18, 19 and 26).

Credit risk

Credit risk arises when there is the possibility of the Commission’s debtors defaulting on their contractual obligations resulting in financial loss to the Commission. The Commission 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 27.1 represents the Commission’s maximum exposure to credit risk. No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 15 for information on the allowance for impairment in relation to receivables.

27.2 Ageing analysis of financial assets

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

	Past due by			
	Less than 30 days	30-60 days	More than 60 days	Total
2013	$’000	$’000	$’000	$’000
Not impaired:				
Receivables(1)	2	1	263	266
Impaired:				
Receivables	-	-	-	-
2012				
Not impaired:				
Receivables(1)	196	85	119	400
Impaired:				
Receivables	-	-	44	44

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

Maturity analysis of financial assets and financial liabilities

The Commission has assessed the maturity of its financial assets and financial liabilities as being less than one year, with the exception of shares which have been assessed as having a maturity of greater than five years.

Liquidity risk

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

The Commission'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 27.1 represents the Commission's maximum exposure to financial liabilities.

Market risk

The Commission does not engage in high risk hedging for its financial assets. The hedges in 2012-13 were for the payment of representation fees, event participation fees and marketing activity in overseas offices. In 2012-13 the Commission had 27 (13) cash flow hedging contracts mature totalling $4.853 million ($4.734 million). As at 30 June 2013 the Commission had in place 14 (26) hedging contracts to manage exchange risk for 2013-14, totalling $4.671 million ($4.703 million). As with all hedges there are financial risks. Cash flows from hedges in 2012-13 are included in the Statement of Comprehensive Income, and where material are shown separately as losses in note 8 and as gains in note 11.

Sensitivity disclosure analysis

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

Credit standby arrangements

The Commission has a $283 000 ($283 000) credit card facility with ANZ. The unused portion of this facility as at 30 June 2013 was $199 000 ($230 000).

28. Disclosure of administered items - South Australian Visitor and Travel Centre

	2013	2012
Administered expenses:	$'000	$'000
Commissions paid	83	61
Expenditure to tourism operators	466	400
Total administered expenses	549	461
Administered income:		
Gross sales revenue	549	461
Total administered income	549	461
Administered assets:		
Cash and cash equivalents	15	441
Total administered assets	15	441
Administered liabilities:		
Payables	15	437
Commissions payable	-	4
Total administered liabilities	15	441

South Australian Water Corporation

Functional responsibility

Establishment

The South Australian Water Corporation (SA Water) was established pursuant to the *South Australian Water Corporation Act 1994*. SA Water is responsible to the Minister for Water and the River Murray.

Functions

The primary functions of SA Water, in accordance with the *South Australian Water Corporation Act 1994,* are to provide services for the:

- supply of water by means of reticulated systems
- storage, treatment and supply of bulk water
- removal and treatment of wastewater by means of sewerage systems.

The PCA applies to SA Water and requires a charter and performance statement to be prepared by the Minister and the Treasurer after consultation with SA Water.

Audit mandate and coverage

Audit authority

Audit of the financial report

Section 31(1)(b) of the PFAA and section 32(4) of the PCA provide for the Auditor-General to audit the accounts of SA Water in respect of 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 SA Water 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:

- revenue raising, collection, receipting and banking
- procurement and contract management
- operating and capital expenditure
- payroll
- financial accounting
- non-current asset recording, valuation and depreciation
- borrowings and finance leases.

The work of internal audit was considered in planning and conducting the audit program.

Audit findings and comments

Auditor's report on the financial report

In my opinion, the financial report gives a true and fair view of the financial position of the South Australian Water Corporation 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 Water Corporation 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 Water Corporation have been conducted properly and in accordance with law.

Communication of audit matters

Main matters arising during the course of the audit were detailed in management letters to the Chief Executive of SA Water. The main matters raised with SA Water and the related responses are detailed below.

Adelaide Desalination Project (ADP) contract management

The audit included coverage of the operations and maintenance contract (O&M contract) and renewable energy contract (energy contract) for the ADP. The handover of the desalination plant to the operator occurred on 12 December 2012.

Audit noted a draft contract management framework (CMF) was prepared in February 2013 which encompassed both the O&M and energy contracts. SA Water advised:

- an earlier CMF had been drafted by SA Water modelled on the Riverland water contract management framework, however management determined significant changes were required to incorporate the ADP requirements into that framework

- the current draft CMF is being progressively updated and is planned to be formally issued as a controlled document by December 2013 to incorporate updates and learnings from the first 12 months of operations.

The draft CMF provides a high level description of the governance, organisation structure, reporting and contract management arrangements. At the time of review, detailed procedures and contract management schedules (checklists) to support the timing and conduct of contract management activities were still being developed and documented.

Due to its draft format, Audit did not assess the CMF or SA Water's compliance against the CMF. However, SA Water was able to produce evidence of compliance with contractual requirements for matters selected by Audit.

Audit noted that SA Water has maintained continuity of key project staff since handover and this has assisted in the detailed management of the relevant contracts. SA Water has recently been undergoing a business transformation process, which has, and continues to, impact key management personnel and arrangements. The operational contracts associated with the ADP are complex, long-term and significant to SA Water's operations. Consequently, it is important that a structured, detailed and complete contract management regime is documented, maintained and used to address the contractual, operational and financial risks to SA Water over the life of the contracts.

SA Water response

SA Water's response acknowledged the importance of the contracts associated with the ADP and confirmed the CMF for the O&M and energy contracts will be formally issued by December 2013.

SA Water commented it will ensure appropriate provision is made in the future organisational structure for the ongoing management of the ADP contracts for sound governance and for SA Water to continue to achieve a commercial outcome on these contracts.

Procurement practice and management

Over the past few years both internal and external audit reviews have raised a number of matters on the procurement practices in SA Water. In particular these reviews identified many examples of non-compliance with important documented procedures and controls.

SA Water has initiated action to improve procurement practices. This has included reviewing and updating procurement procedures, centralising procurement responsibilities, updating procurement templates, training staff, implementing checklists and improving documentation. A summary of the reviews and action taken by SA Water is included in last year's Report.

An important aspect of the procurement initiatives undertaken by SA Water is the development of the procurement quality management framework. This framework includes the requirement for quarterly internal compliance audits to be undertaken by an independent procurement specialist to measure the accuracy of completion of approvals and documentation throughout the procurement process. The results of these audits are reported to senior management.

The 2012-13 audit included assessing the scope and conduct of regular compliance and ad hoc internal audits undertaken by SA Water's procurement area.

Audit noted that regular and ad hoc audit activities were conducted by the procurement specialist. The following issues were identified:

- The level of detail in the documentation of tests to be performed in the quarterly compliance audit and the documentation of the results of those tests could be improved.
- The scope of the quarterly compliance audit did not consider some important matters such as checking approvals were within Cabinet limits and probity advisors were appropriately engaged.
- Contract management was not incorporated into the audit activities.

SA Water response

SA Water's response indicated the compliance program will be reviewed to ensure the scope of program review is complete and detailed, evidence of checks performed is documented, and the project charter for the quarterly audit of contract management and variations is finalised, with audits commenced as of 31 July 2013.

Expenditure

Areas identified where internal controls over accounts payable could be improved included:

- clarifying the application of the delegations of authority principles
- reviewing certain transactions where the system does not enforce segregation and delegations
- detail of procedures for checking the secondary and special delegations and electricity invoices
- all reviewers considering the pertinence of delegations in the quarterly review of access rights
- restricting access attributes of the cheque file print.

SA Water's response detailed action taken and planned to address all the matters raised.

Payroll

The payroll audit found that there were insufficient controls for ensuring all office employee leave and time worked adjustments were recorded in the payroll system. This matter has been reported for several years and SA Water had previously indicated the introduction of an online time and attendance system would address this matter. Last year's response from SA Water indicated a new time and attendance system was expected to be rolled out across SA Water by early 2013 subject to satisfactory pilot testing. Audit was advised the pilot testing was not successful and another system is being procured and implemented. At the time of the current audit SA Water was testing the new software.

In July 2013 SA Water indicated the new time and attendance system was successfully trialled in early 2013, with about 525 staff currently using the system. All remaining office staff were expected to transition by October 2013.

Other areas

Other matters raised included:

- the number of officers with access to post manual journals and make changes to the chart of accounts to the general ledger could be further restricted

- investigating additional controls to further limit the risk of processing unauthorised EFT payments for accounts payable and payroll areas

- there was no signed administrative arrangement in place for administration of pensioner concessions between SA Water and the Department for Communities and Social Inclusion for the period 1 July 2012 to 11 January 2013.

SA Water's response detailed action taken and planned to address all the matters raised.

Interpretation and analysis of the financial report

Highlights of the financial report

	2013 $'million	2012 $'million
Income		
Water and wastewater rates and charges	1 180	972
Community service obligations	107	153
Other	150	146
Total income	1 437	1 271

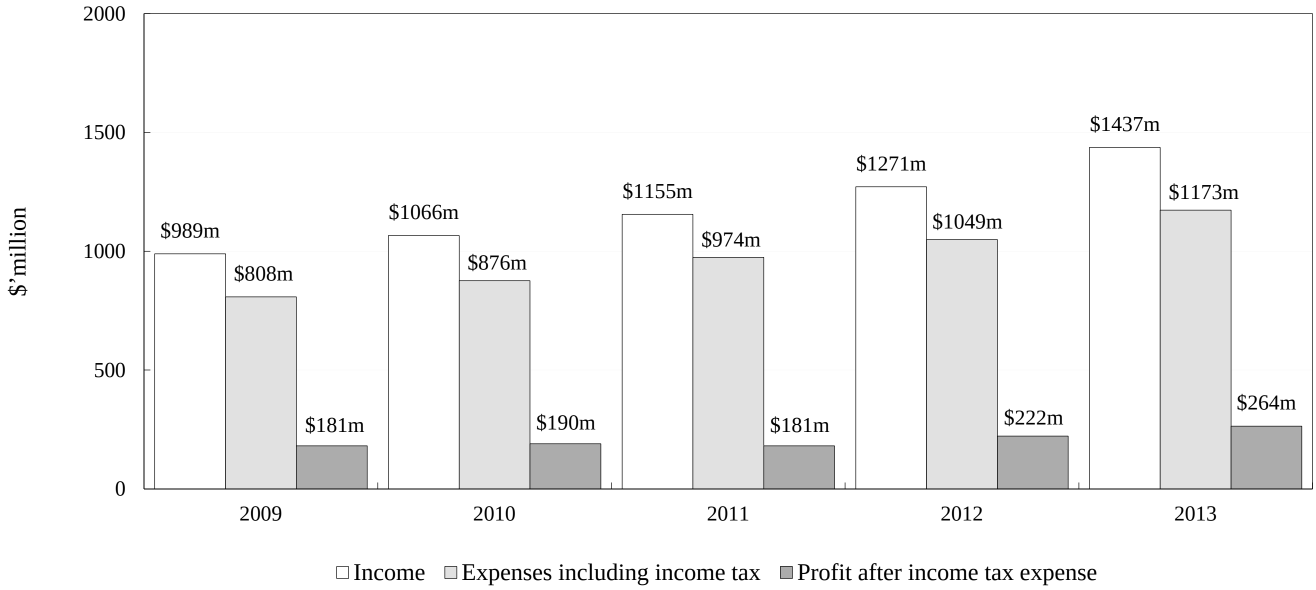
	2013 $'million	2012 $'million
Expenses		
Depreciation and amortisation expense	290	245
Borrowings costs	234	229
Operational and service contracts	184	155
Employee benefits expense	123	124
Other expenses	243	201
Total expenses	1 074	954
Net profit before income tax expense	363	317
Income tax expense	99	95
Net profit after income tax expense	264	222
Other comprehensive income (net of tax)	(100)	108
Total comprehensive result	164	330
Net cash inflows (outflows) from operating activities	538	637
Assets		
Current assets	243	186
Non-current assets	13 589	13 589
Total assets	13 832	13 775
Liabilities		
Current liabilities	262	272
Non-current liabilities	5 720	5 581
Total liabilities	5 982	5 853
Total equity	7 850	7 922

Statement of Comprehensive Income

Operating result

SA Water's profit after income tax increased by $42 million ($41 million) to $264 million ($222 million).

The following chart shows the income, expenses (including tax equivalent expense) and profit after income tax for the five years to 2013.

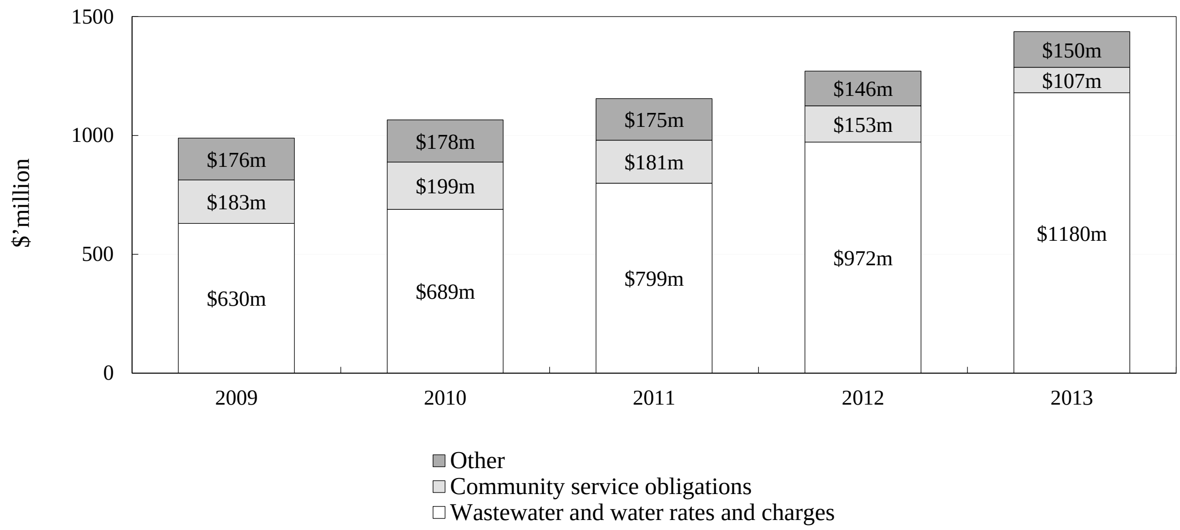


The chart shows that both income and expenses have increased since 2009. The chart also shows the substantial increase in the 2012 and 2013 results compared to the previous years.

Income

Total income increased by $166 million to $1.4 billion. The increase was due mainly to a combination of water and wastewater rates and charges increasing by $208 million (21%) and community service obligations (CSOs) decreasing by $46 million.

The following chart analyses the main sources of income for SA Water for the five years to 2013.



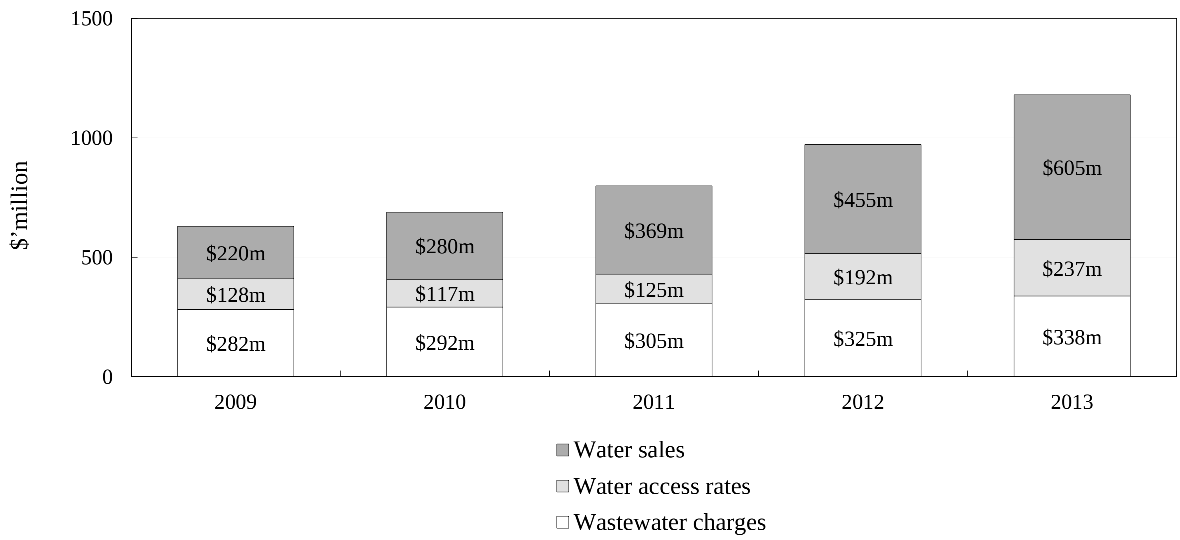
The above chart shows total income has increased by $448 million (45%) since 2009. Comments on the trend over this period are discussed below.

Wastewater and water rates and charges

The major contribution to SA Water's increase in income since 2009 is wastewater and water rates and charges. Wastewater and water rates and charges are mainly comprised of:

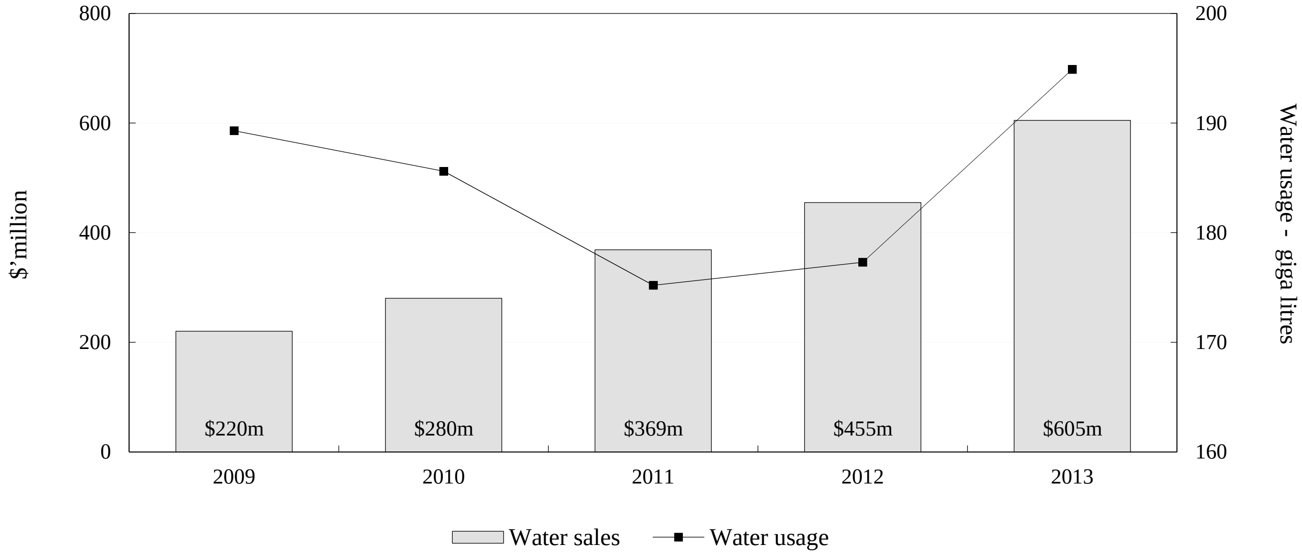
- wastewater charges, mainly set on property values
- water access charges, mainly set at a fixed amount
- water sales, charged by volume of water used.

The following chart details these components for the past five years.



The main factors affecting wastewater and water rates and charges are price increases and water consumption. The increase since 2009 is attributable mainly to price increases.

The following chart shows water sales income compared to the volume of water used.



Water sales income has increased by $385 million (175%) since 2009. The above chart shows that for the period from 2011 this increase occurred despite reducing consumption levels to 2011. Water restrictions, which commenced in October 2006, were lifted in December 2010. The easing of water restrictions has seen some growth in water usage in 2012 and significant growth in 2013.

The factors affecting water and wastewater prices are discussed below under 'Further commentary on operations'.

CSOs

SA Water is required to provide a number of non-commercial services to the community on behalf of the Government. The Government provides SA Water with CSO funding to compensate for these non-commercial activities. The main CSOs are to compensate SA Water for:

- the under-recovery of country water and wastewater services (due to the requirement for state-wide pricing). SA Water received $81 million ($129 million) for this CSO in 2013, a decrease of $48 million from 2012. The decrease in funding is due mainly to increased water prices
- the provision of water and wastewater concessions to certain properties such as charities, churches and public schools. This CSO amounted to $12 million ($12 million).

CSOs are provided under the financial ownership framework agreed with DTF.

Other income

Other income increased by $4 million to $150 million.

Other income includes contributed assets and recoverable works which can vary from year to year depending on economic conditions and government initiatives. A large component of the recoverable works income is received from the Murray-Darling Basin Authority for management and works on the Murray River, which increased by $9 million this year for work conducted that was delayed from 2012 due to higher river levels in that year. Contributed assets decreased by $18 million due mainly to the downward trend in building market activity.

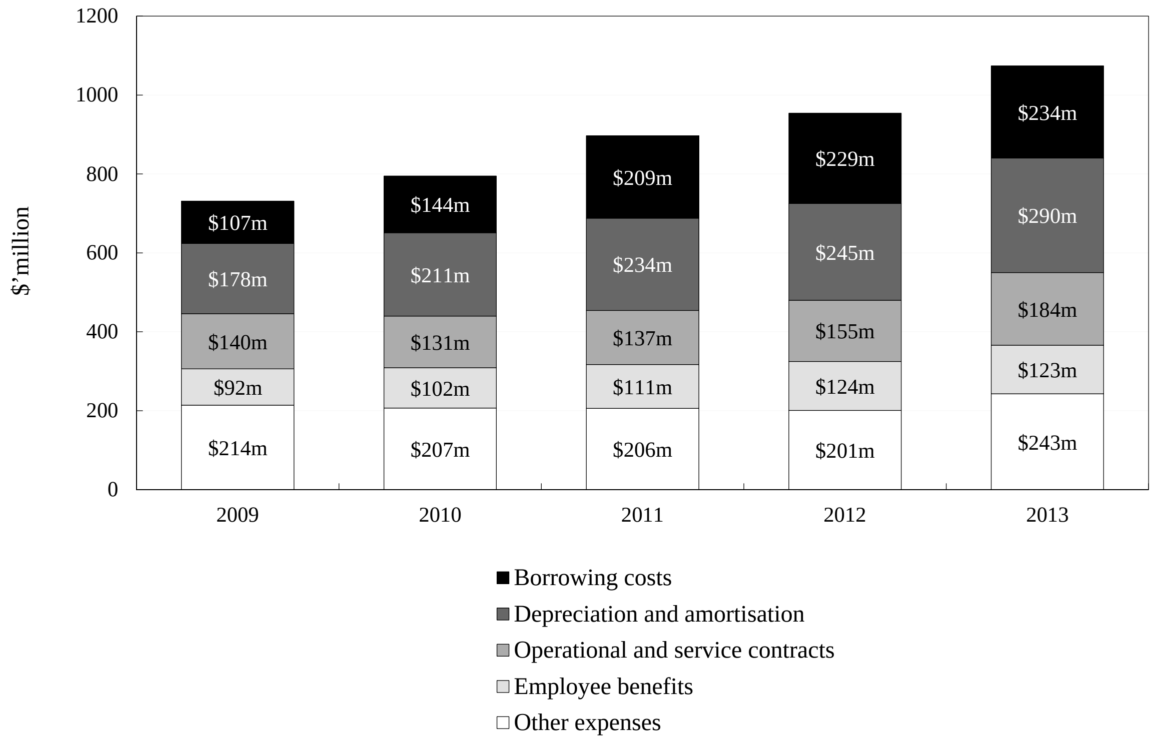
Miscellaneous income increased by $11 million and includes the settlement amount for United Water. Refer last year's Report for details on the dispute between SA Water and United Water.

Expenses

Total expenses increased by $120 million to $1.1 billion. The major contributing components were:

- depreciation and amortisation increased by $45 million due mainly to assets being completed and commencing depreciation - for example the ADP, Christies Beach and Bird in Hand wastewater treatment plant upgrades and Southern Urban Reuse Pipeline. In addition the useful life of computer software was revised (refer note 6)
- operational and service contracts increased by $29 million due mainly to:
  - the ADP commencing significant production during 2013 resulting in additional expenditure of $24 million
  - Metro Alliance contract costs increasing by $12 million to $98 million arising from service scope changes and higher costs mainly for labour, materials and electricity
- borrowing costs increased by 2% or $5 million due mainly to borrowings to fund capital projects being offset by lower interest rates
- other expenses increased by $42 million due mainly to:
  - an increase in electricity costs of $26 million due mainly to the operation of the ADP, higher levels of major pumping and increased electricity costs
  - an increase in write-down of infrastructure, plant and equipment of $8 million
  - an increase in write-off capital works in progress of $6 million for development funding for projects that have not proceeded. The main projects relate to wastewater services to the new development at Mount Barker and Murray Bridge.

The following chart analyses the main expense items for SA Water for the five years to 2013.



Since 2009 expenses have increased by $343 million (47%). Major factors affecting expenses are:

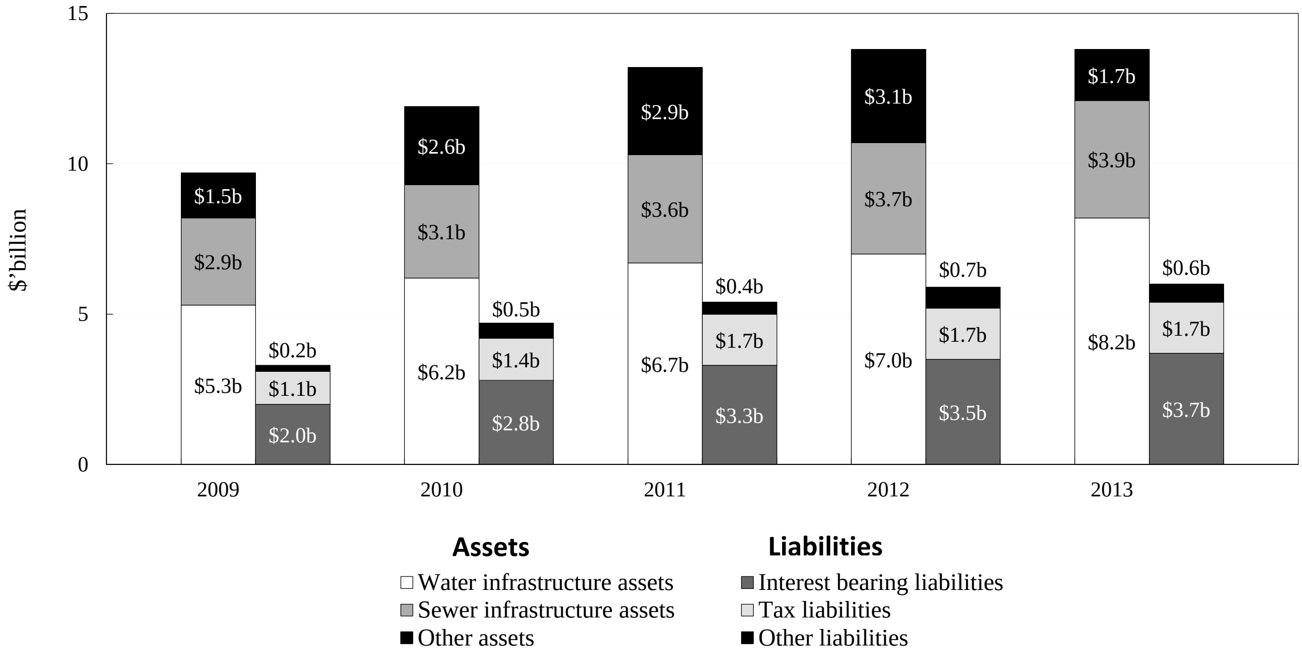
- increased borrowing costs since 2009 due mainly to additional borrowings to fund the construction and acquisition of assets
- depreciation and amortisation costs continuing to grow significantly in line with the impact of asset revaluations and additions. Over the past four years this expense has increased by $112 million, primarily due to asset revaluations
- increasing operational and service contracts expenses due mainly to water security activities and increased costs
- from 2009 to 2012 the increase in employee benefits exceeded salary rate increases due to additional staff hired to meet workload demand from water restrictions, drought initiatives and capital and operational projects
- for other expenses:
  - electricity costs were higher in 2009 due to additional pumping of water and high in 2013 due to the commencement of the operation of the ADP and additional pumping of water
  - from 2012 SA Water was required to pay new expenditure of $16 million p.a. for water planning and management to the responsible government agency
  - a water efficiency rebates scheme was introduced in 2008 and grew in 2009 and 2010 and reduced in 2012 when a number of rebates ceased
  - there was an increase in the level of recoverable works since 2008. The level of works varies from year to year depending on economic conditions and government initiatives. In 2012 recoverable Murray River works declined due to high river levels.

Other comprehensive income

Other comprehensive income recorded a loss of $100 million ($108 million gain), attributable mainly to the revaluation downwards of assets.

Statement of Financial Position

A structural analysis of assets and liabilities for the five years to 2013 is shown in the following chart.



SA Water's financial position is dominated by non-current water and sewer infrastructure assets and related borrowings and tax liabilities. The chart shows that for the period from 2009 to 2012 total assets increased significantly reflecting:

- a large expenditure and on capital projects such as the ADP and the North South Interconnection System project (NSISP)
- significant increases in assets from revaluations.

In 2013 total assets were $13.8 billion ($13.8 billion), remaining at a similar level to the previous year. Significant matters affecting assets during the year were the:

- acquisition of infrastructure, plant and equipment of $449 million. Major capital expenditure includes NSISP $76 million, ADP $79 million, Christies Beach wastewater treatment plant capacity upgrade $16 million, Bolivar wastewater treatment plant upgrade $14 million, Bolivar wastewater treatment plant energy use optimisation $14 million, water and wastewater extensions and connections $21 million and assets contributed through development activity $28 million

- revaluation of infrastructure, plant and equipment by $142 million downwards. The combined revaluations from 2008 to 2012 amounted to $3.1 billion. Revaluation of assets is based on independent valuation or director's valuation and is determined by using current contract rates for various asset types or applying an indexation factor based on the price of new construction outputs. Note 1(e) to the financial statements details SA Water's revaluation policies

- depreciation and amortisation charges of $290 million

- increase in receivables of $53 million mainly due to the increase in water and wastewater rates receivable of $44 million, resulting mainly from increased prices and water sales (refer to income analysis above) and an increase in past due receivables with negotiated terms at balance date, which increased by $5 million to $14 million (refer note 8(b) to the financial statements).

In 2013 liabilities increased by $129 million due mainly to a combination of:

- an increase in borrowings of $176 million to fund non-current asset additions

- a decrease in payables of $57 million

- a decrease in deferred tax liabilities of $63 million due mainly to the tax effect of revaluing assets

- an increase in the balance of government grants recognised as unearned of $41 million. Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue and then transferred to income over the life of the asset. Note 1(c) to the financial statements explains the accounting process. The major grant amounts received during 2013 were for the ADP

- an increase in current tax liabilities of $27 million due mainly to the increase in profit and timing of tax payments.

Current assets and liabilities

At 30 June 2013 current liabilities amounted to $262 million ($272 million), exceeding current assets of $243 million ($186 million) by $19 million ($86 million). While such a large deficiency in working capital can be of concern, SA Water has a strong cash flow position from operating activities and access to sufficient borrowing facilities with SAFA which would enable all of its current liabilities to be met. A large component of current liabilities is payables, which includes obligations for capital purchases.

Statement of Cash Flows

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

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash flows					
Operating	538	637	396	444	331
Investing	(473)	(602)	(722)	(1 140)	(649)
Financing	(65)	(34)	326	696	317
Change in cash	-	1	-	-	(1)
Cash at 30 June	2	2	1	1	1

Factors affecting cash flows include:

- the large level of investment in the construction and purchase of infrastructure, plant and equipment. In 2013 investing payments for assets amounted to $478 million ($608 million). Since 2009 total payments for assets amounted to $3.6 billion
- payment of a dividend to the Government. This amounted to $236 million ($218 million) in 2013
- increased net borrowings. In 2013 net cash flows from borrowings were $176 million ($189 million).

Further commentary on operations

Performance statement

As a public corporation SA Water is bound by a charter and is also required to meet a range of performance targets set out in an annual performance statement, as agreed between SA Water, the then Minister for Water and the Treasurer. The performance statement defines the contribution to the Government in terms of dividends, repayment of capital, income tax equivalents and other taxes and rates.

The key financial performance measures agreed to in the performance statement are set out in the following table.

Performance measure	Target 2012-13	Actual result 2012-13
Profit ($'million)	314.7	362.7
Tax expense ($'million)	94.4	99.0
Dividend ($'million)	209.2	235.8
Total contribution ($'million)	303.6	334.8
Gearing ratio (%)(1)	25.4%	26.5%

(1) (Total interest bearing debt including borrowings and lease liabilities) divided by (total assets).

SA Water has exceeded the planned profit before tax by $48 million. SA Water internal reporting indicates major contributing factors were:

- higher than planned income from rates and charges of $11 million due mainly to water sales

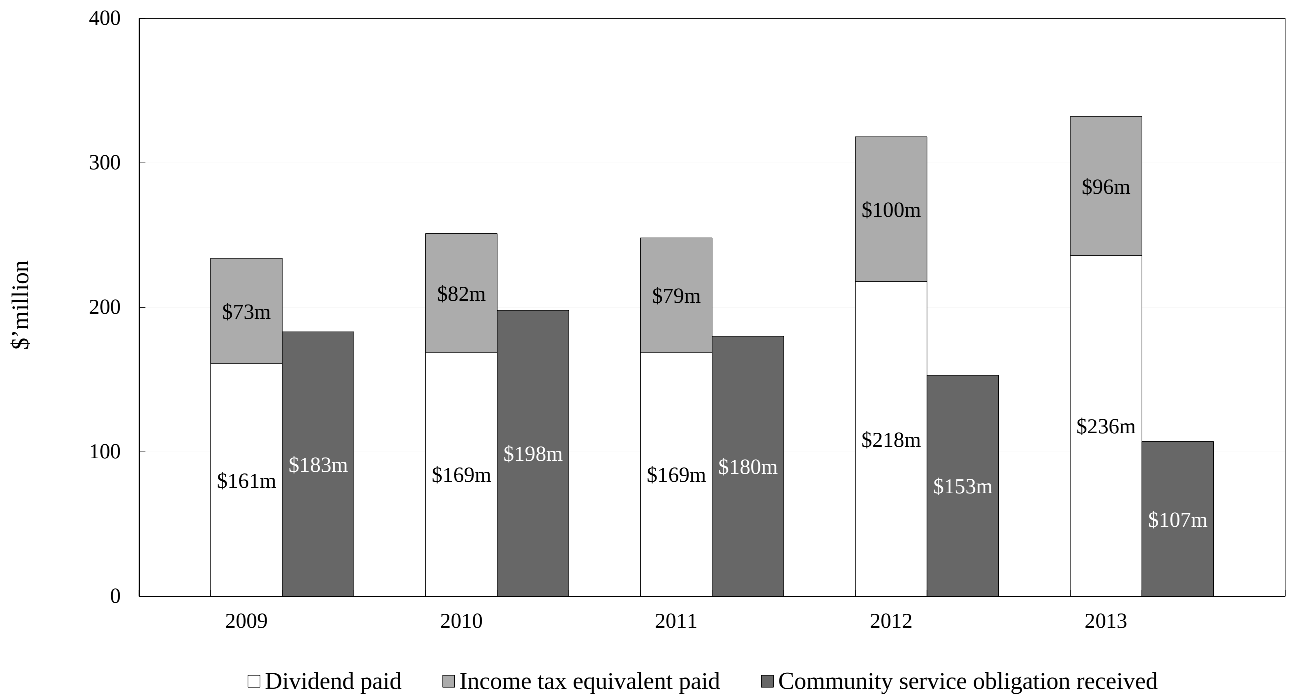
- lower than planned operating expenditure in the order of $28 million for the Adelaide desalination plant (refer to commentary under 'ADP' below)
- lower than planned financing costs of $13 million due mainly to lower interest rates
- higher than planned expenditure for the Metropolitan Alliance contract of $6 million
- higher than planned spend on pumping (electricity) of $5 million due to increased water sales.

It is important to note that some of these factors are not under the control of SA Water.

Commentary on SA Water's gearing ratio is included under 'Contributions to the State Government' below.

Contributions to the State Government

A structural analysis of particular cash contributions (dividends, income tax equivalent) paid to the Government and CSO funding provided by the Government for the five years to 2013 is shown in the following chart.



The above chart shows that the amount of money returned to the SA Government through tax equivalent and dividend increased significantly since 2012. In 2009, 2010 and 2011 the CSO funding exceeded the dividend.

SA Water operates under a financial ownership framework developed by DTF for public non-financial corporations. It was implemented in 2005-06. The main features of the framework are:

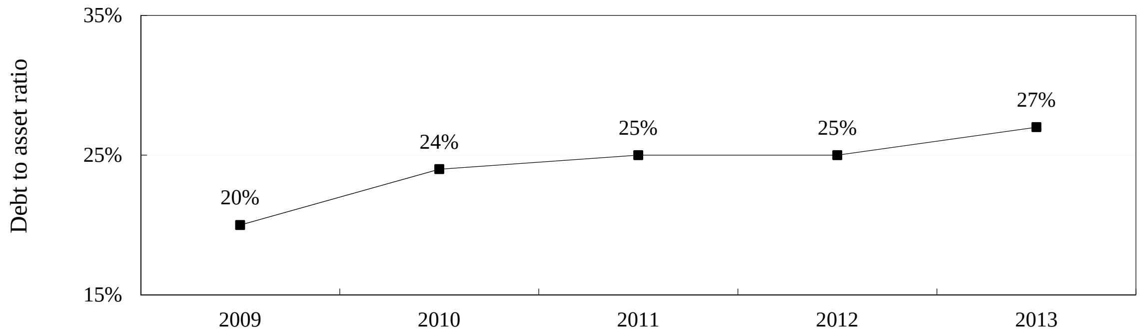
- debt to total assets ratio range of 15-25%
- dividend payout ratio of 95% based on after tax profit
- arrangements for the Government to purchase non-commercial services for which CSO payments are made.

The following table summarises movements in the major items influencing borrowings.

	2013 $'million	2012 $'million	2011 $'million	2010 $'million	2009 $'million
Net cash inflows from operating activities	538	637	396	444	331
Net cash outflows from investing activities	(473)	(602)	(722)	(1 140)	(649)
Surplus (Shortfall in) cash from operations after investing activities	65	35	(326)	(696)	(318)
Dividend payments to owners	(236)	(218)	(169)	(169)	(161)
Shortfall in funds to pay for dividends and investing activities	(171)	(183)	(495)	(865)	(479)
Net increase in borrowings	176	189	500	870	482

To meet its payment obligations to government and finance its capital works programs SA Water's net increase in borrowings has risen significantly. Since 2009, borrowings have increased by $1.7 billion to $3.6 billion.

The following graph presents movements in the debt to asset ratio for the five years to 2013.



The financial ownership framework gearing ratio range was 15-25% with a long-term target of 20%. From 2010, due to borrowings to fund capital works (discussed above), the ratio exceeded the long-term target. It is noted that a higher percentage was envisaged by the annual performance statement debt/asset ratio target, which established a target of 25.4%.

Water industry legislation

The *Water Industry Act 2012* (the Act) commenced on 1 July 2012. The Act replaced the *Waterworks Act 1932*, *Water Conservation Act 1936* and *Sewerage Act 1929*. The Act, inter alia, aims to:

- facilitate planning in connection with water demand and supply
- regulate the water industry, including by providing for the establishment of a licensing regime and providing for the regulation of prices, customer service standards, technical standards for water and sewerage infrastructure and installations and plumbing, and by providing performance monitoring of the water industry
- provide for other measures relevant to the use and management of water.

Certain sections of the Act were not operational until 1 January 2013 via transitional provisions.

The Act appoints the Essential Services Commission of South Australia (ESCOSA) as the independent economic regulator for the South Australian water industry. SA Water operates within the requirements of the Act by holding a licence, and continuing to provide water supply and sewerage services.

Wastewater and water rates and charges

For the periods 2011-12 and 2012-13, the setting water prices were covered by regulatory statements issued by the Government. Last year's Report commented on price setting prior to the commencement of the Act.

In summary the regulatory statements for drinking water and sewerage services for SA Water customers would result in the following for the periods 2011-12 and 2012-13.

	2012-13 % increase on average	2011-12 % increase on average
Drinking water charges	25.0%	26.3%
Metropolitan sewerage charges	3.3%	5.5%
Country sewerage charges	3.8%	6.0%

The regulatory statements indicated the significant increase in drinking water charges reflects SA Water's continued investment in securing South Australia's drinking water supply, including the ADP and NSISP.

In addition for 2012-13, the Government applied a one-off water security rebate of up to $75 to SA Water's residential drinking water customers' bills from 1 January 2013. The rebate was applied directly to customer accounts and is therefore not recognised in SA Water's financial statements. The total value of rebates provided was $42 million.

Pricing 2013-14

ESCOSA

As mentioned above the Act appoints ESCOSA as the independent economic regulator for the South Australian water industry. ESCOSA commenced its role as economic regulator of the water industry in South Australia on 1 January 2013. The Act establishes ESCOSA as the body responsible to make price determinations.

ESCOSA is responsible for economic regulation for SA Water commencing 1 July 2013. In making price determinations the Act requires ESCOSA to comply with the requirements of any pricing order issued by the Treasurer under the Act.

Pricing orders

The Treasurer issued two pricing orders. The first pricing order issued in September 2012 included the requirement that ESCOSA:

- adopt the initial regulatory period of three years commencing 1 July 2013 as part of the determination
- only determine the revenue (not the price) that may be derived from the provision of drinking and sewerage retail services (separately)
- may apply either a revenue cap, average revenue cap or combination of the two as the form of price regulation for drinking water and sewerage services
- include a mechanism that allows for the adjustment of the allowable revenue where ESCOSA determines there to be a relevant and material variation between forecast and actual rates of water consumption or sewerage connections

- adopt the National Water Initiative principles subject to allowing SA Water to recover certain non-commercial activities, externalities and water and planning management charges in accordance with a direction under section 6 of the PCA.

The second pricing order issued in May 2013 included the requirement that ESCOSA:

- adopt specified values for SA Water's retail water and sewerage regulatory asset bases (RAB), at $7.77 billion and $3.58 billion respectively as at 1 July 2013 (in December 2012 dollars)

- adopt an annual demand forecast of 190 gigalitres of water for each year of the initial regulatory period.

Ministerial direction

Under the PCA and the *South Australian Water Corporation Act 1994* SA Water is subject to the control and direction of the Minister for Water and the River Murray (the Minister). On 9 May 2013 the Minister issued a direction to SA Water under these Acts.

The direction recognised the *Water Industry Act 2012* and that ESCOSA must make a determination that complies with any pricing order issued by the Treasurer. The pricing order provides for the ESCOSA determination to consider the directions from the Minister (refer to 'Pricing orders' above).

The Minister considered it appropriate to direct SA Water to:

- provide certain services in addition to the services it is required to provide pursuant to section 7 of the *South Australian Water Corporation Act 1994* and the Charter for SA Water. These included compliance with the State Emergency Management plan, participation in the South Australian Government Radio Network, administration of the Save the River Murray levy and fluoridation services. The cost of the aforementioned areas excluding fluoridation services was specified at about $1.1 million in each year of the initial regulatory period, for which SA Water would receive an equivalent contribution from the SA Government (ie CSO). No cost or recovery was specified for fluoridation services

- purchase renewable energy or renewable energy certificates for the purpose of operating the Adelaide desalination plant

- maintain state-wide pricing in respect of the drinking water and sewerage retail services it provides to customers. This required that tariffs or tariff components for drinking water and sewerage retail services must be the same, or result in a similar outcome, for all customers in an equivalent class irrespective of the customer's location. SA Government contributions (ie CSO) payments for state-wide pricing were $67.4 million for drinking water retail services and $40.2 million for sewerage retail services for each year of the initial regulatory period

- contribute to the Department of Environment, Water and Natural Resources to support water planning and management activities. The SA Water contributions were determined at $16.7 million for 2013-14, $17.1 million for 2014-15 and $17.6 million for 2015-16

- reimburse the Minister for fees paid to the Valuer-General for a copy of the valuation roll. The SA Water contributions were determined at $4.4 million for 2013-14, $4.6 million for 2014-15 and $4.8 million for 2015-16.

The costs of these directions may be recovered by SA Water in accordance with the terms of the initial pricing order (ie where not covered by a CSO or where the CSO is not sufficient).

ESCOSA determination

On 27 May 2013 ESCOSA issued a final determination of the amount of revenue that can be recovered by SA Water from drinking water retail services and sewerage retail services for the three year period commencing 1 July 2013.

For both drinking water retail and sewage retail services ESCOSA determined that the (maximum) average revenue control cap price regulation method be used for both drinking water retail services and sewerage retail services. These were set at $4.098 per kilolitre for drinking water retail services and $610.113 per connection for sewerage retail services. The determination allowed the average revenue from both services to increase by the annual change in CPI in 2014-15 and 2015-16.

The determination included forecast revenues for drinking water retail services and sewerage retail services in each regulatory year as follows:

	2013-14	2014-15	2015-16
	$'million	$'million	$'million
Drinking water retail services(1)	778.715	778.715	778.715
Sewerage retail services(2)	353.189	356.368	359.575

(1) Assumption 190 gigalitres each year.

(2) Assumption of connections of 578 892 in 2013-14, 584 102 in 2014-15 and 589 359 in 2015-16.

(3) No allowance has been made for CPI increases in the table, however the determination includes a mechanism to adjust for inflation.

In its 'Final Determination - Statement of Reasons' document of May 2013, supporting the price determination, ESCOSA set out:

- the impacts of the Treasurer's pricing orders on ESCOSA's assessment and determination of SA Water's average revenues
- in nominal terms (including inflation), SA Water's average revenue from drinking water services would fall by 5.5% and average revenue from sewerage services would increase by 1.6% on 1 July 2013. As noted earlier average prices are allowed only to increase by CPI in 2014-15 and 2015-16.

Important elements to the average revenue reductions by ESCOSA were:

- setting capital and operating expenditure at $166 million and $145 million lower than was proposed by SA Water during the three year period
- a significant reduction in financing costs - the weighted average cost of capital. ESCOSA noted that this impact was, however, largely offset by the Treasurer's decision to increase the value of SA Water's RAB in the second pricing order.

SA Water pricing 2013-14

SA Water is responsible for setting the prices charged to consumers during the three year regulatory period. Those prices must comply with ESCOSA's revenue determination.

SA Water announced the new water and sewerage prices that came into effect on 1 July 2013 were expected to result in the average total SA Water bill for residential customers in 2013-14 decreasing by approximately $45.

SA Water water prices vary according to customer type, property location. A large component of SA Water water prices is residential customers. The charges for water for residential customers for the four years to 2013-14 are detailed below:

	2013-14	2012-13	2011-12	2010-11
Residential water charges	$	$	$	$
First tier: first 0.3288kL per day	2.26/kL	2.42/kL	1.93/kL	1.28/kL
Second tier: from 0.3288kL to 1.4247kL per day	3.23/kL	3.45/kL	2.75/kL	2.48/kL
Third tier: over 1.4247kL per day	3.49/kL	3.73/kL	2.98/kL	2.98/kL
Annual residential water supply charge per year	274.80	293.00	234.60	142.40

Under the ESCOSA determination SA Water must prepare a Statement of Compliance. This document indicated SA Water will comply with the maximum average revenue in 2013-14 by:

- decreasing water rates and charges on average by 6.4% nominal (ie including inflation)
- increasing average sewerage rates and charges by 1.6% nominal (ie including inflation) for metropolitan customers and 2.1% for country customers.

The statement of compliance also compared the average revenue in the 2012-13 regulatory statement to the determination by ESCOSA:

	ESCOSA determination 2013-14	Regulatory statement 2012-13
	$	$
Water services: average revenue ($/kL)	4.098	4.34
Sewerage services: average revenue ($/connection)	610.113	600.40

Asset value accounting matters

As part of the determination of prices for water and sewerage services ESCOSA considers the appropriate RAB. As detailed above, the RAB was determined by the Treasurer in the second pricing order.

The RAB differs from the value of assets reported in SA Water's financial statements. The total RAB assets as at 1 July 2013 as specified in the pricing order was $11.35 billion (comprising $7.77 billion for water services and $3.58 billion for sewerage services). This compares to SA Water's total assets at 30 June 2013 of $13.83 billion. In making this comparison it is important to note that SA Water's practice is to revalue the majority of its assets at 1 July each year. The outcome of the valuation for 1 July 2013 will not be available until next year.

SA Water values the majority of its assets at fair value. In many organisations fair value can be assessed from recent market trading information. However, the determination of fair value for large infrastructure agencies such as SA Water is difficult because reliable market information is not available due to the absence of readily observable market values. SA Water estimates the fair value of the majority of its assets on the basis of written down current cost being the lower of written down reproduction or written down replacement cost (refer note 1(e) to the financial statements).

Under the current regulatory parameters, the RAB, as determined by the Treasurer, is the value of assets on which regulatory revenues are determined. Asset earning capacity provides information relevant to determining the market value of assets.

Given the difference in the RAB and financial statement asset values, SA Water investigated, with the assistance of DTF and an accounting firm, whether the establishment of the RAB was an indication that the asset values adopted for financial reporting were impaired (ie overvalued).

Important considerations noted were that the RAB is based on the perspective of the current owner rather than what a willing buyer would pay for the asset and that the RAB value in isolation is not an appropriate valuation to adopt for accounting standard purposes. Evidence was available that where infrastructure utilities are traded they achieve sales prices in a range in excess of the published RAB value. SA Water's financial statements assets value was determined as being within a reasonable range.

SA Water concluded that the assets do not need to be subjected to further investigation of impairment, since the financial statement values are likely to be materially within the range of market values.

Contract management

SA Water delivers significant aspects of its services through the use of contractual arrangements. Notes 1(u) and 1(v) to the financial statements briefly explain the particulars of two major arrangements. Note 30 to the financial statements provides details of expenditure commitments pursuant to contracts.

At 30 June 2013 total commitments amounted to $137 million for capital contracts and $2 billion for other contracts (excluding lease and remuneration commitments) extending over terms of up to 20 years.

Significant operational contracts in place include the:

- operations management and maintenance alliance contract for Adelaide's metropolitan water and wastewater services, which commenced on 1 July 2011 for a term of 10 years, plus an option for SA Water to extend the contract for a further six years in 12 month increments
- operations and maintenance contract for the Adelaide desalination plant for a term of 20 years from the handover of the plant on 12 December 2012
- electricity contract to provide power to operate the Adelaide desalination plant.

In addition SA Water has contracted certain metropolitan project management and procurement processes from 1 July 2011 for a period of five years with an option for SA Water to extend the contract each year up to five years.

A structured and well developed contract management framework and process ensures contractual relationships are properly managed, deliverables provided to the required standard and within the agreed timeframe, and all parties meet their contractual obligations. Contracts should be actively managed throughout the duration of the contract within the effective contract framework.

This and previous Reports include comments on audit findings arising from reviews of procurement and contract management practices. Under the heading 'Communication of audit matters' earlier in this section of this Report comment is made on the status of contract management for the ADP. Audit is progressing a review of aspects of the contract management framework and process for the operations management and maintenance alliance arrangement for Adelaide's metropolitan water and wastewater services.

Commentary on recent developments on the ADP and NSISP follow.

ADP

Introduction

The ADP is a major construction undertaking, which commenced in 2008-09. The objective of the project is to construct and operate infrastructure that obtains and treats seawater to produce drinking quality water. The desalination plant handover to operator occurred on 12 December 2012.

It is important to note the context in which the ADP was approved. At the time of approval of the ADP the Government was concerned with water security arising from a prolonged drought and resultant water availability and quality considerations. In response Cabinet approved the ADP procurement in February 2008. The 2008-09 Report provided a summary of major events including the Government approvals and key contracts entered into at that time (refer to that Report for this information).

Governance arrangements

The delivery of the ADP was governed by the SA Water Board and the Adelaide Desalination Project Steering Committee. This committee was disbanded in December 2012.

During the construction phase the SA Water Board received monthly reports on the progress of the ADP. A project director was appointed and separate project team established within SA Water which had responsibility for executing the procurement and delivery arrangements for the ADP.

Major project components

The major ADP construction contracts were for the:

- design and construction of the desalination plant and associated marine works (DC contract)
- design and construction of the transfer pipeline system (TPS contract)
- construction of power supply infrastructure.

The major non-construction contracts are for the:

- operation and maintenance of the desalination plant (O&M contract)
- power to operate the desalination plant.

Last year's Report provided commentary on the developments for the main contracts for the project. The Report noted that matters associated with the TPS and power supply contracts were completed in that year (refer to last year's Report for details).

Developments during 2012-13

The desalination plant handover to the operator occurred on 12 December 2012. While handover to the operator has occurred, there is continuing work to address deferred items and defects. In addition there is a 24 month defects correction period.

The total estimated cost of the ADP remains within the Cabinet approved capital budget of $1.824 billion. As at 30 June 2013 $1.775 billion had been spent. Of this, $1.766 billion ($283 million) has been transferred from capital work in progress to infrastructure, property plant and equipment, and intangibles.

Internal SA Water management reports indicate that the forecast capital costs will remain within the Cabinet approved budget of $1.824 billion.

DC contract

This is the largest single contract associated with the ADP and is for the design and construction of the desalination plant and associated marine works. The contract was awarded in February 2009 for a 50 gigalitre plant with the option to expand to 100 gigalitre capacity (by building another 50 gigalitre desalination plant) being exercised in June 2009.

The Public Works Committee approval for the ADP expansion works indicated practical completion by August 2012 with handover occurring by the end of December 2012.

Last year's Report noted that the 50 gigalitre capacity plant achieved 'first water' to contractual specifications in October 2011, compared to the milestone target of end of December 2010. At the time of preparing that Report, plant handover for the 50 gigalitre plant and the 100 gigalitre expansion had not occurred.

In May 2012 SA Water and the DC contractor negotiated a deed of settlement that targeted project handover for all works by the DC contractor by 22 December 2012. Importantly, the deed of settlement related to both the construction and the operational and maintenance contracts, and was consequently signed by SA Water, the DC contractor and the operator. Last year's Report provided comments on the circumstances and issues leading up to the deed of settlement.

As noted above the desalination plant handover to the operator occurred on 12 December 2012. To achieve handover SA Water, the DC contractor and the operator made further changes to arrangements since the deed of settlement as to how handover would be achieved, the commencement of the operations and maintenance phase, and other related matters. Project handover occurred on 12 December 2012 and a deed of handover was executed between SA Water, the DC contractor and the operator.

The purpose of the deed of handover was to confirm, supplement and amend the deed of settlement to reduce any risks arising from the period from the signing of the deed of settlement to handover. The deed of handover included:

- a revised contract total, payment arrangements and milestones
- a statement covering a Deferred Items program for minor defects and minor uncompleted items as at the date of Project Handover which are required to be rectified during the 24 month Warranty and Proving period or as amended by agreement in accordance with the Deed of Handover
- detailed management arrangements to progress the completion of deferred items and resolution of newly identified defects.

The deed of handover was reviewed and approved by the SA Water Board. Prior to the approval the SA Water Board considered legal counsel from Crown Law and other external legal advisors, and a risk assessment on the project.

The contracts with the DC contractor provide for a 24 month period in which SA Water can raise defects. An additional correction period of 24 months is provided from the time of rectification. The defects correction period cannot exceed 48 months from the date of handover.

The deed of handover payment regime provides for an amount from the total contract sum to be withheld until satisfactory completion of works. In addition SA Water has retained bank guarantees.

O&M contract

The O&M contract was awarded in February 2009 and provides for the operator to operate and maintain the desalination plant for a period of 20 years from project handover of the 50 gigalitre capacity plant. Under the contract the volume of water to be produced by the operator is specified by SA Water. The operator took control of the plant from handover on 12 December 2012.

To ensure that the operation and maintenance of the desalination plant is integrated with the plant's design and construction, the operator is required to be heavily involved in the design, testing, commissioning and process proving of the desalination plant before project handover. In addition, the operator must prepare and implement operator management plans. To facilitate this, the operator has been involved in the project since inception.

The operator receives payment for these activities and for any desalinated water delivered to SA Water.

As discussed above the operator also signed the deed of settlement, which provided for an additional payment to the operator to compensate for costs it had incurred to date, to accept risk of defects and support the DC contractor completion timeline.

The operator was also party to the deed of handover, which included requiring the operator to accept the desalination plant for the purpose of performing its obligations and acknowledge and agree that the completion of deferred items will not affect the operator's ability to satisfy its contractual obligations

The deed of handover had no further impact on the O&M contract sum.

SA Water's 2012-13 financial statements include expenditure of $28.8 million for operating the plant. Approximately 39 gigalitres of water was produced in 2012-13.

Power supply contract

As part of the approval for the ADP, a commitment was made that renewable energy would be used for the production of the desalinated water and the transfer of this water to the distribution network. In September 2009 SA Water entered into a 20 year contract for the supply of operational power for the ADP. The contract includes the requirement to purchase a minimum number of renewable energy certificates (refer note 1(v) to the financial statements).

SA Water's 2012-13 financial statements include expenditure of $18.6 million for operational power (including relevant used renewable energy certificates). In addition, a current asset of $6.6 million was recorded for renewable energy certificates acquired but not yet used (refer note 10 to the financial statements).

ADP Commonwealth funding

The Commonwealth Government committed funding of $328 million towards cost of the ADP. The funding was provided under the National Partnership Agreement and comprised two separate components, being $100 million for the 50 gigalitre p.a. plant and $228 million for expansion to a 100 gigalitre p.a. plant.

As at 30 June 2013 all grant funding was received by SA Water with $46 million received during 2012-13.

The Commonwealth grants have been recorded in other liabilities as unearned income and will be systematically recognised as income over the life of the plant (refer notes 1(c), 19 and 25 to the financial statements).

ADP depreciation expense

From handover of the desalination plant to the operator on 12 December 2012 the plant was ready for use and consequently depreciation was recognised. The total depreciation expense (including intangible asset) related to the ADP amounted to $28 million ($4 million).

NSISP

Major project components

Adelaide has discrete northern and southern water supply systems. The aim of the project is to connect the northern and southern water supply systems to enable the ability to transfer large volumes of water between the systems. The NSISP is a major construction undertaking which will enable full utilisation of the capacity of reservoirs and the Adelaide desalination plant between the two systems.

Project approvals

In July 2009 Cabinet approved expenditure of $30 million to undertake preliminary works (excluding construction) for the NSISP. These works were for the preliminary scoping, feasibility and concept work to develop a system interconnection design solution.

In November 2010 Cabinet approved $403 million for the NSISP, which included the $30 million for the preliminary works and $13 million in previous sunk costs incurred in prior financial years. Approval was also provided for ongoing costs for operation and maintenance.

Governance arrangements

Governance arrangements for the project are facilitated through a steering committee, project sponsor, project director and other specific advisory and management groups.

Project expenditure

As at 30 June 2013 total expenditure on works for the NSISP was $379 million ($306 million).

Statement of Comprehensive Income
for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Income:			
Revenue from ordinary activities	4	1 436 005	1 269 964
Other income	5	576	1 258
Total income		1 436 581	1 271 222
Expenses:			
Depreciation and amortisation expense	6	290 080	245 514
Borrowing costs	6	233 873	228 586
Electricity expense		54 560	28 886
Services and supplies		187 713	171 838
Operational and service contracts	6	184 335	155 135
Employee benefits expenses		123 315	123 884
Total expenses		1 073 876	953 843
Profit (Loss) before income tax equivalents		362 705	317 379
Income tax expense	7	98 982	95 283
Profit (Loss) after income tax equivalents		263 723	222 096
Other comprehensive income:			
Gain (Loss) on revaluation of infrastructure, plant and equipment assets	29(a)	(141 879)	146 331
Revaluation of financial assets		1 812	1 741
Income tax relating to components of other comprehensive income	7(c)	(40 310)	(39 934)
Total other comprehensive income, net of tax		(99 757)	108 138
Total comprehensive result		163 966	330 234

Total comprehensive result is attributable to the SA Government as owner

Statement of Financial Position
as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets:			
Cash and cash equivalents	26	1 856	1 878
Receivables	8	224 985	171 526
Inventories	9	5 113	4 834
Derivative financial instruments	22	-	154
Other current assets	10	10 862	7 212
Total current assets		242 816	185 604
Non-current assets:			
Available-for-sale financial assets	11	23 919	22 107
Deferred tax assets	12	36 527	34 845
Intangible assets	13	198 593	214 143
Infrastructure, plant and equipment	14	13 330 507	13 317 783
Total non-current assets		13 589 546	13 588 878
Total assets		13 832 362	13 774 482
Current liabilities:			
Payables	15	147 614	204 640
Financial liabilities/borrowings	16	23 364	21 691
Tax liabilities	17	36 469	9 468
Provisions	18	18 010	18 122
Derivative financial instruments	22	-	249
Other current liabilities	19	37 027	17 501
Total current liabilities		262 484	271 671
Non-current liabilities:			
Payables	20	2 631	2 985
Financial liabilities/borrowings	21	3 649 107	3 480 471
Deferred tax liabilities	23	1 631 583	1 694 677
Provisions	24	32 934	34 920
Other non-current liabilities	25	403 715	368 041
Total non-current liabilities		5 719 970	5 581 094
Total liabilities		5 982 454	5 852 765
Net assets		7 849 908	7 921 717
Equity:			
Contributed equity		173 610	173 610
Revaluation surplus	29(a)	7 395 614	7 497 824
Retained earnings	29(b)	280 684	250 283
Total equity		7 849 908	7 921 717

Total equity is attributable to the SA Government as owner

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

	Note	Contributed equity $'000	Revaluation surplus $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2011		173 610	7 404 010	231 909	7 809 529
Profit for the year		-	-	222 096	222 096
Gain on revaluation on infrastructure, plant and equipment assets	29	-	146 331	-	146 331
Revaluation of investment in unlisted shares	29	-	1 741	-	1 741
Transfer to retained profits on disposal	29	-	(14 324)	-	(14 324)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	-	14 324	14 324
Income tax relating to components of other comprehensive income	7(c)	-	(39 934)	-	(39 934)
Total comprehensive result for the year		-	93 814	236 420	330 234
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(218 046)	(218 046)
Balance at 30 June 2012		173 610	7 497 824	250 283	7 921 717
Balance at 1 July 2012		173 610	7 497 824	250 283	7 921 717
Profit for the year		-	-	263 723	263 723
Loss on revaluation on infrastructure, plant and equipment assets	29	-	(141 879)	-	(141 879)
Revaluation of investment in unlisted shares	29	-	1 812	-	1 812
Transfer to retained profits on disposal	29	-	(2 453)	-	(2 453)
Transfer from infrastructure, plant and equipment revaluation surplus	29	-	-	2 453	2 453
Income tax relating to components of other comprehensive income	7(c)	-	40 310	-	40 310
Total comprehensive result for the year		-	(102 210)	266 176	163 966
Transactions with the SA Government in their capacity as owners:					
Dividends provided for or paid	33	-	-	(235 775)	(235 775)
Balance at 30 June 2013		173 610	7 395 614	280 684	7 849 908

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

Statement of Cash Flows for the year ended 30 June 2013

	Note	2013 Inflows (Outflows) $'000	2012 Inflows (Outflows) $'000
Cash flows from operating activities:			
Receipts from customers		1 311 630	1 095 457
Payments to suppliers and employees		(621 095)	(539 452)
Receipts from community service obligation funding		106 659	153 047
Receipts from contributions		19 534	21 453
Receipts from government grants		47 489	233 316
Interest received		920	1 537
Borrowing costs paid		(230 721)	(228 484)
Income taxes paid		(96 447)	(100 237)
Net cash inflows (outflows) from operating activities	27	537 969	636 637
Cash flows from investing activities:			
Payments for construction and purchase of infrastructure, plant and equipment		(466 904)	(598 810)
Payments for intangible assets		(11 266)	(9 558)
Proceeds from sale of intangible assets		4 364	5 598
Proceeds from sale of infrastructure, plant and equipment		1 281	395
Net cash inflows (outflows) from investing activities		(472 525)	(602 375)
Cash flows from financing activities:			
Proceeds from borrowings		1 366 700	1 389 540
Repayment of borrowings		(1 190 700)	(1 200 198)
Dividends paid	33	(235 775)	(218 046)
Repayment of finance lease liability		(5 691)	(5 090)
Net cash inflows (outflows) from financing activities		(65 466)	(33 794)
Net increase (decrease) in cash and cash equivalents		(22)	468
Cash and cash equivalents at 1 July		1 878	1 410
Cash and cash equivalents at 30 June	26	1 856	1 878

Notes to and forming part of the financial statements

1. Summary of significant accounting policies

The South Australian Water Corporation (SA Water or the Corporation) was established on 1 July 1995, as a State-owned statutory corporation by the *South Australian Water Corporation Act 1994*, to which the provisions of the PCA apply. SA Water provides retail water supply and sewerage services in accordance with its licence, provided by the *Water Industry Act 2012* which came into operation on 1 July 2012. The *Water Industry Act 2012* repeals the *Waterworks Act 1932*, *Sewerage Act 1929* and *Water Conservation Act 1936*.

The Corporation 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 Corporation has applied AASs that are applicable to for-profit entities, as the Corporation is a for-profit entity.

AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Corporation for the reporting period ending 30 June 2013.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with AASs and interpretations and the *Corporations Act 2001*. SA Water is a for-profit entity for the purpose of preparing the financial statements.

The preparation of financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Corporation'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 events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, which have been included in this financial report:
  - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) 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 Corporation to those employees.

The Corporation'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 and the comparative information presented.

The financial statements were authorised for issue by the Board.

Change in accounting policy

There have been no changes to accounting policy during the 2012-13 financial year.

Historical cost convention

These financial statements have been prepared in accordance with the historical cost convention, except for infrastructure, land, buildings, available-for-sale non-current financial assets which are stated using fair value as detailed in the relevant notes.

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.

Rounding

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

(b) Jointly controlled operations

The Corporation's interest in the joint venture operation is brought to account by including its proportionate share of the joint venture assets, liabilities, expenses and revenues on a line by line basis. For disclosure of the Corporation's interest in the joint venture operation refer note 31.

(c) Revenue recognition

Rates and charges

Revenue from water usage is based on water consumed throughout the year by customers. The annual water and sewer rates charges for a financial year are earned and billed during that financial year. Other rates and charges are based on amounts billed during the financial year ended 30 June 2013 (refer note 3).

Unbilled revenue

SA Water accrues the consumption and associated revenue that is calculated to have been consumed throughout the year. The underlying revenue recognition principle is to recognise revenue in the period it is earned, rather than billed. The calculation is based on state-wide water supplied, customer billing information, and an assessment of non-revenue water supplied.

Community service obligations (CSOs)

The Corporation is required under its charter to provide a number of non-commercial services to the community on behalf of the Government. The Government, after negotiations with SA Water, provides SA Water with funding to compensate for these non-commercial activities. The main CSOs relate to under recovery of country water and wastewater services (due to the requirement for state-wide pricing) and the provision of water and wastewater concessions to certain properties eg charities, churches and public schools.

The CSO revenue is recognised as the services are provided.

Contributed assets

Contributed assets principally arise from:

(i) consumers who make a contribution where a service or connection has been requested which requires construction of a new main

(ii) subdividers who make contributions where either:

  (a) water and sewerage infrastructures are constructed by subdividers and transferred to SA Water. The contribution recognised is equivalent to the Corporation's estimated cost of construction

  (b) the Corporation constructs the infrastructure at the subdivider's request.

Contributed assets are recognised at fair value when the assets are received. Contributions to constructed assets are recognised when the assets are constructed. Revenue received in advance of the assets construction is recorded as unearned revenue (refer note 19).

Disposal of non-current assets

The gain or loss on disposal of non-current assets is recognised at the date that control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of the disposal and net proceeds from the sale. Upon disposal or derecognition, any revaluation surplus relating to a particular asset being sold is transferred to retained earnings.

Recoverable works

Revenue derived from the provision of services to external parties is recognised to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured.

Government grants

In accordance with AASB 120 grants from the Government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Corporation will comply with all attached conditions to the grant.

Government grants relating to construction of infrastructure, plant and equipment are initially recognised as unearned revenue (current and non-current liability) and then transferred to income over the periods, and in the proportions, in which depreciation on those assets is charged.

The Corporation received grant funding in 2012-13 amounting to $46.2 million ($232.4 million). For 2012-13 the projects are: Adelaide Airport Stormwater Scheme, the Port Wakefield supply upgrade and the Adelaide Desalination Plant (ADP) (refer notes 19 and 25).

(d) Expenses

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

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

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Corporation to the superannuation plan in respect of current services of current staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Supplies and services

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Corporation. These items are recognised as an expense in the reporting period in which they are incurred. The Corporation undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

Operational and service contracts

Operational and service contracts include the Metro Alliance contract (Allwater), the ADP operations and maintenance contract, contracts relating to ICT and treatment plants, and miscellaneous operational and service contracts. These items are recognised as an expense in the reporting period in which they are incurred.

Depreciation

Refer note 1(e).

Borrowing costs

Borrowing costs include interest expense, government guarantee fees, SAFA margins and finance lease charges.

In accordance with the APF II and AASB 123, borrowing costs attributable to the acquisition or construction of infrastructure, plant and equipment are capitalised.

The Corporation has not capitalised borrowing costs in 2012-13 as they were assessed as not material.

(e) Non-current assets

Infrastructure, plant and equipment

- *Acquisition*

  Items of infrastructure, plant and equipment are initially recorded at cost in accordance with AASB 116, and are depreciated as outlined below. Assets acquired under Build Own Operate Transfer (BOOT) agreements are brought to account when commissioned (refer note 14).

  Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

- *Valuations*

  To comply with the APF III and AASB 116, the Corporation has adopted the fair value method for measuring and reporting land and buildings and infrastructure assets in the Statement of Financial Position.

- *Valuations (continued)*
The Corporation uses both directors' valuation and independent valuation methods to measure fair value. Directors' valuation is performed using the producer price index (PPI) or current contract rates. PPI measures changes over time in the price of new construction outputs whereas current contract rates are based on recently determined market contract rates for supplying and installing equivalent assets or components.

The Corporation's valuation methodologies, for any major class of infrastructure assets, are subjected to independent review when a change in the valuation method occurs. The most recent independent review was completed by GHD Pty Ltd and Ernst & Young in March 2008. The review concluded that the Corporation's valuation methodology provided a reasonable basis of determining assets' current values. There have been no changes to valuation methods since that time.

Revaluation adjustments are taken to the revaluation surplus on a class basis, with the exception of land and buildings which are adjusted on an asset by asset basis.

Accordingly the Corporation has adopted the following asset valuation methods:

Infrastructure assets
The fair value of an asset is determined by its written down current cost being the lower of reproduction or replacement cost. The cost of replacing or reproducing excess capacity or over engineering of the asset is excluded from the value.

Infrastructure assets during the year were valued as follows:

- The unit rates for water mains/connections and sewer mains/connections, were independently determined by Aquenta Consulting as at 1 July 2012. These rates are applied to the actual lengths of pre-defined modern equivalent asset types for water mains and sewer mains.

- Water dosing stations and earth storages were independently valued by Aquenta Consulting as at 1 July 2012. Reservoirs were independently valued by Entura (Hydro Tasmania) as at 1 July 2012.

- Other infrastructure assets were either independently valued or valued using directors' valuations as at 1 July 2012 based on the current construction data rates. These assets are indexed in between intervening years of comprehensive valuations using the PPI.

Land and buildings
Land is valued at market value generally using valuations provided from the State Valuer-General. In isolated cases, the Corporation may use independent valuations performed by an appropriately qualified valuer.

Buildings and depots were last independently valued by WT Partnership as at 1 July 2010 and have been indexed as at 1 July 2012 using the PPI.

Plant and equipment
Plant and equipment is valued at historical cost.

Other assets
Other assets are valued at cost and indexed annually using the PPI.

- *Depreciation*
Infrastructure, buildings, plant and equipment and other assets are depreciated using the straight-line method over their estimated useful lives ranging from two to 170 years. The useful lives of assets are reviewed annually and have been assessed as follows:

Class of asset	*Useful life (years)*
Water and sewer assets	7-170
Water and sewer leased assets	20-50
Buildings	50
Other	2-50
Plant and equipment	3-15

The method of depreciation has regard to the underlying nature of the assets and their expected use in operations of the Corporation. Work in progress is not depreciated until assets are completed and have been commissioned for operation.

Available-for-sale financial assets

The Corporation was a participant to the funding arrangements for the Virginia Pipeline Scheme (VPS). SA Water's involvement in this scheme will result in an option at the end of the contract to acquire the Scheme. The Scheme distributes 'Class A' reclaimed water from the Bolivar Wastewater Treatment Plant throughout the Virginia region for the irrigation of seasonal crops and fixed plantings. As part of the arrangement, the Corporation made advances to the operating company of VPS, Water Reticulation Systems (Virginia) Pty Ltd, a subsidiary of Euratech Limited. Advances to Water Reticulation Systems (Virginia) Pty Ltd were converted to non-voting class B shares, issued at a price of $1 per share.

The Corporation's investment in non-voting class B shares has been measured at fair value, in accordance with AASB 139. Due to the nexus between the class B shares and the pipeline assets, the fair value of the shares has been determined using the projected written down current cost of the pipeline assets in 2018 discounted to net present value. The VPS is designated as an available-for-sale financial asset and all subsequent gains or losses arising from the changes in fair value are recognised in the available-for-sale revaluation surplus. The methodology of valuation of VPS was independently reviewed by Leadenhall VRG Pty Ltd in 2009.

Intangible assets

- *Issued water licences*

  The SA Government has issued water licences to the Corporation under the NRMA. Some of these licences have conditions attached which restrict the use of the allocations endorsed thereon. In applying AASB 138, the Corporation has concluded that a reliable estimate of the fair value of these water licences cannot be determined because there are no active markets for the rights endorsed on the licences. As there is no active market, these licences are held by the Corporation at nominal value. The details of these water licences are as follows:

  Rights other than those relating to the River Murray are:

  - various South East Region licences
  - various Murray Mallee Area licences
  - various Eyre Peninsula Region licences
  - Licence 4484 McLaren Vale Licence for the Aldinga Wastewater Treatment Plant
  - Licence 5706 Northern Adelaide Plains Licence for the Bolivar Wastewater Treatment Plant
  - Licence 222596 Western Mount Lofty Ranges.

  River Murray water rights are conferred via multiple instruments:

  - Licence 2333 River Murray Licence for Metropolitan Adelaide
  - Licence 2334 River Murray Licence for Country Towns.

- *Water rights - permanent*

  The Corporation owns a series of tradable water rights that it has purchased. The rights are perpetual and title is held by the Corporation under the relevant legislation in the jurisdiction of issue (as Water Access Entitlements onto licences issued by the SA Government under the NRMA, as water shares issued by the Victorian Government under the *Water Act 1989*, and as unit shares issued by the New South Wales Government under the *Water Management Act 2000*). These rights comprise:

  - River Murray entitlements under the NRMA (South Australia)
  - Goulburn Zone 1A and Murray Zone 7 High Reliability water shares held under the *Water Act 1989* (Victoria)
  - NSW Murray Regulated River High Security unit shares held under the *Water Management Act 2000* (New South Wales).

  The allocations made to these water rights are able to be transferred within the Southern Murray Darling Basin including South Australia.

  In accordance with the requirements of APF III covering valuation of intangible assets, the water rights are valued at cost. The water rights have an indefinite useful life and as such are not subject to amortisation.

- *Seasonal water allocations*
  In addition to the permanent water rights above, during 2008-09 and 2009-10 the Government granted approval for SA Water to purchase seasonal water allocations to be used for critical human water needs in future years. SA Water also purchased water allocations for operational needs. Prior to June 2012 the Government has approved the water allocations being preserved beyond 2011-12 and retained as a reserve to meet critical human water needs in future years. These purchased water allocations are held as intangible assets in the accounts and are expensed as the water is used.

- *Prescription of the Mount Lofty Ranges*
  SA Water has previously contributed towards the prescription of the water resources for the Mount Lofty Ranges to provide long-term protection of the water supply to Adelaide. On 14 June 2013 SA Water was issued Licence 222596 pertaining to storage and diversion rights for streams in the Western Mount Lofty Ranges.

- *Easements*
  In accordance with APF III, easements are classified as an intangible asset and valued at cost. Easements gifted to the Corporation are not valued.

- *Application software*
  Application software is valued at cost as per AASB 138. The useful life is reviewed annually and has been assessed at five years. The software is amortised using the straight-line method.

- *ADP intangible asset*
  An intangible asset has been recognised in relation to the network connection agreement between SA Water and SA Power Networks. The agreement grants the Corporation the legal right to connect to the SA Power Networks substation constructed at Port Stanvac and thus acquire electricity for the ADP at the rates specified in the agreement. In accordance with AASB 138, this right has been recognised as an intangible asset and is measured at the cost of the SA Power Networks substation.

  The useful life is based on the average useful life of the ADP assets belonging to SA Water upon which the intangible asset is dependent as per AASB 138. As with other non-current assets, the useful life of the intangible asset was assessed during the year ended 30 June 2013 and was changed to 41.75 years. Bringing the ADP assets to account revealed its major asset components had shorter useful lives than previous estimates indicated. This reduced the average useful life of the ADP assets and therefore the useful life of the intangible asset. Its useful life will continue to be assessed annually. The ADP intangible asset is amortised using the straight-line method. The impact of the change in useful life on the prior year amortisation is disclosed at note 6.

(f) Impairment of assets

All non-current tangible and intangible assets are reviewed 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 any impairment loss is offset against the relevant asset revaluation surplus until fully extinguished with any remaining amount expensed in the Statement of Comprehensive Income.

The Corporation has reviewed its assets as at 30 June 2013 and given the absence of an indication of impairment, recoverable amounts have not been estimated and no impairment losses have been recorded.

(g) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased items, are recognised as an expense in the Statement of Comprehensive Income. Payments are made in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

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 the Corporation in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Finance leases
Leases for infrastructure assets, where substantially all the risks and benefits incidental to ownership of the asset but not the legal ownership are assumed by the Corporation, are classified as finance leases. Finance leases are capitalised and depreciated over the useful life of the asset in accordance with AASB 117 and the Corporation obtains ownership of the asset at the end of the lease term.

The Corporation has previously entered into BOOT agreements for a number of infrastructure facilities. These BOOT agreements include the requirement for an ongoing availability tariff, as escalated over time by certain indices, for the term of the agreement.

BOOT agreements have been classified as finance leases, with a lease asset and lease liability being recognised upon commissioning of the underlying asset. The lease asset is brought to account at the fair value of the underlying assets constructed. The equivalent liability is recognised at the present value of the future availability charges. These have been determined at the inception of the lease and do not take account of any future estimated escalation.

Variation between the availability charges determined at the inception of the lease and the actual availability charges are brought to account as contingent rentals in accordance with AASB 117. Availability charges are allocated between interest expense and a reduction in the lease liability, with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Comprehensive Income.

(h) Expenditure on behalf of the State Government
Certain expenditure is incurred from time to time which is considered to be outside the normal course of the Corporation's business and for which no recovery is made or reimbursement received. These payments are made on behalf of the SA Government and are disclosed in note 6. There were no payments for the year ended 30 June 2013.

(i) Taxes
SA Water is liable for income tax equivalents (income tax, land tax and council rates), payroll tax, FBT, GST and Emergency Services levy.

Income tax
From 1 July 2001, the Corporation has operated under the national tax equivalent regime pursuant to the Memorandum of Understanding on national tax equivalent regime between the Commonwealth of Australia, the Commissioner of Taxation and all of the States and Territories. The national tax equivalent regime is administered by the ATO.

Income tax expense is calculated in accordance with AASB 112 using the balance sheet liability method. The income tax expense for the period is the tax payable on the current period's taxable income measured at the current national income tax rate adjusted for permanent differences and movements in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Corporation expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Current and deferred tax is recognised as an expense in the Statement of Comprehensive Income except where it relates to items that are credited or debited to equity, in which case the deferred tax is also recognised directly in equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

Taxation equivalents - land tax and council rates
The charge for land tax and council rate equivalents has been calculated by RevenueSA, DTF, based on valuations supplied by the Valuer-General.

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.

GST (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.

(j) Cash and cash equivalents
Cash on hand and at bank is stated at nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank.

(k) Receivables
Receivables for rates and charges and sundry debtors are normally settled within 21 days. These are recognised in the accounts as amounts due. Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised based on a review of outstanding amounts at balance date.

Bad debts are written off when they are identified.

(l) Inventories
Inventories are valued at the lower of cost and net realisable value. The cost of goods and services, if any, manufactured by SA Water are on a full absorption cost basis.

Inventories are held for purposes of maintenance and construction and not for resale.

(m) 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 and 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.

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
Liabilities arising in respect of LSL expected to be settled within 12 months of balance date are measured at their nominal rates. All other LSL entitlements are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to anticipated future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on negotiable government guaranteed securities with terms of maturity that match, as closely as possible, the estimated future cash flows. The related on-costs have been recognised in the Statement of Financial Position as payables.

The Corporation’s LSL liability for 30 June 2013 is valued by KPMG Actuarial Pty Ltd.

Superannuation
Contributions are made by the Corporation to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. The only liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

(n) Workers compensation
The Corporation is registered with WorkCoverSA as an exempt employer and is responsible for payment of workers compensation claims. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. The Corporation’s provision is an actuarial estimate of the outstanding liability as at 30 June 2013 provided by KPMG Actuarial Pty Ltd.

(o) Insurance

SAICORP, a division of SAFA, has assumed responsibility and liability for, and will indemnify SA Water against, damage suffered to the Corporation's property or claims made against the Corporation subject to SA Water's deductible. In addition, insurance arrangements are in place for construction works, travel insurance and directors' and officers' liability.

Workers compensation risks for which the Corporation is responsible are excluded from these arrangements.

(p) Payables

Liabilities, whether or not yet billed to the Corporation, are recognised as amounts to be paid in the future for goods and services received, including any related GST. Trade accounts payable are normally settled within 30 days.

Dividends paid and payable are recognised in the reporting period in which the dividends are declared or have been specifically determined and approved in consultation with the Treasurer and the Corporation's Minister.

(q) Provisions

Provisions are recognised when the Corporation 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 Corporation 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.

Damages and claims

A provision is recognised for claims against the Corporation relating to property damage, personal injury and civil liability.

The amounts measured and recorded for claims are based on estimates of specified claims and the probability that the Corporation will be required to settle the obligation. Previous claims history and the Crown Solicitor's Office advice is used in the determination of the liability.

Asset disposal and site rehabilitation

A provision for the disposal and abandonment of assets is recognised when there is a present obligation to undertake further work to decommission surplus assets and ensure they are safe to the public and do not cause harm to the environment.

The estimated costs of site rehabilitation and decommissioning non-current assets are based on past experience and current market prices.

Employee benefits and workers compensation

SA Water provides for employee benefits expenditure and workers compensation claims as described in notes 1(m) and 1(n).

(r) Borrowings

All SA Water's borrowings are measured at their historical value. The Corporation has a long-term and short-term borrowing facility with SAFA. The loans are denominated in Australian dollars and carry both fixed and floating interest rates. The Government provides a guarantee in respect of these borrowings pursuant to the provisions of the PFAA.

Under a mandate from the State Treasurer, the Corporation transferred debt management responsibilities to SAFA effective from 1 July 2004. SA Water's debt portfolio is managed by SAFA under a liability management service agreement and within requirements outlined in SA Water's treasury risk management policies.

(s) Derivatives

The Corporation's treasury risk management policies provide a prudential framework for the management of the Corporation's financial risks including interest rate risk, foreign exchange price risk and commodity price risk. Within the parameters of the Corporation's permitted treasury instruments policy, SA Water utilises derivative financial instruments to implement appropriate financial risk mitigation strategies and to minimise overall borrowing costs.

Interest rate derivatives
The Corporation's exposure to movements in interest rates arises from its borrowings and from any funds that it might have on deposit. To manage interest rate risk the Corporation uses interest rate swaps and interest rate futures contracts. These derivatives are used to reconfigure interest rate risk profiles and manage refinancing exposures. The Corporation does not trade physical debt with no trades of physical debt occurring in 2012-13. As at 30 June 2013, SA Water had no interest rate derivatives.

Foreign exchange derivatives
Foreign exchange risk represents the risk resulting from contractual obligations to buy or sell goods and or services in a currency other than Australian dollars or where the price is quoted in Australian dollars, and the quoted price is dependent upon a foreign currency price component. The foreign currency value of the goods or services to be bought or sold, or the value of the foreign currency price component is deemed to be the Corporation's exposure to price risk.

Foreign currency derivatives are used on a needs basis to ensure any identified foreign currency exposures are appropriately managed in line with SA Water's foreign exchange risk management policy and TI 23. Permitted foreign currency derivatives as outlined in SA Water's permitted treasury instruments policy include spot and forward foreign currency contracts and currency options to maximum maturity of three years. In all instances, SA Water's foreign exchange hedging requirements are arranged through SAFA.

As at 30 June 2013, SA Water had no outstanding foreign exchange derivatives.

Accounting for derivatives
Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative. All derivatives are categorised as held for trading under AASB 139 and do not qualify for hedge accounting. Any changes in fair value are recognised immediately in profit or loss in other income or other expenses. The fair value of interest rate swaps is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance dates.

Interest payments and receipts under interest rate swaps are recognised on an accrual basis in the Statement of Comprehensive Income as other income or other expenses. Gains or losses on early termination of interest rate swaps will be recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income. Interest rate futures contracts are remeasured to fair value on a daily basis based on quoted market prices via the Sydney Futures Exchange. Gains and losses on interest rate futures contracts are recognised immediately as an adjustment to other income or other expenses in the Statement of Comprehensive Income.

Consistent with SA Water's treasury policy, derivative financial instruments are not held for speculative purposes.

(t) Administered items
The following administered items are not recognised in the Corporation's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows, but are separately disclosed as administered items in note 37.

River Murray levy
The Corporation is responsible for administering the Save the River Murray levy. The River Murray levy billed and collected on behalf of Government is not controlled by the Corporation.

Pensioner concessions
SA Water is responsible for the administration of local government pensioner concession payments. An amount is received from SA Government which is used to make payments to local government councils. The amount collected on behalf of Government is not controlled by the Corporation.

(u) Adelaide Services Alliance Agreement
In March 2011 the Corporation entered into an alliance contract to operate, manage and maintain Adelaide's metropolitan water, wastewater and recycled water services. The alliance contract commenced on 1 July 2011 for a term of 10 years, plus an option for the Corporation to extend the contract for a further six years in 12 month increments. The alliance contract includes flexible mechanisms to alter and adjust the scope of services and delivery parameters and is managed through an extensive performance management regime covering all elements of operational service delivery.

(v) ADP

In 2008-09 the Corporation awarded the design, build, operate and maintain, transfer pipeline system and ETSA (SA Power Networks) agreements for the ADP. These contracts comprise the design and construction of a seawater desalination plant, marine works, transfer pipeline system and power supply infrastructure to support a 100 gigalitre p.a. capacity plant. Project handover of the 100 gigalitre p.a. plant to the operator was achieved on 12 December 2012. Following project handover, the plant will undergo a 24 month proving and warranty period in accordance with contractual requirements.

In addition, the Corporation has entered into contracts to:

- operate and maintain the desalination plant from the project handover date for a term of 20 years and includes flexible mechanisms to manage the volume of water produced and requirements for scheduled maintenance
- provide GreenPower accredited renewable energy from sources in South Australia to operate the ADP and transfer pipeline system. The contract commenced on 1 June 2011 for a term of 20 years and includes the flexibility to purchase a minimum level of renewable energy certificates that can be banked for future use by the Corporation or used elsewhere in the business.

(w) New accounting standards and interpretations

The Corporation 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 Corporation for the period ending 30 June 2013. The Corporation has assessed the AASB 108, paragraphs 30 and 31 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 Corporation.

2. Financial risk management

(a) Market risk

(i) Interest rate risk exposures - financial liabilities

The Corporation's financial liabilities are exposed to interest rate risk. The Corporation constantly analyses its interest rate exposure and consideration is given to potential renewals of existing positions, use of alternative risk mitigation strategies and the mix of fixed and variable interest rates.

A key component of the Corporation's interest rate risk management framework is the benchmark debt duration, which reflects the average term to maturity of the Corporation's core debt portfolio. As part of a review of the Corporation's debt duration parameters during 2012-13, the benchmark duration was increased from 2.75 years to 2.95 years based on advice from the Corporation's debt advisor and manager, SAFA. The benchmark duration has been determined based on the size of the Corporation's borrowings, the level of interest rates and to ensure that risk on the Corporation's profitability from increases in interest rates is appropriate.

(ii) Summarised sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date, assuming all other variables are held constant. The movements in post tax profit and equity for the year are due to higher/lower interest costs from floating rate debt and cash balances and changes in fair values of derivatives. The movement in interest expense is estimated by applying the interest rate movement to the balance of floating rate debt outstanding at balance date. For interest rate swaps the profit and loss sensitivity reflects the impact of the change in interest rates on the fair value of swaps outstanding at balance date over their remaining terms.

At 30 June 2013 it has been assumed that a reasonable possible shift in interest rates over the next reporting period could be 0.5% upwards and 1% downwards.

		Interest rate risk			
	Carrying	-1%		+0.5%	
2013	amount	Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 856	(13)	(13)	6	6
Financial liabilities:					
Short-term borrowings	(17 000)	119	119	(60)	(60)
Total increase (decrease)		106	106	(54)	(54)

(ii) Summarised sensitivity analysis (continued)

2012	Carrying amount	Interest rate risk Profit	Equity	Profit	Equity
Financial assets:	$'000	$'000	$'000	$'000	$'000
Cash and cash equivalents	1 878	(13)	(13)	7	7
Derivatives - held for trading	154	-	-	-	-
Financial liabilities:					
Derivatives - held for trading	(249)	(1)	(1)	-	-
Short-term borrowings	(16 000)	112	112	(56)	(56)
Long-term borrowings	(3 380 000)	175	175	(88)	(88)
Total increase (decrease)		273	273	(137)	(137)

(b) Credit risk

Credit management policies and procedures are in place to ensure an appropriate level of due diligence in relation to credit history and financial integrity for financial transactions undertaken by SA Water. In addition, receivable balances are monitored on an ongoing basis and actions to recover outstanding debt are instigated in accordance with the Corporation's collection policies and practices with the result that exposure to bad debts is not significant.

For sundry debtors the Corporation trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Corporation's policy to securitise its receivables.

Under the *Water Industry Act 2012*, water rates are secured via a first charge on the property.

The Corporation has no significant concentration of credit risk.

All debt management activities are directly undertaken by SAFA on behalf of the Corporation. The Corporation does not hold any credit derivatives to offset its credit exposure.

(c) Liquidity risk

The Corporation has in place a liquidity risk management policy to provide a prudential framework for managing liquidity risk. SA Water is required to hold in cash or committed facilities appropriate capacity to meet immediate funding requirements and provide any unforeseen cash flow needs. Liquidity levels are reviewed by management on a daily basis and reported to the Board monthly.

Contractual maturities

The table below analyses the non-derivative financial liabilities and net settled derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. The contractual cash flows remaining to maturity for borrowings include principal, interest, guarantee fees and SAFA margins. For floating rate borrowings and the floating leg of interest rate swaps, the cash flows have been estimated using implied forward interest rates applicable at the reporting date. Maturing borrowings are included in the table at their maturity date and are rolled over into a new market borrowing rate.

2013	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total contractual cash flows $'000
Non-derivatives:					
Non-interest bearing liabilities*	97 195	-	-	-	97 195
Finance lease liabilities	22 067	22 067	66 201	110 945	221 280
Floating rate borrowings	17 007	-	-	-	17 007
Fixed rate borrowings	966 765	821 199	1 222 197	1 403 964	4 414 125
Total non-derivatives	1 103 034	843 266	1 288 398	1 514 909	4 749 607
2012					
Non-derivatives:					
Non-interest bearing liabilities*	161 153	-	-	-	161 153
Finance lease liabilities	21 695	21 695	65 084	130 120	238 594
Floating rate borrowings	41 808	-	-	-	41 808
Fixed rate borrowings	1 121 090	713 972	1 088 657	1 180 044	4 103 763
Total non-derivatives	1 345 746	735 667	1 153 741	1 310 164	4 545 318

Contractual maturities (continued)

2012 (continued)	Less than 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000	Total contractual cash flows $'000
Derivatives:					
Financial assets:					
Net settled (interest rate swaps)	(181)	-	-	-	(181)
Financial liabilities:					
Net settled (interest rate swaps)	605	-	-	-	605
Total derivatives	424	-	-	-	424

* Non-interest bearing liabilities disclosed are financial liabilities at cost and exclude amounts relating to statutory payables such as tax equivalents and Commonwealth tax.

(d) Fair value measurements

(i) Fair value of financial liabilities

Fair value of financial liabilities is the amount at which the liability could be settled, in a current transaction between willing parties after allowing for transaction costs. The fair value for long-term borrowings is estimated by discounting the anticipated future cash flows to their present value based on current market interest rates at the respective balance sheet dates.

A reliable estimate of the fair value for finance leases cannot be determined due to the unique nature of the leasing arrangements (refer note 1(g)).

The carrying amounts and fair values of long-term borrowings at balance date are:

	2013		2012	
	Carrying amount $000	Fair value $000	Carrying amount $000	Fair value $000
Long-term borrowings	3 555 000	3 676 226	3 380 000	3 543 172

The fair values of all other financial liabilities approximate the carrying values.

(ii) Fair value of financial assets

The following table provides an analysis of financial instruments grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial instrument is classified is determined based on the lowest level of significant input to the fair value measurement.

2013	Quoted market price (Level 1) $'000	Valuation technique market observable inputs (Level 2) $'000	Valuation technique non-market observable inputs (Level 3) $'000	Total $'000
Assets:				
Available-for-sale financial assets:				
Unlisted shares	-	-	23 919	23 919
Total assets	-	-	23 919	23 919

The following table presents the changes in Level 3 instruments for the year ended 30 June 2013:

(ii) Fair value of financial assets (continued)	Available-for-sale financial assets unlisted shares $'000	Total $'000
Opening balance	22 107	22 107
Gains recognised in other comprehensive income	1 812	1 812
Closing balance	23 919	23 919

The Corporation has invested in unlisted class B shares as part of the BOOT arrangements for the VPS. These shares have been measured at fair value, which includes some assumptions that are not supportable by observable market prices or rates. The fair value has been estimated using the written down current cost of the pipeline assets at the transfer date of 2018, discounted to their present value. In determining fair value a discount factor of 6% (6%) has been used which has been determined from SA Water's pre-tax real weighted average cost of capital. If the discount rate was 1% higher, while all other variables were constant, the carrying amount of the shares would decrease by $1.2 million ($1.3 million). If the discount rate was 1% lower, while all other variables were held constant, the carrying amount of the shares would increase by $1.3 million ($1.4 million).

3. Critical accounting estimates and judgments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Corporation's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below:

- unbilled revenue (refer note 1(c))
- contributed assets (refer note 1(c))
- borrowing costs (refer note 1(d))
- impairment of assets (refer note 1(f))
- valuation and useful lives of assets (refer note 1(e))
- provision for LSL (refer note 1(m))
- provision for workers compensation (refer note 1(n))
- provisions (refer note 1(q))
- valuation of derivatives (refer note 1(s)).

4. Revenue from ordinary activities

	2013 $'000	2012 $'000
CSOs	106 773	153 274
Water and wastewater rates and charges	1 179 888	972 354
Recoverable works	60 094	57 460
Fees and charges	25 191	19 975
Miscellaneous*	10 692	114
Government grants	7 267	3 376
Contributed assets	43 094	60 619
Rents	1 260	1 118
Interest	1 746	1 674
	1 436 005	1 269 964

* Includes settlement amount from United Water - refer note 1(x) to the 2011-12 financial statements.

5. Other income

Net gain on disposal of infrastructure, plant and equipment	330	176
Net gain on disposal of water allocations	-	826
Reversal of prior year infrastructure, plant and equipment revaluation decrement	246	256
	576	1 258

6. Expenses

Profit before income tax includes the following specific expenses:	Note	2013 $'000	2012 $'000
Depreciation:	14		
Buildings		1 822	1 638
Plant and equipment		4 949	4 806
Other		15 706	13 072
Infrastructure assets - water		156 832	138 909
Infrastructure assets - sewer		91 838	78 490
Amortisation:	13		
Computer software*		16 799	7 826
ADP intangibles**		2 134	773
Total depreciation/amortisation		290 080	245 514

* During 2012-13 the useful life of computer software was revised. The effect on the prior years amortisation would have been an increase of $6.4 million.

** During 2012-13 the useful life of the ADP intangible asset was revised. The effect on the prior years amortisation would have been an increase of $434 000.

Borrowing costs:	Note	2013 $'000	2012 $'000
Interest paid/payable for borrowings not at fair value through profit and loss		221 980	216 222
Finance charges on capitalised leases		11 893	12 364
Total borrowing costs		233 873	228 586
Net losses from fair value adjustments of derivatives held for trading:			
Interest rate derivatives		3	7
Foreign currency derivatives		26	-
		29	7
Finance lease contingent rentals		4 272	4 120
Operating lease minimum lease payments		10 363	9 466
Net bad and doubtful debts expense including movements in allowance for doubtful debts		117	276
Infrastructure, plant and equipment revaluation decrement		38	83
Write-down in value of infrastructure, plant and equipment		13 851	5 709
Write-off value of capital works in progress		8 905	2 949
Superannuation contributions		15 951	15 260
Consultancy costs		1 293	2 368
Net loss on disposal of purchased water rights/allocations		880	-

7. Income tax expense

(a) Income tax expense

	Note	2013	2012
Current tax		118 114	87 914
Deferred tax		(24 466)	7 140
Amounts under (over) provided in prior years		5 334	229
		98 982	95 283
Deferred income tax (revenue) expense included in income tax expense comprises:			
Decrease (Increase) in deferred tax assets	12	(1 682)	(2 060)
Increase (Decrease) in deferred tax liabilities	23	(22 784)	9 200
		(24 466)	7 140

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2013	2012
Profit from continuing operations before income tax expense	362 705	317 379
Tax at the Australian tax rate of 30% (30%)	108 812	95 214
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Loss (Gain) on sale of land	(75)	-
Loss on sale of purchased water rights/allocations	264	-

		2013	2012
(b)	***Numerical reconciliation of income tax expense to prima facie tax payable (continued)***	$'000	$'000
	Revaluation decrement	14	40
	Government grants	(1 467)	(123)
	Provision for employee benefits	(18)	(77)
		107 530	95 054
	Amounts under (over) provided in prior years	(8 548)	229
	Income tax expense	98 982	95 283
	Total income tax expense	98 982	95 283
(c)	***Tax expense (income) relating to items of other comprehensive income***		
	Gains on revaluation of infrastructure, plant and equipment assets	(40 854)	39 412
	Revaluation of investment in unlisted shares	544	522
		(40 310)	39 934

8. Current assets - receivables

Receivables:		
Rates receivable (water and wastewater)	169 131	124 701
Sundry debtors	43 187	34 250
Allowance for doubtful debts	(118)	(96)
	212 200	158 855
Other receivables:		
CSOs	12 785	12 671
	224 985	171 526

(a) ***Impaired trade receivables***

An allowance for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

The ageing of these receivables is as follows:		
More than 90 days overdue	118	96

Movements in the provision for impairment of receivables are as follows:		
At 1 July	96	85
Provision for impairment recognised during the year	94	35
Amounts written off	(72)	(24)
At 30 June	118	96

(b) ***Past due but not impaired***

At 30 June the ageing of rates receivable that are past due but not impaired is as follows:		
Past due 0-69 days	22 804	15 451
Past due more than 69 days	12 890	11 293
	35 694	26 744

The other balances within rates receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due rates receivables with renegotiated terms at balance date is $13.597 million ($8.97 million).

	2013	2012
At 30 June the ageing of sundry debtors receivable that are past due but not impaired is as follows:	$'000	$'000
Past due 0-30 days	1 955	1 670
Past due more than 30 days	1 155	1 093
	3 110	2 763

The other balances within sundry debtor receivables do not contain impaired assets and are not past due. It is expected that these amounts will be received when due. The carrying amount of past due sundry debtor receivables with renegotiated terms at balance date is $1.073 million ($1.072 million).

Balances for other receivables relate to CSOs and do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

(c) ***Fair value and credit risk***

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivables mentioned above. Refer note 2 for more information on the risk management policy of the Corporation and the credit quality of the Corporation's receivables.

9. Current assets - inventories

	2013	2012
	$'000	$'000
Raw materials and stores	5 882	5 764
Allowance for obsolete stock	(1 321)	(1 286)
Work in progress - sundry debtors	552	356
	5 113	4 834

10. Current assets - other current assets

	2013	2012
Interest receivable	1 018	192
Prepayments	3 274	2 607
Renewable energy certificates*	6 570	4 413
	10 862	7 212

* SA Water purchases renewable energy certificates (RECs) in order to meet greenhouse gas emission targets. SA Water does not purchase RECs with the intention of trading for gain. Unused RECs accumulated as at 30 June are recorded at cost. These RECs are expected to be utilised in satisfying the Corporation's 2013-14 greenhouse gas emission targets and will be expensed at the time of surrender.

11. Non-current assets - available-for-sale financial assets

	Note	2013	2012
		$'000	$'000
Unlisted shares at fair value		23 919	22 107

12. Non-current assets - deferred tax assets

	Note	2013	2012
The balance comprises temporary differences attributable to:			
Doubtful debts		35	29
Obsolete stock		396	386
Infrastructure, plant and equipment		3 280	3 824
Pooled assets		53	73
Payables		1 367	1 485
Audit fee payable		121	119
Government grants		10 587	10 547
Employee benefits		13 699	14 247
Deferred lease incentives		413	453
Unearned income - customer contributions		3 721	647
Provision for site rehabilitation		106	176
Provision for asset disposal		30	35
Provision for damages and claims		163	209
Provision for workers compensation		221	205
Derivative financial liability		(2 683)	(2 608)
		31 509	29 827
Amounts recognised directly in equity:			
Derivative financial liability		2 683	2 683
Unearned income - customer contributions		2 335	2 335
Net deferred tax assets		36 527	34 845
Movements:			
Balance at 1 July		34 845	32 785
Credited to the Statement of Comprehensive Income	7	1 682	2 060
Balance at 30 June		36 527	34 845
Deferred tax assets expected to be recovered within 12 months		12 507	10 477
Deferred tax assets expected to be recovered after more than 12 months		24 020	24 368
		36 527	34 845

13. Non-current assets - intangible assets

2013

Year ended 30 June:	Easements $'000	Prescription rights $'000	Computer software $'000	ADP intangibles $'000
Opening net book amount	6 149	4 500	37 735	70 209
Additions from external acquisitions	64	-	12 862	-
Disposals	-	-	-	-
Amortisation charge	-	-	(16 798)	(2 134)
Closing net book amount	6 213	4 500	33 799	68 075
At 30 June:				
Cost	6 213	4 500	103 622	70 982
Accumulated amortisation	-	-	(69 823)	(2 907)
Net book amount	6 213	4 500	33 799	68 075

Year ended 30 June:	Purchased water rights $'000	Seasonal water allocations $'000	Total $'000
Opening net book amount	41 142	54 408	214 143
Additions from external acquisitions	-	-	12 926
Disposals	(9 544)	-	(9 544)
Amortisation charge	-	-	(18 932)
Closing net book amount	31 598	54 408	198 593
At 30 June:			
Cost	31 598	54 408	271 323
Accumulated amortisation	-	-	(72 730)
Net book amount	31 598	54 408	198 593

2012

Year ended 30 June:	Easements $'000	Prescription rights $'000	Computer software $'000	ADP intangibles $'000
Opening net book amount	6 058	4 500	23 520	-
Additions from external acquisitions	91	-	22 041	70 982
Disposals	-	-	-	-
Transfers	-	-	-	-
Amortisation charge	-	-	(7 826)	(773)
Closing net book amount	6 149	4 500	37 735	70 209
At 30 June:				
Cost	6 149	4 500	90 760	70 982
Accumulated amortisation and impairment	-	-	(53 025)	(773)
Net book amount	6 149	4 500	37 735	70 209

Year ended 30 June:	Purchased water rights $'000	Seasonal water allocations $'000	Total $'000
Opening net book amount	42 272	-	76 350
Additions from external acquisitions	3 642	-	96 756
Disposals	(4 772)	-	(4 772)
Transfers	-	54 408	54 408
Amortisation charge	-	-	(8 599)
Closing net book amount	41 142	54 408	214 143
At 30 June:			
Cost	41 142	54 408	267 941
Accumulated amortisation and impairment	-	-	(53 798)
Net book amount	41 142	54 408	214 143

14. Non-current assets - infrastructure, plant and equipment

2013 Year ended 30 June:	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000
Opening net book amount	2 140 377	362 358	26 789	23 426	25 880
Revaluation	-	(6 071)	973	851	-
Additions	434 319	308	1 730	-	6 177
Disposals	-	(876)	-	-	(68)
Transfers	(1 799 848)	-	-	-	-
Depreciation charge	-	-	(1 822)	(726)	(4 949)
Asset write-down	(8 905)	-	-	-	-
Closing net book amount	765 943	355 719	27 670	23 551	27 040
At 30 June:					
Cost	765 943	-	-	-	63 164
Valuation	-	355 719	73 758	28 486	-
Accumulated depreciation	-	-	(46 088)	(4 935)	(36 124)
Net book amount	765 943	355 719	27 670	23 551	27 040

Year ended 30 June:	Water infrastructure $'000	Sewer infrastructure $'000	Leased water infrastructure $'000	Other $'000	Total $'000
Opening net book amount	6 910 203	3 637 975	96 965	93 810	13 317 783
Revaluation	(204 361)	60 002	3 525	3 409	(141 672)
Additions	1 562 031	228 396	-	16 131	2 249 092
Disposals	-	-	-	-	(944)
Transfers	-	-	-	-	(1 799 848)
Depreciation charge	(149 845)	(91 113)	(6 987)	(15 706)	(271 148)
Asset write-down	(6 793)	(7 058)	-	-	(22 756)
Closing net book amount	8 111 235	3 828 202	93 503	97 644	13 330 507
At 30 June:					
Cost	-	-	-	-	829 107
Valuation	13 325 113	6 258 671	194 721	201 513	20 437 981
Accumulated depreciation	(5 213 878)	(2 430 469)	(101 218)	(103 869)	(7 936 581)
Net book amount	8 111 235	3 828 202	93 503	97 644	13 330 507

2012 Year ended 30 June:	Work in progress $'000	Land $'000	Buildings $'000	Leased sewer infrastructure $'000	Plant and equipment $'000
Opening net book amount	2 149 795	343 222	26 459	20 709	26 628
Revaluation	-	15 123	836	654	-
Additions	603 457	4 013	1 132	2 686	4 268
Disposals	-	-	-	-	(210)
Transfers	(609 926)	-	-	-	-
Depreciation charge	-	-	(1 638)	(623)	(4 806)
Asset write-down	(2 949)	-	-	-	-
Closing net book amount	2 140 377	362 358	26 789	23 426	25 880
At 30 June:					
Cost	2 140 377	-	-	-	59 638
Valuation	-	362 358	69 558	27 487	-
Accumulated depreciation	-	-	(42 769)	(4 061)	(33 758)
Net book amount	2 140 377	362 358	26 789	23 426	25 880

14. Non-current assets - infrastructure, plant and equipment (continued)

2012 (continued)	Water infrastructure	Sewer infrastructure	Leased water infrastructure	Other	Total
Year ended 30 June:	$'000	$'000	$'000	$'000	$'000
Opening net book amount	6 525 351	3 553 837	136 170	92 552	12 874 723
Revaluation	234 003	(74 565)	(32 464)	2 920	146 507
Additions	287 172	238 124	-	11 410	1 152 262
Disposals	-	-	-	-	(210)
Transfers	-	-	-	-	(609 926)
Depreciation charge	(132 168)	(77 867)	(6 741)	(13 072)	(236 915)
Asset write-down	(4 155)	(1 554)	-	-	(8 658)
Closing net book amount	6 910 203	3 637 975	96 965	93 810	13 317 783
At 30 June:					
Cost	-	-	-	-	2 200 015
Valuation	12 060 229	5 977 221	187 891	178 952	18 863 696
Accumulated depreciation	(5 150 026)	(2 339 246)	(90 926)	(85 142)	(7 745 928)
Net book amount	6 910 203	3 637 975	96 965	93 810	13 317 783

Carrying amounts that would have been recognised if revalued assets were stated at cost

If revalued assets were stated on the historical cost basis, the amounts would be as follows:

	2013	2012
Freehold land:	$'000	$'000
Cost	44 920	44 612
Net book amount	44 920	44 612
Buildings:		
Cost	48 148	46 418
Accumulated depreciation	(25 501)	(24 045)
Net book amount	22 647	22 373
Leased sewer infrastructure:		
Cost	18 792	18 792
Accumulation depreciation	(3 758)	(3 289)
Net book amount	15 034	15 503
Water infrastructure:		
Cost	3 782 513	2 244 874
Accumulated depreciation	(814 467)	(770 135)
Net book amount	2 968 046	1 474 739
Sewer infrastructure:		
Cost	1 870 154	1 664 590
Accumulated depreciation	(654 096)	(596 762)
Net book amount	1 216 058	1 067 828
Leased water infrastructure:		
Cost	124 183	124 183
Accumulated depreciation	(62 670)	(58 332)
Net book amount	61 513	65 851
Other:		
Cost	166 317	150 186
Accumulated depreciation	(81 559)	(67 798)
Net book amount	84 758	82 388

15. Current liabilities - payables

Interest payable	37 479	34 327
Trade creditors	94 439	160 090
Other creditors	15 696	10 223
	147 614	204 640

16. Current liabilities - financial liabilities/borrowings

	2013	2012
	$'000	$'000
Lease liabilities	6 364	5 691
Short-term borrowings	17 000	16 000
	23 364	21 691

The Corporation has a $100 million short-term borrowing facility with SAFA bearing interest at SAFA's daily cash rate.

(a) Risk exposures

Information regarding interest rate risk and liquidity risk exposure is set out in note 2.

(b) Fair value disclosures

Due to the short-term nature of these interest bearing liabilities, their carrying value is assumed to approximate their fair value (refer note 2).

17. Current tax liabilities

	2013	2012
Provision for current income tax movements during the year were as follows:	$'000	$'000
Balance at 1 July	9 468	21 547
Income tax paid	(96 447)	(100 237)
Current year's income tax provision	118 114	87 914
Amounts under (over) provided in prior year	5 334	244
	36 469	9 468

18. Current liabilities - provisions

	2013	2012
Employee benefits	16 042	15 348
Asset disposal	20	20
Site rehabilitation	355	588
Damages and claims	544	898
Workers compensation	1 049	1 268
	18 010	18 122

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2013	Asset disposal	Site rehabilitation	Damages & claims	Workers comp	Total
Current:	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July	20	588	898	1 268	2 774
Payments made during the year	(16)	(103)	(279)	(935)	(1 333)
Transfer from non-current provision	16	-	-	-	16
Re-measurement adjustments	-	(130)	(670)	(1 109)	(1 909)
Additional provision recognised	-	-	595	1 825	2 420
Carrying amount at 30 June	20	355	544	1 049	1 968

19. Current liabilities - other current liabilities

	2013	2012
	$'000	$'000
Government grants	11 020	6 155
Lease incentives	134	134
Unearned income	23 818	9 941
Deposits from contractors	1 273	1 271
Carbon Trading Scheme*	782	-
	37 027	17 501

* Under the *Clean Energy Act 2011* (Cwlth), SA Water is obliged to surrender carbon units to the Clean Energy Regulator, to offset its greenhouse gas emissions from the Bolivar Waste Treatment Facility. The liability for these carbon units is calculated at the legislated amount of $23 per tonne of carbon dioxide equivalent. In order to discharge its obligations under the *Clean Energy Act 2011* (Cwlth), SA Water is required to surrender the carbon units by 1 February 2014.

20. Non-current liabilities - payables

	Note	2013	2012
		$'000	$'000
Other payables		2 631	2 985

21. Non-current liabilities - financial liabilities/borrowings

	Note	2013	2012
Lease liabilities	30	94 107	100 471
Long-term borrowings		3 555 000	3 380 000
		3 649 107	3 480 471

22. Derivative financial instruments

	Note	2013	2012
Current financial assets:		$'000	$'000
Interest rate swaps - held for trading		-	154
Total current derivative financial instrument assets		-	154
Current financial liabilities:			
Interest rate swaps - held for trading		-	249
Total current derivative financial instrument liabilities		-	249

23. Non-current liabilities - deferred tax liabilities

	Note	2013	2012
The balance comprises temporary differences attributable to:			
Prepayments		343	290
Rates receivable		-	20 098
Derivative financial asset		-	46
Unlisted shares at fair value		(2 406)	(2 406)
Seasonal water allocations		16 322	16 322
Depreciation and amortisation		70 181	72 872
		84 440	107 222
Amounts recognised directly in equity:			
Revaluation of infrastructure, plant and equipment		1 542 017	1 582 872
Unlisted shares at fair value		5 126	4 583
		1 547 143	1 587 455
Total deferred tax liabilities		1 631 583	1 694 677
Movements:			
Opening balance at 1 July		1 694 677	1 645 559
Credited to the Statement of Comprehensive Income	7	(8 901)	9 200
Charged to equity	29	(40 854)	39 412
Unlisted shares at fair value		544	522
Amounts under provided in prior years		(13 883)	(16)
Closing balance at 30 June		1 631 583	1 694 677
Deferred tax liabilities to be settled within 12 months		343	20 434
Deferred tax liabilities to be settled after more than 12 months		1 631 240	1 674 243
		1 631 583	1 694 677

24. Non-current liabilities - provisions

	2013	2012
Employee benefits	29 620	32 143
Workers compensation	3 233	2 680
Asset disposal	81	97
	32 934	34 920

Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

2013	Workers comp	Asset disposal	Total
Non-current:	$'000	$'000	$'000
Carrying amount at 1 July	2 680	97	2 777
Transfer to current provision	-	(16)	(16)
Re-measurement adjustments	553	-	553
Carrying amount at 30 June	3 233	81	3 314

25. Non-current liabilities - other non-current liabilities

	2013	2012
	$'000	$'000
Government grants	402 472	366 664
Lease incentives	1 243	1 377
	403 715	368 041

26. Reconciliation of cash and cash equivalents

Cash and cash equivalents as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

26. Reconciliation of cash and cash equivalents (continued)

	2013	2012
	$'000	$'000
Cash and cash equivalents	1 856	1 878

Fair value

Due to the short-term nature of cash and cash equivalents, their carrying value is assumed to approximate their fair value.

27. Reconciliation of net profit after income tax to net cash inflows (outflows) from operating activities

	2013	2012
	$'000	$'000
Net profit for the year	263 723	222 096
Non-cash items:		
Depreciation and amortisation	290 080	245 514
Amortisation of government grant revenue	(7 267)	(3 376)
Contributed assets	(27 675)	(38 545)
Net loss (gain) on disposal of infrastructure, plant and equipment	(338)	(188)
Net loss (gain) on disposal of purchased water rights/allocations	880	(826)
Infrastructure, plant and equipment revaluation decrement reversal	(246)	(256)
Infrastructure, plant and equipment revaluation decrement	38	83
Write-down in value of infrastructure, plant and equipment	13 851	5 709
Write-off value of capital works in progress	8 905	2 949
Movements in assets/liabilities:		
Rates and sundry receivables	(48 706)	(42 060)
Inventories	(280)	757
Prepayments	(668)	(28)
Other operating assets	(826)	(137)
Fair value of derivative financial assets	154	25
Deferred tax assets	(1 679)	(2 059)
Trade creditors	(13 657)	5 276
Provision for employee benefits	(1 829)	6 924
Provision for workers compensation	334	1 258
Other operating liabilities	12 325	6 324
Fair value of derivative financial liabilities	(249)	(1 070)
Government grants	47 489	233 316
Provision for deferred income tax	(22 787)	9 184
Other provisions	(604)	(2 154)
Provision for income taxes payable	27 001	(12 079)
Net cash inflows (outflows) from operating activities	537 969	636 637

28. Capital risk management

Capital is managed within the parameters outlined in the financial ownership framework for SA Water, which encompasses the Corporation's relationship with its owner in respect of capital structure, CSOs and dividends.

When managing capital, management's objective is to ensure the Corporation continues as a going concern as well as to maintain optimal returns to the State Government (as sole shareholder) and benefits for other stakeholders.

The framework for SA Water includes a target range for debt to total assets (gearing) ratio of 15% to 25%.

The Corporation's strategy, which is unchanged from 2011-12, was to maintain a gearing ratio within 15% to 25%. The gearing ratios based on continuing operations at 30 June 2012 and 30 June 2013 were as follows:

		2013	2012
	Note	$'million	$'million
Interest bearing liabilities	16,21	3 672	3 502
Cash and cash equivalents	26	(2)	(2)
Net debt		3 670	3 500
Total assets		13 832	13 774
Gearing ratio (%)		26.5	25.4

Outside of the financial ownership framework, the Corporation is not subject to any externally imposed capital requirements.

28. Capital risk management (continued)

SA Water and the State Government continue to review the parameters of the financial ownership framework to ensure the appropriateness of the targets.

29. Revaluation surplus and retained profits

	Note	2013	2012
(a) Revaluation surplus		$'000	$'000
Infrastructure, plant and equipment revaluation surplus		7 383 653	7 487 131
Available-for-sale financial assets revaluation surplus		11 961	10 693
Balance at 30 June		7 395 614	7 497 824
Movements:			
Infrastructure, plant and equipment revaluation surplus:			
Balance at 1 July		7 487 131	7 394 536
Revaluation - gross		(141 879)	146 331
Movements in deferred tax liability	23	40 854	(39 412)
Transfer to retained profits on disposal		(2 453)	(14 324)
Balance at 30 June		7 383 653	7 487 131
Available-for-sale investments revaluation surplus:			
Balance at 1 July		10 693	9 474
Revaluation of investment in unlisted shares		1 812	1 741
Movements in deferred tax liabilities	23	(544)	(522)
Balance at 30 June		11 961	10 693

(b) Retained profits

	Note	2013	2012
Movements in retained profits were as follows:			
Balance at 1 July		250 283	231 909
Net profit for the year		263 723	222 096
Dividends	33	(235 775)	(218 046)
Transfers from infrastructure, plant and equipment revaluation surplus		2 453	14 324
Balance at 30 June		280 684	250 283

(c) Nature and purpose of revaluation surplus

(i) Infrastructure, plant and equipment revaluation surplus

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

(ii) Available-for-sale revaluation surplus

Changes in the fair value of unlisted shares are taken to the available-for-sale revaluation surplus.

30. Commitments

(a) Capital commitments

	2013	2012
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:	$'000	$'000
Within one year	95 348	170 372
Later than one year but not later than five years	42 045	71 421
	137 393	241 793

(b) Operating lease commitments

	2013	2012
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	10 750	10 307
Later than one year but not later than five years	45 452	38 625
Later than five years	66 982	70 275
	123 184	119 207

The operating lease commitments relate to property leases which are non-cancellable leases. The rental is payable monthly and reviewed annually. The annual increases are based on either CPI, 3% or 4%. Options exist to renew the leases at the end of the term of the leases.

The Corporation has an operating lease commitment for accommodation effective from 2008-09 which expires after 15 years with a market rent review renegotiation in year 10. The lease has escalation clauses and no purchase options.

(c) Other expenditure commitments

	2013	2012
Future other expenditure commitments not provided for in the financial statements are payable as follows:	$'000	$'000
Within one year	170 623	158 116
Later than one year but not later than five years	613 194	520 517
Later than five years	1 261 336	1 312 422
	2 045 153	1 991 055

Other expenditure commitments include commitments pursuant to contracts to:

- operate, manage and maintain the Adelaide metropolitan water and wastewater networks and treatment plants (refer note 1(u))
- operate, maintain and provide energy for the ADP (refer note 1(v)).

Other expenditure commitments reported are based on minimum contracted amounts payable at balance date and include an estimate for escalation of charges.

(d) Finance leases

		2013	2012
Commitments in relation to finance leases are payable as follows:	Note	$'000	$'000
Within one year		17 584	17 584
Later than one year but not later than five years		70 335	70 335
Later than five years		81 223	98 807
Minimum lease payments		169 142	186 726
Future finance charges		(68 671)	(80 564)
Recognised as a liability		100 471	106 162
Total lease liabilities		100 471	106 162
Representing lease liabilities:			
Current	16	6 364	5 691
Non-current	21	94 107	100 471
		100 471	106 162
The present value of finance lease liabilities is as follows:			
Within one year		6 364	5 691
Later than one year but not later than five years		33 941	30 344
Later than five years		60 166	70 127
Minimum lease payments		100 471	106 162

Future finance lease payments are amounts contracted with private sector providers to construct, own and operate water and wastewater treatment facilities.

(i) Contingent rentals

The above finance leases comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price and related indexes. Commitments in relation to contingent rentals are payable as follows:

	2013	2012
	$'000	$'000
Within one year	4 483	4 111
Later than one year but not later than five years	17 933	16 443
Later than five years	29 722	31 314
	52 138	51 868

The amount of contingent rentals paid during the year is disclosed in note 6.

(e) 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:

(e) ***Remuneration commitments (continued)***	2013 $'000	2012 $'000
Within one year	15 027	14 937
Later than one year but not later than five years	21 843	21 301
	36 870	36 238

31. Interests in joint venture

Jointly controlled operations

The Corporation holds an interest of 50% in the output of the joint venture operation named SA Water/Mount Lofty Ranges Power - Joint Venture whose principal activity is the generation of electricity from the use of water energy stored in and by the Corporation's infrastructure at Hope Valley.

Included in the assets and liabilities of the Corporation are the following items which represent the Corporation's interest in the assets and liabilities employed in the joint venture, recorded in accordance with the accounting policies described in note 1(b), under the following classifications:

	2013 $'000	2012 $'000
Current assets:		
Cash and cash equivalents	44	33
Receivables	3	3
Other current assets	-	8
Total current assets	47	44
Non-current assets:		
Infrastructure, plant and equipment	1 610	1 605
Total assets	1 657	1 649
Current liabilities:		
Payables	21	21
Total liabilities	21	21
Net assets	1 636	1 628

32. Remuneration of auditors

Audit fees paid/payable to the Auditor-General's Department relating to the audit of financial statements	401	396

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

33. Dividends

Dividends paid	235 775	218 046

The dividends paid to the SA Government were based on the recommendation of the Board and approved by the Treasurer pursuant to section 30(2) of the PCA.

34. Remuneration of employees

The number of employees whose remuneration paid and payable falls within the following bands is:	2013 Number	2012 Number
$134 000 - $137 999*	10	24
$138 000 - $147 999	48	38
$148 000 - $157 999	34	17
$158 000 - $167 999	18	11
$168 000 - $177 999	13	7
$178 000 - $187 999	9	6
$188 000 - $197 999	8	11
$198 000 - $207 999	2	1
$208 000 - $217 999	3	1
$218 000 - $227 999	2	3
$228 000 - $237 999	1	2
$238 000 - $247 999	2	1
$248 000 - $257 999	-	2
$258 000 - $267 999	1	1
$268 000 - $277 999	2	3
$278 000 - $287 999	2	-
$288 000 - $297 999	2	1

34. Remuneration of employees (continued)

	2013 Number	2012 Number
$298 000 - $307 999	1	1
$308 000 - $317 999	2	-
$358 000 - $367 999	-	1
$368 000 - $377 999	1	1
$378 000 - $387 999	-	1
$388 000 - $397 999	1	-
$538 000 - $547 999	1	-
$568 000 - $577 999	-	1

The total remuneration paid and payable for those employees was $28.1 million ($23.2 million). This amount includes separation payments, lump sum payments for annual leave and LSL, fringe benefits and superannuation payments.

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

35. Remuneration of directors

The Board of SA Water was established under the S*outh Australian Water Corporation Act 1994* and consists of up to seven members including the Chief Executive Officer. Although a member of the Board, the Chief Executive Officer does not receive additional remuneration as a board member. The remuneration of the Chief Executive Officer is included in notes 34 and 36.

Remuneration of directors (excluding the Chief Executive Officer) is shown in the table below.

The number of directors of the Corporation (excluding the Chief Executive Officer) whose remuneration paid and payable falls within the following bands is:	2013 Number	2012 Number
$30 000 - $39 999	-	2
$40 000 - $49 999	1	2
$50 000 - $59 999	3	1
$80 000 - $89 999	1	1

The total remuneration paid and payable for those directors was $290 000 ($300 000) which includes fringe benefits and superannuation contributions.

36. Related party disclosures

(a) Directors

The following persons held the position of Director of the Corporation during the financial year:

S G M Blencowe	C S Cooper	L W Owens
F T Blevins	K G Osborn	J F Ringham

Ms Blencowe is an independent member of the Primary Industries SA Audit Committee, and a specialist member of the City of Port Adelaide Development Assessment Panel.

Mr Blevins is a board member of the Law Foundation of South Australia Inc and a member of the board of the Adelaide Park Lands Authority.

Ms Cooper is Chair of the Dairy Authority of SA, Fisheries Council of SA, Fisheries Research and Agriculture Council, Dairy Authority of SA and Fleurieu Regional Waste Authority, Director of Rural Solutions and Lawguard Pty Ltd, Company Secretary of CRC CARE Pty Ltd and a member of the (energy markets) Consumer Advocacy Panel, Motor Accident Commission Third Party Claims Committee, District Court Panel Experts and an independent member of the City of Marion Audit Committee.

Mr Osborn is Director of Pateka Pty Ltd, Tristar Properties Pty Ltd, Chair of Invest in South Australia and Deputy Chair of the Economic Development Board of SA, Port Adelaide Football Club and Director of the Accounting Professional and Ethical Standards Board (APESB). He was formerly Chair of the Adelaide Desalination Cross Agency Steering Committee, Director of Adelaide University Business School Advisory Board and Director of Viterra Inc.

Mr Owens is Chair of SA Water, SA Country Arts Trust, Adelaide University Business School Advisory Board, Director of Petratherm and Regional Arts Australia Ltd and Reconciliation Ambassador for Reconciliation SA and member of Resources and Energy Sector Infrastructure Council, member of the City of Marion Audit Committee.

Mr Ringham is a Director and Chief Executive of SA Water, Deputy Chair Wateraid Australia and Director of Water Services Association of Australia.

(a) Directors (continued)

All financial benefits provided by SA Water to related parties are provided on arm's length terms.

(b) Key management personnel compensation

Key management personnel compensation for the years ended 30 June 2013 and 2012 is set out below. The key management personnel are the directors of the Corporation (including the Chief Executive) and the senior leadership team who have responsibility for the strategic direction and management of the Corporation.

	Number of key management personnel	Short-term benefits $'000	Post-employment benefits $'000	Long-term benefits $'000	Total $'000
2013	15	2 601	943	78	3 622
2012	16	2 668	785	72	3 525

37. Statement of administered items

	River Murray levy $'000	Pensioner concessions $'000	2013 Total $'000	2012 Total $'000
Administered income:				
Revenue	26 808	29 100	55 908	55 162
Total administered income	26 808	29 100	55 908	55 162
Administered expenses:				
Expenses	26 808	29 100	55 908	55 162
Total administered expenses	26 808	29 100	55 908	55 162
Operating surplus	-	-	-	-
Current assets:				
Cash and cash equivalents	160	2	162	374
Receivables	1 640	-	1 640	1 247
Total current assets	1 800	2	1 802	1 621
Total administered assets	1 800	2	1 802	1 621
Current liabilities:				
Payables	1 800	2	1 802	1 621
Total current liabilities	1 800	2	1 802	1 621
Total administered liabilities	1 800	2	1 802	1 621
Net assets	-	-	-	-
Cash flows from operating activities:				
Cash inflows	26 415	29 100	55 515	55 144
Total cash inflows	26 415	29 100	55 515	55 144
Cash outflows	(26 381)	(29 346)	(55 727)	(55 506)
Total cash outflows	(26 381)	(29 346)	(55 727)	(55 506)
Net cash inflows (outflows) from operating activities	34	(246)	(212)	(362)
Net increase (decrease) in cash held	34	(246)	(212)	(362)
Cash at 1 July	126	248	374	736
Cash at 30 June	160	2	162	374

38. SA Government transactions

(a) Income

	2013 $'000	2012 $'000
Income received/receivable from entities within the SA Government:		
Rates and charges	63 847	56 197
CSOs	106 773	153 274
Recoverable works	3 567	4 065
Fees and charges	20	36
Miscellaneous	2	2
Government grants	672	1 789
Interest received	907	1 628
Total income - SA Government entities	175 788	216 991

		2013	2012
(b)	***Expenses***		
	Supplies and services provided by entities within the SA Government:	$'000	$'000
	Operational services	33 210	37 118
	Administration	33 589	31 421
	Materials and other	993	-
	Total supplies and services - SA Government entities	67 792	68 539
	Operational and service contracts provided by entities within the SA Government:		
	Operational and service contracts	4 718	2 373
	Total operational and service contracts - SA Government entities	4 718	2 373
	Borrowing costs provided by entities within the SA Government:		
	Interest expense	221 980	216 222
	Total borrowing costs - SA Government entities	221 980	216 222
(c)	***Receivables***		
	Receivables from SA Government entities:		
	CSOs	12 785	12 671
	Rates receivable (water and wastewater)	7 180	812
	Sundry debtors	6 247	7 232
	Total receivables - SA Government entities	26 212	20 715
(d)	***Payables***		
	Current:		
	Payables to SA Government entities:		
	Trade creditors	5 093	4 666
	Interest payable	37 479	34 327
	Other creditors	4 470	4 698
	Total payables - SA Government entities	47 042	43 691
	Non-current:		
	Payables to SA Government entities:		
	Other creditors	1 511	1 638

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	*Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997*
NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSA	*Public Sector Act 2009*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

Acronyms

Reference	Title
AASs	Australian Accounting Standards[1]
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

[1] '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

General index

A

Adelaide Convention Centre Corporation, 3
- Assessment of controls, 4
- Auditor's report on the financial report, 3
- Creditor account payment performance, 4
- Dividend and taxation arrangements, 4
- Qualified Opinion – Assessment of controls, 4
- Redevelopment of the Adelaide Convention Centre, 7

Adelaide Desalination Project
- South Australian Water Corporation, 1814, 1830

Adelaide Entertainments Corporation, 24
- Assessment of controls, 25
- Auditor's report on the financial report, 25

Adelaide Festival Centre Trust, 47
- Assessment of controls, 48
- Auditor's report on the financial report, 48
- Documentation of policies and procedures, 48
- Information and communications technology and control, 49
- Procurement, 48
- Qualified Opinion – Assessment of controls, 48
- Timeliness of the conduct and review of reconciliations, 48

Adelaide Festival Corporation, 71
- Assessment of controls, 72
- Auditor's report on the financial report, 72
- Bank reconciliations, 72
- Cash handling, 72
- Expenditure, 72
- Qualified Opinion – Assessment of controls, 72

Adelaide Oval
- Adelaide Oval SMA Limited, 88

Adelaide Oval redevelopment
- Planning, Transport and Infrastructure, Department of, 1162

Adelaide Oval SMA Limited, 88
- $18 million funding deed, 91
- Adelaide Oval, 88
- Auditor's report on the financial report, 89
- Membership sales, 91

Art Gallery Board, 106
- Assessment of controls, 107
- Auditor's report on the financial report, 106
- Governance, 110
- Heritage collections, 111
- Legal compliance, 107
- Payroll, 111
- Qualified Independent Auditor's Report on the Board's 2011-12 financial report, 107
- Qualified Opinion – Assessment of controls, 107
- Shared Services SA – accounts payable and electronic payment control environments, 112
- Shared Services SA – CHRIS payroll control environment, 112

Assessment of controls
- Adelaide Convention Centre Corporation, 4
- Adelaide Entertainments Corporation, 25
- Adelaide Festival Centre Trust, 48
- Adelaide Festival Corporation, 72
- Art Gallery Board, 107
- Attorney-General's Department, 138
- Auditor-General's Department, 242
- Central Adelaide Local Health Network Incorporated, 750
- Communities and Social Inclusion, Department for, 259
- Correctional Services, Department for, 332
- Country Health SA Local Health Network Incorporated, 754
- Courts Administration Authority, 366
- Defence SA, 405
- Education and Child Development, Department for, 435
- Environment Protection Authority, 509
- Environment, Water and Natural Resources, Department of, 544
- Flinders University of South Australia, 606
- Further Education, Employment, Science and Technology, Department of, 656
- Health and Ageing, Department for, 701
- Health Services Charitable Gifts Board, 764
- HomeStart Finance, 786
- Judges' Pensions Scheme, 836
- Legal Services Commission, 848
- Libraries Board of South Australia, 920
- Local Government Finance Authority of South Australia, 947
- Lotteries Commission of South Australia, 970
- Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1009
- Motor Accident Commission, 1057
- Museum Board, 1089
- Northern Adelaide Local Health Network Incorporated, 752
- Office of the National Rail Safety Regulator, 1114
- Parliamentary Superannuation Scheme, 1131
- Planning, Transport and Infrastructure, Department of, 1146
- Police Superannuation Scheme, 1236
- Premier and Cabinet, Department of the, 1253
- Primary Industries and Regions, Department of, 1317
- Public Trustee, 215
- SA Ambulance Service Inc, 757
- South Australia Police, 1392
- South Australian Asset Management Corporation, 1440
- South Australian Country Fire Service, 1452
- South Australian Fire and Emergency Services Commission, 1482

South Australian Government Financing Authority, 1527
South Australian Housing Trust, 1567
South Australian Metropolitan Fire Service, 1623
South Australian Motor Sport Board, 1653
South Australian State Emergency Service, 1677
South Australian Superannuation Board, 1703
South Australian Tourism Commission, 1785
South Australian Water Corporation, 1814
Southern Adelaide Local Health Network Incorporated, 751
Superannuation Funds Management Corporation of South Australia, 1871
TAFE SA, 1907
Treasury and Finance, Department of, 1939
University of Adelaide, 2000
University of South Australia, 2059
Urban Renewal Authority, 2104
Women's and Children's Health Network Incorporated, 755
WorkCover Corporation of South Australia, 2158

Attorney-General's Department, 137
Alleged fraud against the Victims of Crime Fund, 144
Assessment of controls, 138
Auditor's report on the financial report, 138
Consumer and Business Services, 140
Creditor account payment performance, 140
Crown Solicitor's Office, 142
Financial accounting, 140
Gaming machine administration, 153
Independent Gaming Corporation Limited, 154
Information and communications technology and control, 144
Payroll controls, 139
Public Trustee, 214
Purchasing and receiving goods and services, 140
Qualified Opinion – Assessment of controls, 138
Residential Tenancies Fund, 143, 153
Shared Services SA – accounts payable and electronic payment control environments, 146
Shared Services SA – CHRIS payroll control environment, 145
TIs 2 and 28, 138
Victims of Crime Fund, 152

Auditor's report on the financial report
Adelaide Convention Centre Corporation, 3
Adelaide Entertainments Corporation, 25
Adelaide Festival Centre Trust, 48
Adelaide Festival Corporation, 72
Adelaide Oval SMA Limited, 89
Art Gallery Board, 106
Attorney-General's Department, 138
Auditor-General's Department, 241
Central Adelaide Local Health Network Incorporated, 749
Communities and Social Inclusion, Department for, 259
Correctional Services, Department for, 331
Country Health SA Local Health Network Incorporated, 754
Courts Administration Authority, 366
Defence SA, 405
Education and Child Development, Department for, 435
Environment Protection Authority, 509
Environment, Water and Natural Resources, Department of, 542
Flinders University of South Australia, 606
Further Education, Employment, Science and Technology, Department of, 656
Health and Ageing, Department for, 701
Health Services Charitable Gifts Board, 764
HomeStart Finance, 786
Judges' Pensions Scheme, 836
Legal Services Commission, 848
Legislature, The
House of Assembly, 873
Joint Parliamentary Service, 873
Legislative Council, 873
Libraries Board of South Australia, 919
Local Government Finance Authority of South Australia, 947
Lotteries Commission of South Australia, 970
Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1009
Motor Accident Commission, 1057
Museum Board, 1088
Northern Adelaide Local Health Network Incorporated, 752
Office of the National Rail Safety Regulator, 1114
Parliamentary Superannuation Scheme, 1131
Planning, Transport and Infrastructure, Department of, 1146
Police Superannuation Scheme, 1236
Premier and Cabinet, Department of the, 1253
Primary Industries and Regions, Department of, 1317
Public Trustee, 215
SA Ambulance Service Inc, 756
South Australia Police, 1392
South Australian Ambulance Service Superannuation Scheme, 1713
South Australian Asset Management Corporation, 1440
South Australian Country Fire Service, 1452
South Australian Fire and Emergency Services Commission, 1482
South Australian Government Financing Authority, 1527
South Australian Housing Trust, 1567
South Australian Metropolitan Fire Service, 1623
South Australian Motor Sport Board, 1652
South Australian State Emergency Service, 1677
South Australian Superannuation Board, 1703
South Australian Superannuation Scheme, 1727
South Australian Tourism Commission, 1785
South Australian Water Corporation, 1814
Southern Adelaide Local Health Network Incorporated, 751
Southern State Superannuation Scheme, 1750
Super SA Retirement Investment Fund, 1767
Superannuation Funds Management Corporation of South Australia, 1871
TAFE SA, 1907
Treasury and Finance, Department of, 1938
University of Adelaide, 2000

University of South Australia, 2058
Urban Renewal Authority, 2104
Women's and Children's Health Network Incorporated, 755
WorkCover Corporation of South Australia, 2157

Auditor-General's Department, 241
Assessment of controls, 242
Auditor's report on the financial report, 241

C

Central Adelaide Local Health Network Incorporated, 749
Assessment of controls, 750
Auditor's report on the financial report, 749
Qualified Opinion – Assessment of controls, 750

Communities and Social Inclusion, Department for, 258
Assessment of controls, 259
Auditor's report on the financial report, 259
Brokerage expenditure, 260
Client trust funds, 265
Concessions, 263
Creditor account payment performance, 266
Expenditure, 265
Grants, subsidies and client payments, 259
Information and communications technology and control, 266
Payroll, 266
Qualified Opinion – Assessment of controls, 259
Shared Services SA – accounts payable and electronic payment control environments, 267
Shared Services SA – CHRIS payroll control environment, 267

Coorong, Lower Lakes and Murray Mouth projects
Environment, Water and Natural Resources, Department of, 551

Correctional Services, Department for, 331
Assessment of controls, 332
Auditor's report on the financial report, 331
Bona fide certificates, 332
Custodial officer roster system, 332
Leave reporting, 332
Payment approval in Basware, 333
Qualified Opinion – Assessment of controls, 332
Shared Services SA – accounts payable and electronic payment control environments, 333
Shared Services SA – CHRIS payroll control environment, 333

Country Health SA Local Health Network Incorporated, 754
Assessment of controls, 754
Auditor's report on the financial report, 754
Qualified Opinion – Assessment of controls, 754

Courts Administration Authority, 365
Assessment of controls, 366
Auditor's report on the financial report, 366
Fines and court fees, 369
Fines, fees and levies, 370
Payment of jury and witness fees, 366
Qualified Opinion – Assessment of controls, 366
Statutes Amendment (Fines Enforcement and Recovery) Act 2013, 371
Victims of Crime levy, 370

Creditor account payment performance
Adelaide Convention Centre Corporation, 4
Attorney-General's Department, 140
Communities and Social Inclusion, Department for, 266
Education and Child Development, Department for, 444
Environment, Water and Natural Resources, Department of, 547
Further Education, Employment, Science and Technology, Department of, 659
Health and Ageing, Department for, 705
HomeStart Finance, 786
Legal Services Commission, 850
Local Government Finance Authority of South Australia, 948
Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1011
Planning, Transport and Infrastructure, Department of, 1149
Premier and Cabinet, Department of the, 1253
Primary Industries and Regions, Department of, 1319
Public Trustee, 215
South Australia Police, 1394
South Australian Fire and Emergency Services Commission, 1485
South Australian Government Financing Authority, 1528
South Australian Housing Trust, 1578
South Australian Motor Sport Board, 1653
TAFE SA, 1909
Treasury and Finance, Department of, 1943
Urban Renewal Authority, 2109

Crown Solicitor's Office
Attorney-General's Department, 142

D

Defence SA, 404
Assessment of controls, 405
Auditor's report on the financial report, 405
General ledger, 405
Qualified Opinion – Assessment of controls, 405
Shared Services SA – accounts payable and electronic payment control environments, 406
Shared Services SA – CHRIS payroll control environment, 405

Department for Communities and Social Inclusion *see* Communities and Social Inclusion, Department for

Department for Correctional Services *see* Correctional Services, Department for

Department for Education and Child Development *see* Education and Child Development, Department for

Department for Health and Ageing *see* Health and Ageing, Department for

Department for Manufacturing, Innovation, Trade, Resources and Energy *see* Manufacturing, Innovation, Trade, Resources and Energy, Department for

Department of Environment, Water and Natural Resources *see* Environment, Water and Natural Resources, Department of

Department of Further Education, Employment, Science and Technology *see* Further Education, Employment, Science and Technology, Department of

Department of Planning, Transport and Infrastructure *see* Planning, Transport and Infrastructure, Department of

Department of Primary Industries and Regions *see* Primary Industries and Regions, Department of

Department of the Premier and Cabinet *see* Premier and Cabinet, Department of the

Department of Treasury and Finance *see* Treasury and Finance, Department of

DFEEST *see* Further Education, Employment, Science and Technology, Department of

E

Education and Child Development, Department for, 434
- Assessment of controls, 435
- Auditor's report on the financial report, 435
- CHRIS payroll, 437
- Creditor account payment performance, 444
- Families SA expenditure, 446
- General ledger processing, 452
- Information and communications technology and control, 451
- Qualified Opinion – Assessment of controls, 435
- Recharge for Teaching Practicum program, 435
- Review of Basware financial delegations, 443
- School maintenance, 444
- Shared Services SA – accounts payable and electronic payment control environments, 444
- Shared Services SA – CHRIS payroll control environment, 440
- Shared Services SA – Valeo payroll control environment, 443
- Staffing, 458
- Student enrolments, 458
- Valeo payroll, 440

Environment Protection Authority, 508
- Assessment of controls, 509
- Auditor's report on the financial report, 509
- Licence compliance, 510
- Licensing Administration Modernisation project, 513
- Payroll bona fide register, 510
- Qualified Opinion – Assessment of controls, 509
- Timely update of policies and procedures, 509
- Transfer of solid waste levies to the Waste to Resources Fund, 513

Environment, Water and Natural Resources, Department of, 541
- Administered grant programs, 550
- Assessment of controls, 544
- Auditor's report on the financial report, 542
- Cash, 545
- Coorong, Lower Lakes and Murray Mouth projects, 551
- Creditor account payment performance, 547
- DPC Circular 027, 546
- Expenditure, 545
- Fixed assets – accounting for Crown land, 543
- Governance, 544
- Murray Futures, 552
- Murray-Darling Basin Authority, 551
- Natural Resource Management Boards and Fund, 550
- Payroll, 545
- Procurement, 546
- Purchase cards, 545
- Qualified Opinion – Assessment of controls, 544
- Qualified Opinion – Financial report, 543
- Save the River Murray Fund, 552
- Shared Services SA – accounts payable and electronic payment control environments, 547
- Shared Services SA – CHRIS payroll control environment, 547
- Stormwater Harvesting and Reuse projects, 552

F

Flinders University of South Australia, 605
- Approval of tuition fee waivers, 607
- Assessment of controls, 606
- Auditor's report on the financial report, 606
- Information and communications technology and control, 607
- Journal processing, 606
- Payroll bona fide review, 606
- Payroll segregation of duties, 607
- Purchase card expenditure acquittal, 607
- Qualified Opinion – Assessment of controls, 606
- Timesheets, 606

Funds SA *see* Superannuation Funds Management Corporation of South Australia

Further Education, Employment, Science and Technology, Department of, 655
- Assessment of controls, 656
- Auditor's report on the financial report, 656
- Creditor account payment performance, 659
- Expenditure, 659
- Payroll/Human resources management, 658
- Qualified Opinion – Assessment of controls, 656
- Shared Services SA – accounts payable and electronic payment control environments, 659
- Skills for All expenditure, 656, 663
- Sustainable Industries Education Centre, 663
- TAFE SA, 1906
- Shared Services SA – Empower payroll control environment, 659

G

GP Plus Health
- Planning, Transport and Infrastructure, Department of, 1163

H

Health and Ageing, Department for, 697
- Accounts payable, 704
- Accounts receivable, 705
- Assessment of controls, 701
- Auditor's report on the financial report, 701
- Capital funding to health services, 703
- Changes to health regions and services from 1 July 2011, 697
- Commonwealth Government grants, 703
- Creditor account payment performance, 705

Financial performance, 699
Financial reporting, 699
Funding to not-for-profit organisations, 703
Governance and financial control, 699
Implementation of TIs 2 and 28, 702
Incorporated hospitals and health services, 748
Accounts payable, 759
Accounts receivable, 759
Balance sheet reconciliations, 758
Central Adelaide Local Health Network Incorporated, 749
Country Health SA Local Health Network Incorporated, 754
Health sector staffing and patient activity data, 760
Northern Adelaide Local Health Network Incorporated, 752
Payroll, 759
Property, plant and equipment, 760
SA Ambulance Service Inc, 756
Southern Adelaide Local Health Network Incorporated, 751
Women's and Children's Health Network Incorporated, 755
Information and communications technology and control, 706
Information technology and system change, 699
Internal audit review of medical consultant allowances, 701
National health reforms, 698
Payroll, 704
Public Private Partnership – the new Royal Adelaide Hospital project, 706
Qualified Opinion – Assessment of controls, 701
Recurrent funding to health services, 702
Risk management and internal audit, 701
Shared Services SA – CHRIS payroll control environment, 704
South Australian Health and Medical Research Institute, 708
Special purpose funds, 705

Health Services Charitable Gifts Board, 763
Assessment of controls, 764
Auditor's report on the financial report, 764

HomeStart Finance, 785
Assessment of controls, 786
Auditor's report on the financial report, 786
Bad and impaired loans expense, 789
Breakthrough loans, 791
Creditor account payment performance, 786
Distributions to government, 795
Financial risks, 792
General reserve for credit losses, 793
HomeStart operating parameters, 796
Information and communications technology and control, 787
Loan quality, 793
Loans and advances, 790
Operating parameters, 797
Performance targets, 797
Provisions for impairment, 792
Qualified Opinion – Assessment of controls, 786

I

Incorporated hospitals and health services
Central Adelaide Local Health Network Incorporated, 749
Country Health SA Local Health Network Incorporated, 754
Health and Ageing, Department for, 748
Northern Adelaide Local Health Network Incorporated, 752
SA Ambulance Service Inc, 756
Southern Adelaide Local Health Network Incorporated, 751
Women's and Children's Health Network Incorporated, 755

Independent Gaming Corporation Limited
Attorney-General's Department, 154

Information and communications technology and control
Adelaide Festival Centre Trust, 49
Attorney-General's Department, 144
Communities and Social Inclusion, Department for, 266
Education and Child Development, Department for, 451
Flinders University of South Australia, 607
Health and Ageing, Department for, 706
HomeStart Finance, 787
Legal Services Commission, 851
Planning, Transport and Infrastructure, Department of, 1160
South Australia Police, 1395
South Australian Housing Trust, 1579
Treasury and Finance, Department of, 1945
University of Adelaide, 2004
University of South Australia, 2061
WorkCover Corporation of South Australia, 2166

J

Judges' Pensions Scheme, 835
Assessment of controls, 836
Auditor's report on the financial report, 836
Contributions by employers, 837
Pensioners, 837

L

Legal Services Commission, 847
Application of the Commissioner for Public Sector Employment Determinations, 848
Assessment of controls, 848
Auditor's report on the financial report, 848
Creditor account payment performance, 850
Expenditure and accounts payable, 850
Financial accounting reconciliations, 848
Fraud policy review, 850
Information and communications technology and control, 851
Payroll expenditure, 849
Private practitioner expenditure, 850
Property, plant and equipment, 849
Qualified Opinion – Assessment of controls, 848

Legislature, The, 872
Auditor's report on the financial report
House of Assembly, 873
Joint Parliamentary Service, 873
Legislative Council, 873
Qualified Opinion – Financial report
Disclaimer of Opinion, 873

LGFA *see* Local Government Finance Authority of South Australia

Libraries Board of South Australia, 919
Assessment of controls, 920
Auditor's report on the financial report, 919
Implementation of TIs 2 and 28, 920
Qualified Opinion – Assessment of controls, 920
Shared Services SA – accounts payable and electronic payment control environments, 921
Shared Services SA – CHRIS payroll control environment, 920

Local Government Finance Authority of South Australia, 946
Assessment of controls, 947
Asset quality, 951
Auditor's report on the financial report, 947
Creditor account payment performance, 948
Delegation of powers for fundraising, 948
Guarantee by the Treasurer, 946
Implementation of TI 2, 947
Implementation of TI 28, 947
Qualified Opinion – Assessment of controls, 947
Submission and tabling of 2011-12 annual report, 947
Tax equivalent payments, 950

Lotteries Commission of South Australia, 968
Appointment of Tatts Lotteries SA Pty Ltd as exclusive Master Agent of the Commission, 968
Assessment of controls, 970
Auditor's report on the financial report, 970
Cash, 972
Corporate governance, 971
Expenditure, 973
Gaming revenue, 972
General ledger, 974
Other revenue, 974
Qualified Opinion – Assessment of controls, 970
SA Lotteries Exclusive Master Agent transaction, 968
Transitional arrangements, 969

M

Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1008
Assessment of controls, 1009
Auditor's report on the financial report, 1009
Creditor account payment performance, 1011
Expenditure, 1009
Payroll, 1010
Qualified Opinion – Assessment of controls, 1009
Royalties, 1010
Shared Services SA – accounts payable and electronic payment control environments, 1012
Shared Services SA – CHRIS payroll control environment, 1011
Tenements management system – licencing, 1011

Motor Accident Commission, 1055
Assessment of controls, 1057
Auditor's report on the financial report, 1057
Contribution commitment, 1056
Investment result, 1060
Investments, 1061
Outstanding claims, 1061
Qualified Opinion – Assessment of controls, 1057
Scheme reform, 1055
Shared Services SA – accounts payable and electronic payment control environments, 1057
Shared Services SA – CHRIS payroll control environment, 1057
Solvency level, 1063
Third party insurance premiums, 1064
Underwriting result, 1059

Murray-Darling Basin Authority
Environment, Water and Natural Resources, Department of, 551

Museum Board, 1088
Assessment of controls, 1089
Auditor's report on the financial report, 1088
Governance, 1089
Heritage collections, 1090
Legal compliance, 1089
Qualified Opinion – Assessment of controls, 1089
Shared Services SA – accounts payable and electronic payment control environments, 1091
Shared Services SA – CHRIS payroll control environment, 1091

N

National health reforms
Health and Ageing, Department for, 698

Natural Resource Management Boards and Fund
Environment, Water and Natural Resources, Department of, 550

North South Interconnection System project
South Australian Water Corporation, 1834

Northern Adelaide Local Health Network Incorporated, 752
Assessment of controls, 752
Auditor's report on the financial report, 752
Qualified Opinion – Assessment of controls, 752

O

Office of the National Rail Safety Regulator, 1113
Assessment of controls, 1114
Auditor's report on the financial report, 1114
Policies and procedures, 1114
Qualified Opinion – Assessment of controls, 1114
Reconciliations, 1114

OneFortyOne Plantations Pty Ltd
South Australian Forestry Corporation, 1525

P

Parliamentary Superannuation Scheme, 1130
Assessment of controls, 1131
Auditor's report on the financial report, 1131
Contributions by employees, 1132
Pensioners, 1132

PIRSA *see* Primary Industries and Regions, Department of

Planning, Transport and Infrastructure, Department of, 1144
Accounts payable, 1148
Adelaide Oval redevelopment, 1162
Assessment of controls, 1146
Auditor's report on the financial report, 1146
Bank account reconciliations, 1146
Building management
Commercial and residential properties, 1157
Facilities management, 1158
Facilities services, 1159
Project services, 1156
Bus contract payments, 1150
Creditor account payment performance, 1149
Financial accounting, 1153
Financial management compliance program, 1155
Gawler Line Modernisation Project, 1166
GP Plus Health, 1163
Information and communications technology and control, 1160
Metrocard revenue, 1152
Organisational changes, 1144
Payroll, 1149
Qualified Opinion – Assessment of controls, 1146
Revenue and accounts receivable, 1153
Risk management, 1154
Shared Services SA – accounts payable and electronic payment control environments, 1148
Shared Services SA – CHRIS payroll control environment, 1150
State Aquatic Centre, 1163

Police Superannuation Scheme, 1235
Assessment of controls, 1236
Auditor's report on the financial report, 1236
Contributions by members, 1240
Liability for accrued benefits, 1239
Pensioners, 1240

Port Adelaide Waterfront Redevelopment
Urban Renewal Authority, 2117

Premier and Cabinet, Department of the, 1252
Accounts payable, 1253
Assessment of controls, 1253
Auditor's report on the financial report, 1253
Creditor account payment performance, 1253
Office of the Chief Information Officer, 1259
Qualified Opinion – Assessment of controls, 1253
SafeWork SA, 1254
Service level agreements, 1253
Service SA – T-Recs and review of Service SA centres, 1258
Shared Services SA – accounts payable and electronic payment control environments, 1254
Shared Services SA – payroll control environments, 1256
Shared Services SA – remediation of control environments, 1254

Primary Industries and Regions, Department of, 1316
Assessment of controls, 1317
Auditor's report on the financial report, 1317
Corporate governance, 1324
Creditor account payment performance, 1319
Expenditure, 1317
Financial accounting, 1322
Fisheries licensing revenue, 1321
Fixed assets, 1322
Grants and advances revenue – Rural Solutions SA, 1323
Grants and advances revenue – South Australian Research and Development Institute, 1324
Masterpiece accounts receivable and Reculver systems, 1321
Payroll, 1319
Qualified Opinion – Assessment of controls, 1317
Shared Services SA – accounts payable and electronic payment control environments, 1318
Shared Services SA – CHRIS payroll control environment, 1320

Public Trustee, 214
Assessment of controls, 215
Auditor's report on the financial report, 215
Common fund financial statements, 219
Corporate operations, 215
Creditor account payment performance, 215
Implementation of TIs 2 and 28, 216
Qualified Opinion – Assessment of controls, 215
Shared Services SA – CHRIS payroll control environment, 216
Trust operations, 216

Q

Qualified Opinion – Assessment of controls
Adelaide Convention Centre Corporation, 4
Adelaide Festival Centre Trust, 48
Adelaide Festival Corporation, 72
Art Gallery Board, 107
Attorney-General's Department, 138
Central Adelaide Local Health Network Incorporated, 750
Communities and Social Inclusion, Department for, 259
Correctional Services, Department for, 332
Country Health SA Local Health Network Incorporated, 754
Courts Administration Authority, 366
Defence SA, 405
Education and Child Development, Department for, 435
Environment Protection Authority, 509
Environment, Water and Natural Resources, Department of, 544
Flinders University of South Australia, 606
Further Education, Employment, Science and Technology, Department of, 656
Health and Ageing, Department for, 701
HomeStart Finance, 786
Legal Services Commission, 848
Libraries Board of South Australia, 920
Local Government Finance Authority of South Australia, 947
Lotteries Commission of South Australia, 970
Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1009

Motor Accident Commission, 1057
Museum Board, 1089
Northern Adelaide Local Health Network Incorporated, 752
Office of the National Rail Safety Regulator, 1114
Planning, Transport and Infrastructure, Department of, 1146
Premier and Cabinet, Department of the, 1253
Primary Industries and Regions, Department of, 1317
Public Trustee, 215
SA Ambulance Service Inc, 757
South Australia Police, 1392
South Australian Country Fire Service, 1452
South Australian Fire and Emergency Services Commission, 1482
South Australian Government Financing Authority, 1527
South Australian Housing Trust, 1567
South Australian Metropolitan Fire Service, 1623
South Australian State Emergency Service, 1677
South Australian Superannuation Board, 1703
South Australian Tourism Commission, 1785
South Australian Water Corporation, 1814
Southern Adelaide Local Health Network Incorporated, 751
TAFE SA, 1907
Treasury and Finance, Department of, 1939
University of Adelaide, 2000
University of South Australia, 2059
Urban Renewal Authority, 2104
Women's and Children's Health Network Incorporated, 755
WorkCover Corporation of South Australia, 2158

Qualified Opinion – Financial report
Environment, Water and Natural Resources, Department of, 543
Legislature, The
Disclaimer of Opinion, 873
South Australian Motor Sport Board, 1653
University of South Australia, 2058

R

Recharge for Teaching Practicum program
Education and Child Development, Department for, 435

Renewal SA *see* Urban Renewal Authority

Residential Tenancies Fund
Attorney-General's Department, 143, 153

RevenueSA
Treasury and Finance, Department of, 1939

S

SA Ambulance Service Inc, 756
Assessment of controls, 757
Auditor's report on the financial report, 756
Qualified Opinion – Assessment of controls, 757

SAAMC *see* South Australian Asset Management Corporation

SAFA *see* South Australian Government Financing Authority

SafeWork SA
Premier and Cabinet, Department of the, 1254

Save the River Murray Fund
Environment, Water and Natural Resources, Department of, 552

Shared Services SA – accounts payable and electronic payment control environments
Art Gallery Board, 112
Attorney-General's Department, 146
Communities and Social Inclusion, Department for, 267
Correctional Services, Department for, 333
Defence SA, 406
Education and Child Development, Department for, 444
Environment, Water and Natural Resources, Department of, 547
Further Education, Employment, Science and Technology, Department of, 659
Libraries Board of South Australia, 921
Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1012
Motor Accident Commission, 1057
Museum Board, 1091
Planning, Transport and Infrastructure, Department of, 1148
Premier and Cabinet, Department of the, 1254
Primary Industries and Regions, Department of, 1318
South Australia Police, 1394
South Australian Fire and Emergency Services Commission, 1487
South Australian Housing Trust, 1578
South Australian Tourism Commission, 1787
TAFE SA, 1909
Treasury and Finance, Department of, 1943

Shared Services SA – CHRIS payroll control environment
Art Gallery Board, 112
Attorney-General's Department, 145
Communities and Social Inclusion, Department for, 267
Correctional Services, Department for, 333
Defence SA, 405
Education and Child Development, Department for, 440
Environment, Water and Natural Resources, Department of, 547
Health and Ageing, Department for, 704
Libraries Board of South Australia, 920
Manufacturing, Innovation, Trade, Resources and Energy, Department for, 1011
Motor Accident Commission, 1057
Museum Board, 1091
Planning, Transport and Infrastructure, Department of, 1150
Premier and Cabinet, Department of the, 1256
Primary Industries and Regions, Department of, 1320
Public Trustee, 216
South Australian Fire and Emergency Services Commission, 1486
South Australian Housing Trust, 1573
South Australian Tourism Commission, 1787
Treasury and Finance, Department of, 1944

Shared Services SA – Empower payroll control environment
Further Education, Employment, Science and Technology, Department of, 659
Premier and Cabinet, Department of the, 1256
TAFE SA, 1910
Shared Services SA – payroll control environment
Premier and Cabinet, Department of the, 1256
Shared Services SA – Payroll control environment
South Australia Police, 1395
Shared Services SA – Valeo payroll control environment
Education and Child Development, Department for, 443
Premier and Cabinet, Department of the, 1256
South Australia Police, 1391
Assessment of controls, 1392
Auditor’s report on the financial report, 1392
Creditor account payment performance, 1394
Expenditure, 1394
Expiation fees, 1401
Expiation revenue, 1392
Governance, 1392
Information and communications technology and control, 1395
Payroll, 1394
Procurement/Contract management, 1393
Qualified Opinion – Assessment of controls, 1392
Shared Services SA – accounts payable and electronic payment control environments, 1394
Shared Services SA – Payroll control environment, 1395
Victims of Crime levy, 1401
South Australian Ambulance Service Superannuation Scheme, 1713
Auditor’s report on the financial report, 1713
Liability for accrued benefits, 1714
Members, 1715
South Australian Superannuation Board, 1702
South Australian Asset Management Corporation, 1439
Assessment of controls, 1440
Auditor’s report on the financial report, 1440
Dissolution of SAAMC, 1439
South Australian Country Fire Service
Assessment of controls, 1452
Auditor’s report on the financial report, 1451, 1452
Qualified Opinion – Assessment of controls, 1452
South Australian Fire and Emergency Services Commission, 1481
South Australian Fire and Emergency Services Commission, 1481
Assessment of controls, 1482
Auditor’s report on the financial report, 1482
Business continuity planning, 1484
Community Emergency Services Fund, 1481
Creditor account payment performance, 1485
Deficiencies in record keeping and absence of key supporting documentation, 1483
Financial authorisations, 1485
Financial management compliance programs, 1485
Non-current assets, 1483
Qualified Opinion – Assessment of controls, 1482
Shared Services SA – accounts payable and electronic payment control environments, 1487
Shared Services SA – CHRIS payroll control environment, 1486
South Australian Country Fire Service, 1481
South Australian Metropolitan Fire Service, 1481
South Australian State Emergency Service, 1481
South Australian Forestry Corporation, 1525
Forward sale of forest rotations, 1525
OneFortyOne Plantations Pty Ltd, 1525
Status of the financial report, 1525
South Australian Government Financing Authority, 1526
Assessment of controls, 1527
Audit and Risk Management Committee, 1529
Auditor’s report on the financial report, 1527
Business risk management, 1533
Catastrophe reinsurance program, 1536
Compliance with TIs 2 and 28, 1529
Creditor account payment performance, 1528
Funding risk, 1535
Implementation of new financial accounting system, 1528
Market risk, 1533
Operational risk management, 1533
Qualified Opinion – Assessment of controls, 1527
Review of SAFA procurement processes, 1528
SAFA Advisory Board, 1526
South Australian Health and Medical Research Institute
Health and Ageing, Department for, 708
South Australian Housing Trust, 1566
Accounts payable, 1578
Assessment of controls, 1567
Auditor’s report on the financial report, 1567
Capital works in progress, 1574
Council rates, 1569
Creditor account payment performance, 1578
General ledger, 1575
House and vacant land sales, 1571
Information and communications technology and control, 1579
Management of homelessness grant payments, 1575
Multi-trade contractor, 1579
Project management control arrangements – Renewal SA, 1571
Qualified Opinion – Assessment of controls, 1567
Rent, 1567
Shared Services SA – accounts payable and electronic payment control environments, 1578
Shared Services SA – CHRIS payroll control environment, 1573
Trust – payroll control environment, 1573
Water rates, 1569
South Australian Metropolitan Fire Service, 1622
Assessment of controls, 1623
Auditor’s report on the financial report, 1623
Qualified Opinion – Assessment of controls, 1623
South Australian Fire and Emergency Services Commission, 1481

South Australian Motor Sport Board, 1651
Assessment of controls, 1653
Auditor's report on the financial report, 1652
Creditor account payment performance, 1653
Implementation of TI 2, 1653
Payment authorisation delegations, 1653
Qualified Opinion – Financial report, 1653

South Australian Research and Development Institute
Primary Industries and Regions, Department of
Grants and advances revenue, 1324

South Australian State Emergency Service, 1676
Assessment of controls, 1677
Auditor's report on the financial report, 1677
Qualified Opinion – Assessment of controls, 1677
South Australian Fire and Emergency Services Commission, 1481

South Australian Superannuation Board, 1702
Assessment of controls, 1703
Auditor's report on the financial report, 1703
Qualified Opinion – Assessment of controls, 1703
Service provision arrangements, 1702
South Australian Ambulance Service Superannuation Scheme, 1702
South Australian Superannuation Scheme, 1702
Southern State Superannuation Scheme, 1702
Super SA Retirement Investment Fund, 1702

South Australian Superannuation Scheme, 1727
Auditor's report on the financial report, 1727
Benefits paid, 1731
Funding of benefit payments, 1731
contributions by members, 1732
Pensioners, 1732
South Australian Superannuation Board, 1702
Statement of Financial Position – estimated liability for accrued benefits, 1730

South Australian Tourism Commission, 1784
Assessment of controls, 1785
Auditor's report on the financial report, 1785
Procurement and contract management – South Australian Visitor and Travel Centre, 1785
Qualified Opinion – Assessment of controls, 1785
Shared Services SA – accounts payable and electronic payment control environments, 1787
Shared Services SA – CHRIS payroll control environment, 1787

South Australian Water Corporation, 1813
Adelaide Desalination Project, 1830, 1814
Assessment of controls, 1814
Asset value accounting matters, 1829
Auditor's report on the financial report, 1814
Community service obligations, 1819
Contract management, 1830
Contributions to the State Government, 1824
Expenditure, 1816
North South Interconnection System project, 1834
Payroll, 1816
Performance statement, 1823
Pricing 2013-14, 1826
Procurement practice and management, 1815
Qualified Opinion – Assessment of controls, 1814
Wastewater and water rates and charges, 1818, 1826
Water industry legislation, 1825

Southern Adelaide Local Health Network Incorporated, 751
Assessment of controls, 751
Auditor's report on the financial report, 751
Qualified Opinion – Assessment of controls, 751

Southern State Superannuation Scheme, 1750
Auditor's report on the financial report, 1750
Benefits paid, 1753
Contribution revenue, 1752
South Australian Superannuation Board, 1702

State Aquatic Centre
Planning, Transport and Infrastructure, Department of, 1163

Status of the financial report
South Australian Forestry Corporation, 1525

Super SA Retirement Investment Fund, 1767
Auditor's report on the financial report, 1767
Benefits paid, 1770
Contribution revenue, 1769
South Australian Superannuation Board, 1702

Superannuation Funds Management Corporation of South Australia, 1869
Assessment of controls, 1871
Asset allocation, 1872
Auditor's report on the financial report, 1871
Funds SA investment return periods, 1875
Funds under management, 1869, 1872
Income from investments, 1873
Investment expenses, 1876
Net income earned from investment activities, 1874
Restrictions on operations, 1869

T

TAFE SA, 1906
Assessment of controls, 1907
Auditor's report on the financial report, 1907
Creditor account payment performance, 1909
Expenditure, 1909
Further Education, Employment, Science and Technology, Department of, 655
Payroll/Human resource management, 1908
Policies and procedures, 1907
Qualified Opinion – Assessment of controls, 1907
Shared Services SA – accounts payable and electronic payment control environments, 1909
Shared Services SA – Empower payroll control environment, 1910
Skills for All revenue, 1908
Student revenue, 1908

The Flinders University of South Australia *see* Flinders University of South Australia

The Legislature *see* Legislature, The

Treasury and Finance, Department of, 1937
Assessment of controls, 1939
Auditor's report on the financial report, 1938
Commonwealth funding arrangements, 1949
Creditor account payment performance, 1943
Government Accounting, Reporting and Procurement Branch, 1944

Information and communications technology and control, 1945
Internal audit findings relating to payroll and TimeWise, 1942
Qualified Opinion – Assessment of controls, 1939
RevenueSA, 1939
Shared Services SA – accounts payable and electronic payment control environments, 1943
Shared Services SA – CHRIS payroll control environment, 1944
Shared Services SA – reconciliation of general ledger suspense and clearing accounts, 1944
User access to the Basware system, 1942

U

University of Adelaide, 1999, 2000
Accounts receivable, 2002
Auditor’s report on the financial report, 2000
Expenditure, 2003
General ledger, 2003
Information and communications technology and control, 2004
Management of bequests, 2003
Payroll, 2001
Policies and procedures, 2000
Procurement guidance for faculties and divisions, 2000
Qualified Opinion – Assessment of controls, 2000

University of South Australia, 2057
Assessment of controls, 2059
Auditor’s report on the financial report, 2058
Expenditure, 2060
General ledger, 2061
Grant funding, 2059
Information and communications technology and control, 2061
Intellectual property, 2061
Payroll, 2060
Qualified Opinion – Assessment of controls, 2059
Qualified Opinion – Financial report, 2058
Revenue, 2059

Urban Renewal Authority, 2103
Accuracy of project reporting, 2107
Assessment of controls, 2104
Auditor’s report on the financial report, 2104
Borrowings, 2115
Bowden Urban Village, 2119
Contract management, 2106
Creditor account payment performance, 2109
Establishment and approval of key corporate governance documentation, 2104
Establishment of the Urban Renewal Authority, 2115
Expenditure, 2107
General ledger, 2108
Inventory, 2109
Payroll, 2107
Playford Alive project, 2118
Policies and procedures, 2106
Port Adelaide Renewal Project, 2118
Port Adelaide Waterfront Redevelopment, 2117
Procurement, 2105
Project management control arrangements, 1571
Qualified Opinion – Assessment of controls, 2104
Tonsley Park project, 2119
Transfer of Adelaide Station and Environs Redevelopment site to the Urban Renewal Authority, 2120
Woodville West project, 2120

V

Valeo payroll
Education and Child Development, Department for, 440

Victims of Crime Fund
Alleged fraud against the Victims of Crime Fund, 144
Attorney-General’s Department, 152

Victims of Crime levy
Courts Administration Authority, 370
South Australia Police, 1401

W

Women’s and Children’s Health Network
Incorporated, 755
Assessment of controls, 755
Auditor’s report on the financial report, 755
Qualified Opinion – Assessment of controls, 755

WorkCover Corporation of South Australia, 2155
Assessment of controls, 2158
Auditor’s report on the financial report, 2157
Information and communications technology and control, 2166
Inherent uncertainty – outstanding claims liability and funding ratio, 2157
Investments, 2175
Legislative changes, 2155
Outstanding claims – Compensation Fund, 2173
Premiums, 2158
Procurement, 2165
Qualified Opinion – Assessment of controls, 2158
Underwriting result, 2170
Workers compensation, 2159