



Government  
of South Australia

Report  
of the  
Auditor-General  
Annual Report  
for the  
year ended 30 June 2011

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Volume 5

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## Part B

### References to matters of significance

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

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

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

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# Department for Transport, Energy and Infrastructure

## Functional responsibility

### Establishment

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

### Functions

The Department has diverse responsibilities in relation to transport systems and services, energy policy and regulation, and infrastructure planning for South Australia. Its functions include:

- providing leadership in the development of transport options by providing policy, planning and investment advice to assist the Government to achieve its strategic objectives
- delivering and supporting safe, sustainable and secure transport that underpins the economic and social growth of South Australia
- providing improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility to enhance the quality of life of all South Australians
- providing policy advice on energy issues, and delivering energy programs and regulatory services for the competitive, safe and reliable supply and use of energy, for the benefit of the South Australian community, including an efficient transition towards a sustainable energy future
- identifying strategic infrastructure priorities for the State, coordinating infrastructure planning and development across government and facilitating timely delivery of key projects that support the economic and social development of the State
- providing project risk management, building asset management, procurement and contract services
- delivering capital building works and major projects
- providing information technology policy, support and management services
- regulating the access, behaviour and security of transport system users
- providing land valuation, survey and registration.

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

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

### **Assessment of controls**

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

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

### **Scope of the audit**

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

Specific areas of audit attention included:

- accounts payable
- payroll
- bus and rail contract payments
- grants and subsidies
- registration and licence fees
- Metroticket sales
- other revenue
- financial management compliance
- risk management
- legal compliance
- financial accounting
- fixed assets including:
  - network assets
  - land, buildings and facilities
  - plant and equipment
  - capital works in progress
  - office and rental properties
  - phone and data communication
- the South Australian Transport Subsidy Scheme.

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

### **Audit findings and comments**

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

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to the Department's financial report.

#### ***Basis for Qualified Opinion***

*In the three years ended 30 June 2008 the Department for Transport, Energy and Infrastructure has recognised grants from the Commonwealth Government as liabilities representing income received in advance. The grants received were recognised as Other liabilities and totalled \$112.4 million.*

*The balances of the liabilities have since been reduced by recognising amounts as income to match the expenditure of the grant funds.*

*In my opinion, the grants funds received represented contributions and met the recognition criteria of income in accordance with Australian Accounting Standard AASB 1004 'Contributions' and the Accounting Policy Framework APF V 'Income Framework' issued pursuant to the Treasurer's Instructions. The grants were controlled by the Department for Transport, Energy and Infrastructure, met the income recognition criteria upon their receipt and as such the 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 and Total comprehensive result are overstated by \$9.4 million (overstated by \$42 million for the year ended 30 June 2010) reflecting the recognition as income of amounts previously recognised as other liabilities.*
- *Other current liabilities are overstated by \$2.3 million (\$11.7 million as at 30 June 2010).*
- *Retained earnings as at 30 June 2011 has been understated by \$2.3 million (\$11.7 million as at 30 June 2010).*

*The Department has disclosed its accounting treatment of the grants in Note 38 'Other liabilities'.*

#### **Qualified Opinion**

*In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Department for Transport, Energy and Infrastructure as at 30 June 2011, 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.*

#### **Other Matter**

*In 2009-10 controls implemented by the Department for Transport, Energy and Infrastructure and Shared Services SA did not ensure the general ledger bank account balance was reconciled to the Department's bank account balance as at 30 June 2010. Consequently there were bank transactions which were not recognised in the general ledger and general ledger transactions which were not matched to bank records.*

*As a result, I was unable to obtain assurance that all transactions processed by the Department for Transport, Energy and Infrastructure through the bank account during the year were accurately reflected in the 2009-10 financial report and my opinion for that financial report was qualified.*

*In 2010-11 the Department for Transport, Energy and Infrastructure and Shared Services SA resolved the differences between bank records and the general ledger and processed the necessary adjustments to the financial report which were not material. As at 30 June 2011 the general ledger and bank records were satisfactorily reconciled.*

## **Financial report**

For the reason discussed below, the Independent Auditor's Report with respect to the Department's financial report for the year ended 30 June 2011 is qualified for the matter of the accounting treatment of certain Commonwealth grants received by the Department. In addition, the Independent Auditor's Report includes comments under the heading 'Other Matter' relating to the previous year's qualification with respect to cash at bank.

### ***Accounting for Commonwealth grants***

In past years the Department has received Commonwealth grants which it has recognised as deferred income - a liability representing revenue received in advance. The grants relate to funding received in advance for projects that are planned to be completed over a number of years. The projects include capital works related to road infrastructure and a planning research project.

The accounting treatment adopted by the Department is inconsistent with the recognition criteria incorporated in AASB 1004 and APF V and resulted in understatement, in the year of receipt, of the Department's operating income by the amount of the unrecognised grants (ie deferred income).

In 2010-11 the Department has recognised as income a component of the previously deferred income to match expenditure by the Department on the funded projects.

### ***Cash at bank at 30 June 2010***

In 2009-10 the audit found that the Department and Shared Services SA (SSSA) did not satisfactorily complete the reconciliation of the Department's general ledger bank account balance to bank records. As a result Audit was unable to obtain sufficient assurance that the Department had addressed all matters associated with the bank reconciliation and that all transactions processed by the Department through the bank account during the year were accurately reflected in the 2009-10 financial report. As a consequence the modified Independent Auditor's Report for the year ending 30 June 2010 included a qualification with respect to cash at bank.

Audit review for 2010-11 found that Department and SSSA resolved the differences between bank records and the general ledger and processed the necessary adjustments to the financial report which were not material. As a result, the Independent Auditor's Report for the year ending 30 June 2011 is not modified with respect to cash at bank.

## **Assessment of controls**

In my opinion, the controls exercised by the Department for Transport, Energy and Infrastructure in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to network assets and capital works in progress, payroll, accounts payable, revenue and accounts receivable, financial accounting, bank account reconciliations, risk management, legal compliance, the financial management compliance program and the South Australian Transport Subsidy Scheme, as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Transport, Energy and Infrastructure have been conducted properly and in accordance with law.

## **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. Major matters raised with the Department and the related responses are detailed below.

### **Bank account reconciliations**

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

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

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

Audit review in 2009-10 identified significant weaknesses in the bank reconciliation processes. The following summarises the major observations arising from the review of this important auditable area during the year ended 30 June 2011.

#### *Interim audit review*

An interim audit of the reconciliation process was commenced in December 2010. While SSSA and the Department made progress in addressing the issues raised in the prior year, the audit found continuing weaknesses in bank reconciliation processes. The following summarises Audit's major findings.

#### *Matching processes*

The audit last year found that the reconciliation processes for the AR Collection bank account relied on manual processes to match large volumes of general ledger transactions to bank records. The 2010-11 interim review found that SSSA implemented tools to assist with the matching process, however there was still significant reliance on manual processes.

Reliance on manual matching processes is time consuming, subject to errors and, in Audit's view, increases the risk that the reconciliation will not be finalised within reasonable timeframes and all discrepancies resolved in a timely manner.

#### *Timely recognition of cash receipts*

The review noted that:

- there were significant delays in processing some transactions resulting in discrepancies between the general ledger and bank records
- there were delays in investigating and resolving some items.

#### *Effectiveness of reconciliation processes*

The review found that at the time reconciliation documentation was completed for the AR Collection bank account reconciliation, some items had not been fully investigated and the documentation did not explain the extent to which reconciling items were investigated. The absence of this information makes it difficult for management and Audit to determine the status of progress made in identifying the nature of reconciling items and resolving the discrepancies.

#### *Outstanding reconciling items*

Bank account reconciliations performed by SSSA for the Department still contained a significant number of long outstanding reconciling items.

*Segregation of duties*

The audit review of the adequacy of the segregation of duties associated with the AR Collection bank account reconciliation process found incompatible segregation of duties within SSSA.

*Timeliness of reconciliations*

Reconciliations performed by SSSA were not always performed and reviewed on a timely basis. The review also noted reconciliations were certified as being completed and reviewed notwithstanding some reconciling items had not been appropriately identified and resolved.

*PALMS transactions*

The AR Collection bank account reconciliation contained reconciling items categorised as PALMS (property asset system) deposits in dispute that related to the previous financial year and were not investigated and resolved in a timely manner. Furthermore it was noted that not all PALMS deposits in dispute were specifically identified in the reconciliation documentation.

*Marine revenue reconciliation processes*

Cash receipts relating to Recreational Boating system boat code transactions and MSQ (marine revenue system) transactions were not effectively reconciled to bank records.

These abovementioned matters arising from the interim review were raised with the Department and SSSA. Both the Department and SSSA acknowledged the findings and provided details of actions taken or proposed to address the issues raised. Audit was advised that significant progress was made since the interim audit through SSSA and the Department working in a comprehensive manner to resolve reconciling items. Furthermore, Audit was advised that SSSA will continue to work with the Department to improve receipting and reconciliation processes. In addition, SSSA has upgraded the database used for matching processes to a more stable and robust platform to manage large volumes of transactions. The Department will also investigate the feasibility of using the automated reconciliation system implemented for the Department's TRUMPS bank reconciliation.

*Status of reconciliations as at 30 June 2011*

Audit review of bank reconciliations for 30 June 2011 undertaken as part of the year end audit of the Department's financial statements found the Department and SSSA had made significant progress in reviewing unresolved transactions and reducing the number and value of outstanding reconciling items. As at 30 June 2011 there were no material outstanding reconciling items.

As a consequence, the Independent Auditor's Report for the Department's financial report for the year ended 30 June 2011 was not qualified (as was the position for the year ended 30 June 2010) for the matter of the reconciliation of cash at bank.

***Network assets and capital works in progress***

The Department's systems and processes for controlling and managing its capital projects are an important element in its control environment for delivering its significant capital programs. The systems and processes support significant financial statement balances including network assets and capital works in progress. Previous reports have included comments on weaknesses in the Department's controls over recognising and valuing network assets.

Consistent with Audit's observations in prior years, the audit of the Department for 2010-11 found the Department continues to perform important network asset and capital works in progress accounting and control processes at or after balance date. This impacts on Audit's ability to obtain sufficient audit evidence to support the network asset and capital works in progress balances, for the timely completion of the audit of the Department's financial report and for the preparation of this Annual Report to Parliament.

The timing of these accounting control processes also limits the effectiveness of these processes as the Department is only able to review samples of projects for exclusions and completion. A timely review throughout the year would enable all projects to be assessed for completion and exclusions.

The audit review for the current year revealed that many of the issues raised in prior years have not been addressed. It was noted the Department planned and commenced an internal audit review of the Department's asset capitalisation processes but this review was not finalised.

The audit for 2010-11 also highlighted that spreadsheets rather than automated system reports were provided to project managers to review projects and not all capital work in progress projects were recorded in the Department's job cost system.

Review of reconciliation processes found the job cost system was not regularly reconciled to the general ledger throughout the year and a number of reconciling items arising from the MPFAS (fixed asset system) and subsidiary network asset systems (EARLS and RITS) reconciliations were not appropriately addressed. Satisfactory completion of the reconciliations provides assurance that the general ledger accurately represent the activities controlled through the subsidiary systems and balances of costs recorded at balance dates.

The audit of controls and testing of balances considered whether projects recorded in the job cost system were effectively reviewed to ensure all completed projects were transferred to relevant fixed asset systems and to ensure costs which should be expensed were identified and transferred from the work in progress account on a timely basis. This review found:

- projects were not capitalised on a timely basis as required by Department policy and a significant number of projects were capitalised during the year which were completed in prior years
- there was no effective mechanism to monitor the timeliness of the completion of project completion forms prepared by project managers
- the review of project expenditure recorded in the Department's job cost system to identify costs which should be allocated to other accounts (ie capitalised or expensed) could be improved
- a number of projects identified as complete from the review of work in progress balances in the Department's job cost system were not capitalised
- the Department has not reviewed a sample of projects to identify costs included in work in progress that should be expensed (ie exclusions).

The Department accepted the audit findings and agreed to implement corrective action.

#### ***Accounts payable***

SSSA processes accounts payable transactions on behalf of the Department in accordance with a service level determination. Accordingly, the audit of the arrangements for processing accounts payable transactions on behalf of the Department included consideration of activities undertaken by the Department and SSSA on its behalf.

SSSA implemented a whole-of-government e-Procurement system called Basware. An important objective of SSSA's initiative is to automate the purchasing and accounts payable processes across government.

Audit coverage in 2010-11 included reviewing the SSSA e-Procurement control environment. The review identified a number of control weaknesses which were communicated to SSSA and the Department. The more significant findings of the review included the following:

- A number of draft e-Procurement policies and procedures were not finalised, approved and distributed to staff for use.
- Controls to manage user access and delegation profiles for Basware were not implemented.
- Procedures and system reports to enable the regular and timely review of special and super delegations were not implemented.
- Payment data can be altered in Basware after certification and approval by agencies without any (independent) check.
- There was no independent check of the validity of transactions processed by SSSA that bypass the electronic approval by agencies.

The review of the Department's controls also found a number of areas where they were considered not effective. These included:

- System user access levels within the new e-Procurement system (ie Basware) were not revised to reflect new expenditure delegations in a timely manner.
- Basware system reports were not established at the time the system was implemented and were not available to the Department during the financial year.
- The accounts payable subsidiary ledger was not reconciled to the general ledger in a timely manner.
- There were instances where accounts payable subsidiary ledger to general ledger reconciliations were signed off by the preparer and reviewer notwithstanding they contained balances that were not investigated.
- The Department's documented policies and procedures were not updated to reflect the changes in processes associated with implementing the new Basware system.
- User access levels within the new Basware system were not reviewed regularly as required by Department policy.
- There was scope to improve controls to prevent duplicate payments.

The review also found that a number of control weaknesses identified from last year's audit relating to the approval of expenditure and payments were not addressed until the new Basware system was implemented (December 2010). As a consequence, these weaknesses were not addressed for five months of the year. The specific weaknesses included manual payment vouchers not being checked for authority prior to payment and instances of invoices paid by SSSA without any approval included on the documentation provided to support the invoice payments.



The Department responded to the findings detailing actions taken or proposed to address the issues. It advised it had communicated changes made to the Department's delegation framework on the departmental intranet site and distributed user details reports to divisions for review once a report has been received from SSSA. It also advised departmental staff were meeting regularly with SSSA to develop Basware system reports, however the report development process was being constrained by system limitations.

In response to the audit finding regarding documentation of policies and procedures it advised it was reviewing policies and procedures to reflect changes resulting from implementing Basware. The Department was also working with SSSA to ensure proposed actions to reduce the risk of processing duplicate payments are implemented.

In relation to the control weakness relating to the e-Procurement systems control environment at SSSA, SSSA has advised proposed action to address the audit findings and recommendations. Details of these actions are discussed in the Department of Treasury and Finance section of this Report.

### ***Payroll***

Prior audits have identified weaknesses in controls over payroll. The 2010-11 review found that key internal control breakdowns raised in prior years have not been addressed.

The audit of payroll considered the effectiveness of the review of bona fide reports as a control which provides assurance only bona fide employees are paid for work performed and at correct pay rates. The review found:

- a significant number of bona fide reports were not certified within required timeframes
- bona fide review processes performed by some pay point managers were not effective
- procedures for the follow-up and resolution of queries arising from the review of bona fide reports were ineffective.

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

The Department responded to the audit findings detailing actions taken to address the matters raised. In responding, the Department advised that over the period May 2011 to August 2011, it held information sessions on the bona fide process. The sessions communicated the importance of bona fide processes to ensure accurate and valid payments are made to employees and reinforced the responsibilities of managers and divisional HR coordinators in the processes.

### ***TRUMPS – financial control***

The TRUMPS system supports the Department's administration and accounting for revenue from motor vehicle and other licence and registration fees.

The reconciliation of the TRUMPS system, the general ledger and relevant bank records is a key element in the control framework exercised over TRUMPS operations.

Previous reviews have identified weaknesses in internal controls which evidenced that the reconciliation procedures were not effective. The review in 2010-11 found that the Department continued to make progress in addressing matters raised in prior years.

Audit noted the Department acquired a commercially available automated reconciliation system. The system (T-Recs) is expected to reduce the need for human intervention, provide increased controls over the collection and disbursement of monies, and efficiencies in both the resolution of reconciling items and management reporting.

The audit noted that the automated reconciliation system was still in development and was due to be implemented in 2011-12. As a consequence, the Department still relied on manual spreadsheets and processes to perform reconciliation procedures, rather than automated processes and system generated reports.

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

The audit of the Department's systems and processes for recognising revenue and accounts receivable identified the following areas, both within the Department and SSSA, where controls did not operate effectively:

- the accounts receivable subsidiary ledger to general ledger reconciliation was not effectively reconciled by SSSA
- controls to ensure receipts are processed timely could be improved
- controls to ensure all invoices were processed could be improved
- debtor summary reports were not provided to executive for review as required by Department policy
- policies and procedures have not been revised to reflect the existing shared service arrangements.

In response the Department advised that it will continue to work with SSSA to:

- resolve unexplained reconciling items, ensure reconciliations are correctly prepared on a timely basis and improve the reconciliation process
- improve controls to ensure all receipts are processed timely.

The Department also advised it was working on the development of an automated system to process invoice requests and it will update policies and procedures to reflect current practices.

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

The review of the controls and related financial accounting processes focussed on the reconciliation of financial systems and significant accounts. Reconciliations of general ledger accounts are a key component of the Department's control environment which provide assurance transactions are completely and accurately processed to the Department's general ledger and subsidiary systems. TI 2 also requires chief executives to ensure that reconciliations are performed on a regular and timely basis.

Prior year audits identified delays in the preparation and independent review of a number of reconciliations including bank reconciliations which impacted on the effectiveness of the Department's overall control environment. Audit noted that the Department established a framework in 2008 for monitoring reconciliations across the Department, however the framework was not implemented as intended.

The review in 2010-11 noted the Chief Executive approved a revised reconciliation reporting framework in April 2011. Under the new framework the Corporate Leadership Group (CLG) is presented with information on reconciliations that are assessed by Corporate Services as high risk.

The audit found that the documentation supporting the reconciliation framework did not specify which reconciliations are to be reported on or what information is to be reported to the CLG. The review of reporting to the CLG under the revised framework also found the reports:

- did not address all reconciliations assessed as high risk
- only provided limited information regarding the nature, number, value, ageing and progress made in investigating and rectifying reconciling items.

It is Audit's view that an effective monitoring and reporting framework would include providing the CLG with positive confirmation that all key reconciliations have been correctly completed in a timely manner and details of the nature, number, value, ageing and progress made in investigating and rectifying reconciling items for all key reconciliations.

The review of financial accounting also identified a number of other areas where improvements could be made.

#### *Journals*

The review of controls over journal processing noted the Department had not documented which staff are authorised to approve journals and found some journals were not independently checked in accordance with Department policy.

#### *User access controls*

Consideration of controls over user access to systems noted bi-annual reviews of user access to the general ledger were not performed and there was no mechanism to ensure user access forms were appropriately approved. The review also identified instances where staff were provided with systems access which was not consistent with their job function.

#### *Control of suspense/holding accounts*

The review of controls of suspense/holding accounts noted performance measures were not used to monitor movements in suspense/holding accounts and there was scope to improve documented procedures associated with the review of suspense/holding accounts.

The Department responded to the audit findings detailing actions taken to address the matters raised by Audit. In relation to the monitoring and reporting on key reconciliations, the Department advised that it is not practical for the CLG to review all details such as the nature, number, value, ageing and progress made in investigating and resolving reconciling items for all key reconciliations.

#### ***Risk management***

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

In 2009, the Premier and the Treasurer updated the State Government's Risk Management Policy Statement. This document reiterated the need for chief executives to develop and implement risk management frameworks that reflect the principles and processes outlined in the updated international risk management standard, AS/NZS ISO 31000.

In August 2009, the Department updated its Risk Management Policy to reflect the requirements of the revised standard. The policy forms part of the Department's risk management framework and requires regular reporting of extreme and high level risks to senior management. It also requires quarterly reporting of material risks to the Audit and Governance Committee.

The audit for 2010-11 included a high-level review of the Department's risk management framework and related practices.

The audit found non-compliance with key aspects of the Department's risk management policy. Specific matters noted were:

- the CLG had not monitored the implementation of the updated risk management policy
- material risks, their assessment, treatment strategies and progress made in implementing the strategies were not formally reported to senior management
- some divisions had not entered data into the Department's risk register (ERA) and data recorded in the register, for some divisions, was incomplete or had not been reviewed and/or updated within the last 12 months
- the outcome of risk treatments and their effectiveness in managing identified risks were not recorded in ERA
- Internal Audit has not regularly reported on the effectiveness of the Department's risk management processes to the Audit and Governance Committee, as required by departmental policy. In addition, internal Audit deferred a proposed review of the Department's risk management processes as it identified inconsistencies in risk management practices, and found the Department's risk register was incomplete and had not been reviewed for currency.

In view of the significance for an effective risk management practice, to oversee and mitigate the risks for a large and functionally diverse entity as the Department for Transport, Energy and Infrastructure, Audit recommended the Department:

- allocate appropriate resources to ensure compliance with the approved risk management processes
- implement regular formal oversight and management of risks by senior management.

In response the Department advised:

- The Department has recently had a change in Chief Executive and a restructure, with the requirements and expectations of the Chief Executive to be determined. The Department's policy will be updated to reflect requirements of the new Chief Executive.
- Compliance with the risk management policy has been included within the annual financial management compliance program (FMCP) and the FMCP internal testing program will include specific tests relating to risk management.
- The risk profiles relating to common and corporate risks have been uploaded in ERA. Given the recent divisional restructures within the Department, significant work will be required to reflect the restructures.
- The Audit and Governance Committee will be updated on progress.

### **Legal compliance**

Audit completed a high level review of the arrangements implemented by the Department to ensure compliance with requirements of all applicable legislation. Areas of particular focus included:

- processes in place to capture key provisions and requirements of assigned legislation
- mechanisms used to assign legislative responsibilities/functions to departmental employees
- legal compliance monitoring and reporting systems
- the relationship between the Department's legal compliance processes and risk management practices
- the link between assigned responsibilities per legislative requirements and the Department's delegations of authority.

The review found responsibility for a range of legislation was assigned to divisions but raised some matters for consideration for improvement. These included:

- documentation of key provisions and requirements of legislation
- linking assigned responsibilities to the Department's delegations of authority
- adopting a systematic approach for reporting to the Chief Executive on compliance or non-compliance
- incorporating legal compliance into the Department's risk management practices.

The Department responded to the specific issues raised and provided details of arrangements in place to obtain assurance on compliance with legislation. It advised:

- Legislative requirements are integral to divisional processes and relevant Executive Directors are responsible for ensuring compliance. Key provisions and legislation requirements are formally documented in various ways including intranet and internet pages, policies and procedures, risk profiles, job and person specifications, frameworks such as contract management and policy directives.
- Legislation and statutory requirements are included within the Department's electronic governance and delegation system (eGADS). A project is currently underway to review the content of eGADS to consider the feasibility of including all powers, authorisations and delegations contained within legislation.
- Processes for reporting legislative compliance to the Chief Executive included: reporting to the CLG; WorkCover audit reviews; reports from Internal Audit; ICT systems and corporate applications; exception reporting and data analysis tools; and safety, technical, standards and compliance officers.
- Legal compliance is incorporated in risk management processes and practices.

### **FMCP**

TI 2 and TI 28 instituted new and revised financial management requirements for agencies from 2008-09. TI 2 requires agencies to document key financial policies and procedures. TI 28 also requires agencies to develop and maintain a FMCP of review of relevant policies and procedures, internal controls and financial reporting.

Audit review last year found the Department was in the process of developing and implementing the framework. Internal Audit was trialling software to assist with the implementation of the framework by documenting compliance requirements, controls, responsible officers, and supporting self-assessment processes and reporting to management.

Audit follow-up in 2010-11 noted that the framework was still in a development stage and the trialled software had not been implemented.

The Department recently advised that it has completed the first assessment against the framework which will lead to a number of improvements before being implemented. The Department also advised it did not intend implementing the trialled software and will use normal 'office' tools. In addition, a number of staff have been engaged to undertake the finance compliance function and the Department has now finalised the scope and design of the compliance function.

*FMCP - executive director questionnaires*

Audit also noted that the Department developed compliance questionnaires to be completed by divisional executive directors. The final format of the questionnaire was approved by senior management in June 2011 and questionnaires were distributed to executive directors in early July 2011 for return to Internal Audit. A consolidated report was provided to the Chief Executive in August 2011. The Department has also advised that processes to independently confirm compliance assessments will be undertaken for the 2011-12 year.

In response the Department advised that a process to independently confirm compliance assessments did not occur in 2010-11 as it is the first year the program was operational. It further advised a robust and structured process has been developed but was not formally documented within a procedure. Divisional responses have been analysed to allow the planning of focussed in-depth audit reviews across the Department. In addition, a draft FMCP audit testing program has been developed to test the accuracy of divisional compliance assessments.

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

Audit review of the financial operations of commercial and residential properties within the Building Management division considered the adequacy of the documentation of arrangements between the Department and agencies that occupied leased premises, arrangements for ensuring the integrity of asset revaluations and other aspects of financial control.

The review of arrangements for recording the basis for leasing premises to other government agencies found there was no check to ensure memoranda of understanding (MOU) were executed for commercial property leases with government agencies and the Department's delegations of authority did not specify who is authorised to execute MOU for commercial properties.

Consideration of controls over processing property revaluations found commercial property revaluations were not reviewed to ensure valuations were conducted in accordance with the instructions provided, were reasonable and consistent with the Department's understanding of the asset (ie nature, condition, restrictions, etc). The review also found there was no independent check that commercial property revaluations were correctly updated to the asset register, separate asset revaluation reserves were not maintained for each class of asset and two commercial properties due for revaluation were not valued in accordance with the Department's revaluation policy.

Review of financial controls noted commercial property budget variations were not always supported by written explanations and there was a need to review the method of assigning useful lives to building upgrades to ensure useful lives assigned to commercial property assets are appropriate.

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

***Building management – facilities management***

The Department's Building Management division is responsible for the oversight of outsourced provision of facilities management services. The audit of the Department for 2010-11 included a high-level review of aspects of the management oversight and compliance obligations for the outsourced contract arrangement.

A key element of the management oversight of the contractual arrangements is the establishment of a Facilities Management Client (Review) Board which was approved by Cabinet as part of the original contract approval. The audit noted that while the Board had met, it was not chaired by the Department's Chief Executive as anticipated by the original Cabinet approval and the Chief Executive did not receive formal reports of the outcome of the Board's deliberations. In response to the audit findings the Department advised that the Chief Executive would formally delegate responsibility to the Executive Director Building Management to act as Chair and would implement an annual report from the Board to the Chief Executive.

The audit also found that contract and risk management documentation with respect to the facilities management services contract was not current. In response the Department advised that this documentation would be updated to reflect the updated contract and risk management arrangements.

The review of compliance with provision of the facilities management services contract considered requirements for maintenance of documentation with respect to agencies' plant and equipment. Audit recommended the Department revisit the current status of the documentation. In response the Department advised it was clarifying the provisions of the contract and the status of the documentation before surveying a sample of sites to assess the completeness of the data.

Further review work of this outsourced contract arrangement will be undertaken in 2011-12.

***Building management – facilities services***

The Facilities Services section of the Building Management division provides support to agencies in obtaining maintenance and minor works services. The services are predominantly provided by private contractors and the Facilities Services' role includes agreeing to the scope of work, procuring contractors and contract management. The audit of Facilities Services incorporated:

- a review of control arrangements which supports aspects of probity in the procurement process and effective contract management
- testing of specific maintenance and minor works activities to evaluate compliance with established control processes and policies.

The testing of specific activities identified instances of non-compliance with established processes and policies. These included requirements to obtain client approval before engaging contractors, to obtain approval for variations to approved orders, to obtain approval to procure through single source offers and to obtain three quotes for work. In response to these findings the Department advised it will conduct training sessions for staff to reinforce the requirements of the established policies and procedures.

Review of control arrangements noted aspects of documented policies and procedures no longer reflected current practices and Audit recommended that the Department regularly update the policies and procedures. The review also noted management controls which support effective oversight of procurement practices could be enhanced and there was the need to improve documentation of arrangements with pre-approved contractors before adding them to the contractors list.

The Department's response advised of proposed action which was consistent with audit recommendations to address the identified areas for improvement in controls.

#### ***Land services***

Audit review of financial operations of the Department's Land Services Group (LSG) found a number of areas where controls could be enhanced. These matters included:

- there was no service level agreement between LSG and RevenueSA who collect revenue on behalf of the division
- there was scope to improve segregation of duties
- there was no reconciliation of receipts received in RevenueSA's receipting system and amounts recorded in the Department's general ledger
- revenue journals prepared to recognise the daily revenue collections were not reviewed or independently authorised
- controls over raising fees for performing valuation services for external agencies could be improved.

The Department responded by indicating:

- the Department will liaise with RevenueSA to amend the service level agreement by December 2011
- the matter of segregation of duties has been noted in the risk register but as South Australia is the only state that has data entry and registration as a two step process, the Department does not consider that further action is required
- the Department will investigate the costs and complexities associated with changing the system and producing reports to undertake reconciliations of receipts and the general ledger
- revenue journals are now reviewed and independently certified
- advice will be sought from DTF regarding the best way to address any discrepancies arising from raising valuation fees.

#### ***The South Australian Transport Subsidy Scheme (SATSS)***

The SATSS provides subsidised taxi travel for people with disabilities which limit their capacity to use public transport.

In 2009-10 Audit reviewed controls over the management of the scheme. The review noted the scheme had been reviewed by a number of parties over a number of years with reviews identifying weaknesses in controls which increased the risk of fraud.

Audit review in 2010-11 included obtaining an update on the status of actions taken or proposed to address the control weaknesses identified by Audit and other parties.



The Department advised there has been significant progress in implementing actions to ensure appropriate ongoing management of the SATSS program. A summary of the more significant specific areas where an update was sought and the Department's response is summarised below.

*Project management approach*

In 2009-10 Audit noted that effectively responding to the matters raised from various reviews of the scheme will require implementation of a formal project management approach. In addition Audit recommended the Department revisit current roles, governance and reporting arrangements.

The Department has advised:

- a project brief was approved following discussion at the November 2010 SATSS Steering Committee (the Committee)
- the Director Finance provides regular updates to the Chief Executive and formal updates are provided from the Committee to the Chief Executive
- the Committee meets monthly and monitors progress in addressing identified issues
- a review of the roles, governance and reporting arrangements was undertaken as part of the merger of the Public Transport division and the Rail Commissioner.

*Reliance on manual processes*

Audit review in 2009-10 found that the Department relies on manual vouchers and processes to administer the scheme which involves processing large volumes of low value manual vouchers. Consequently it is not practical to review every manual voucher to ensure the amounts claimed are reasonable and represents a valid trip by the member detailed on the voucher. This was seen to contribute to a number of inherent risks including:

- errors in processing vouchers
- drivers altering or manipulating vouchers to inflate fares
- people using vouchers who are not entitled to use them
- drivers claiming for trips that did not occur
- non-compliance with the conditions of the scheme by members and drivers.

Audit noted that the Department was considering the feasibility of implementing smart card technology, GPS and other trip data to improve controls over the scheme.

The Department has indicated that an independent review was undertaken which recommended:

- not to pursue an electronic card system at this time
- investigating the capacity of the despatch systems to support electronic funding and administration of SATSS when all central booking services have implemented compliant systems
- investigating the option of using the Adelaide Metro smart card fare collection system when the system has been implemented to determine if it can include SATSS vouchers.

*Voucher misuse and fraud investigations*

Audit review in 2009-10 noted the Department identified many instances of potential misuse of vouchers or fraudulent activity by drivers and/or members. These matters were investigated by the Department's Investigations and Audit Unit with some matters referred to South Australia Police and included apparent systematic fraud for large amounts involving multiple drivers.

The Department has advised that following an extensive risk assessment process, a Fraud and Corruption Control Plan was developed for the SATSS, specific action was planned and arrangements were implemented for the Committee to monitor the outcome of the planned action. In addition, a number of procedures have been developed covering all aspects of SATSS administration including misuse and fraud.

Audit intends to undertake a follow-up confirmation review in 2011-12 of the actions taken by the Department in 2010-11.

***Information technology and system matters***

During the year Audit undertook reviews of selected divisional unit computer systems and facilities. These were the Service SA key financial systems, TRUMPS remediation update and the Land Services Division Land Ownership and Tenure system (LOTS). Matters relating to those reviews are discussed below.

*Service SA financial computer systems and environments*

Service SA is a divisional unit of the Department that essentially provides a shop front for the public and private sector payment of accounts from government agencies. As such it processes in excess of \$1 billion per annum.

Audit sought an updated understanding of key Department financial systems and IT infrastructure environments for Service SA. This was principally achieved through an information update request of the Department and the subsequent analysis of information provided in response to the request.

Certain observations arising from the analysis of the Department's response were communicated to the Department. The observations were as follows:

- Service SA proposes the use of the T-Recs database system for bank account and system reconciliations. As mentioned previously, during 2010-11 this system was under development as a replacement system. As such it had not achieved key financial system operative status in 2010-11.

An outstanding matter for consideration and determination by the Department was the implementation of database audit logging related to privileged accounts on the T-Recs database. The Department has advised that the T-Recs system has an in-built audit function to monitor the activities of all users. It is proposed that this will be put into operation.

- Service SA uses a GRL receipting system. Backup arrangements for the system required enhancement. The Department has advised that a new backup server and supporting arrangements have been put in place.
- There were deficiencies in the disaster recovery plans and associated testing regimes for T-Recs and GRL. Also there were some gaps in documentation concerning processes for these systems. The Department indicated actions were in progress to address this matter.

In addition Audit requested the status of Service SA's compliance to the government's Information Security Management Framework (ISMF) standard concerning information security classification for key Service SA owned systems. The Department has stated that the classification of key financial systems will be undertaken following the full implementation of T-Recs.

### *TRUMPS system*

The TRUMPS system is a major computer system of government that provides for the processing of revenue transactions in excess of \$1 billion per annum for the Department and on behalf of other agencies.

The response from the Department to the information update request from Audit provided a remediation status for certain TRUMPS matters raised in prior Audit reviews. These matters had been outstanding as at 31 October 2010.

One important remediation matter was that of network security. In particular, the restriction of unauthorised access to TRUMPS information through the use of a firewall(s) or other network security type solutions.

The Department has indicated that many matters raised have either been remediated or have an expected completion date of September 2011.

For the important matter of use of a firewall(s) or other network security type solution, a tested security product has been initially installed in production. Full operation will be completed by September 2011.

### *LSG land ownership and tenure system*

The LSG operates LOTS to discharge its responsibilities for key land administration functions in South Australia.

The focus of this year's review was to obtain an update on outstanding matters from past Audit reviews and from LSG initiated external contracted reviews. The review identified outstanding and new matters requiring remediation. The matters are discussed as follows.

As the existing LOTS system is not expected to be replaced until 2014, Audit communicated to the Department the importance of maintaining adequate user operational and security documentation. Further, service level agreements between DTF and the Department have been provided to the Department but not yet finalised.

The Department advised that certain user access and password documentation had been updated and confirmed that risks for out-dated documentation are included in the risk register. Further, SSSA advised the Department that it would recommend to Cabinet that the service level agreements become effective.

Regarding the LSG initiated external contracted reviews, the risks for some matters raised had been downgraded by LSG. Audit communicated that the downgrading of risk ratings may result in unacceptable levels of risk without appropriate management oversight or control.

The Department advised it had downgraded some risks in the context of business risk rather than technical risk. The Department also advised that some of the risk matters had been incorporated in an ongoing LSG security review program.

In an overall context, the Department stated that it sought to strike a balance between addressing the shortcomings in the current legacy system and dedicating sufficient resources towards the introduction of new systems that will overcome current system issues. The Department further indicated this was also in recognition that ISMF compliance, including user access and password management matters, was difficult to adhere to in the current legacy environment.

### ***Building the Education Revolution***

In February 2009 the Commonwealth and State Governments signed the 'National Partnership Agreement on the Nation Building and Jobs Plan: Building Prosperity for the Future and Supporting Jobs Now'.

This National Partnership Agreement was aimed at providing nationwide economic stimulus in response to the global economic recession. The Agreement involved the provision of funding for targeted capital purposes including the construction of new school facilities and refurbishment of existing schools.

Last year's audit included a review of aspects of the Department's involvement in the BER program and identified certain matters that were raised with the Department for consideration and comment. Those matters together with the Department's considered responses were followed up towards the latter part of 2010-11. Any matters arising from the follow-up will be communicated to the Department.

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

This project involved the development of an SAC and a GP Plus health care centre located at Oaklands Park. The SAC provides all year round aquatic facilities for the community, athletes and major events. The SAC is to be FINA compliant and will enable the State to host national and international aquatic events. The health care centre will provide health services for the inner southern metropolitan residents reducing the reliance on hospital services. The project also includes construction of a multi-level car park servicing the SAC and health care centre.

In October 2006 Cabinet approved the expression of interest process to procure the new SAC and a GP Plus health care centre and approved a short list of parties invited to provide a tender.

A public private partnership process was developed with a consortium and approved by Cabinet in July 2007. The consortium was informed of their successful bid in August 2007.

In June 2008 Cabinet approved entering into an agreement with the consortium and the City of Marion for the delivery of the SAC and GP Plus at the Marion Domain site.

In late December 2008, the consortium informed the Government that they were unable to secure an operator for the SAC and in February 2009, Cabinet approved terminating the process with the consortium.

In March 2009 a request for tender was made to the three building contractors for the design and construction of an SAC and GP Plus health care centre. In April 2009, Cabinet approved the letting of a design and construct contract to one of the contractors.

The contract was varied in February 2010 to include a community mental health centre. The contractor achieved partial practical completion for the GP Plus health care centre in January 2011 and practical completion for the SAC in March 2011.

At the time of preparation of this Report, Audit was reviewing aspects of the project, including procurement processes, approval and financing processes, final project costs/obligations, and management and operating arrangements.

### **Other commentary**

#### ***Adelaide Oval redevelopment***

The Stadium Management Authority (SMA) was established in December 2009 as a joint venture between the SANFL and the SACA to promote and develop Adelaide Oval.

To progress the project the Treasurer:

- provided the SMA a \$5 million non-recourse grant in early 2010 for developing the design concept up to 31 August 2010
- provided a guarantee of \$30 million to the bank funding the construction of the western grandstand
- subsidised SACA's interest cost on \$30 million of its indebtedness with the bank funding the construction to the end of August 2010
- subsequently converted the guarantee to a \$30 million loan and agreed to provide a further \$55 million to repay the balance of SACA's indebtedness from the construction of the western grandstand.

The Government's financial commitment to the project is \$535 million, with \$85 million to be provided to the SACA for the rights to the Adelaide Oval assets including the western grandstand and the remaining \$450 million allocated to redevelop the Adelaide Oval.

In August 2010, Cabinet approved the Minister for Infrastructure taking responsibility for the project and allocating \$10 million to DTEI to progress the project.

In September 2011, Cabinet approved the preferred tenderer to undertake the major package of works for the Adelaide Oval redevelopment.

The project is being managed by the Office of Major Projects and Infrastructure within the Department which has established a Project Control Group with senior representatives from the Department, the SMA and external cost planners.

During 2010-11 the Department spent approximately \$9 million on the project. The major items of expenditure included legal fees, project management fees, architectural fees and engineering fees. The *Adelaide Oval Redevelopment and Management Act 2011* (the Act) was assented to by the Governor on 4 August 2011. The primary purpose of the Act is to facilitate the redevelopment of Adelaide Oval and to provide for the future care, control and management of Adelaide Oval. The Act also provides for the Auditor-General to report to Parliament on specific financial matters associated with the redevelopment and the ongoing management of Adelaide Oval. In addition the Act provides for the Auditor-General to audit the accounts of the SMA each year. At the time of preparation of this Report, the Act had not been proclaimed.

The financing matters noted above and which were antecedent to the establishment of the Act, will be reviewed and considered in the context of the statutory audit obligations and requirements of the Auditor-General under the Act.

## Interpretation and analysis of the financial report

### Highlights of the financial report

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefit expenses	206	214
Supplies and services	765	733
Depreciation and amortisation	300	288
Other expenses	204	94
<b>Total expenses</b>	1 475	1 329

	2011 \$'million	2010 \$'million
<b>Income</b>		
Fees and charges	480	450
Commonwealth revenues	317	436
Sale of goods and services	160	197
Rental income	206	189
Other income	125	113
<b>Total income</b>	<b>1 288</b>	<b>1 385</b>
<b>Net revenue from (cost of) providing services</b>	<b>(187)</b>	<b>56</b>
<b>Revenues from (Payments to) SA Government</b>		
Revenues from SA Government	293	429
Payments to SA Government	(5)	(8)
<b>Total revenues from (payments to) SA Government</b>	<b>288</b>	<b>421</b>
<b>Net result</b>	<b>101</b>	<b>477</b>
<b>Other comprehensive income</b>		
Changes in asset revaluation surplus	238	9 421
Other	17	-
<b>Total comprehensive result</b>	<b>356</b>	<b>9 898</b>
<b>Net cash provided by (used in) operating activities</b>	<b>399</b>	<b>627</b>
<b>Assets</b>		
Current assets	799	790
Non-current assets	19 807	19 150
<b>Total assets</b>	<b>20 606</b>	<b>19 940</b>
<b>Liabilities</b>		
Current liabilities	312	366
Non-current liabilities	123	173
<b>Total liabilities</b>	<b>435</b>	<b>539</b>
<b>Total equity</b>	<b>20 171</b>	<b>19 401</b>

### Statement of Comprehensive Income

#### Expenses

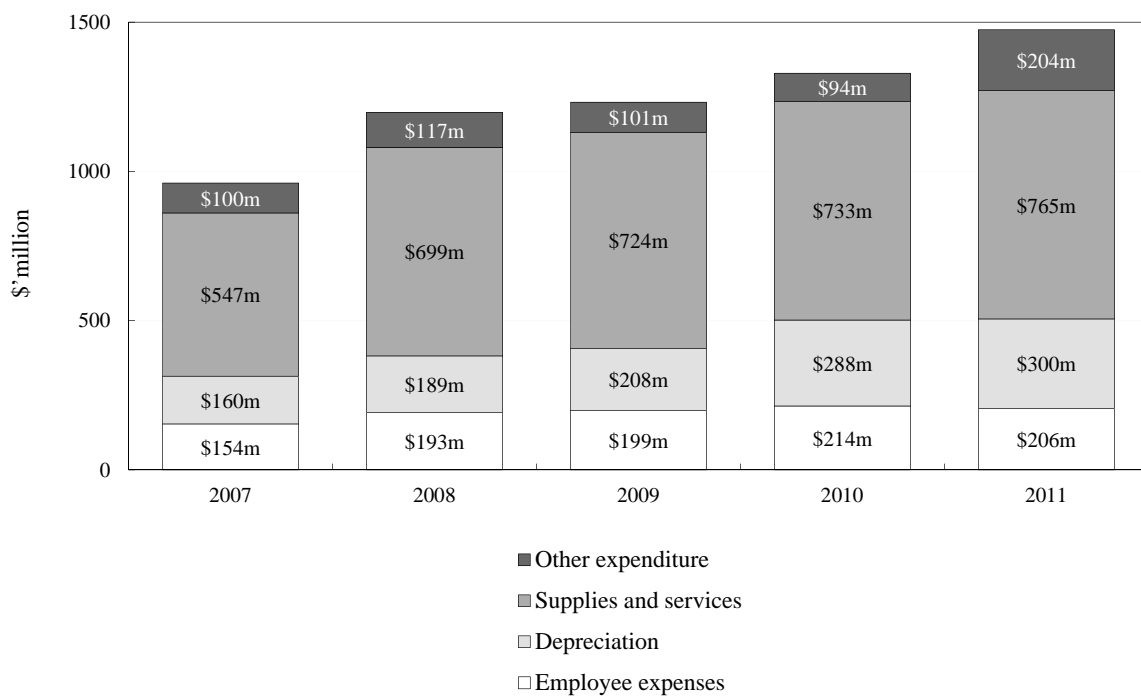
Total expenses for the year increased by \$146 million (11 percent). The increase mainly reflects a \$110 million increase in other expenses and a \$32 million increase in supplies and services. The increase in other expenses is mainly due to the transfer of the newly completed SAC to the Attorney-General's Department for \$104 million. The increase in supplies and services was due mainly to an increase in bus and rail service contract payments (\$18 million), an increase in other service contracts (\$20 million) and an increase in operating lease expenses (\$14 million). The increases in supplies and services expenses were offset by a decrease in employee benefits expenses (\$8 million) due mainly to a decrease in TVSP payments.

Expenses for the year totalled \$1475 million (\$1329 million) and are mainly attributable to:

- employee benefit expenses of \$206 million (14 percent)

- supplies and services expenses of \$765 million (52 percent) of which \$267 million (35 percent) relates to the bus and rail service contract payments and \$134 million (18 percent) relates to operating costs of major infrastructure and other service contracts
- depreciation and amortisation expense of \$300 million (20 percent) of which \$211 million (70 percent) relates to network asset depreciation.

For the five years to 2011, a structural analysis of the major expense items for the Department is shown in the following chart.



**Income**

Total income (excluding revenues from the SA Government and changes in asset revaluation surpluses) for the year decreased by \$97 million (7 percent). The decrease reflected a \$119 million decrease in Commonwealth funding due mainly to a decrease in *Nation Building Program (National Land Transport) Act 2009* funding.

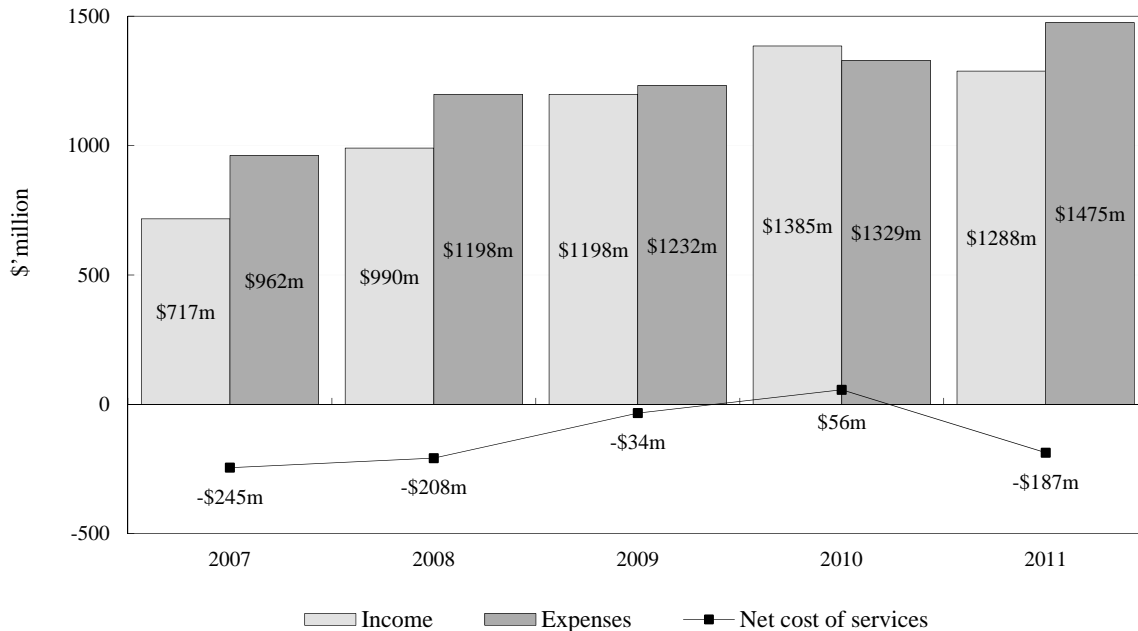
Income for the year totalled \$1288 million (\$1385 million) and represents:

- fees and charges of \$480 million (37 percent) of which \$363 million relates to driver and vehicle registration income and \$78 million to Metroticket income
- Commonwealth revenues of \$317 million (25 percent) of which \$85 million relates to funding received for the Seaford Rail Extension project, \$74 million for the South Road Planning/Upgrade project, \$68 million for the Gawler Line Electrification/Re-sleeping project, \$39 million for road maintenance projects, and \$10 million for the Dukes Highway project
- sale of goods and services income of \$160 million (12 percent) of which \$70 million relates to facilities maintenance services provided to government agencies and \$37 million is attributable to charges for the use of telephone and data networks
- rental income of \$206 million (16 percent) comprising \$180 million for office accommodation and \$26 million for residential accommodation.

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

The net revenue from (cost of) providing services for the year was a deficit of \$187 million compared to a surplus of \$56 million the previous year.

The following chart shows the income, expenses and net cost of providing services for the five years to 2011.



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

Revenues from SA Government totalled \$293 million (\$429 million). The decrease mainly reflects a \$174 million decrease in appropriation funding received pursuant to the *Appropriation Act* which was offset by the waiver of a \$48 million loan held with the Treasurer. The loan was advanced to the Department to effect the transfer of assets and obligations to the Department under the business commercialisation program.

In addition, during the year the Department received an appropriation in the form of an equity contribution from the SA Government totalling \$431 million (\$373 million). As the appropriation represents an equity contribution it was not recognised in the Statement of Comprehensive Income but was recognised in the Statement of Changes in Equity.

Payments to the SA Government totalled \$5 million (\$8 million) representing local government and income tax equivalent payments of \$2 million and other payments to consolidated account of \$3 million.

**Statement of Financial Position**

Total assets of the Department as at 30 June 2011 totalled \$20.6 billion (\$19.9 billion), of which \$16.2 billion (\$15.3 billion) represents the written down value of the network assets. The increase reflects a \$875 million increase in network assets.

**Network assets**

Network assets represent 82 percent (80 percent) of total non-current assets. The major classes of network assets are roads with a written down value of \$13.8 billion (85 percent) and structures with a written down value of \$1.4 billion (9 percent).



The written down value of network assets increased by \$875 million to \$16.2 billion. The increase is attributable mainly to:

- the capitalisation of a number of key projects totalling \$888 million of which \$443 million relates to the Northern Expressway project, \$93 million relates to the Sturt Highway Duplication project, \$34 million relates to the Port River Expressway Stages 2 and 3, and \$30 million relates to works on the Port Adelaide Viaduct project
- a revaluation of network asset components during the year resulting in a revaluation increment of \$205 million which reflects mainly:
  - a revaluation increment of \$157 million for roads
  - a revaluation increment of \$37 million for structures
  - a revaluation increment of \$9 million for traffic signals and road lighting.

The overall revaluation increase mainly reflects the indexing of roads, bridges and culverts using the Australian Bureau of Statistics Road and Bridge Construction Price Index for South Australia. The increment for traffic signals and road lighting mainly reflects an internal revaluation performed by a departmental officer. For further details of the valuations refer note 3.13 to the financial statements.

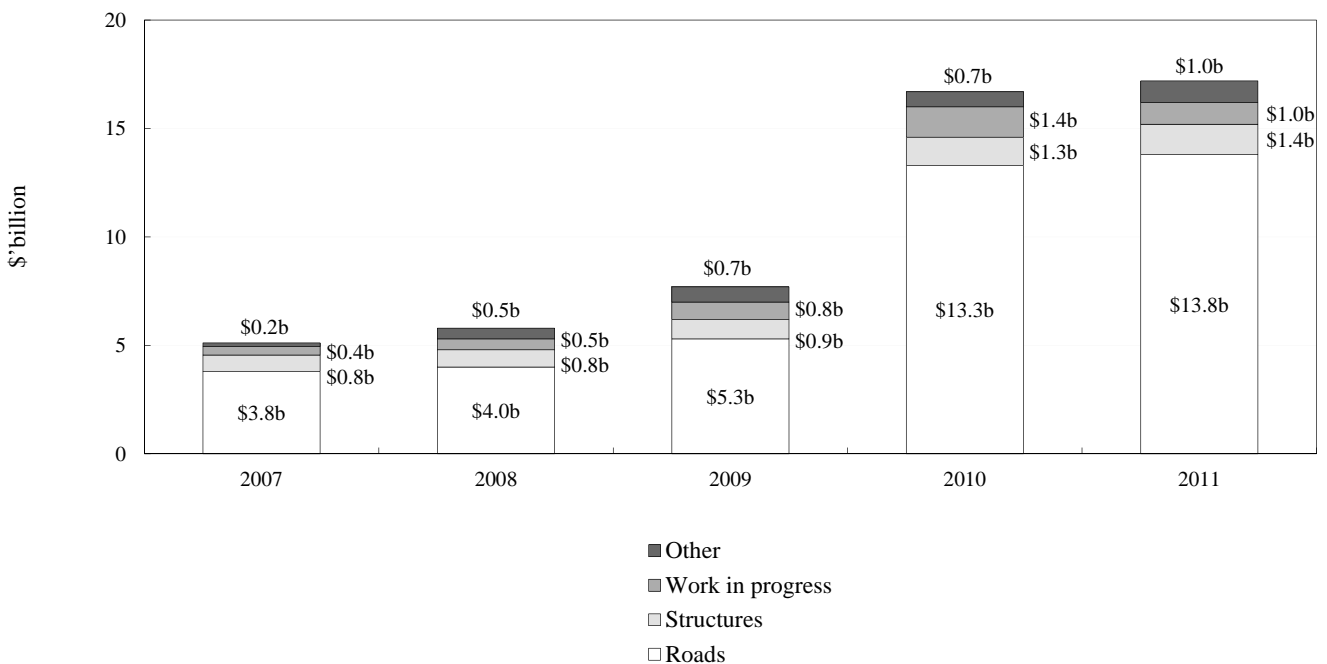
**Capital works in progress**

The value of capital works in progress decreased by \$422 million (30 percent) to \$1 billion.

The decrease mainly reflects the transfer of completed projects to network assets (\$888 million), land, buildings and facilities (\$338 million) and plant and equipment (\$46 million). Refer to commentary provided above under Network Assets for details of the major projects capitalised during the year.

Major projects recorded in capital works in progress at balance date include the South Road Superway (\$236 million), the Seaford Rail Extension project (\$95 million), the Gawler Rail Upgrade project (\$109 million) and the Noarlunga Rail Upgrade project (\$79 million).

The following chart shows, for the five years to 30 June 2011, a structural analysis of the written down value of network assets and capital work in progress.



Consistent with previous years, sources of funding to maintain and develop network assets were from the annual collection of registration and licence fees of \$363 million (\$334 million), grants from the Commonwealth Government of \$317 million (\$436 million), appropriations of \$234 million (\$408 million) and equity contributions of \$431 million (\$373 million). This regular source of funding explains the low level of borrowings. The balance of borrowings at 1 July 2010 were waived by the Treasurer.

#### Land, buildings and facilities

The value of land, buildings and facilities increased by \$195 million (10 percent) from \$1.93 billion to \$2.12 billion.

The increase relates mainly to the completion and capitalisation of projects totalling \$338 million from capital works in progress and a revaluation increment of \$36 million.

These increases were offset by the transfer of the State Aquatic Centre to the Attorney-General's Department for \$104 million, the transfer of land and buildings to assets held for resale of \$65 million and depreciation and amortisation charges of \$30 million.

#### Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
<b>Net cash flows</b>				
Operating	399	627	569	305
Investing	(887)	(875)	(609)	(308)
Financing	413	366	55	(37)
Change in cash	(75)	118	15	(40)
Cash at 30 June	412	487	369	354

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

The decrease in net cash flows from operating activities (\$228 million) mainly reflects a \$183 million decrease in receipts from SA Government.

The net cash flows from financing activities for 2011 and 2010 mainly reflects an equity contribution from the SA Government for \$431 million (\$373 million). This equity contribution was offset by a repayment of equity of \$16 million representing proceeds from land sales paid into the Consolidated Account.

#### Administered items

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

The Department collects money through its registration and licensing function on behalf of third parties including:

- compulsory third party insurance on motor vehicles on behalf of the Motor Accident Commission

- stamp duty on behalf of DTF.

In 2010-11 amounts collected on behalf of third parties totalled \$899 million (\$828 million) and included \$586 million (\$522 million) for compulsory third party insurance and \$144 million (\$149 million) for stamp duty.

Collections on behalf of third parties receipts represents 86 percent (84 percent) of revenues administered by the Department.

## Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses	6	205 861	214 008
Supplies and services	7	765 002	733 417
Depreciation and amortisation expense	8	299 760	287 836
Grants and subsidies	9	70 220	68 023
Borrowing costs	10	1 725	3 702
Other expenses	11	132 146	21 842
<b>Total expenses</b>		<b>1 474 714</b>	<b>1 328 828</b>
<b>Income:</b>			
Fees and charges	13	480 253	449 866
Commonwealth revenues	14	317 492	436 216
Sale of goods and services	15	159 685	196 551
Rental income	16	206 028	189 464
Grants and subsidies	17	76 565	59 022
Interest	18	4 147	4 352
Commissions received	19	12 295	12 276
Net gain (loss) from the disposal of non-current assets	20	(18 725)	4 057
Resources received free of charge	21	9 170	30
Other income	22	40 456	32 839
<b>Total income</b>		<b>1 287 366</b>	<b>1 384 673</b>
<b>Net revenue from (cost of) providing services</b>		<b>(187 348)</b>	<b>55 845</b>
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	23	293 318	428 614
Payments to SA Government	23	(5 020)	(7 994)
<b>Net revenues from SA Government</b>		<b>288 298</b>	<b>420 620</b>
<b>Net result</b>		<b>100 950</b>	<b>476 465</b>
<b>Other comprehensive income:</b>			
Changes in property, network assets and plant and equipment asset revaluation surplus		238 551	9 421 066
Prior period - error correction		16 161	-
Other		710	237
<b>Total comprehensive result</b>		<b>356 372</b>	<b>9 897 768</b>

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

## Statement of Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000	2009 \$'000
<b>Current assets:</b>				
Cash and cash equivalents	24	412 212	487 290	369 504
Receivables	25	288 907	249 834	141 324
Inventories	26	4 795	4 927	6 661
Other current assets	27	31 574	25 321	30 540
Non-current assets classified as held for sale	28	61 322	23 293	3 356
<b>Total current assets</b>		<b>798 810</b>	<b>790 665</b>	<b>551 385</b>
<b>Non-current assets:</b>				
Receivables	25	11 319	18 363	10 963
Other non-current assets	27	19 983	23 670	22 539
Land, buildings and facilities	29	2 123 894	1 929 491	1 881 137
Plant and equipment	30	445 021	420 740	401 524
Network assets	31	16 186 689	15 312 122	5 946 141
Capital works in progress	32	1 006 317	1 428 394	812 548
Intangible assets	33	14 165	16 991	18 756
<b>Total non-current assets</b>		<b>19 807 388</b>	<b>19 149 771</b>	<b>9 093 608</b>
<b>Total assets</b>		<b>20 606 198</b>	<b>19 940 436</b>	<b>9 644 993</b>
<b>Current liabilities:</b>				
Payables	34	243 755	280 667	177 423
Borrowings	35	1 708	1 637	1 915
Employee benefits	36	29 655	28 146	27 452
Provisions	37	27 572	26 379	23 645
Other current liabilities	38	9 395	29 095	65 249
<b>Total current liabilities</b>		<b>312 085</b>	<b>365 924</b>	<b>295 684</b>
<b>Non-current liabilities:</b>				
Payables	34	6 080	10 566	23 775
Borrowings	35	17 443	65 868	66 523
Employee benefits	36	62 859	58 960	57 806
Provisions	37	8 031	7 449	6 700
Other non-current liabilities	38	28 251	30 603	18 334
<b>Total non-current liabilities</b>		<b>122 664</b>	<b>173 446</b>	<b>173 138</b>
<b>Total liabilities</b>		<b>434 749</b>	<b>539 370</b>	<b>468 822</b>
<b>Net assets</b>		<b>20 171 449</b>	<b>19 401 066</b>	<b>9 176 171</b>
<b>Equity:</b>				
Retained earnings		6 395 985	6 279 870	5 845 102
Asset revaluation surplus		12 738 172	12 499 621	3 078 555
Contributed capital		1 037 292	621 575	252 514
<b>Total equity</b>		<b>20 171 449</b>	<b>19 401 066</b>	<b>9 176 171</b>

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	42
Contingent assets and liabilities	43

## Statement of Changes in Equity for the year ended 30 June 2011

	Note	Asset			Total \$'000
		Contributed capital \$'000	revaluation surplus \$'000	Retained earnings \$'000	
Balance at 30 June 2009		252 514	3 077 292	5 832 967	9 162 773
Prior period - error correction	39	-	1 263	12 135	13 398
Restated balance at 30 June 2009		252 514	3 078 555	5 845 102	9 176 171
Net result for 2009-10		-	-	476 465	476 465
Change in accounting policy		-	(65 472)	-	(65 472)
Gain (Loss) on revaluation of property during 2009-10		-	76 940	-	76 940
Gain (Loss) on revaluation of network assets during 2009-10		-	9 382 702	-	9 382 702
Gain (Loss) on revaluation of plant and equipment during 2009-10		-	27 261	-	27 261
Revaluation of network assets reserve transfer		-	3 022	(3 022)	-
Equity transfer on asset disposal		-	(3 267)	3 267	-
Other		-	(120)	(8)	(128)
Total comprehensive result for 2009-10		-	9 421 066	476 702	9 897 768
Transactions with SA Government as owner					
Net assets transferred as a result of an administrative restructure		-	-	(35 147)	(35 147)
Equity contribution received		373 311	-	-	373 311
Dividends paid		-	-	(1 706)	(1 706)
Equity contribution repaid		(4 250)	-	-	(4 250)
Balance at 30 June 2010		621 575	12 499 621	6 284 951	19 406 147
Prior period - error correction	39	-	-	(5 081)	(5 081)
Restated balance at 30 June 2010		621 575	12 499 621	6 279 870	19 401 066
Net result for 2010-11		-	-	100 950	100 950
Gain (Loss) on revaluation of property during 2010-11		-	33 575	-	33 575
Gain (Loss) on revaluation of network assets during 2010-11		-	204 519	-	204 519
Gain (Loss) on revaluation of plant and equipment during 2010-11		-	(3 105)	-	(3 105)
Prior period - error correction	39	-	4 268	16 161	20 429
Equity transfer on asset disposal		-	(704)	704	-
Other		-	(2)	6	4
Total comprehensive result for 2010-11		-	238 551	117 821	356 372
Transactions with SA Government as owner					
Equity contribution received		431 487	-	-	431 487
Dividends paid		-	-	(1 706)	(1 706)
Equity contribution repaid		(15 770)	-	-	(15 770)
<b>Balance at 30 June 2011</b>		<b>1 037 292</b>	<b>12 738 172</b>	<b>6 395 985</b>	<b>20 171 449</b>

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

## Statement of Cash Flows for the year ended 30 June 2011

	Note	2011 Inflows (Outflows) \$'000	2010 Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(202 131)	(212 090)
Payments for supplies and services		(1 106 298)	(870 827)
Payments of grants and subsidies		(70 220)	(67 575)
Interest paid		(1 719)	(3 913)
Construction work payments		(711 940)	(738 254)
GST paid to the ATO		(133 894)	(123 119)
Other payments		(20 213)	(14 254)
<b>Cash used in operations</b>		<u>(2 246 415)</u>	<u>(2 030 032)</u>
Cash inflows:			
Fees and charges		480 253	449 866
Receipts from Commonwealth		281 828	439 174
Rental income		289 504	152 365
Sale of goods and services		264 912	241 876
Grants and subsidies		76 565	59 022
Interest received		4 154	3 996
Commissions		12 295	12 276
Construction work reimbursements		699 533	617 174
GST received from the ATO		246 649	232 146
Other receipts		52 030	26 199
<b>Cash generated from operations</b>		<u>2 407 723</u>	<u>2 234 094</u>
Cash flows from SA Government:			
Receipts from SA Government		245 558	428 614
Payments to SA Government		(7 615)	(5 462)
<b>Cash flows from SA Government</b>		<u>237 943</u>	<u>423 152</u>
<b>Net cash provided by (used in) operating activities</b>	44	<u>399 251</u>	<u>627 214</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(132 874)	(289 840)
Purchase of network assets		(780 486)	(604 859)
Purchase of intangibles		-	(13)
<b>Cash used in investing activities</b>		<u>(913 360)</u>	<u>(894 712)</u>
Cash inflows:			
Proceeds from sale of property, plant and equipment		25 932	19 306
<b>Cash generated from investing activities</b>		<u>25 932</u>	<u>19 306</u>
<b>Net cash used in (provided by) investing activities</b>		<u>(887 428)</u>	<u>(875 406)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Payment of dividend to SA Government		(1 706)	(1 706)
Repayment of finance leases		(1 764)	(2 047)
Net cash transfer out as a result of administrative restructure		-	(145)
Equity contribution repaid		(15 770)	(4 250)
<b>Cash used in financing activities</b>		<u>(19 240)</u>	<u>(8 148)</u>
Cash inflows:			
Capital contributions from SA Government		431 487	373 311
Principal repayments residential housing		852	815
Cash proceeds from restructuring activities		-	-
<b>Cash generated from financing activities</b>		<u>432 339</u>	<u>374 126</u>
<b>Net cash provided by (used in) financing activities</b>		<u>413 099</u>	<u>365 978</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(75 078)</u>	<u>117 786</u>
<b>Cash and cash equivalents at 1 July</b>		<u>487 290</u>	<u>369 504</u>
<b>Cash and cash equivalents at 30 June</b>	24	<u>412 212</u>	<u>487 290</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011

(Activities - refer note 5)	1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>								
Employee benefit expenses	11 949	11 696	56 946	62 946	16 190	21 107	9 071	9 156
Supplies and services	4 846	8 297	93 694	87 971	29 267	23 804	278 084	263 533
Depreciation and amortisation expense	40	44	238 940	218 980	977	2 234	29 678	26 976
Grants and subsidies	2 907	540	1 127	555	1	-	18 959	21 233
Borrowing costs	2	4	58	53	-	114	198	1 417
Other expenses	245	77	115 284	5 763	67	185	329	77
<b>Total expenses</b>	<b>19 989</b>	<b>20 658</b>	<b>506 049</b>	<b>376 268</b>	<b>46 502</b>	<b>47 444</b>	<b>336 319</b>	<b>322 392</b>
<b>Income:</b>								
Fees and charges	-	-	8 575	8 916	18 049	21 082	77 941	76 272
Commonwealth revenue	-	-	309 547	425 594	1 577	418	415	1 625
Sale of goods and services	55	-	2 391	2 343	1 570	3 564	8 486	7 213
Rental income	-	-	69	40	-	-	612	1 026
Grants and subsidies	-	-	-	-	-	-	56 625	51 935
Interest	-	-	2 466	1 514	249	81	-	-
Commissions received	-	-	-	-	-	-	-	-
Net (loss) gain from disposal of non-current assets	-	-	(9 018)	(1 078)	-	(1)	(54)	(106)
Resources received free of charge	-	-	-	-	-	-	-	-
Other income	131	400	24 671	15 664	210	1 871	1 747	1 717
<b>Total income</b>	<b>186</b>	<b>400</b>	<b>338 701</b>	<b>452 993</b>	<b>21 655</b>	<b>27 015</b>	<b>145 772</b>	<b>139 682</b>
<b>Net revenue from (cost of) providing services</b>	<b>(19 803)</b>	<b>(20 258)</b>	<b>(167 348)</b>	<b>76 725</b>	<b>(24 847)</b>	<b>(20 429)</b>	<b>(190 547)</b>	<b>(182 710)</b>

(Activities - refer note 5)	5		6		7	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	8 142	6 230	3 183	2 641	10 755	13 221
Supplies and services	4 063	5 177	12 804	1 999	29 827	40 258
Depreciation and amortisation expense	613	184	-	35	4 824	11 079
Grants and subsidies	10 400	6 117	-	2 000	175	-
Borrowing costs	-	-	-	3	2	17
Other expenses	39	68	38	34	798	103
<b>Total expenses</b>	<b>23 257</b>	<b>17 776</b>	<b>16 025</b>	<b>6 712</b>	<b>46 381</b>	<b>64 678</b>
<b>Income:</b>						
Fees and charges	153	39	5 250	-	-	-
Commonwealth revenue	151	-	-	-	-	-
Sale of goods and services	1 487	1 710	483	18	39 078	58 606
Rental income	-	-	-	-	-	-
Grants and subsidies	-	-	19 940	7 087	-	-
Interest	-	-	-	-	-	-
Commissions received	-	-	-	-	-	-
Net (loss) gain from disposal of non-current assets	(72)	-	-	-	3	(184)
Resources received free of charge	-	-	-	-	-	-
Other income	5 563	4 966	2 166	941	691	315
<b>Total income</b>	<b>7 282</b>	<b>6 715</b>	<b>27 839</b>	<b>8 046</b>	<b>39 772</b>	<b>58 737</b>
<b>Net revenue from (cost of) providing services</b>	<b>(15 975)</b>	<b>(11 061)</b>	<b>11 814</b>	<b>1 334</b>	<b>(6 609)</b>	<b>(5 941)</b>



## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011

(Activities - refer note 5)	8		9		10	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	31 302	31 071	26 969	25 209	22 454	21 797
Supplies and services	256 964	249 482	21 484	17 107	26 455	25 969
Depreciation and amortisation expense	21 374	25 883	1 621	876	592	929
Grants and subsidies	80	-	-	-	-	-
Borrowing costs	1 392	2 087	68	1	5	3
Other expenses	14 589	15 133	90	115	46	158
<b>Total expenses</b>	<b>325 701</b>	<b>323 656</b>	<b>50 232</b>	<b>43 308</b>	<b>49 552</b>	<b>48 856</b>
<b>Income:</b>						
Fees and charges	-	1	15 252	14 995	355 033	328 561
Commonwealth revenue	-	-	53	-	-	-
Sale of goods and services	90 025	108 264	13 340	13 714	1 218	1 119
Rental income	205 347	188 398	-	-	-	-
Grants and subsidies	-	-	-	-	-	-
Interest	563	2 559	-	-	70	198
Commissions received	-	-	-	-	12 295	12 276
Net (loss) gain from disposal of non-current assets	(9 584)	5 426	-	-	-	-
Resources received free of charge	9 170	30	-	-	-	-
Other income	2 991	5 374	448	508	1 838	1 083
<b>Total income</b>	<b>298 512</b>	<b>310 052</b>	<b>29 093</b>	<b>29 217</b>	<b>370 454</b>	<b>343 237</b>
<b>Net revenue from (cost of) providing services</b>	<b>(27 189)</b>	<b>(13 604)</b>	<b>(21 139)</b>	<b>(14 091)</b>	<b>320 902</b>	<b>294 381</b>

(Activities - refer note 5)	11		General/ Not attributable		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	8 900	8 934	-	-	205 861	214 008
Supplies and services	7 514	9 820	-	-	765 002	733 417
Depreciation and amortisation expense	1 101	616	-	-	299 760	287 836
Grants and subsidies	36 571	37 578	-	-	70 220	68 023
Borrowing costs	-	3	-	-	1 725	3 702
Other expenses	621	129	-	-	132 146	21 842
<b>Total expenses</b>	<b>54 707</b>	<b>57 080</b>	<b>-</b>	<b>-</b>	<b>1 474 714</b>	<b>1 328 828</b>
<b>Income:</b>						
Fees and charges	-	-	-	-	480 253	449 866
Commonwealth revenue	5 749	8 579	-	-	317 492	436 216
Sale of goods and services	1 552	-	-	-	159 685	196 551
Rental income	-	-	-	-	206 028	189 464
Grants and subsidies	-	-	-	-	76 565	59 022
Interest	799	-	-	-	4 147	4 352
Commissions received	-	-	-	-	12 295	12 276
Net (loss) gain from disposal of non-current assets	-	-	-	-	(18 725)	4 057
Resources received free of charge	-	-	-	-	9 170	30
Other income	-	-	-	-	40 456	32 839
<b>Total income</b>	<b>8 100</b>	<b>8 579</b>	<b>-</b>	<b>-</b>	<b>1 287 366</b>	<b>1 384 673</b>
<b>Net revenue from (cost of) providing services</b>	<b>(46 607)</b>	<b>(48 501)</b>	<b>-</b>	<b>-</b>	<b>(187 348)</b>	<b>55 845</b>

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011

	(Activities - refer note 5)		1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>										
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables	200	392	51 472	31 742	33 419	1 352	9 198	4 130		
Inventories	-	-	3 138	3 484	-	-	261	100		
Other assets	28	1	14 965	6 052	183	219	1 008	864		
Non-current assets classified as held for sale	-	-	-	-	-	-	-	-		
Land, buildings and facilities	-	-	455 664	269 056	62	36	70 198	70 699		
Plant and equipment	30	34	236 275	233 037	183	170	185 177	171 156		
Network assets	-	-	16 186 680	15 312 115	-	-	-	-		
Capital works in progress	55	4 254	873 227	1 222 931	28 555	28 752	5 851	9 066		
Intangible assets	-	-	-	-	8 752	9 746	-	-		
<b>Total assets</b>	<b>313</b>	<b>4 681</b>	<b>17 821 421</b>	<b>17 078 417</b>	<b>71 154</b>	<b>40 275</b>	<b>271 693</b>	<b>256 015</b>		
<b>Liabilities:</b>										
Payables	2 699	2 043	100 010	99 804	4 101	6 662	9 152	9 660		
Borrowings	-	-	-	47 760	-	-	-	-		
Employee benefits	4 511	4 662	27 818	26 610	8 925	9 199	3 684	2 355		
Provisions	201	201	32 386	27 822	694	694	102	102		
Other liabilities	-	-	2 877	11 802	74	69	-	158		
<b>Total liabilities</b>	<b>7 411</b>	<b>6 906</b>	<b>163 091</b>	<b>213 798</b>	<b>13 794</b>	<b>16 624</b>	<b>12 938</b>	<b>12 275</b>		
	(Activities - refer note 5)		5		6		7			
			2011	2010	2011	2010	2011	2010		
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
<b>Assets:</b>										
Cash and cash equivalents			-	-	-	-	-	-		
Receivables			437	494	640	196	8 545	6 258		
Inventories			-	-	-	-	127	84		
Other assets			-	-	-	-	18	84		
Non-current assets classified as held for sale			-	-	-	-	-	-		
Land, buildings and facilities			323	589	-	-	200	-		
Plant and equipment			5 650	1 230	3	-	16 690	14 256		
Network assets			-	-	-	-	-	-		
Capital works in progress			70	55	21	44 169	5 938	8 873		
Intangible assets			176	205	-	-	1 880	2 164		
<b>Total assets</b>			<b>6 656</b>	<b>2 573</b>	<b>664</b>	<b>44 365</b>	<b>33 398</b>	<b>31 719</b>		
<b>Liabilities:</b>										
Payables			841	1 079	5 173	17 737	7 127	5 246		
Borrowings			-	-	-	-	-	52		
Employee benefits			1 702	1 700	1 231	1 363	3 643	3 714		
Provisions			59	59	2	2	23	23		
Other liabilities			-	-	-	-	643	1 034		
<b>Total liabilities</b>			<b>2 602</b>	<b>2 838</b>	<b>6 406</b>	<b>19 102</b>	<b>11 436</b>	<b>10 069</b>		

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011 (continued)

(Activities - refer note 5)	8		9		10	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>						
Cash and cash equivalents	-	-	-	-	-	-
Receivables	192 863	220 360	2 542	2 714	910	559
Inventories	-	-	-	-	15	16
Other assets	34 645	40 580	165	137	93	62
Non-current assets classified as						
held for sale	61 322	23 293	-	-	-	-
Land, buildings and facilities	1 538 024	1 521 872	655	601	319	459
Plant and equipment	130	126	483	397	400	334
Network assets	9	7	-	-	-	-
Capital works in progress	85 496	102 264	4 473	6 809	2 138	728
Intangible assets	851	1 580	2 431	3 137	75	159
<b>Total assets</b>	<b>1 913 340</b>	<b>1 910 082</b>	<b>10 749</b>	<b>13 795</b>	<b>3 950</b>	<b>2 317</b>
<b>Liabilities:</b>						
Payables	104 710	135 643	4 266	6 800	4 244	2 288
Borrowings	14 914	17 628	-	-	2 000	2 000
Employee benefits	11 743	11 481	10 079	9 639	5 244	5 536
Provisions	764	3 497	229	239	581	627
Other liabilities	33 760	46 277	253	353	-	-
<b>Total liabilities</b>	<b>165 891</b>	<b>214 526</b>	<b>14 827</b>	<b>17 031</b>	<b>12 069</b>	<b>10 451</b>
(Activities - refer note 5)			General/			
	11		Not attributable		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>						
Cash and cash equivalents	-	-	412 212	487 290	412 212	487 290
Receivables	-	-	-	-	300 226	268 197
Inventories	-	-	1 254	1 243	4 795	4 927
Other assets	-	-	452	992	51 557	48 991
Non-current assets classified as						
held for sale	-	-	-	-	61 322	23 293
Land, buildings and facilities	-	-	58 449	66 179	2 123 894	1 929 491
Plant and equipment	-	-	-	-	445 021	420 740
Network assets	-	-	-	-	16 186 689	15 312 122
Capital works in progress	-	-	493	493	1 006 317	1 428 394
Intangible assets	-	-	-	-	14 165	16 991
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>472 860</b>	<b>556 197</b>	<b>20 606 198</b>	<b>19 940 436</b>
<b>Liabilities:</b>						
Payables	-	-	7 512	4 271	249 835	291 233
Borrowings	-	-	2 237	65	19 151	67 505
Employee benefits	-	-	13 934	10 847	92 514	87 106
Provisions	-	-	562	562	35 603	33 828
Other liabilities	-	-	39	5	37 646	59 698
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>24 284</b>	<b>15 750</b>	<b>434 749</b>	<b>539 370</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department for Transport, Energy and Infrastructure (the Department)

The Department has diverse responsibilities in relation to transport systems and services, energy policy and regulation, and infrastructure planning and provision for South Australia. The Department ensures that South Australia's needs for the movement of people and freight, and the delivery of services across the energy, transport and infrastructure sectors are met safely, efficiently, cost-effectively and sustainably. The Department also plays a leadership role in the management of public sector building assets, provision of ICT services and infrastructure, administration of the State's lands title system and provision of access to government services for all South Australians.

### 2. Departmental organisation

The structure of the Department has been established in a manner that provides clear accountabilities and responsibilities for all offices and divisions and enables an open and steady flow of information between these areas. The offices and divisions as at 30 June of the Department are:

- Office of the Chief Information Officer
- Building Management
- Energy
- Government Relations and Reform Office
- Land Services
- Service SA
- Office of Major Projects and Infrastructure
- Policy and Planning
- Public Transport Services
- Safety and Regulation
- Transport Services
- Corporate Services.

The Executive Directors of the offices and divisions within the Department report to the Chief Executive of the Department.

During 2010-11 there were no changes to the Department's divisional structure.

### 3. Summary of significant accounting policies

#### 3.1 *Statement of compliance*

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

Except for the amendments to AASB 2009-12 which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2011. These are outlined in note 4.

#### 3.2 *Basis of preparation*

The preparation of the financial statements requires:

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

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

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature
- (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)

### 3.2 **Basis of preparation (continued)**

- (c) employee TVSP information
- (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
- (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The accounting policies set below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented.

### 3.3 **Reporting entity**

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

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

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

### 3.4 **Comparative information**

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

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

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

### 3.5 **Rounding**

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

### 3.6 **Business overheads**

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

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

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

### **3.7 Taxation**

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

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

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

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

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

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

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

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

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

Where an event occurs after 30 June but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements where it is material.

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

### **3.9 Transferred functions**

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

### **3.10 Income**

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

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

The following are specific recognition criteria:

#### *Fees and charges*

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

#### *Sale of goods and services*

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

*Grants received*

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

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

*Net gain on non-current assets*

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

*Resources received free of charge*

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

*Revenues from SA Government*

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

**3.11 Expenses**

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

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

The following are specific recognition criteria:

*Employee benefit expenses*

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

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

*Depreciation and amortisation*

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

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

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

*Depreciation and amortisation (continued)*

Depreciation/amortisation for non-current assets are determined as follows:

<i>Class of asset</i>	<i>Depreciation method</i>	<i>Estimated useful life (years)</i>
Leased assets:		
Computers and network printers	Straight-line	3-4
StateNet core	Straight-line	5
Buildings and facilities:		
Buildings and facilities	Straight-line	3-154 depending on individual structure
Plant and equipment:		
Plant and equipment	Straight-line	3-116 depending on individual assets
Buses	Diminishing value	25
Metro rail and trailer cars	Straight-line	4-50
Information technology	Straight-line	3-10
Data and voice net equipment	Straight-line	3-5
PABX equipment	Straight-line	3-7
Transmission equipment	Straight-line	5-40
Network assets:		
Roads (sealed surface)	Straight-line	19-29
Roads (sealed pavement)	Straight-line	40-58
Roads (sheeted)	Straight-line	15
Gantries (major signs)	Straight-line	29-91
Bridges and culverts	Straight-line	26-176 based upon individual structures
Traffic signals and road lighting	Straight-line	5-30
Rail and bus track	Straight-line	5-151 depending on individual components
Other	Straight-line	useful life depends upon individual items
Intangible assets:		
Software	Straight-line	3-14

*Grants and subsidies paid*

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

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

*Borrowing costs*

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

*Resources provided free of charge*

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

*Payments to SA Government*

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

**3.12 Current and non-current classification**

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

**3.13 Assets**

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



#### *Cash and cash equivalents*

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

Administered cash is reported separately in the administered financial statements.

#### *Receivables*

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

- *Trade receivables*

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

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

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

- *Loan receivables*

In accordance with the requirements of APF IV, the Department measures financial assets such as loan receivables at their historic cost, except interest free loans which are measured at the present value of expected repayments.

- *Finance lease receivables*

The Department has entered into a number of finance lease arrangements as lessor for the purpose of providing housing and accommodation. Receivables to be derived from these lease arrangements have been brought to account in the Statement of Financial Position in accordance with the requirements of AASB 117.

#### *Inventories*

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

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

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

#### *Contracts in progress*

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

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

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

*Non-current assets held for sale*

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

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

*Non-current assets - acquisition and recognition*

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

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

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

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

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

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

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

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

*Revaluation of non-current assets*

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

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

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

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

*Revaluation of non-current assets (continued)*

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

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

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

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

- *Land, buildings and facilities*

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

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

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

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

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

- *Road network assets*

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

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

The Department revalued its road network assets effective in 2009-10. In performing the revaluation the Department substantially revised its network asset valuation model. In this model, the road network is segmented into sections that have similar engineering and functional characteristics. Each segment is then characterised by a representative stereotype. Replacement unit rates, useful lives and residual values are calculated for each of these stereotypes and then applied to the surfacing/pavement area of the segments.

The model assumes that the existing road network would be replaced with the most appropriate modern asset having an equivalent service potential, rather than replacing the existing 'as constructed' network. The stereotypes have been developed through:

- analysis of the Department's asset registers to produce average or typical values for measurable components
- application of historic traffic data to derive appropriate design service potential for pavements
- application of expert engineering judgment to determine most appropriate construction considerations.

- *Road network assets (continued)*

The most significant assumptions in estimating the fair value of the road network include: pavement configuration, materials source and haul distances, earthworks quantities and the application of overheads for traffic management, project administration and planning. Schedules for each stereotype using standard items and quantities have been produced and priced by external commercial estimating teams.

The introduction of a revised valuation model for the road network asset contributed to a significant increase in the reported fair value of these assets as at 30 June 2010. The increase was attributed to the following factors:

- an increase in construction costs associated with road works, consistent with the escalation factors sourced from the ABS Road and Bridge Construction Index for South Australia
- the calculation of new unit rates by external commercial estimating teams using a full replacement model approach
- an increase in the area of the road network included in the valuation due to additions and the re-definition of pavement area to include the medians and shoulders
- the introduction of a residual value for the road network that reflects the intrinsic value to the Department of a road asset at the end of its useful life. This represents the value of road pavement left in place and reused when a road pavement is renewed or rehabilitated and is consistent with the asset management approach applied by the Department.

- *Plant and equipment*

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

- *Non-current capital works in progress*

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

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

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

- *Timing of asset revaluations*

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

<b>Asset class</b>	<b>Last valued/re-valued</b>	<b>By whom</b>
<b><i>Road network</i></b>		
Pavements, road surface and ancillary items	1 July 2009	Mick Lorenz, BE (Civil) <sup>(1)</sup>
Earthworks	1 July 2009	Mick Lorenz, BE(Civil) <sup>(1)</sup>
Bridges/culverts	30 June 2010	Tony Nobbs, BEng (Civil), MEng Sc <sup>(1)</sup>
Major signs	30 June 2010	Tony Nobbs, BEng (Civil), MEng Sc <sup>(1)</sup>
Ferry landings	30 June 2010	Tony Nobbs, BEng (Civil), MEng Sc <sup>(1)</sup>
Traffic signals	30 June 2009	Rick Burt, (Cert in Electrical Eng) <sup>(1)</sup>
Road lighting	30 June 2011	Rick Burt, (Cert in Electrical Eng) <sup>(1)</sup>
Drainage	30 June 2009	Rushton Valuers Pty Ltd
Weighbridges and weigh slabs	30 June 2009	Currie and Brown
<b><i>Rail and track</i></b>		
Busway interchanges	1 July 2010	Aquenta Consulting
Busway track and structures	30 June 2010	Tony Nobbs, BEng (Civil), MEng Sc <sup>(1)</sup>
Metro tram line	30 June 2009	McGees (NT) Pty Ltd
Metro rail lines track and structures	30 June 2009	McGees (NT) Pty Ltd

- *Timing of asset revaluations (continued)*

<b>Asset class</b>	<b>Last valued/re-valued</b>	<b>By whom</b>
<b><i>Land</i></b>		
Government employee housing	30 June 2011	Valuer-General
Government agency accommodation <sup>(2)</sup>	30 June 2011	Valcorp
Other rail land	30 June 2010	Valuer-General
Energy SA land	1 January 2010	Valuer-General
Metro rail stations, yards and corridors	30 June 2009	McGees (NT) Pty Ltd
Marine land	31 March 2009	Valuer-General
Bus depot land	30 June 2009	Liquid Pacific Holdings Pty Ltd
Future road construction	31 March 2009	Valuer-General
Other departmental land	1 July 2009	Valuer-General
Land under roads	Not applicable	
<b><i>Buildings and facilities</i></b>		
Marine related	1 July 2010	Liquid Pacific Holdings Pty Ltd, Connell Wagner Pty Ltd, Herron Todd White Pty Ltd, Maloney Field Services Pty Ltd
Metro rail stations and yards	30 June 2009	McGees (NT) Pty Ltd
Other rail related	30 June 2011	Valuer-General
Bus depots	30 June 2009	Liquid Pacific Holdings Pty Ltd
Tram depot	30 June 2009	McGees (NT) Pty Ltd
<b><i>Residential buildings</i></b>		
Government employee housing	30 June 2011	Valuer-General
Future road construction	1 July 2010	Valuer-General
<b><i>Commercial buildings</i></b>		
Government agency accommodation	30 June 2011	Valcorp
Future road construction	1 July 2010	Southwick Goodyear
Other departmental buildings and facilities	1 July 2009	Egan National Valuers, Liquid Pacific Holdings Pty Ltd Maloney Field Services Pty Ltd
<b><i>Plant and equipment</i></b>		
Buses	1 July 2009	Liquid Pacific Holdings Pty Ltd
Metro rail and trailer cars	30 June 2009	McGees (NT) Pty Ltd
Bus depot plant and equipment	30 June 2009	Liquid Pacific Holdings Pty Ltd
Tram depot plant and equipment	30 June 2009	McGees (NT) Pty Ltd
Metro rail plant and equipment	30 June 2009	McGees (NT) Pty Ltd
PABX and transmission equipment	1 July 2010	Gibson Quai and Ian Deefholts, Voice Network Technical Specialist
State Core Net (IT Infrastructure)	1 July 2010	Dimension Data and Phil Milsom, CP Eng, BEng, MBA, GD TM
Towing vessel/tall ships/patrol boats	30 June 2009	Artemis Marine/ Marinassess Pty Ltd/ Currie & Brown
Ferries (including modules)	1 July 2010	Artemis Marine John Cartwright, MSc AE
Aids to navigation	1 July 2010	Spiros Dimas, BE (Hons), MIE (Aust), CP Eng <sup>(1)</sup>
Heavy plant	30 June 2011	Manheim Fowles
Crouzet ticketing system	30 June 2009	Australian Valuation Office
Energy SA power generation and other associated assets	1 July 2010	Liquid Pacific Holdings Pty Ltd
All other minor plant	Not applicable	

(1) Valuation performed by suitably qualified officers of the Department.

(2) Conducted on a biannual rolling basis.

*Non-current (capital) works in progress*

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

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

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

*Intangible assets*

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

The acquisition or internal development of software is only capitalised when the expenditure meets the definition criteria and can be reliably measured in accordance with AASB 138 and with the guidance provided in APF III. In line with internal policy, the Department has recognised at cost significant items of corporate software applications where the amount of expenditure is greater than or equal to \$100 000.

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

Software applications that have been specifically developed for the Department and cannot be actively traded in the market place are not revalued. These intangibles will continue to be reported at their historic cost less accumulated amortisation in accordance with AASB 138.

*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 asset revaluation surplus.

*Remediation of non-current assets*

Land remediation undertaken by the Department is primarily designed to restore the asset to its original state or condition and would not normally meet the criteria for asset recognition under the AASB Framework for the Preparation and Presentation of Financial Statements, paragraphs 89-90 'Recognition of Assets'.

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

**3.14 Liabilities**

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

*Payables*

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

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

The Department also makes contributions to several SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as these obligations have been assumed by the respective superannuation schemes. The only payable outstanding at reporting date relates to any contributions due but not yet paid.

*Borrowings*

Borrowings consist of loans (in 2009-10) and finance leases.

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

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

*Leases*

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

*Finance leases*

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

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

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

*Finance leases - the Department as lessor*

- *Recreational jetties*

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

Under the terms of the lease agreement, these leases have been categorised as finance leases due to the passing of risks and benefits incidental to ownership to the lessee. Since the leases provide no material revenue to the Department, the leases have nil value. The underlying assets are also no longer recorded on the Department's asset register.

- *Government employee housing*

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

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

*Finance leases - the Department as lessee*

- *Government accommodation - Roma Mitchell Building*

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

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

- *Computer hardware and equipment*

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

### *Operating leases*

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

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

### *Employee benefits*

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

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June and is measured at the undiscounted amounts expected to be paid.

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

- *Long service leave*  
The liability for long service leave is recognised by the Department after an employee has completed five years of service (5.5 years). An actuarial assessment of long service leave undertaken by DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of the expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

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

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

### *Provisions*

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

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



*Provisions (continued)*

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

The workers compensation provision is based on an actuarial assessment coordinated 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 provision for TER payments is based on the income tax expense payable at the current companies income tax rate of 30 percent (refer note 3.7).

The land remediation provision has been calculated on the basis of revised project manager estimates of the value of future remedial work required to meet agreed environmental standards. Given that the remaining work has been scheduled to be completed in 2013-14, these estimates are discounted at their net present value in accordance with the requirements of paragraph 45 of AASB 137.

The provision for indentured port payments represents outstanding indentured port payments required to be paid into Consolidated Account (refer note 45).

*Other liabilities*

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

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

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

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

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

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

**3.16 Transactions by the Government as owner**

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

**4. New and revised accounting standards and policies*****Revised financial reporting disclosures***

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 6.

The Department did not voluntarily change any of its accounting policies during 2010-11.

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

Except for the amended standard AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the reporting period ending 30 June 2011. The Department has assessed the impact of the new and amended standards and interpretations and considers that these amendments are not expected to have an impact on the Department's report.

## 5. Activities of the Department

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

**Activity 1: Policy and Planning**

Development and provision of an effective policy framework, planning and investment advice and strategic planning services surrounding legislation committed to the Minister.

**Activity 2: Transport Infrastructure Services**

The efficient and effective maintenance and operation of traffic control, roads, bridges, ferries, coastal marine, and public transport infrastructure and facilities.

**Activity 3: Transport Safety and Regulation Services**

Provision of services that regulate access to the transport system under legislation committed to the Minister and to provide advice on transport safety matters.

**Activity 4: Public Transport Services**

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

**Activity 5: Energy Policy and Regulation**

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

**Activity 6: State Infrastructure Facilitation**

Development and provision of processes to improve analysis, prioritisation and across government reporting on progress of state infrastructure projects and facilitation of infrastructure investment.

**Activity 7: Information and Communication Technology Services**

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

**Activity 8: Building Management**

Provision of services to government agencies in the construction and maintenance of buildings and the management of property assets.

**Activity 9: Land Services**

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

**Activity 10: Service SA**

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

**Activity 11: Road Safety Policy, Planning and Services**

Provision of policy, planning and services to improve road safety in South Australia.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2010 and 30 June 2011.

6. Employee benefit expenses	2011	2010
	\$'000	\$'000
Salaries and wages	147 142	145 879
Board and committee fees (refer below)	85	77
Employment on-costs <sup>(1)</sup>	28 571	27 385
Annual leave	16 600	16 052
Long service leave	6 917	5 715
Workers compensation expenses	2 774	3 591
TVSPs payments (refer below)	2 185	13 660
Other employee related expenses	1 587	1 649
Total employee benefit expenses	205 861	214 008

(1) Employment on-costs are made up of superannuation of \$18.606 million (\$17.964 million) and payroll tax of \$9.965 million (\$9.421 million).

<b>TVSPs</b>	2011	2010
Amounts paid to these employees:	\$'000	\$'000
TVSPs	2 185	13 660
Annual leave and long service leave paid during the reporting period	780	4 469
	<u>2 965</u>	<u>18 129</u>
Recovery from DTF	(1 715)	(13 666)
Net cost to agency	<u>1 250</u>	<u>4 463</u>

The number of employees who received a TVSP during the reporting period was 23 (139).

The Department is owed \$464 000 (recoveries exceeded amount paid by \$6000 in 2009-10) in relation to TVSPs as at 30 June.

In addition an executive termination payment of \$145 000 was paid during the year which was subsequently recovered from the DTF.

<b>Remuneration of employees</b>	2011	2010
The number of employees whose total remuneration received or receivable falls within the following bands:	Number	Number
\$127 500 - \$130 699*	-	4
\$130 700 - \$140 699	20	17
\$140 700 - \$150 699	11	15
\$150 700 - \$160 699	18	12
\$160 700 - \$170 699	10	13
\$170 700 - \$180 699	11	5
\$180 700 - \$190 699	7	9
\$190 700 - \$200 699	7	6
\$200 700 - \$210 699	6	4
\$210 700 - \$220 699	1	1
\$220 700 - \$230 699	2	3
\$230 700 - \$240 699	3	2
\$240 700 - \$250 699	1	-
\$250 700 - \$260 699	2	-
\$260 700 - \$270 699	1	-
\$270 700 - \$280 699	1	-
\$280 700 - \$290 699	-	1
\$310 700 - \$320 699	-	-
\$320 700 - \$330 699	1	1
\$330 700 - \$340 699	-	-
\$340 700 - \$350 699	1	-
\$350 700 - \$360 699	-	-
\$360 700 - \$370 699	-	1
\$370 700 - \$380 699	-	-
\$380 700 - \$390 699	-	-
\$440 700 - \$450 699	-	-
\$480 700 - \$490 699	-	-
\$490 700 - \$500 699	1	-
Total	<u>104</u>	<u>94</u>

\* This band has been included for the purpose of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. The total remuneration for the 104 employees (94 employees) was \$18.4 million (\$15.9 million) and reflects all costs of employment including salaries and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages.

In accordance with the revised APF II, the Department now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change is that the number of employees disclosed has reduced by 440 (268).

**Remuneration of board and committee members**

Members that received remuneration for membership during the 2010-11 financial year were:

*Passenger Transport Standards Committee*

Mr Ian Bassham	Ms Kathleen Johnston	Mr Keith Parry-Jones
Ms Christina Birch	Ms Branka King	(appointed 1 July 2010)
Mr Graeme Burton	Dr David King	Mr Frank Pearce
Ms Janet Gould	Mr John McKenzie	Dr Josephine Tiddy
Ms Margaret Heylen	Ms Mary O'Dea	Ms Jill Tideman
(resigned 31 December 2010)		

*South Australian Boating Facility Advisory Committee*

Mr Rodney Payze

*State Crewing Committee*

Mr Allan Anderson	Mr Paul Carr
	(appointed 27 August 2009)

*Energy Consumers Council*

Mr Maxwell Baldock	Mr Anthony Moore	Ms Burcu Subasi
Mr Antony Clarke	Mr Nigel Long	(resigned 7 July 2010)
Mr Owen Covick	Ms Heather I'Anson	Ms Rosalyn Williams
Mr Philip Cheesman	Mr John Pike	
(resigned 30 March 2011)		

*Road Safety Advisory Council*

Sir Eric Neal	Mr Raymond Wyatt
	(appointed 1 January 2011)

The number of members whose remuneration received/receivable falls within the following bands:	2011 Number	2010 Number
\$1 - \$9 999	28	28
\$10 000 - \$19 999	1	-
Total number of members	<u>29</u>	<u>28</u>

Remuneration of members reflects all costs of performing committee member duties including sitting fees, superannuation contributions, FBT and other salary sacrifice arrangements. The total remuneration received by members was \$89 000 (\$70 000).

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

**7. Supplies and services**

		2011 \$'000	2010 \$'000
Supplies and services provided by entities within the SA Government:	Note		
Bus and rail service contracts		99 295	94 245
Other service contracts		8 740	9 935
Operating leases		11 914	10 219
Property expenses		445	6 528
Plant, equipment and vehicle expenses		6 224	5
Information technology		2 840	2 593
Materials and other purchases		45	58
Utilities		2 428	2 254
Insurance		3 658	2 643
Legal services		2 619	1 801
Auditor's remuneration	12	895	1 000
Administrative costs		13	42
Other		14 765	19 227
Total supplies and services - SA Government entities		<u>153 881</u>	<u>150 550</u>

7. <b>Supplies and services (continued)</b>	2011	2010
Supplies and services provided by entities external to the SA Government:	\$'000	\$'000
Bus and rail service contracts	167 974	155 311
Major infrastructure maintenance contracts	35 304	32 651
Other service contracts	89 501	68 529
Consultants	394	218
Operating leases	122 372	110 157
Property expenses	91 576	105 309
Plant, equipment and vehicle expenses	5 066	6 141
Information technology	18 634	27 005
Materials and other purchases	16 677	15 469
Utilities	25 363	25 546
Insurance	144	613
Legal services	227	38
Commissions - transaction processing	2 733	2 682
Administrative costs	8 680	9 223
Other	26 476	23 975
Total supplies and services - non-SA Government entities	<u>611 121</u>	<u>582 867</u>
Total supplies and services	<u>765 002</u>	<u>733 417</u>

<b>Consultancies</b>	2011		2010	
The number and dollar amount of consultancies paid/payable that fell within the following bands:	Number	\$'000	Number	\$'000
Less than \$10 000	-	-	-	-
\$10 000 - \$50 000	-	-	2	22
More than \$50 000	2	394	2	196
Total paid/payable to the consultants engaged	<u>2</u>	<u>394</u>	<u>4</u>	<u>218</u>

During 2010-11 the Department spent \$394 000 (\$218 000) on consultancies. Operating expenditure of \$394 000 (\$218 000) is reflected in the Statement of Comprehensive Income.

8. <b>Depreciation and amortisation expense</b>	2011	2010
Depreciation:	\$'000	\$'000
Network assets	210 996	190 922
Plant and equipment	55 044	57 860
Buildings and facilities	29 005	31 777
Total depreciation	<u>295 045</u>	<u>280 559</u>
Amortisation:		
Leased assets	1 742	2 172
Intangible assets	2 973	5 105
Total amortisation	<u>4 715</u>	<u>7 277</u>
Total depreciation and amortisation expense	<u>299 760</u>	<u>287 836</u>

***Change in depreciation due to a revision in accounting estimate***

In 2010-11 the Department reassessed the useful life of some of its assets. This review is expected to result in a decrease of \$1.132 million in depreciation expense for 2011-12.

9. <b>Grants and subsidies</b>	2011	2010
Grants and subsidies paid/payable to entities within the SA Government:		
Recurrent grants:		
Contribution for policing services	34 854	34 944
Other	1 269	210
Total grants and subsidies - SA Government entities	<u>36 123</u>	<u>35 154</u>

<b>9. Grants and subsidies (continued)</b>	2011	2010
Grants and subsidies paid/payable to entities external to the SA Government:	\$'000	\$'000
Recurrent grants:		
Energy rebates	3 997	5 220
Transport Subsidy Scheme	13 073	14 657
Grants to local councils	2 780	4 023
Transport concessions	5 235	5 210
Other	8 254	1 759
Capital grants:		
Grants to local councils	758	2 000
Total grants and subsidies - non-SA Government entities	34 097	32 869
Total grants and subsidies	70 220	68 023
<b>10. Borrowing costs</b>		
Interest and guarantee fees	507	2 432
Finance charges on finance leases	1 218	1 270
Total borrowing costs	1 725	3 702
<b>11. Other expenses</b>		
Other expenses paid/payable to entities within the SA Government:		
Rates, taxes and levies	8 935	7 138
Donated assets*	105 507	-
Indenture ports payable to DTF	3 663	3 687
Other	45	50
Total other expenses - SA Government entities	118 150	10 875
Other expenses paid/payable to entities external to the SA Government:		
Rates, taxes and levies	3 811	3 892
Donated assets	2 520	159
Bad and doubtful debts expense	164	(163)
Write-off of an asset	5 712	5 109
Write-down of inventory	4	-
Other	1 785	1 970
Total other expenses - non-SA Government entities	13 996	10 967
Total other expenses	132 146	21 842
* This balance includes \$104.06 million relating to the State Aquatic Centre donated to the Attorney-General's Department.		
<b>12. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	895	1 000
Total audit fees	895	1 000
<b>Other services</b>		
No other services were provided by the Auditor-General's Department.		
<b>13. Fees and charges</b>		
Fees and charges received/receivable from entities within the SA Government:		
Motor registrations	2 831	3 153
Marine related fees and charges	21	2
Land services fees	9 418	8 662
Other fees and charges	367	155
Total fees and charges - SA Government entities	12 637	11 972
Fees and charges received/receivable from entities external to the SA Government:		
Driver's licence fees	35 566	35 067
Metrotickets	78 009	77 398
Motor registrations	324 578	296 198
Marine related fees and charges	13 987	15 416
Land services fees	5 916	6 456
Other fees and charges	9 560	7 359
Total fees and charges - non-SA Government entities	467 616	437 894
Total fees and charges	480 253	449 866

**Road safety**

In accordance with the *Highways Act 1926*, \$5.928 million (\$5.844 million) being one-sixth of driver's licence collections and \$686 000 (\$636 000) being 1/100th of heavy vehicle registrations, was applied towards funding transport safety related initiatives under the Transport Safety and Regulation Services and Transport Infrastructure Services activities.

<b>14. Commonwealth revenues</b>	2011	2010
Commonwealth revenues received/receivable from entities internal to the SA Government comprised:	\$'000	\$'000
Commonwealth grants received via DTF*	303 547	385 908
Total Commonwealth revenues - SA Government entities	303 547	385 908
Commonwealth revenues received/receivable from entities external to the SA Government comprised:		
<i>Nation Building Program (National Land Transport) Act 2009</i> **	11 106	45 351
Other Commonwealth revenues***	2 839	4 957
Total Commonwealth revenues - non-SA Government entities	13 945	50 308
Total Commonwealth revenues	317 492	436 216
* Commonwealth grants received from DTF represent mainly <i>Nation Building Program (National Land Transport) Act 2009</i> and <i>Interstate Road Transport Act 1985</i> funding.		
** <i>Nation Building Program (National Land Transport) Act 2009</i> represents the Sturt Highway Advance and Roads to Recovery funding.		
*** Other Commonwealth Revenue includes Strategic Regional program which is funded under Part 6 of the former <i>Auslink (National Land Transport) Act 2005</i> .		
<b>15. Sale of goods and services</b>	2011	2010
Sale of goods and services received/receivable from entities within the SA Government:	\$'000	\$'000
IT and telecommunication services	27 647	48 036
Maintenance services	70 371	91 849
Other sale of goods	1 060	226
Other sale of services	15 972	20 019
Total sale of goods and services - SA Government entities	115 050	160 130
Sale of goods and services received/receivable from entities external to the SA Government:		
IT and telecommunication services	9 310	3 170
Other sale of goods	13 551	13 527
Other sale of services	21 774	19 724
Total sale of goods and services - non-SA Government entities	44 635	36 421
Total sale of goods and services	159 685	196 551
<b>16. Rental income</b>		
Rental income received/receivable from entities within the SA Government:		
Government accommodation	196 998	177 774
Other lease income	392	527
Total rental income - SA Government entities	197 390	178 301
Rental income received/receivable from entities external to the SA Government:		
Government accommodation	13	-
Property rents and recoveries	3 216	6 129
Other lease income	5 409	5 034
Total rental income - non-SA Government entities	8 638	11 163
Total rental income	206 028	189 464

<b>17. Grants and subsidies</b>	2011	2010
Grants and subsidies received/receivable from entities within the SA Government:	\$'000	\$'000
Concessional passenger income	56 390	51 729
Total grants and subsidies - SA Government entities	<u>56 390</u>	<u>51 729</u>
Grants and subsidies received/receivable from entities external to the SA Government:		
Concessional passenger income	235	206
Specific purpose grants	19 940	7 087
Total grants and subsidies - non-SA Government entities	<u>20 175</u>	<u>7 293</u>
Total grants and subsidies	<u>76 565</u>	<u>59 022</u>
<b>Concessional passenger income</b>		
This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.		
<b>18. Interest</b>		
Interest received/receivable from entities within the SA Government:		
Interest from entities within the SA Government	4 147	4 352
Total interest - SA Government entities	<u>4 147</u>	<u>4 352</u>
Total interest	<u>4 147</u>	<u>4 352</u>
<b>19. Commissions received</b>		
Commissions received from entities within the SA Government	12 295	12 276
Total commissions received	<u>12 295</u>	<u>12 276</u>
<b>20. Net gain (loss) from the disposal of non-current assets</b>		
Net gain (loss) from disposal of non-current assets received/receivable from entities external to the SA Government:		
Land, buildings and facilities:		
Proceeds from disposal	5 353	5 897
Net book value of assets disposed	(6 631)	(1 751)
Costs incurred to facilitate disposal	-	(5)
Net gain (loss) from disposal of land, buildings and facilities	<u>(1 278)</u>	<u>4 141</u>
Plant and equipment:		
Proceeds from disposal	1 400	838
Net book value of assets disposed	(2 796)	(2 199)
Net gain (loss) from disposal of plant and equipment	<u>(1 396)</u>	<u>(1 361)</u>
Network assets:		
Proceeds from disposal	-	-
Net book value of assets disposed	(9 651)	-
Net gain (loss) from disposal of network assets	<u>(9 651)</u>	<u>-</u>
Non-current assets held for sale:		
Proceeds from disposal	19 179	12 570
Net book value of assets disposed	(25 290)	(10 980)
Costs incurred to facilitate disposal	(289)	(313)
Net gain (loss) from disposal of non-current assets held for sale	<u>(6 400)</u>	<u>1 277</u>
Total assets:		
Proceeds from disposal	25 932	19 305
Net book value of assets disposed	(44 368)	(14 930)
Costs incurred to facilitate disposal	(289)	(318)
Total net gain (loss) from disposal of non-current assets - non-SA Government entities	<u>(18 725)</u>	<u>4 057</u>
Total net gain (loss) from disposal of non-current assets	<u>(18 725)</u>	<u>4 057</u>



<b>21. Resources received free of charge</b>	2011	2010
Resources received/receivable free of charge from entities within the SA Government:	\$'000	\$'000
Land, buildings and facilities	4 841	30
Plant and equipment	13	-
Total resources received free of charge - SA Government entities	<u>4 854</u>	<u>30</u>
Resources received/receivable free of charge from entities external to the SA Government:		
Land, buildings and facilities	4 316	-
Total resources received free of charge - external to the SA Government entities	<u>4 316</u>	<u>-</u>
Total resources received free of charge	<u>9 170</u>	<u>30</u>

This represents assets received by the Department for no consideration and recognised at fair value.

<b>22. Other income</b>		
Other income received/receivable from entities within the SA Government:		
Recoveries and contributions	1 986	2 781
Reimbursement works and external project contributions	12 717	8 123
Intra-government transfers	15 979	10 439
Total other income - SA Government entities	<u>30 682</u>	<u>21 343</u>
Other income received/receivable from entities external to the SA Government:		
Recoveries and contributions	3 020	3 464
Reimbursement works and external project contributions	6 698	7 975
Sundry income	56	57
Total other income - non-SA Government entities	<u>9 774</u>	<u>11 496</u>
Total other income	<u>40 456</u>	<u>32 839</u>

<b>23. Revenues from (Payments to) SA Government</b>		2011	2010
Revenues from SA Government:	Note	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>		233 863	407 530
Other revenue from SA Government*		47 760	-
Transfers from contingency provisions		11 695	21 084
Total revenues from SA Government		<u>293 318</u>	<u>428 614</u>
Payments to SA Government:			
Local government and income tax equivalent payments	3.7	2 126	4 430
Other payments to Consolidated Account		2 894	3 564
Total payments to SA Government		<u>5 020</u>	<u>7 994</u>

\* This represents the waiver of a Treasurer's loan totalling \$47.76 million relating to public transport assets.

<b>24. Cash and cash equivalents</b>	2011	2010	2009
	\$'000	\$'000	\$'000
Deposits at call - Westpac	412 013	487 104	369 309
Deposits with the Treasurer (accrual appropriation)	-	-	-
Imprest account	51	53	56
Other	148	133	139
Total cash	<u>412 212</u>	<u>487 290</u>	<u>369 504</u>

***Deposits with the Treasurer (accrual appropriation)***

The balance of these funds is not available for general use, ie funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

***Other***

Includes petty cash floats, cashiers' floats and other cash on hand.

**Interest rate risk**

Cash and cash equivalents are both interest and non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

25. Receivables	2011	2010	2009
	\$'000	\$'000	\$'000
Current:			
Receivables	212 743	177 279	93 416
Allowance for doubtful debts	(1 506)	(2 227)	(2 692)
Finance lease receivables	636	852	806
GST input tax recoverable	4 623	8 770	12 845
Accrued revenues	65 986	52 132	36 949
Other - lease incentives	6 425	13 028	-
Total current receivables	288 907	249 834	141 324
Non-current:			
Receivables	271	376	401
Finance lease receivables	7 859	8 495	9 025
Loan receivables	1 771	1 650	1 537
Other - lease incentives	1 418	7 842	-
Total non-current receivables	11 319	18 363	10 963
Total receivables	300 226	268 197	152 287

**Government/Non-Government receivables**

Receivables from SA Government entities:

Receivables	178 199	139 838	44 524
Allowance for doubtful debts	(338)	(331)	(322)
Finance lease receivables	7 918	9 347	9 831
Accrued revenues*	60 375	44 486	32 189
Total receivables from SA Government entities	246 154	193 340	86 222

Receivables from non-SA Government entities:

Receivables*	34 815	37 817	49 293
Allowance for doubtful debts	(1 168)	(1 896)	(2 370)
Finance lease receivables	577	-	-
Loan receivables	1 771	1 650	1 537
GST input tax recoverable	4 623	8 770	12 845
Accrued revenues	5 611	7 646	4 760
Other - lease incentives	7 843	20 870	-
Total receivables from non-SA Government entities	54 072	74 857	66 065
Total receivables	300 226	268 197	152 287

\* This amount includes \$34.351 million relating to TRUMPS collections yet to be received by the Department.

**Movement in the allowance for doubtful debts**

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

<b>Movement in the allowance for doubtful debts (impairment loss)</b>	2011	2010	2009
	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 227	2 692	2 442
Increase (Decrease) in provision	155	(165)	349
Amounts written off	(876)	(300)	(99)
Carrying amount at 30 June	1 506	2 227	2 692

**Bad and doubtful debts**

The Department has recognised a bad and doubtful debts expense of \$164 000 (expenditure reduction of \$163 000 in 2009-10) in the Statement of Comprehensive Income.

**Interest rate and credit risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days or from when goods or services have been provided under a contractual agreement. Receivables and accrued revenues are non-interest bearing.

Other than as recognised in the allowance for doubtful debts, it is not anticipated that debtors will fail to discharge their obligations. The carrying amount of receivables approximates their fair value due to being receivable on demand. The carrying amount for receivables which includes an amount owing of \$23.517 million (\$19.854 million) relating to the indentured ports (refer note 45) reflects the most significant concentration of credit risk exposure for the Department.

- (a) Maturity analysis of receivables - refer note 40.  
 (b) Categorisation of financial instruments and risk exposure information - refer note 40.

<b>26. Inventories</b>	2011	2010	2009
Current - held for distribution at no or nominal consideration:	\$'000	\$'000	\$'000
Road making material and stores at costs	4 534	4 827	6 573
Total inventories held for distribution at no or nominal consideration	4 534	4 827	6 573
Current - other than those held for distribution at no or nominal consideration:			
Metrotickets at cost	261	100	88
Total inventories other than those held for distribution at no or nominal consideration	261	100	88
Total current inventories	4 795	4 927	6 661
<b>27. Other assets</b>			
Current:			
Prepayments	27 887	21 379	26 984
Lease incentives	3 687	3 942	3 556
Total other current assets	31 574	25 321	30 540
Non-current:			
Lease incentives	19 983	23 670	22 539
Total other non-current assets	19 983	23 670	22 539
Total other assets	51 557	48 991	53 079
<b>Government/Non-Government other assets</b>			
Other assets from SA Government entities:			
Prepayments	1 555	930	66
Lease incentives	23 670	27 612	26 095
Other assets from SA Government entities	25 225	28 542	26 161
Other assets from non-SA Government entities:			
Prepayments	26 332	20 449	26 918
Other assets from non-SA Government entities	26 332	20 449	26 918
Total other assets	51 557	48 991	53 079
<b>28. Non-current assets classified as held for sale</b>			
Non-current assets classified as held for sale			
Land, buildings and facilities	61 322	23 293	3 356
Total non-current assets classified as held for sale	61 322	23 293	3 356

The Department has identified \$61.322 million (\$23.293 million) of land, buildings and facilities that are surplus to the Department's requirements. The land, buildings and facilities are expected to be sold within 12 months by public tender or auction.

<b>29. Land, buildings and facilities</b>	2011	2010	2009
Land:	\$'000	\$'000	\$'000
Land at fair value	1 057 414	1 041 080	958 865
Total land	<u>1 057 414</u>	<u>1 041 080</u>	<u>958 865</u>
Land under roads:			
Land under roads at fair value:	150	59	-
Total land under roads	<u>150</u>	<u>59</u>	<u>-</u>
Land for current projects:			
Land for current projects at fair value	20 894	6 481	4 679
Land for current projects at cost	82 569	61 785	78 561
Total land for current projects	<u>103 463</u>	<u>68 266</u>	<u>83 240</u>
Buildings and facilities:			
Buildings and facilities at fair value	1 451 499	1 247 347	1 272 234
Accumulated depreciation at 30 June	517 782	456 746	462 702
Total buildings and facilities	<u>933 717</u>	<u>790 601</u>	<u>809 532</u>
Buildings and improvements under lease:			
Buildings and improvements under lease (deemed fair value)	29 150	30 400	29 500
Accumulated amortisation at 30 June	-	915	-
Total buildings and improvements under lease	<u>29 150</u>	<u>29 485</u>	<u>29 500</u>
Total land, buildings and facilities	<u>2 123 894</u>	<u>1 929 491</u>	<u>1 881 137</u>

**Valuation of land, buildings and facilities**

Refer note 3.13 for details relating to the revaluation of land, buildings and facilities.

**Reconciliation of land, buildings and facilities**

The following table shows the movement of land, buildings and facilities during 2010-11.

	Land at fair value*	Land for current projects	Buildings & facilities	Buildings & imprvmnts under lease	2011 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	1 041 139	68 266	790 601	29 485	1 929 491
Reclassification to assets held for sale	(17 332)	(575)	(47 347)	-	(65 254)
Additions	3 306	8 957	287	-	12 550
Disposals	(3 071)	(2 992)	(568)	-	(6 631)
Donated assets	(63)	-	(104 821)	-	(104 884)
Reduction in lease incentives payable**	-	-	(9 455)	-	(9 455)
Resources received free of charge	3 606	4 285	1 266	-	9 157
Write-offs	-	-	(185)	-	(185)
Revaluation increment (decrement)	6 475	-	30 278	(1 244)	35 509
Transfer from works in progress	11 187	23 452	301 658	1 382	337 679
Depreciation and amortisation	-	-	(29 005)	(711)	(29 716)
Transfers due to reclassification of assets	42	80	(122)	-	-
Prior period - error correction	12 275	1 990	1 130	238	15 633
Carrying amount at 30 June	<u>1 057 564</u>	<u>103 463</u>	<u>933 717</u>	<u>29 150</u>	<u>2 123 894</u>

\* Includes land under roads at fair value.

\*\* This represents consideration for the sublessee entering into a memorandum of understanding in the form of completed fit-outs.

<b>30. Plant and equipment</b>	2011	2010	2009
Plant and equipment:	\$'000	\$'000	\$'000
Plant and equipment (at fair value)	1 153 376	1 092 327	1 075 650
Information technology (IT)	45 625	40 164	34 688
IT under lease	5 260	5 105	5 316
	<u>1 204 261</u>	<u>1 137 596</u>	<u>1 115 654</u>

<b>30. Plant and equipment (continued)</b>	2011	2010	2009
Accumulated depreciation:	\$'000	\$'000	\$'000
Plant and equipment	729 424	690 030	693 972
Information technology (IT)	26 601	23 657	16 994
IT under lease	3 215	3 169	3 164
	<u>759 240</u>	<u>716 856</u>	<u>714 130</u>
Total plant and equipment	<u>445 021</u>	<u>420 740</u>	<u>401 524</u>

**Valuation of plant and equipment**

Refer note 3.13 for details relating to the revaluation of plant and equipment.

**Reconciliation of plant and equipment**

The following table shows the movement of plant and equipment during 2010-11.

	Plant and equipment \$'000	IT \$'000	IT under lease \$'000	2011 Total \$'000
Carrying amount at 1 July	402 297	16 507	1 936	420 740
Additions	38 172	57	1 171	39 400
Disposals	(2 795)	(1)	-	(2 796)
Resources received free of charge	-	13	-	13
Write-offs	(23)	(948)	-	(971)
Revaluation increment (decrement)	(2 433)	(672)	-	(3 105)
Depreciation and amortisation	(49 491)	(5 803)	(1 063)	(56 357)
Transfers due to reclassification of assets	(11)	11	-	-
Transfer to/from works in progress	35 670	9 929	-	45 599
Prior period - error correction	2 566	(69)	1	2 498
Carrying amount at 30 June	<u>423 952</u>	<u>19 024</u>	<u>2 045</u>	<u>445 021</u>

**Depreciation of plant and equipment**

Total depreciation associated with plant and equipment for 2010-11 was \$56.357 million. Of this amount, \$56.075 million has been reported within the Statement of Comprehensive Income as operating expenditure of the Department. The remaining \$282 000 relates to capital projects that have been reflected within the value of the Department's assets as at 30 June 2011.

<b>31. Network assets</b>	2011	2010	2009
Network assets:	\$'000	\$'000	\$'000
Network assets (deemed fair value)	20 462 812	19 419 369	10 279 706
Rail and bus track (deemed fair value)	1 376 134	1 217 490	1 147 239
	<u>21 838 946</u>	<u>20 636 859</u>	<u>11 426 945</u>
Accumulated depreciation:			
Network	5 074 865	4 762 637	4 962 336
Rail and bus track	577 392	562 100	518 468
	<u>5 652 257</u>	<u>5 324 737</u>	<u>5 480 804</u>
Total network assets	<u>16 186 689</u>	<u>15 312 122</u>	<u>5 946 141</u>

**Valuation of network assets**

Refer note 3.13 for details relating to the revaluation of network assets.

**Reconciliation of network assets**

The following table shows the movement of network assets during 2010-11.

	Roads \$'000	Structures \$'000	Safety barriers \$'000	Traffic signals and road lighting \$'000	Rail and bus track \$'000	2011 Total \$'000
Carrying amount at 1 July	13 289 021	1 274 487	13 003	80 221	655 390	15 312 122
Transfers from work in progress	528 827	131 025	22 856	32 195	172 827	887 730
Disposals	-	-	-	-	(9 650)	(9 650)
Donated assets	-	-	-	(3 132)	(11)	(3 143)
Write-offs	-	(525)	-	(361)	-	(886)
Revaluation increment (decrement)	157 373	36 553	-	8 588	2 005	204 519
Prior period - error correction	4 588	2 206	-	199	-	6 993
Depreciation and amortisation	(132 863)	(30 382)	(537)	(9 134)	(38 080)	(210 996)
Transfers in due to reclassification of assets	-	(16 261)	-	-	16 261	-
Carrying amount at 30 June	<u>13 846 946</u>	<u>1 397 103</u>	<u>35 322</u>	<u>108 576</u>	<u>798 742</u>	<u>16 186 689</u>

<b>32. Capital works in progress</b>	2011	2010	2009
	\$'000	\$'000	\$'000
Land, buildings and facilities	28 967	264 035	85 981
Road network	419 723	784 625	554 191
Plant, equipment and intangibles	51 874	17 109	48 110
Rail and bus track	505 753	362 625	124 267
Total capital works in progress	1 006 317	1 428 394	812 549

**Valuation of works in progress**

Refer note 3.13 for details regarding works in progress valuations.

**Reconciliation of capital works in progress**

The following table shows the movement of capital works in progress during 2010-11.

	Road network	Plant and equipment/ intangibles	Land, building & facilities	Rail and bus track	2011 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	784 625	22 352	270 673	362 625	1 440 275
Prior period - error correction	-	(5 243)	(6 638)	-	(11 881)
Adjusted opening balance	784 625	17 109	264 035	362 625	1 428 394
Additions	408 786	30 952	103 093	315 964	858 795
Transfer to capital	(714 903)	(45 710)	(337 679)	(172 827)	(1 271 119)
Transfer to operating	(2 182)	(558)	-	(9)	(2 749)
Write-offs	(3 671)	-	-	-	(3 671)
Transfers due to reclassification of assets	(50 295)	50 295	-	-	-
Prior period - error correction	(2 637)	(214)	(482)	-	(3 333)
Carrying amount at 30 June	419 723	51 874	28 967	505 753	1 006 317

<b>33. Intangible assets</b>	2011	2010	2009
	\$'000	\$'000	\$'000
Software:			
Computer software	46 289	46 412	43 492
Accumulated amortisation	32 124	29 421	24 736
Total intangible assets	14 165	16 991	18 756

**Valuation of intangible assets**

Refer note 3.13 for details on the valuation of intangible assets.

**Reconciliation of intangible assets**

The following table shows the movement of intangible assets during 2010-11.

Carrying amount at 1 July	16 991
Prior period - error correction	37
Depreciation and amortisation	(2 974)
Transfer from works in progress	111
Carrying amount of 30 June	14 165

<b>34. Payables</b>	2011	2010	2009
	\$'000	\$'000	\$'000
Current:			
Creditors	84 614	139 898	116 611
Accrued expenses	149 184	122 126	48 958
Employment on-costs	5 832	5 330	4 978
Other - lease incentives	4 125	13 313	6 876
Total current payables	243 755	280 667	177 423
Non-current:			
Employment on-costs	5 490	5 852	5 747
Other - lease incentives	590	4 714	18 028
Total non-current payables	6 080	10 566	23 775
Total payables	249 835	291 233	201 198

<b>Government/Non-Government payables</b>	2011	2010	2009
Payables to SA Government entities:	\$'000	\$'000	\$'000
Creditors	754	22 874	3 967
Accrued expenses	33 436	15 427	6 903
Employment on-costs - superannuation and payroll tax	11 322	11 182	10 725
Other - lease incentives	4 715	18 027	24 904
<b>Total payables to SA Government entities</b>	<b>50 227</b>	<b>67 510</b>	<b>46 499</b>
Payables to non-SA Government entities:			
Creditors	83 860	117 024	112 644
Accrued expenses	115 748	106 699	42 055
<b>Total payables to non-SA Government entities</b>	<b>199 608</b>	<b>223 723</b>	<b>154 699</b>
<b>Total payables</b>	<b>249 835</b>	<b>291 233</b>	<b>201 198</b>

**Interest rate and credit risk**

Creditors and accruals are raised for all amounts unpaid. Creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefits that they relate to are discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

**Employment on-costs**

DTF has performed an actuarial assessment and advised the percentage of the proportion of long service leave taken as leave has changed from the 2010 rate of 45 percent to 35 percent and the average factor for the calculation of superannuation on-cost has changed from the 2010 rate of 10.5 percent to 10.3 percent. 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 \$800 000 and a nil employee benefit expense. The estimated impact on 2012 and 2013 is not expected to be materially different to the impact in 2011.

- (a) Maturity analysis of payables - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.

<b>35. Borrowings</b>	2011	2010	2009
Current:	\$'000	\$'000	\$'000
Obligations under finance leases and plant hire contracts: <sup>(1)</sup>			
Balance as at 1 July	1 637	1 915	1 818
Increase in lease liabilities due to:			
New leases	418	409	353
Transfers	1 417	1 360	1 703
Repayments	(1 764)	(2 047)	(1 959)
Balance as at 30 June	1 708	1 637	1 915
<b>Total current borrowings</b>	<b>1 708</b>	<b>1 637</b>	<b>1 915</b>
Non-current:			
Obligations under finance leases and plant hire contracts: <sup>(1)</sup>			
Balance as at 1 July	18 108	18 763	19 825
Increase in lease liabilities due to:			
New leases	752	710	641
Transfers	(1 417)	(1 365)	(1 703)
Repayments	-	-	-
Balance as at 30 June	17 443	18 108	18 763
Borrowings from SA Government: <sup>(2)</sup>			
Balance as at 1 July	47 760	47 760	47 760
Repayments <sup>(3)</sup>	(47 760)	-	-
Balance as at 30 June	-	47 760	47 760
<b>Total non-current borrowings</b>	<b>17 443</b>	<b>65 868</b>	<b>66 523</b>
<b>Total borrowings</b>	<b>19 151</b>	<b>67 505</b>	<b>68 438</b>

- (1) Secured by the asset leased.
- (2) Unsecured loans which bear interest.
- (3) DTF waived \$47.76 million loan on 1 September 2010 relating to public transport assets.

**35. Borrowings (continued)**

Borrowings (unsecured loans) are recognised at cost. The interest rate is determined by the Treasurer on a quarterly basis. The weighted interest rate for the 2010-11 year was 5.15 percent (4.35 percent).

Finance lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

<i>Assets pledged as security</i>	2011	2010	2009
The carrying amount of non-current assets pledged as security are:	\$'000	\$'000	\$'000
Leased land and buildings:			
Buildings and improvements under lease	29 150	29 485	29 500
Leased plant and equipment:			
Computer and office equipment	2 045	1 873	1 814
StateNet Core Network equipment	-	63	338
Total assets pledged as security	<u>31 195</u>	<u>31 421</u>	<u>31 652</u>

- (a) Maturity analysis of borrowings - refer note 40.
- (b) Categorisation of financial instruments and risk exposure information - refer note 40.
- (c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

**36. Employee benefits**

	2011	2010	2009
Current:	\$'000	\$'000	\$'000
Annual leave	17 737	16 749	16 874
Long service leave	5 148	4 876	4 605
Accrued salaries and wages	6 770	6 521	5 973
Total current employee benefits	<u>29 655</u>	<u>28 146</u>	<u>27 452</u>
Non-current:			
Long service leave	62 859	58 960	57 806
Total non-current employee benefits	<u>62 869</u>	<u>58 960</u>	<u>57 806</u>
Total employee benefits	<u>92 514</u>	<u>87 106</u>	<u>85 258</u>

The total current and non-current employee liability (ie aggregate employee benefit plus related on-costs) for 2011 is \$35.487 million (\$33.476 million) and \$68.349 million (\$64.812 million) respectively.

**Annual leave**

Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement.

**Long service leave**

Long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of the previous year.

Based on an actuarial assessment performed by DTF, the benchmark measurement of the long service leave liability has changed from 5.5 years to five years. The net financial effect of the change in the current financial year is an increase in the long service leave liability of \$561 000 and an increase to employee benefit expenses of \$49 000. The estimated impact on 2012 and 2013 is not expected to be materially different to the impact in 2011.

The actuarial assessment performed by DTF left the salary inflation rate of 4 percent unchanged from the 2010 rate. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

**37. Provisions**

	2011	2010	2009
Current:	\$'000	\$'000	\$'000
Provision for workers compensation	1 469	1 337	1 261
Site remediation	2 429	2 436	2 432
Provision for indentured ports payment to the Treasurer	23 517	19 854	16 168
Other provisions - SA Government	157	2 752	3 784
Total current provisions	<u>27 572</u>	<u>26 379</u>	<u>23 645</u>
Non-current:			
Site remediation	3 082	3 101	3 090
Provision for workers compensation	4 949	4 348	3 610
Total non-current provisions	<u>8 031</u>	<u>7 449</u>	<u>6 700</u>
Total provisions	<u>35 603</u>	<u>33 828</u>	<u>30 345</u>



<b>Reconciliation of workers compensation</b>	2011	2010	2009
The following table shows the movement of the workers compensation provision:	\$'000	\$'000	\$'000
Carrying amount at 1 July	5 685	4 871	5 374
Increase in provision due to revision of estimates	2 774	3 591	1 642
Reductions resulting from payments	(2 041)	(2 777)	(2 145)
Carrying amount at 30 June	6 418	5 685	4 871

**Reconciliation of site remediation**

The following table shows the movement of the site remediation provision:

Carrying amount at 1 July	5 537	5 522	5 301
Increase in provision due to revision of estimates	101	137	241
Reductions resulting from payments	(127)	(122)	(20)
Carrying amount at 30 June	5 511	5 537	5 522

**Reconciliation of indentured ports**

The following table shows the movement of the indentured ports provision:

Carrying amount at 1 July	19 854	16 168	12 924
Increase in provision resulting from invoices raised	4 481	4 638	4 262
Reductions resulting from payments	(818)	(952)	(1 018)
Carrying amount at 30 June	23 517	19 854	16 168

**Reconciliation of other provisions**

The following table shows the movement of other provisions:

Carrying amount at 1 July	2 752	3 784	2 687
Increase in provision due to revision of estimates	858	3 717	4 539
Reductions resulting from payments	(3 453)	(4 749)	(3 442)
Carrying amount at 30 June	157	2 752	3 784

**38. Other liabilities**

Current:

Deferred income - SA Government	1 255	11 628	966
Deferred income - non-SA Government	3 672	12 951	58 056
Lease incentives - non-SA Government	4 443	4 516	2 478
Other - SA Government	25	-	3 749
Total other current liabilities	9 395	29 095	65 249

Non-current:

Lease incentives - non-SA Government	28 251	30 603	18 334
Total other non-current other liabilities	28 251	30 603	18 334
Total other liabilities	37 646	59 698	83 583

The Auslink Advance Specific Projects Fund includes Commonwealth grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional program. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on 30 June 2006, to initially be expended over the four year period between 2006-07 and 2009-10.

These funds have been disclosed as deferred income in accordance with APF V, APS 4.12.

**39. Adjustments to equity**

<b>Restatement of opening balances</b>	2011	2010	2009
Adjustments against retained earnings:	\$'000	\$'000	\$'000
Lease incentives - work in progress adjustment	11 881	9 353	14 982
Asset recognition - error correction	-	(11 826)	(22 578)
Asset revaluation - error correction	-	(9 048)	27
Lease incentives - error correction	(6 800)	(1 191)	-
Other	-	577	836
Total adjustments against retained earnings	5 081	(12 135)	(6 733)
Adjustments against asset revaluation surplus:			
Other	-	(1 263)	966
Total adjustments against asset revaluation surplus	-	(1 263)	966
Total adjustments to equity	5 081	(13 398)	(5 767)

<b>Adjustments processed to equity during the year</b>	2011	2010	2009
	\$'000	\$'000	\$'000
Adjustments against retained earnings:			
Work in progress adjustment	3 333	-	-
Asset recognition - error correction	(20 655)	-	-
Asset revaluation - error correction	-	-	-
Other	1 161	-	-
Total adjustments against retained earnings	<u>(16 161)</u>	-	-
Adjustments against asset revaluation surplus:			
Asset revaluation - error correction	(4 268)	-	-
Total adjustments against asset revaluation surplus	<u>(4 268)</u>	-	-
Total adjustments to equity	<u>(20 429)</u>	-	-

**Restatement of opening balances**

***Adjustments against retained earnings***

*Lease incentives - work in progress adjustment*

A review of lease arrangements undertaken by the Department identified fit-out costs totalling \$11.881 million recognised in work in progress under land, building and facilities and plant and equipment as at 30 June 2010. These costs represent a benefit provided to sublessees as part of the lease agreement and as such are to be treated as settlement of a creditor created in establishing a lease incentive asset at the commencement of the lease term. Recognising these costs within the asset balances in the year ended 30 June 2010 instead of part of the net amount receivable or payable under the lease is an error. This error has been corrected in 2010-11 by an adjustment to the respective opening balances. The impact on the financial statements for 2009-10 is summarised below:

	2009-10	2008-09	Total
	\$'000	\$'000	\$'000
Land, buildings and facilities	6 638	-	6 638
Plant and equipment	5 243	-	5 243
Total work in progress adjustment	<u>11 881</u>	-	<u>11 881</u>

*Lease incentives - error correction*

A review of the lease arrangements undertaken by the Department identified a number of other lease incentive transactions that had not been accounted in line with departmental policies and accounting standards. This error has been corrected in 2010-11 by an adjustment to the respective opening balances. The impact on the financial statements for 2009-10 and 2008-09 by financial statement account balance is summarised below.

	2009-10	2008-09	Total
	\$'000	\$'000	\$'000
Receivables:			
Receivables - accrued revenue (current)	10 026	-	10 026
Other (current)	(13 028)	-	(13 028)
Other (non-current)	(7 843)	-	(7 843)
Other assets:			
Current	(386)	(3 556)	(3 942)
Non-current	(1 131)	(22 539)	(23 670)
Payables:			
Other (current)	6 438	6 876	13 314
Other (non-current)	(13 314)	18 028	4 714
Other liabilities:			
Current	1 028	-	1 028
Non-current	11 410	-	11 410
Total error correction	<u>(6 800)</u>	<u>(1 191)</u>	<u>(7 991)</u>

**Adjustments processed to equity during the year**

***Adjustments against retained earnings***

*Work in progress adjustment*

A review of completed projects by the Department in 2010-11 identified costs of \$3.333 million which were recognised within the capital works in progress asset balance at 30 June 2010 and prior years which did not meet the Department's asset recognition criteria. Recognising these costs within the balance of capital works in progress instead of as expenses in the year ended 30 June 2010 or a prior period is an error which was corrected in 2010-11 by an adjustment to the retained earnings. The impact on the financial statements for 2010-11 are summarised below:

<i>Work in progress adjustment (continued)</i>	2010-11
	\$'000
Network assets	2 637
Land, buildings and facilities	482
Plant and equipment	214
Total work in progress adjustment	<u>3 333</u>

**Asset recognition - error correction**

Asset revaluation, reconciliation and stock take procedures in 2010-11 identified assets totalling \$20.655 million which were purchased but not recognised as assets in prior years. The value of assets not recognised as at 30 June 2010 by asset class were:

	2010-11
	\$'000
Network assets	(2 725)
Land, buildings and facilities	(15 395)
Plant and equipment	(2 498)
Intangibles	(37)
Total asset recognition adjustment	<u>(20 655)</u>

**Other adjustments - error correction**

Land, buildings and facilities	(238)
Overstatement of revenue	2 844
Accounts payable	(1 319)
Other	(126)
Total other adjustment	<u>1 161</u>

**Adjustments against asset revaluation surplus****Asset revaluation - error correction**

In 2009-10 a revaluation was undertaken in which incorrect useful lives were used for a category of assets resulting in an error in accumulated depreciation. In correcting this error, an adjustment has been made to the asset revaluation surplus account in 2010-11 to account for this effect.

	2010-11
	\$'000
Network assets	(4 268)
Land and buildings	-
Plant and equipment	-
Transfer between reserves	-
Total asset revaluation adjustment	<u>(4 268)</u>

**40. Financial instruments****40.1 Categorisation of financial instruments**

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in note 3.

	Note	Carrying amount/ fair value	
		2011 \$'000	2010 \$'000
<b>Financial assets</b>			
Cash and cash equivalents:			
Cash and cash equivalents	24	412 212	487 290
Loans and receivables:			
Receivables <sup>(1)</sup>	25	287 108	250 080
Finance lease receivable	25,42	8 495	9 347
Total financial assets		<u>707 815</u>	<u>746 717</u>
<b>Financial liabilities</b>			
Payables <sup>(1)</sup>	34	243 317	281 952
Borrowings	35	-	47 760
Finance lease payable	35,42	19 151	19 745
Total financial liabilities		<u>262 468</u>	<u>349 457</u>

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

**Terms, conditions and accounting policies**

*Financial assets*

The carrying amount of cash and cash equivalents represents fair value. Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided, for which payment has not been received. Receivables are normally settled within 30 days or in accordance with the terms specified in the contract.

*Financial liabilities*

Creditors and accruals are recognised for all amounts unpaid equal to the value of goods and services provided. Creditors are normally settled within 30 days.

Finance leases are recorded at amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments using a government borrowing rate. Lease payments are made in accordance with the schedules determined at the inception of each lease.

Borrowings (unsecured loans) are recognised at cost. The interest rate is determined by the Treasurer. The weighted interest rate for the 2010-11 year was 5.15 percent (4.35 percent).

**Credit risk**

Credit risk arises when there is the possibility of the Department's debtors defaulting on their contractual obligations resulting in a financial loss to the Department. The carrying amount for receivables which includes an amount owing of \$23.517 million (\$19.854 million) relating to indentured ports (refer note 45) reflects the most significant concentration of credit risk exposure for the Department. The Department has credit management policies and procedures in place to ensure business transactions continue to occur with customers with appropriate credit history.

The following table discloses the ageing of financial assets that are past due.

**40.2 Ageing analysis of financial assets**

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2011</b>				
Not impaired:				
Receivables	11 701	1 646	30 714	44 061
<b>2010</b>				
Not impaired:				
Receivables	20 250	4 715	24 275	49 240

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

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

	Contractual maturities			
	Carrying amount \$'000	Less than 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	412 212	412 212	-	-
Receivables <sup>(1)</sup>	287 108	283 648	1 729	1 731
Finance lease receivable	11 972	1 066	3 517	7 389
Total financial assets	711 292	696 926	5 246	9 120
Financial liabilities:				
Payables <sup>(1)</sup>	243 317	240 889	2 428	-
Borrowings	-	-	-	-
Finance lease payable	27 884	2 822	8 187	16 875
Total financial liabilities	271 201	243 711	10 615	16 875

**40.3 Maturity analysis of financial assets and liabilities (continued)**

	Contractual maturities			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2010</b>				
Financial assets:				
Cash and cash equivalents	487 290	487 290	-	-
Receivables <sup>(1)</sup>	250 080	248 154	316	1 610
Finance lease receivable	12 904	1 280	3 658	7 966
Total financial assets	750 274	736 724	3 974	9 576
Financial liabilities:				
Payables <sup>(1)</sup>	281 952	279 162	2 790	-
Borrowings	47 760	-	-	47 760
Finance lease payable	29 435	2 796	8 076	18 563
Total financial liabilities	359 147	281 958	10 866	66 323

(1) Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they are due to be settled. In relation to this risk, the Department's exposure is considered to be minimal. The continued existence of the Department in its present form and with its present programs is dependent on government policy, the operation of current fee and charges structures, and continuing appropriations from various acts.

**Fair value (market) risk**

The Department's exposure to fair value (market) risk is considered minimal. Financial instruments are disclosed at a carrying amount that approximates their net fair value.

The amount for financial assets approximates the net fair value due to the short-term to maturity of the items, or due to the assets being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

**Foreign currency risk**

The Department enters into business transactions that require payment for goods or services in a foreign currency. Foreign currency risk associated with significant payments is minimised using a strategy of forward cover contract through SAFA. The forward cover aims to hedge against losses arising from any foreign currency price fluctuations at the date of settlement.

**Interest rate risk**

The Department's exposure to interest rate risk is measured with reference to the level of interest and non-interest bearing assets and liabilities held at reporting date.

Interest revenue from interest bearing assets is calculated using the common public sector interest rate (CPSIR) and/or other rates as determined by the Treasurer.

The interest expense implicit in any finance lease payment is fixed at the inception of the lease and is calculated using prevailing government borrowing rates as advised by SAFA.

Interest expense on the Department's unsecured loans is calculated using the CPSIR. Repayments on unsecured loans are negotiated with SAFA. The Department's revenue base is sufficient for the purpose of servicing its interest or loan repayment commitments.

**41. Transferred functions**

There were no transferred functions in 2010-11.

**42. Unrecognised contractual commitments****Capital commitments**

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

	2011	2010
	\$'000	\$'000
Within one year	1 097 975	976 022
Later than one year but no later than five years	993 367	311 774
Later than five years	101	-
Total capital commitments	2 091 443	1 287 796

**Capital commitments (continued)**

The Department's capital commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks, the purchase of new public transport vehicles and the construction and upgrade of government buildings and facilities. Where this construction work is being done on behalf of other agencies the cost is recovered accordingly.

<b>Remuneration commitments</b>	2011	2010
Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:	\$'000	\$'000
Within one year	28 616	26 767
Later than one year but no later than five years	32 722	37 901
Total remuneration commitments	61 338	64 668

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

**Other commitments**

Within one year	321 751	177 666
Later than one year but no later than five years	1 060 010	393 097
Later than five years	598 049	2 812
Total other commitments	1 979 810	573 575

The Department's other commitments include major service and supply contracts for road maintenance, ferry operations and bus and rail transport services. It also includes the outsourced facilities management contract which it manages on behalf of government. These costs are reimbursable from other agencies.

**Operating lease commitments as lessee**

<b>Operating lease commitments as lessee</b>	2011	2010
Commitments under operating leases at the reporting date but not recognised as liabilities in the financial report, are payable as follows:	\$'000	\$'000
Within one year	134 329	118 059
Later than one year but no later than five years	371 776	333 344
Later than five years	261 367	208 141
Total operating lease commitments as lessee	767 472	659 544

Representing:

Cancellable operating leases	15 935	11 103
Non-cancellable operating leases	751 537	648 441
Total operating lease commitments as lessee	767 472	659 544

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	126 732	111 885
Later than one year but no later than five years	364 783	328 415
Later than five years	260 022	208 141
Total non-cancellable operating lease commitments as lessee	751 537	648 441

The Department's operating lease commitments as lessee are for land, motor vehicles, office equipment, other plant and equipment and commercial and residential accommodation.

Commercial accommodation leases are non-cancellable with terms ranging from one to 10 years. Rental is payable in advance with no contingent rental provisions. Residential accommodation leases are cancellable with varying terms and have no option to renew.

Motor vehicle leases are cancellable, rentals are paid monthly in arrears and no contingent rental provisions exist within the agreement. Motor vehicle lease terms may be for three years (or 60 000 kilometres whichever comes first) or five years (or 100 000 kilometres whichever comes first).

Photocopier leases are non-cancellable with terms of four years, with rentals paid monthly.

<b><i>Operating lease commitments as sublessor</i></b>	2011	2010
Commitments under operating subleases at the reporting date but not recognised as receivable in the financial report, as follows:	\$'000	\$'000
Within one year	102 213	88 428
Later than one year but no later than five years	285 361	242 094
Later than five years	186 319	189 791
Total operating lease commitments as sublessor	<u>573 893</u>	<u>520 313</u>

The Department leases a number of properties from private landlords and sublets these properties to various tenants. The Department is therefore a sublessor of these properties.

***Operating lease commitments as lessor***

Commitments under operating leases at the reporting date but not recognised as receivable in the financial report, are as follows:

Within one year	36 748	35 090
Later than one year but no later than five years	71 220	80 414
Later than five years	65 936	66 109
Total operating lease commitments as lessor	<u>173 904</u>	<u>181 613</u>

The Department's operating lease commitments as lessor are for commercial properties and access rights to state owned land sites.

Commercial accommodation leases are non-cancellable with terms ranging from one to 10 years. Rental is receivable in advance.

***Finance lease commitments as lessee***

Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:

Within one year	2 822	2 796
Later than one year but no longer than five years	8 187	8 076
Later than five years	16 875	18 563
Minimum lease payments	27 884	29 435
Future finance leases lease charges	(8 733)	(9 690)
Total finance lease commitments as lessee (recognised as a liability)	<u>19 151</u>	<u>19 745</u>

The present value of finance lease payable is as follows:

Within one year	1 708	1 637
Later than one year but no longer than five years	4 737	4 467
Later than five years	12 706	13 641
Present value of finance lease	<u>19 151</u>	<u>19 745</u>

Representing:

Current	1 708	1 637
Non-current	17 443	18 108
Total included in borrowings	<u>19 151</u>	<u>19 745</u>

The Department's finance leases as lessee relate to government accommodation and computer hardware and software.

The Department's computer and network printer equipment leases are non-cancellable with terms of three to four years. Each lease contains three options at the conclusion of the current term being: return equipment, extend the lease at fair market value or purchase the equipment at fair market value. In all cases the Department chooses to exercise its right to return the equipment. The weighted average interest rate implicit in the lease is 11.91 percent.

The lease for Roma Mitchell House is non-cancellable, for a term of 40 years. At the end of the lease term, the building becomes part of the Department's owned portfolio. Rental is payable monthly, in advance. A contingent rental provision exists, in which an amount is expensed after taking into account the principal reduction and interest expense from the monthly lease payment. This contingent rental expense was \$1.995 million in 2010-11 (\$1.902 million). The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease is 5.52 percent.

<b>Finance lease commitments as lessor</b>	2011	2010
Finance lease receivables contracted for at the reporting date are as follows:	\$'000	\$'000
Within one year	1 066	1 280
Later than one year but no longer than five years	3 517	3 658
Later than five years	7 389	7 966
Minimum lease payments	11 972	12 904
Unearned finance income	(3 477)	(3 557)
Total finance lease commitments as lessor (recognised as an asset)	8 495	9 347

The present value of finance lease receivable is as follows:

Within one year	636	852
Later than one year but no longer than five years	2 086	2 255
Later than five years	5 773	6 240
Present value of finance lease	8 495	9 347

Representing:

Current	636	852
Non-current	7 859	8 495
Total included in receivables	8 495	9 347

The Department's finance leases as lessor represents recreational jetties and residential properties (ie government employee housing). As the finance leases for recreational jetties provide no material revenues, amounts associated with these leases have not been recognised (refer note 3.14).

Residential property finance leases where the Department is the lessor are non-cancellable, for a term of 20 years. At the end of the lease term, the asset belongs to the lessee. Rental is paid one month in advance and there are no contingent rental provisions. The interest rate for the June 2011 quarter implicit in the lease is 5.25 percent.

#### 43. Contingent assets and liabilities

At 30 June 2011, the Department had:

- possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury
- received notification of other cases not yet subject to court action or formal claim, which may result in subsequent litigation in the future
- possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets to bring the land into a position for future use or sale.

In addition, the Department is awaiting the outcome of formal and informal proceedings which may result in possible material liabilities.

The Department believes that the extent of these contingent liabilities cannot be reliably measured at balance date.

The Department may be awarded the reimbursement of costs for some cases which are still subject to litigation.

#### 44. Cash flow reconciliation

Reconciliation of cash - cash at 30 June as per:	2011	2010
Statement of Cash Flows	\$'000	\$'000
Statement of Financial Position	412 212	487 290
	412 212	487 290

Reconciliation of net cash provided by (used in) operating activities to net revenue from (cost of) providing services

Net cash provided by operating activities	399 251	627 214
Revenues from SA Government	(245 558)	(428 614)
Payments to SA Government	7 615	5 462
Non-cash items:		
Net gain (loss) on sale or disposal of non-current assets	(18 725)	4 057
Depreciation/amortisation expense of non-current assets	(299 760)	(287 836)
Assets/Inventory written off	(5 716)	(5 109)
Assets donated	(108 027)	(159)
Fair value of assets received	9 170	30



<b>44. Cash flow reconciliation (continued)</b>	2011	2010
Movements in assets and liabilities:	\$'000	\$'000
Increase (Decrease) in receivables	48 318	113 133
Increase (Decrease) in inventories	(132)	(1 734)
Increase (Decrease) in other assets	6 499	4 774
Decrease (Increase) in payables and provisions	878	(10 450)
Decrease (Increase) in employee benefits	(3 213)	(1 288)
Decrease (Increase) in other liabilities	22 052	36 365
Net revenue from (cost of) providing services	<u>(187 348)</u>	<u>55 845</u>

**45. Indentured ports**

Funds in regard to cargo services and harbour services charges are collected by the Department and applied to the maintenance of indentured ports. Any remaining funds are returned to the Consolidated Account. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Consolidated Account in 2010-11 was \$344 000 (\$390 000). In addition to the amount paid, the Department has recognised a provision in 2010-11 of \$23.517 million (\$19.854 million) representing the outstanding funds to be collected by the Department and returned to the Consolidated Account.

**46. Rail Transport Facilitation Fund**

*The Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund was proclaimed in December 2001. Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the Fund.

	2011	2010
Inflows:	\$'000	\$'000
Receipts into the Fund	9 150	11 278
Total inflows	<u>9 150</u>	<u>11 278</u>
Outflows:		
Payments from the Fund	4 964	5 331
Total outflows	<u>4 964</u>	<u>5 331</u>
Net surplus	<u>4 186</u>	<u>5 947</u>
Fund balance:		
Balance at 1 July	36 956	31 009
Net surplus	4 186	5 947
Balance at 30 June	<u>41 142</u>	<u>36 956</u>

**Receipts into the Fund**

The receipts into the Fund in 2010-11 results predominantly from \$1.8 million interest, \$4.8 million rental and property income, \$1.1 million land sales, \$700 000 appropriation from DTF for the Port River Expressway - Stage 3 (Rail) and \$600 000 for Eyre Peninsula Rail Network - PIRSA contribution.

**Payments from the Fund**

The payments from the Fund in 2010-11 results predominantly from money being spent on non-metropolitan passenger rail services projects, with \$1.5 million spent on PRExy Stage 3.

**47. Community Road Safety Fund**

The Community Road Safety Fund has been operative since 1 July 2003, and is currently funded by an appropriation from DTF. These funds are utilised for the purposes of road safety initiatives, including a payment to South Australia Police of \$34.7 million for safety related policing expenditure. The appropriation for 2010-11 was \$79.251 million.

	2011	2010
Inflows:	\$'000	\$'000
Receipts into the Fund	80 120	80 127
Total inflows	<u>80 120</u>	<u>80 127</u>
Outflows:		
Payments from the Fund	77 158	73 919
Total outflows	<u>77 158</u>	<u>73 919</u>
Net surplus	<u>2 962</u>	<u>6 208</u>

<b>47. Community Road Safety Fund (continued)</b>	2011	2010
Fund balance:	\$'000	\$'000
Balance at 1 July	9584	3 376
Net surplus	2 962	6 208
Balance at 30 June	<u>12 546</u>	<u>9 584</u>

**48. AusLink Advance Account for specific projects**

The Auslink Advance Specific Projects Fund includes Commonwealth grants received in relation to the Accelerated Sturt Highway Package and the Auslink Strategic Regional programme. The Department received a conditional Commonwealth grant of \$100 million for works to be performed under the Accelerated Sturt Highway Package on 30 June 2006, to initially be expended over the four year period between 2006-07 and 2009-10.

These funds have been disclosed as deferred income in accordance with APF V, APS 4.12 (refer note 38).

Inflows:	2011	2010
	\$'000	\$'000
Receipts into the Fund	290	1 501
Total inflows	<u>290</u>	<u>1 501</u>
Outflows:		
Payments from the Fund	9 483	46 725
Total outflows	<u>9 483</u>	<u>46 725</u>
Net surplus (deficit)	<u>(9193)</u>	<u>(45 224)</u>
Fund balance:		
Balance at 1 July	11 493	56 717
Net surplus (deficit)	(9 193)	(45 224)
Balance at 30 June	<u>2 300</u>	<u>11 493</u>

***Receipts into the Fund***

The receipts into the Fund consists of interest received of \$266 000 on Sturt Highway, \$24 000 on the Strategic Regional programme advance.

***Payments from the Fund***

\$8.026 million relates to expenditure associated with the Sturt Highway, \$1.167 million expenditure associated with the Strategic Regional programme, \$25 000 associated with the Flinders Highway Shoulder Sealing.

**49. After balance date events**

As a result of a government restructure the operation of the Rail Commissioner transitioned into the Department as from 1 July 2011. The financial effect of this machinery has not been reflected in the financial statements. The overall effect on the financial statements in future periods is not considered material.

The Department is undergoing other organisational changes that may result in changes in disaggregated disclosures or activities of the Department.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses		287	434
Supplies and services	A7	2 922	3 277
Grants and subsidies	A8	160	2 835
Disbursements on behalf of third parties	A9	910 211	838 666
Borrowing costs		137	150
Payments to Consolidated Account	A10	134 819	139 926
<b>Total expenses</b>		<u>1 048 536</u>	<u>985 288</u>
<b>Income:</b>			
Net revenues from SA Government	A11	13 402	12 896
Fees and charges	A12	135 288	140 606
Collections on behalf of third parties	A13	899 341	828 095
Commonwealth revenue	A14	51	2 732
Interest		450	382
<b>Total income</b>		<u>1 048 532</u>	<u>984 711</u>
<b>Net result</b>	A20	<u>(4)</u>	<u>(577)</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive result</b>		<u>(4)</u>	<u>(577)</u>

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

**Statement of Administered Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A15	84 321	81 791
Receivables	A16	264	572
<b>Total current assets</b>		84 585	82 363
<b>Non-current assets:</b>			
Receivables	A16	1 719	1 945
<b>Total non-current assets</b>		1 719	1 945
<b>Total assets</b>		86 304	84 308
<b>Current liabilities:</b>			
Payables	A17	72 297	70 377
Borrowings	A18	576	213
Employee benefits	A19	-	17
<b>Total current liabilities</b>		72 873	70 607
<b>Non-current liabilities:</b>			
Borrowings	A18	1 719	1 945
Employee benefits	A19	-	40
<b>Total non-current liabilities</b>		1 719	1 985
<b>Total liabilities</b>		74 592	72 592
<b>Net assets</b>		11 712	11 716
<b>Equity:</b>			
Accumulated surplus	A20	11 712	11 716
<b>Total equity</b>		11 712	11 716
Contingent assets and liabilities	A25		
Unrecognised contractual commitments	A26		

Net assets are attributable to SA Government as owner

## Statement of Administered Changes in Equity for the year ended 30 June 2011

	Note	Accumulated	
		surplus \$'000	Total \$'000
Balance at 30 June 2009		12 293	12 293
Net result for 2009-10		(577)	(577)
Total comprehensive result for 2009-10		(577)	(577)
Balance at 30 June 2010	A20	11 716	11 716
Net result for 2010-11		(4)	(4)
Total comprehensive result for 2010-11		(4)	(4)
<b>Balance at 30 June 2011</b>	A20	11 712	11 712

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

## Statement of Administered Cash Flows for the year ended 30 June 2011

	Note	2011	2010
		Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit costs		(343)	(435)
Supplies and services		(3 721)	(2 588)
Grants and subsidies		(160)	(2 834)
Disbursements on behalf of third parties		(852 264)	(864 329)
Borrowing costs		-	(150)
Payments to Consolidated Account		(190 049)	(85 937)
<b>Total cash outflows</b>		<b>(1 046 537)</b>	<b>(956 273)</b>
Cash inflows:			
Receipts from SA Government		13 421	12 896
Receipts from fees and charges		135 436	140 595
Collections on behalf of third parties		899 496	828 091
Commonwealth revenue		51	2 732
Interest		450	582
<b>Total cash inflows</b>		<b>1 048 854</b>	<b>984 896</b>
<b>Net cash inflows from operating activities</b>	A22	<b>2 317</b>	<b>28 623</b>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Repayment of loans - SA Government		-	(200)
<b>Total cash outflows</b>		<b>-</b>	<b>(200)</b>
Cash inflows:			
Repayment of loans - Local Government		213	200
<b>Total cash inflows</b>		<b>213</b>	<b>200</b>
<b>Net cash inflows from financing activities</b>		<b>213</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>		<b>2 530</b>	<b>28 623</b>
<b>Cash and cash equivalents at 1 July</b>		<b>81 791</b>	<b>53 168</b>
<b>Cash and cash equivalents at 30 June</b>	A15	<b>84 321</b>	<b>81 791</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2011**

(Activities - refer note A5)	Energy Policy & Regulation		State Infrastructure Facilitation		Public Transport Services	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	7	-	-	-	-	-
Grants and subsidies	157	2 797	-	-	3	38
Disbursements on behalf of third parties	-	-	-	1	-	-
Borrowing costs	-	-	-	-	-	-
Payments to Consolidated Account	-	-	-	-	-	-
<b>Total expenses</b>	<b>164</b>	<b>2 797</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>38</b>
<b>Income:</b>						
Net revenues from SA Government	-	-	-	-	-	-
Fees and charges	-	-	-	-	-	-
Collections on behalf of third parties	-	-	-	7	-	-
Commonwealth revenue	51	2 732	-	-	-	-
Interest	-	-	-	-	1	1
<b>Total income</b>	<b>51</b>	<b>2 732</b>	<b>-</b>	<b>7</b>	<b>1</b>	<b>1</b>
<b>Net result</b>	<b>(113)</b>	<b>(65)</b>	<b>-</b>	<b>6</b>	<b>(2)</b>	<b>(37)</b>

(Activities - refer note A5)	Service SA		Transport Infrastructure Services		Land Services	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	-	-	-	-	40	184
Supplies and services	-	-	-	-	778	910
Grants and subsidies	-	-	-	-	-	-
Disbursements on behalf of third parties	910 027	837 773	184	892	-	-
Borrowing costs	-	-	137	150	-	-
Payments to Consolidated Account	-	-	-	-	134 819	139 926
<b>Total expenses</b>	<b>910 027</b>	<b>837 773</b>	<b>321</b>	<b>1 042</b>	<b>135 637</b>	<b>141 020</b>
<b>Income:</b>						
Net revenues from SA Government	10 614	10 118	-	-	27	132
Fees and charges	-	-	-	-	135 288	140 606
Collections on behalf of third parties	899 157	827 196	184	892	-	-
Commonwealth revenue	-	-	-	-	-	-
Interest	-	-	137	150	312	231
<b>Total income</b>	<b>909 771</b>	<b>837 314</b>	<b>321</b>	<b>1 042</b>	<b>135 627</b>	<b>140 969</b>
<b>Net result</b>	<b>(256)</b>	<b>(459)</b>	<b>-</b>	<b>-</b>	<b>(10)</b>	<b>(51)</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2011 (continued)**

	(Activities - refer note A5)	Building Management		Not attributed to any program		Total	
		2011	2010	2011	2010	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>							
Employee benefit expenses		-	-	247	250	287	434
Supplies and services		2 137	2 367	-	-	2 922	3 277
Grants and subsidies		-	-	-	-	160	2 835
Disbursements on behalf of third parties		-	-	-	-	910 211	838 666
Borrowing costs		-	-	-	-	137	150
Payments to Consolidated Account		-	-	-	-	134 819	139 926
<b>Total expenses</b>		<b>2 137</b>	<b>2 367</b>	<b>247</b>	<b>250</b>	<b>1 048 536</b>	<b>985 288</b>
<b>Income:</b>							
Net revenues from SA Government		2 533	2 396	228	250	13 402	12 896
Fees and charges		-	-	-	-	135 288	140 606
Collections on behalf of third parties		-	-	-	-	899 341	828 095
Commonwealth revenue		-	-	-	-	51	2 732
Interest		-	-	-	-	450	382
<b>Total income</b>		<b>2 533</b>	<b>2 396</b>	<b>228</b>	<b>250</b>	<b>1 048 532</b>	<b>984 711</b>
<b>Net result</b>		<b>396</b>	<b>29</b>	<b>(19)</b>	<b>-</b>	<b>(4)</b>	<b>(577)</b>

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

The administered financial statements include income, expenses, assets and liabilities that the Department for Transport, Energy and Infrastructure (the Department) administers on behalf of the SA Government but does not control.

**A1. Objectives of the Department**

The objectives of the Department, outlined in note 1 for controlled items, apply equally to the administered financial statements.

**A2. Departmental organisation**

The organisational structure of the Department, outlined in note 2 for controlled items, applies to both the departmental and the administered financial statements.

During 2010-11 there were no changes to the Department's structure that resulted in a change in the nature of administrative items.

**A3. Summary of significant accounting policies**

The policies of the Department, outlined in note 3 for controlled items, apply equally to the administered financial statements.

The amount of GST payable/receivable incurred by the Department in relation to administered functions is recognised in the Statement of Financial Position for controlled items.

**A4. Changes in accounting policies**

The changes in accounting policies as outlined in note 4 for controlled items apply equally to the administered financial statements. With respect to specific policies no changes have been noted for administered functions.

**A5. Activities of the Department**

The activities of the Department, outlined in note 5 for controlled items, apply equally to the administered financial statements.

**A6. Administered items of the Department**

The administered items of the Department are comprised of the following:

- contractors deposits
- emergency services levy receipts
- expiation receipts including the Victims of Crime levy
- firearm licence receipts
- Hospital Fund - contribution
- Land Service regulatory fees
- Lincoln Cove Marina
- major administered projects
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Minister for Transport, Energy & Infrastructure (Special Acts salaries)
- Motor Accident Commission receipts
- Natural Gas Authority of South Australia (NGASA)
- Passenger Transport Research and Development Fund
- Real Property Act Assurance Fund
- Real Property Act Trust Accounts
- Registrar-General and Surveyor General Statutory Act revenues
- Registration and Licensing collections and disbursements
- Renewable Remote Power Generation Program (RRPGP)
- Service SA Collections and disbursements
- South-Western Suburbs Drainage Scheme
- stamp duties receipts
- unclaimed salaries and wages
- Valuer-General (Special Act salaries)
- Workers Liens Trust Account.

**A7. Supplies and services**

	2011	2010
	\$'000	\$'000
Supplies and services paid/payable to entities within the SA Government:		
Project expenditure	2 139	2 403
Total supplies and services - SA Government entities	2 139	2 403
Supplies and services paid/payable to entities external to the SA Government:		
Project expenditure	783	874
Total supplies and services - non-SA Government entities	783	874
Total supplies and services	2 922	3 277

**A8. Grants and subsidies**

Grants and subsidies paid/payable to entities external to the SA Government:		
Capital grants	160	2 835
Total grants and subsidies - non-SA Government entities	160	2 835

**A9. Disbursements on behalf of third parties**

Disbursements paid/payable to entities within the SA Government:		
Stamp duties - DTF	143 556	148 521
Hospital Fund - DTF	63 835	61 808
Emergency Services levy - South Australian Fire and Emergency Services Commission	42 137	40 799
Expiation notices - South Australia Police	46 059	38 618
Firearms licences - South Australia Police	2 561	2 640
Expiation notices - Courts Administration Authority	401	454
Third party insurance - Motor Accident Commission	586 048	521 914
Office of Business and Consumer Affairs	1 291	1 110
South Australian Water Corporation	1 024	998
Other	1 882	1 213
Total disbursements on behalf of third parties paid/payable to entities within the SA Government	888 794	818 075



<b>A9. Disbursements on behalf of third parties (continued)</b>	2011	2010
Disbursements paid/payable to entities external to the SA Government:	\$'000	\$'000
Refunds	13 151	12 405
Federal registrations	8 067	7 255
Other	199	931
Total disbursements on behalf of third parties paid/payable to entities external to the SA Government	21 417	20 591
Total disbursement on behalf of third parties	<u>910 211</u>	<u>838 666</u>
<b>A10. Payments to Consolidated Account</b>		
Payments to Consolidated Account*	134 819	139 926
Total payments to Consolidated Account	<u>134 819</u>	<u>139 926</u>
* <i>Real Property Act 1886 and Roads (Opening and Closing) Act 1991.</i>		
<b>A11. Net revenues from SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	13 147	12 596
Special Acts	255	382
Total revenues from SA Government	<u>13 402</u>	<u>12 978</u>
Payments to SA Government:		
Other payments to Consolidated Account	-	82
Total payments to SA Government	-	<u>82</u>
Net revenues from SA Government	<u>13 402</u>	<u>12 896</u>
<b>A12. Fees and charges</b>		
Fees and charges received/receivable from entities external to the SA Government:		
Regulatory fees	135 288	140 606
Total fees and charges - non-SA Government entities	<u>135 288</u>	<u>140 606</u>
Total fees and charges	<u>135 288</u>	<u>140 606</u>
<b>A13. Collections on behalf of third parties</b>		
Collections on behalf of entities within the SA Government:		
Stamp duties - DTF	143 556	148 521
Hospital Fund - DTF	63 835	61 808
Emergency Services levy - South Australian Fire and Emergency Services Commission	31 267	30 222
Expiation notices - South Australia Police	46 059	38 618
Firearms licences - South Australia Police	2 561	2 640
Expiation notices - Courts Administration Authority	401	454
Third party insurance - Motor Accident Commission	586 048	521 914
Office of Business and Consumer Affairs	1 291	1 110
South Australian Water Corporation	1 024	998
Other	1 747	1 081
Total collections on behalf of the SA Government	<u>877 789</u>	<u>807 366</u>
Collections on behalf of entities external to the SA Government:		
Refunds	13 151	12 405
Federal registrations	8 067	7 255
Other	334	1 069
Total collections on behalf of third parties external to the SA Government	<u>21 552</u>	<u>20 729</u>
Total collections on behalf of third parties	<u>899 341</u>	<u>828 095</u>
<b>A14. Commonwealth revenue</b>		
Renewable Remote Power Generation Program - energy rebate contribution	51	2 732
Total Commonwealth revenue	<u>51</u>	<u>2 732</u>
<b>A15. Cash and cash equivalents</b>		
Deposits at call	84 321	81 791
Total cash	<u>84 321</u>	<u>81 791</u>

<b>A16. Receivables</b>	2011	2010
Current:	\$'000	\$'000
Receivables	237	489
Accrued revenues	27	83
Total current receivables	<u>264</u>	<u>572</u>
Non-current:		
Receivables	1 719	1 945
Total non-current receivables	<u>1 719</u>	<u>1 945</u>
Total receivables	<u>1 983</u>	<u>2 517</u>
<b>Government/Non-Government receivables</b>		
Receivables from SA Government entities:		
Receivables	-	7
Accrued revenues	27	63
Total receivables from SA Government entities	<u>27</u>	<u>70</u>
Receivables from non-SA Government entities:		
Receivables	1 956	2 427
Accrued revenues	-	20
Total receivables from non-SA Government entities	<u>1 956</u>	<u>2 447</u>
Total receivables	<u>1 983</u>	<u>2 517</u>

- (a) Maturity analysis of receivables - refer note A21.  
(b) Categorisation of financial instruments and risk exposure information - refer note A21.

<b>A17. Payables</b>		
Current:		
Creditors	61 658	4 250
Accrued expenses	10 639	66 127
Total current payables	<u>72 297</u>	<u>70 377</u>
Total payables	<u>72 297</u>	<u>70 377</u>
<b>Government/Non-government payables</b>		
Payables to SA Government entities:		
Creditors*	59 100	2 524
Accrued expenses	10 591	65 838
Total payables to SA Government entities	<u>69 691</u>	<u>68 362</u>
Payables to non-SA Government entities:		
Creditors	2 558	1 726
Accrued expenses	48	289
Total payables to non-SA Government entities	<u>2 606</u>	<u>2 015</u>
Total payables	<u>72 297</u>	<u>70 377</u>

\* This amount includes \$34.351 million relating to TRUMPS collections yet to be disbursed to the Department (controlled).

- (a) Maturity analysis of payables - refer note A21.  
(b) Categorisation of financial instruments and risk exposure information - refer note A21.

<b>A18. Borrowings</b>		
Balance as at 1 July	2 158	2 358
Increases in debt due to interest	137	150
Repayments:		
Woodville, Henley and Grange Drainage Scheme	-	(37)
South West Suburbs Drainage Scheme	-	(313)
Balance as at 30 June	<u>2 295</u>	<u>2 158</u>
Current	576	213
Non-current	1 719	1 945
Total borrowings	<u>2 295</u>	<u>2 158</u>

- (a) Maturity analysis of borrowings - refer note A21.  
(b) Categorisation of financial instruments and risk exposure information - refer note A21.  
(c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

<b>A19. Employee benefits</b>	2011	2010
Current:	\$'000	\$'000
Employee benefits	-	17
Total current employee benefits	-	17
Non-current:		
Employee benefits	-	40
Total non-current employee benefits	-	40
Total employee benefits	-	57

**Remuneration of employees**

Amounts received or receivable by employees as administered items whose remuneration is equal to or greater than the base executive remuneration level (\$127 500).

The number of employees whose remuneration received or receivable falls within the following bands:	2011	2010
	Number	Number
\$150 700 - \$160 699	-*	1
Total	-	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level (\$127 500) during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits.

\* The position of the Valuer-General was vacated in October 2010. A Deputy Valuer-General was appointed for a period of up to 12 months until a statutory appointment is made. In 2010-11 the Deputy Valuer-General was paid \$93 500 from funds controlled by the Department.

<b>A20. Equity</b>	2011	2010
	\$'000	\$'000
Accumulated surplus	11 712	11 716
Total equity	11 712	11 716
<b>Accumulated surplus</b>		
Balance at 1 July	11 716	12 293
Net result	(4)	(577)
Balance at 30 June	11 712	11 716

**A21. Financial instruments****A21.1 Categorisation of financial instruments**

The financial instrument/financial risk management terms, conditions and accounting policies of the Department, outlined in note 40 for controlled items, apply equally to the administered financial statements.

		Carrying amount/ fair value	
		2011	2010
<b>Financial assets</b>	Note	\$'000	\$'000
Cash and cash equivalents:			
Cash and cash equivalents	A15	84 321	81 791
Loans and receivables:			
Receivables <sup>(1)</sup>	A16	1 983	2 517
Total financial assets - at cost		86 304	84 308
<b>Financial liabilities</b>			
Financial liabilities - at cost:			
Payables <sup>(1)</sup>	A17	72 297	70 377
Borrowings	A18	2 295	2 158
Total financial liabilities - cost		74 592	72 535

(1) 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 Department’s debtors defaulting on their contractual obligations resulting in financial loss to the Department. The Department measures credit risk on a fair value basis and monitors risk on a regular basis.

The Department has minimal concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

**A21.2 Maturity analysis of financial assets and liabilities**

	Contractual maturities			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	84 321	84 321	-	-
Receivables <sup>(1)</sup>	38	38	-	-
Receivables - interest bearing	1 945	226	1 054	665
Total financial assets	<u>86 304</u>	<u>84 585</u>	<u>1 054</u>	<u>665</u>
Financial liabilities:				
Payables <sup>(1)</sup>	72 297	72 297	-	-
Borrowings	2 295	576	1 054	665
Total financial liabilities	<u>74 592</u>	<u>72 873</u>	<u>1 054</u>	<u>665</u>
<b>2010</b>				
Financial assets:				
Cash and cash equivalents	81 791	81 791	-	-
Receivables <sup>(1)</sup>	359	359	-	-
Receivables - interest bearing	2 158	213	992	953
Total financial assets	<u>84 308</u>	<u>82 363</u>	<u>992</u>	<u>953</u>
Financial liabilities:				
Payables <sup>(1)</sup>	70 377	70 377	-	-
Borrowings	2 158	213	992	953
Total financial liabilities	<u>72 535</u>	<u>70 590</u>	<u>992</u>	<u>953</u>

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables.

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department’s administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities represents the Department’s maximum exposure to liquidity risk.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk will not arise on the administered interest bearing liabilities and interest bearing assets as the interest rate is fixed over the term of the loan.

<b>A22. Cash flow reconciliation</b>	2011	2010
	\$'000	\$'000
Reconciliation of cash - cash at 30 June:		
Statement of Cash Flows	84 321	81 791
Statement of Financial Position	<u>84 321</u>	<u>81 791</u>
Reconciliation of net cash inflows from operating activities to net result:		
Net cash inflows from operating activities	2 317	28 623
Movements in assets and liabilities:		
Increase (Decrease) in receivables	(321)	(185)
Decrease (Increase) in liabilities	(2 000)	(29 015)
Net result	<u>(4)</u>	<u>(577)</u>

**A23. Criminal Injuries Compensation Fund (Victims of Crime levy)**

In accordance with the *Expiation of Offences Act 1996*, and on behalf of the Attorney-General's Department, the Public Transport division of the Department collects criminal injuries compensation levies from expiation notices issued.

	2011 \$'000	2010 \$'000
Balance at 1 July	2	4
Levies collected during the year	33	17
Amount paid to Attorney-General's Department	(18)	(19)
Amount payable to Attorney-General's Department	17	2

**A24. Passenger Transport Research and Development Fund**

Pursuant to section 62 of the *Passenger Transport Act 1994*, the Public Transport division of the Department administers, on behalf of the Minister for Transport, the Passenger Transport Research and Development Fund (an interest bearing deposit account).

The Fund may be applied by the Minister for Transport for:

- The purpose of carrying out research into the taxi-cab industry
- The purpose of promoting the taxi-cab industry
- Any other purpose considered by the Minister to be beneficial to the travelling public, in the interests of the passenger transport industry, and an appropriate application of money standing to the credit of the Fund.

	2011 \$'000	2010 \$'000
Inflows:		
Receipts into the Fund	1	1
Total inflows	1	1
Outflows:		
Payments from the Fund	3	38
Total outflows	3	38
Net deficit	(2)	(37)
Fund balance:		
Balance at 1 July	14	51
Net deficit	(2)	(37)
Balance at 30 June	12	14

**A25. Contingent assets and liabilities**

The Department is not aware of any administered contingent assets or liabilities.

**A26. Unrecognised contractual commitments**

The Department is not aware of any administered unrecognised contractual commitments.

**A27. Transfer payments**

Transfer payments to SA Government:		
DTF	342 321	350 366
South Australian Fire and Emergency Services Commission	42 137	40 799
South Australia Police	48 620	41 258
Courts Administration Authority	401	454
Motor Accident Commission	586 048	521 914
Other	6 225	5 614
Transfer payments to Federal Government:		
Department of Infrastructure and Transport	8 067	7 255
Transfer payments to local government	199	221
Transfer payments to non-SA Government:		
Other	14 094	16 823
Total transfer payments	1 048 112	984 704

# Department of Treasury and Finance

## Functional responsibility

### Establishment

The Department of Treasury and Finance (the Department) is an administrative unit established under the PSA, and is responsible to the Treasurer.

### Functions

The Government, through the Treasurer and the Department, undertakes a number of distinct roles including:

- setting economic and fiscal policy at the whole-of-government level
- managing whole-of-government financial management processes
- providing a range of direct whole-of-government services including asset and liability management, collection of taxes, and insurance and superannuation administration.

In turn the Department is a major service provider by:

- collecting tax revenue and implementing taxation legislation through RevenueSA
- raising and managing the State's debt funding and managing and insuring government risk through SAFA
- administering public sector superannuation through the State Superannuation Office (Super SA)
- managing whole-of-government contract services and providing support for the State Procurement Board
- implementing shared services reform.

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

### ***Shared Services SA (SSSA)***

SSSA was created on 15 October 2007 as part of the Department and is responsible to the Under Treasurer to operate as the Government's shared services provider. The first group of agency services transitioned into SSSA on 31 March 2008. Further agency services transitioned into SSSA during 2008-09 and 2009-10 (refer note 29 to the financial statements).

### ***Administered funds***

The Department administers but does not control certain funds on behalf of the Treasurer. Further details are provided in the Statement of Administered Comprehensive Income, Statement of Administered Financial Position, Statement of Administered Changes in Equity and Statement of Administered Cash Flows appearing in the Department's financial report.

## **Audit mandate and coverage**

### **Audit authority**

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

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

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

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

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

#### **Scope of the audit**

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

During 2010-11, specific areas of audit attention included:

#### ***Corporate systems***

- expenditure
- payroll
- revenue
- financial accounting.

#### ***RevenueSA***

- financial accounting and recording systems for tax collectors
- first home owners grant applications and disbursements
- compliance services for all taxes
- EFT processing.

#### ***Shared services***

- service delivery revenue
- transitioned business processes
- e-Procurement
- EFT processing.

#### ***Financing and insurance services***

Commentary in respect of these activities is included in the section of Part B of this Report covering SAFA.

#### ***Superannuation services***

Commentary in respect of these activities is included in the section of Part B of this Report covering the South Australian Superannuation Board.

## **Public finances**

In addition, Audit undertakes ongoing work with respect to various aspects of the public finances. These matters are primarily reported in Part C of this Report, and the Treasurer's Statements are in the Appendix to Part B of this Report.

## **Audit findings and comments**

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

In my opinion, the financial report presents a true and fair view of the financial position of the Department of Treasury and Finance as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

### **Assessment of controls**

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

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Department. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are detailed below.

### **Corporate systems**

#### *Bona fide and leave taken reports*

The Department and SSSA share responsibility for the validity, accuracy and completeness of the Department's payroll activity.

While SSSA is responsible for maintaining controls over payroll processing and disbursement, the Department is accountable for the validity of payroll input forms provided to SSSA for processing, and for monitoring the completeness and accuracy of SSSA's payroll processing performed on its behalf.

Controls established by the Department to meet its responsibilities include:

- documentation of human resources delegations of authority
- authenticating payroll input forms prior to transfer to SSSA
- reviewing and certifying bona fide and leave taken reports provided by SSSA
- monitoring the review and certification of bona fide and leave taken reports
- full-time equivalent monitoring and budget reporting.

The review and certification of bona fide and leave taken reports represents a significant element of the Department's control environment.



Branch managers are required to review and certify the completeness and accuracy of fortnightly bona fide reports and monthly leave taken reports. This review provides the Department with assurance that only valid employees are paid, that employees are paid in accordance with the terms of their appointment and that employee leave records are complete and accurate.

The Department requires branch managers to return the certified bona fide and leave taken reports to the Financial Services unit. To monitor compliance with this policy the Department maintains registers for both outstanding bona fide and leave taken reports.

During 2009-10 Audit reviewed these registers and noted a significant number of outstanding bona fide and leave taken reports.

Follow-up during 2010-11 highlighted that as at February 2011:

- 22 percent of bona fide reports for 2010-11 were outstanding
- 31 percent of leave taken reports for 2010-11 were outstanding.

Audit's review of SSSA controls over payroll processing and disbursement during 2009-10 identified a number of control weaknesses that SSSA are yet to address. These control weaknesses are detailed further under the heading 'Shared services - agency EFT processing'.

The existence of control weaknesses over payroll processing and disbursement highlight the importance of effective monitoring of payroll reporting by the Department. The extent of outstanding bona fide and leave taken reports identified an opportunity for the Department to improve its monitoring of these controls.

Audit was advised by the Department that as at August 2011 the number of outstanding bona fide and leave return reports has significantly reduced.

#### *Service level agreements (SLAs)*

The Department provides a number of other SA Government agencies with staffing and administrative support services. The Department charges agencies a fee for these services which, in 2010-11, exceeded \$31 million.

As commented in previous Reports, Audit noted that the Department had not revised and renewed expired SLAs with the following client agencies:

- DPC
- Essential Services Commission of SA
- Independent Gambling Authority
- SA Superannuation Board
- SAFA
- Motor Accident Commission.

Audit was advised that these client agencies are presently charged for services using the billing schedules documented in the expired SLAs. Audit commented that these billing schedules may not reflect the current cost to the Department when providing these services.

Audit also noted that some of these agencies had refused to pay the Department for services provided since the previous SLAs had expired, meaning that the Department had not fully recovered the cost of providing services to them.

The Department has now provided draft SLAs to each of its client agencies based on current charging models. Audit was advised that all clients have now paid the Department for outstanding service charges.

### **RevenueSA**

RevenueSA, through the Commissioner of State Taxation, is responsible for assessing and collecting the following taxation revenue on behalf of the SA Government:

- payroll tax
- land tax
- stamp duty
- Emergency Services levy (fixed property component).

RevenueSA is also responsible for the management and payment of the First Home Owners Grant (FHOG).

During 2010-11 Audit reviewed the controls exercised by RevenueSA in relation to these activities and identified the following issues.

#### *FHOG reconciliation*

Audit noted that the value of FHOG payments recorded in the FHOG online database did not reconcile to the value of grant payments recorded in RevenueSA's STORMS taxation database. As at February Audit noted an unexplained variance of approximately \$90 000 between the two systems. At that date the value of payments recorded in the STORMS system was higher than the value of approved payments recorded in the FHOG database.

Approved FHOG payments are initially recorded in the FHOG online database. Each day FHOG payment details are transferred electronically to the STORMS system. The STORMS system then updates the Department's general ledger. The existence of unresolved variances between these systems increases the risk that the Department's general ledger, and therefore its annual financial report, is misstated.

Regular reconciliation of the FHOG and STORMS systems is also designed to identify unauthorised payments processed directly through STORMS. Without an effective reconciliation process RevenueSA may not identify and investigate unauthorised payments.

RevenueSA has acknowledged difficulties in reconciling the STORMS and FHOG systems since changes were made to the reconciliation process in January 2007. While RevenueSA is of the opinion that the variances between the systems are, most likely, the result of timing differences in the processing of payments and payment returns, it has accepted the possibility of variances not attributable to timing differences.

RevenueSA is currently reviewing the databases that support both systems and anticipates completing this review in October 2011.

#### *Use of the online banking system for FHOG payments*

When FHOG grant payments are required the STORMS system generates an electronic payment file. This payment file is transferred to a shared network drive for processing through RevenueSA's online banking system.

With regard to RevenueSA's use of the online banking system Audit noted that:

- access to the FHOG payment file was not adequately restricted prior to payment processing, increasing the risk of unauthorised payments. Specifically, Audit noted that the payment file was not encrypted and that access to the shared network drive was not restricted only to staff responsible for payment processing
- RevenueSA personnel have, in the past, accessed the FHOG payment file in order to process approved adjustments. Audit commented that direct adjustment of the payment file undermines RevenueSA's control over the validity, completeness and accuracy of FHOG payments and recommended that RevenueSA investigate why they cannot process the necessary adjustments within the FHOG system. Where system restrictions necessitate direct adjustment to the payment file, Audit recommended documenting procedures to support this process
- RevenueSA had not established appropriate daily channel limits within its online banking system. System functions within RevenueSA's online banking system allow RevenueSA to restrict the daily value of payments processed by any individual user. This daily channel limit function prevents staff from creating payments above a daily limit and provides RevenueSA with a valuable control over processing error and fraud.

In May 2011 Audit was advised that RevenueSA had:

- reduced the number of RevenueSA and Department staff with access to the shared network drive used to transfer the FHOG payment file
- agreed to develop and document guidelines (including delegations) for the direct adjustment of the FHOG payment file
- revised the daily channel limit within its online banking system to a more appropriate limit.

***Government Accounting, Reporting and Procurement branch (GARP)***

Responsibilities of GARP include administration of the annual appropriation process, recording the activities of the Consolidated Account and the balances of the Treasurer's deposit accounts and Treasurer's loans.

During 2010-11 Audit reviewed the controls exercised by GARP and identified the following matters.

*Accuracy of the Treasurer's Statements for 2009-10*

The Treasurer is required to prepare annual financial statements in accordance with section 22 of the PFAA. These financial statements are prepared based on financial records maintained by GARP in the Treasurer's central general ledger (CGL).

These financial statements are referenced as Treasurer's Statements A through to L and are included in the appendix to Part B of this Report.

The accuracy of the CGL (and therefore the Treasurer's Statements) is dependent on the completeness and reliability of information submitted by agencies to the Department each month, the accuracy of the Department's transaction processing within the CGL and the reliability of the Department's year end confirmation processes with agencies.

The annual financial reporting deadlines within the PFAA provide the Department with a limited timeframe to ensure the completeness and accuracy of the CGL and Treasurer's Statements. Errors in agency advices, including those identified before and during the agency year end audit process, and the complexity of agency banking arrangements with the Treasurer contribute to this challenge.

Agencies and the Department make significant effort to ensure the accuracy of financial information recognised in the Treasurer's Statements each year.

Notwithstanding, during 2010-11 Audit identified a small number of misstatements in the Treasurer's Statements for 2009-10. These misstatements included:

- understatement of the reported balance of Funds of the Treasurer as disclosed in Treasurer's Statement C. Specifically cash totalling \$28.6 million, which was accurately recognised by the affected agencies, was excluded from Statement C due to errors in accounting and reporting processes at the time
- misstatements in reported balances of the Treasurer's investment in the net assets of government agencies as reported in Treasurer's Statement I. These misstatements were caused by the misclassification of these transactions in the CGL.

While these errors were not significant when compared to the total value of activity recognised in the Treasurer's Statements, they did identify the need for the Department to improve its existing confirmation and checking processes.

The Department applied additional confirmation and checking processes for the preparation of the Treasurer's Statements for 2010-11 and has indicated a commitment to extend these confirmation processes in future years.

*Use of the online banking system - dual authorisation function*

GARP is responsible for disbursing cash on behalf of the Treasurer. Payments are generally of high value and include appropriation payments to SA Government agencies, payment of Treasurer's loans to SA Government and private entities and other large cash payments.

The majority of these payments are processed electronically using an online banking system. Total payments processed through the online banking system during 2010-11 exceeded \$12 billion.

The online banking system maintains functionality that can restrict any individual from processing changes within the system.

Audit noted that GARP had not fully implemented this dual authorisation function within the online banking system and that:

- any individual GARP system administrator could change elements of the online banking structure without independent review
- individual users could add or amend payee bank account details without independent review.

Audit accepts that existing controls over the use of the online banking system would limit the ability of any individual to make unauthorised changes in the online banking system.

Notwithstanding, Audit recommended that GARP implement the dual authorisation function for all system administration and payment applications within the online banking system.

The Department has advised Audit that it has now fully implemented the dual authorisation function for all system administration and payment applications within the online banking system.

*Use of the online bank system – segregation of duties*

Review of GARP's use of the online banking system identified the following weaknesses in the level of segregation of duties within the system:

- GARP personnel with system administrator access within the online banking system were also responsible for monitoring system access. The role of a system administrator is to maintain system access according to an organisation's rules and protocols. By necessity system administrators have significant system access and ability to amend system functions, security settings and user access restrictions.

Segregating system administrators from those responsible for reviewing user access would provide GARP with assurance that approved access restrictions are maintained.

- GARP system administrators were also responsible for initiating and approving payments within the online banking system. System administrators have significant system access and their role is inconsistent with the payment processing function.
- Audit noted instances where officers responsible for payment processing were also responsible for either creating and approving general ledger journals or preparing and reviewing bank reconciliations.

Segregating payment processing from record keeping (general ledger journals and bank reconciliations) is an important control designed to reduce the risk of fraud and error.

- The online banking system supports the use of standard payment templates and beneficiary details which allows GARP to process payments without adding payment details for each new transaction. While the nature of GARP's activities means that this function is rarely used, Audit noted that officers with access to create and amend beneficiary details (including bank account details) were also responsible for processing payments.

Audit noted that because the payment template and beneficiary detail functions are rarely used, GARP could restrict access to them with little impact on business operations.

The absence of segregation of duties in each of the matters listed above increases the risk of undetected fraud or error. While Audit acknowledged that the online banking system's dual authorisation function (when fully implemented) significantly reduces this risk, Audit noted that the nature and scope of GARP's activities were significant (total payments processed by GARP for 2010-11 exceed \$12 billion) and that the impact of any actual fraud or error may be significant.

Audit recommended that GARP segregate officers responsible for:

- system administration from those responsible for reviewing system access
- system administration from those responsible for payment processing
- payment processing from record keeping
- payment processing from managing beneficiary bank account details.

While the Department has accepted the need to segregate system administration from those responsible for reviewing system access, it does not consider the additional levels of segregation necessary within its (now) revised control environment.

The Department has identified the need to ensure that staff responsible for payment processing and record keeping have sufficient understanding of GARP activities, and are concerned that further segregation will increase the risk of processing error.

Audit will continue to liaise with the Department and, during 2011-12, examine the effectiveness of the Department's recent procedural changes.

*Use of the online bank system – daily channel limits*

Audit noted that GARP had not established appropriate daily channel limits within the online banking system.

System functions within the online banking system allow GARP to restrict the daily value of payments processed by any individual user. This daily channel limit function prevents staff from creating payments above a daily limit and provides GARP with a valuable control over processing error and fraud.

Audit recommended that GARP establish daily channel limits that are appropriate to the likely value of daily payments.

The Department has reduced the daily channel limit by 50 percent based on past experience of the maximum likely value of daily payments. Despite this reduction, the channel limit remains necessarily high due to the nature of GARP's activities.

***SSSA – agency EFT processing***

DTF through SSSA undertakes the payment of accounts payable and payroll expenses on behalf of government agencies. The responsibility arrangements for the services provided to agencies are set out in service level determination agreements between the parties.

My last Annual Audit Report included specific comment on the controls over EFT payment processing within the SSSA common processing environment. Matters were raised from Audit's 2010 reviews of the SSSA EFT arrangements for DTF Corporate and two other government agencies for the payment of accounts and payroll expenses. These payments are processed through a number of government systems, including Masterpiece, CHRIS and Empower and also the contracted bank service provider's payment system.

While the 2010 reviews revealed some controls in operation over reconciliation and checking processes, Audit identified many notable deficiencies in the end to end processing of financial payment transactions. In particular the outcome of the 2010 reviews had revealed common weaknesses across the EFT payment processing arrangements, which could be grouped into six general themes.

1. User access was insufficiently controlled.
2. Segregation of duties was insufficient.
3. Understanding of user access profiles needed improving.
4. Processing and reconciliation controls needed to be improved.
5. Policies and processes needed to be updated and/or documented.
6. Logging and log monitoring needed to be increased.

In response to the 2010 matters raised, SSSA advised in August 2010 that the EFT matters raised would be addressed via an organisational-wide review to be conducted in two stages. Throughout 2010-11, SSSA and Audit have maintained regular contact on both SSSA's remediation approach and progress.

Further commentary on the EFT remediation approach and status are provided in Part A of this Report.

To reduce control risks and the potential for fraudulent activity to occur remediation of any outstanding matters should remain an important focus for SSSA during 2011-12. SSSA confirmed in September 2011 that the EFT remediation program will remain a key priority for SSSA during 2011-12.

SSSA and Audit will continue to meet periodically to discuss remediation progress until the project is concluded. Audit will also examine the effectiveness of these corrective actions implemented in 2011-12.

### ***SSSA - EFT disbursement arrangements for Service SA***

In late 2010 Audit reviewed SSSA's activities in relation to the payment disbursement process for the Department for Transport, Energy and Infrastructure (DTEI) organisational unit Service SA.

The review highlighted a number of issues that needed to be resolved as part of a collaborative approach between SSSA and DTEI Service SA to ensure improved management control over the disbursement process.

These issues related to a lack of formal procedural documentation, the need for clarification of responsibilities on the management and review of the corporate online banking system, further tightening of security controls in corporate online banking system and enforcement of procedures to only process disbursements when formal evidence of approval has been received.

The findings were communicated to SSSA in November 2010 and a response was received in December 2010. SSSA advised that these matters were continuing to being addressed as part of the abovementioned EFT remediation program.

### ***e-Procurement***

#### *Introduction*

Cabinet approved the implementation of the across-government e-Procurement solution in August 2009. A pilot of e-Procurement commenced in December 2009. The progressive roll out to other agencies (excluding SA Health) started in April 2010 and was largely completed by the end of February 2011.

#### *e-Procurement solution*

The e-Procurement solution comprises the following three components:

- Readsoft: scans invoices and vouchers and uses optical character recognition technology to provide a data extract of invoice details.
- Basware Invoice Processing Module: data and scanned images are uploaded from Readsoft and checked for compliance and vendor association. Data is automatically matched to purchase orders or electronically work flowed to agencies for approval or correction.
- Basware Purchase Management Module: agencies can create purchase requisitions, approve purchase orders and electronically receipt goods and services.

A key element of Basware is the electronic approval of transactions. Importantly two agency officers (one an approver) must be involved in the processing of purchase order and non-order invoice transactions. Approvers are governed by the access regime established in the Basware application.

Approved payment transactions from Basware are uploaded into Masterpiece for payment processing. Other than providing a file of approved payment transactions, the e-Procurement solution does not impact the processing of transactions through Masterpiece accounts payable (MPAP) and Westpac.

*External audit findings*

The 2010-11 audit of SSSA included coverage of e-Procurement control environment. The audit focussed on the Readsoft and Basware processes at SSSA and was completed in February 2011.

The review revealed the following important aspects of the control environment had not been fully established:

- Service level determinations were not finalised and signed.
- A number of draft e-Procurement policies and procedures were not finalised, approved and distributed to staff for use.
- Controls to manage user access and delegation profiles for Basware were not implemented.
- Procedures and system reports to enable the regular and timely review of 'special' and 'super' delegations were not implemented.
- Payment data can be altered in Basware after certification and approval by agencies without any (independent) check.
- There was no independent check of the validity of transactions processed by SSSA that bypass the electronic approval by the agencies.

During the course of the audit it was apparent that SSSA was aware of most of the matters and had commenced, or were planning to commence, remedial action.

A recent update from the Department on progress in addressing Audit issues indicated that the majority of issues had been addressed or would be completed by the end of September 2011.

*Internal audit*

In September 2010, SSSA completed an internal audit of e-Procurement. The main issues identified by that internal audit included:

- there were no formalised policy or procedure documents in relation to business rules and parameters in Basware
- insufficient monitoring processes of changes to configurations and financial delegations in Basware to ensure that only appropriate and approved changes are implemented into production
- insufficient segregation of duties between staff that can develop changes to Basware and staff that can migrate changes into production
- the ability to modify invoices without subsequent independent review, both during transfer checking and after invoices have been paid.

In addition an SSSA internal audit of the accounts payable service delivery area was finalised in early April 2011. For e-Procurement, that review identified inappropriate segregation of duties for processing of invoices, processing payments and maintaining vendor master data.



*Overall comment*

The processing of payments is a critical component of Government operations. It is therefore important that the control environment over e-Procurement, once it has gone live, is robust at both agencies and SSSA.

The e-Procurement solution was rolled out to most agencies during 2010-11 resulting in a significant change in the way procurement transactions are processed at both SSSA and agencies. Both external and internal audit of e-Procurement indicate that significant further work is required to achieve a robust control environment.

SSSA recognises the need for remediation of the matters raised by internal and external audits. It is imperative that SSSA urgently resolve all important identified control weakness and continue a strong internal audit focus on the control environment.

## Interpretation and analysis of the financial report

### Highlights of the Department's financial report

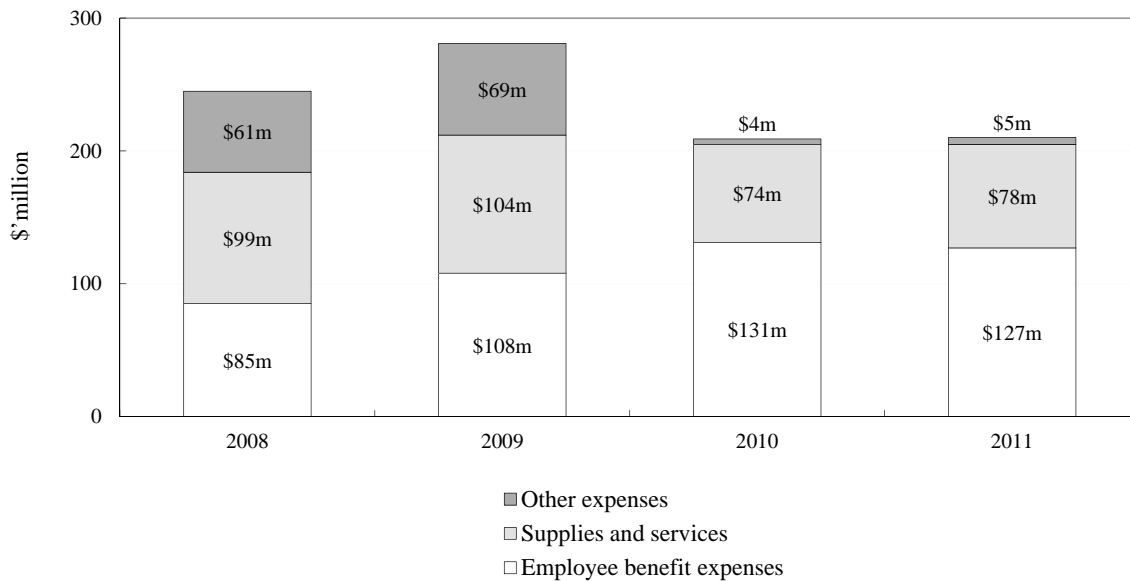
	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefit expenses	126.9	130.7
Supplies and services	77.8	73.8
Other expenses	4.8	4.5
<b>Total expenses</b>	209.5	209.0
<b>Income</b>		
Revenue from fees and charges	130.7	128.6
Other revenue	3.2	1.9
<b>Total income</b>	133.9	130.5
<b>Net cost of providing services</b>	(75.6)	(78.5)
<b>Revenues from SA Government</b>		
Revenues from SA Government	77.3	110.3
<b>Net result and total comprehensive result</b>	1.7	31.8
<b>Assets</b>		
Current assets	75.1	84.4
Non-current assets	29.3	24.0
<b>Total assets</b>	104.4	108.4
<b>Liabilities</b>		
Current liabilities	21.1	25.2
Non-current liabilities	26.4	28.1
<b>Total liabilities</b>	47.5	53.3
<b>Total equity</b>	56.9	55.1

### Statement of Comprehensive Income

The Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011 highlights the financial activities of the Department's programs.

**Expenses**

The following chart shows the main expense items for the Department for the four years to 2011.



Total expenses for 2010-11 are consistent with those recognised in the previous year.

Employee expenses decreased by \$4 million in 2010-11 due mainly to a decrease in the number of full-time equivalent staff since 30 June 2010. This decrease was impacted by the termination of 21 employees as part of the Government’s TVSP process (refer note 5 to the financial statements). As at 30 June 2011 the Department also had 98 vacant positions. The majority of these vacancies were within SSSA.

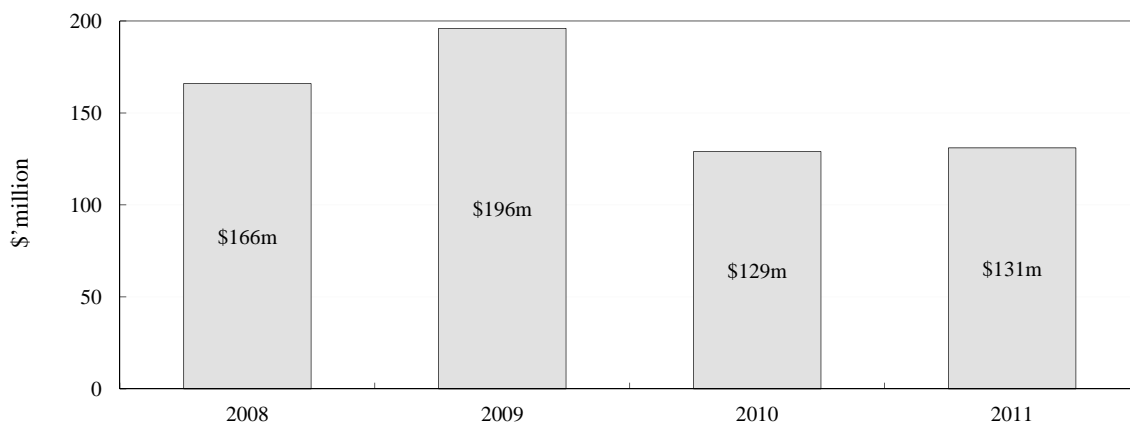
The decrease in employee expenses was offset by a \$4 million increase in supplies and services due mainly to a \$1.5 million increase in accommodation and telecommunication charges.

The decrease in supplies and services and other expenses in 2010 reflects the transfer of Fleet SA to SAFA on 1 July 2009. Employee benefits expenses did not similarly decrease because the Department staff are assigned to SAFA to support its activities. The Department recovers the full cost of assigning staff from SAFA as a revenue recovery.

The increase in employee expenses for 2010 reflects the full year impact of the transfer of staff from agencies to SSSA during 2009.

**Income**

The following chart shows revenues from fees and charges for the four years to 2011.



Revenues from fees and charges decreased by \$67 million to \$129 million in 2010 due mainly to a \$102 million decrease in vehicle hire charges following the transfer of Fleet SA activities to SAFA, offset by a \$29 million increase in fees and charges generated by SSSA following the transfer in from agencies of general accounting, external financial reporting, asset accounting and taxation services in October 2009.

No significant movements in income were experienced in 2010-11.

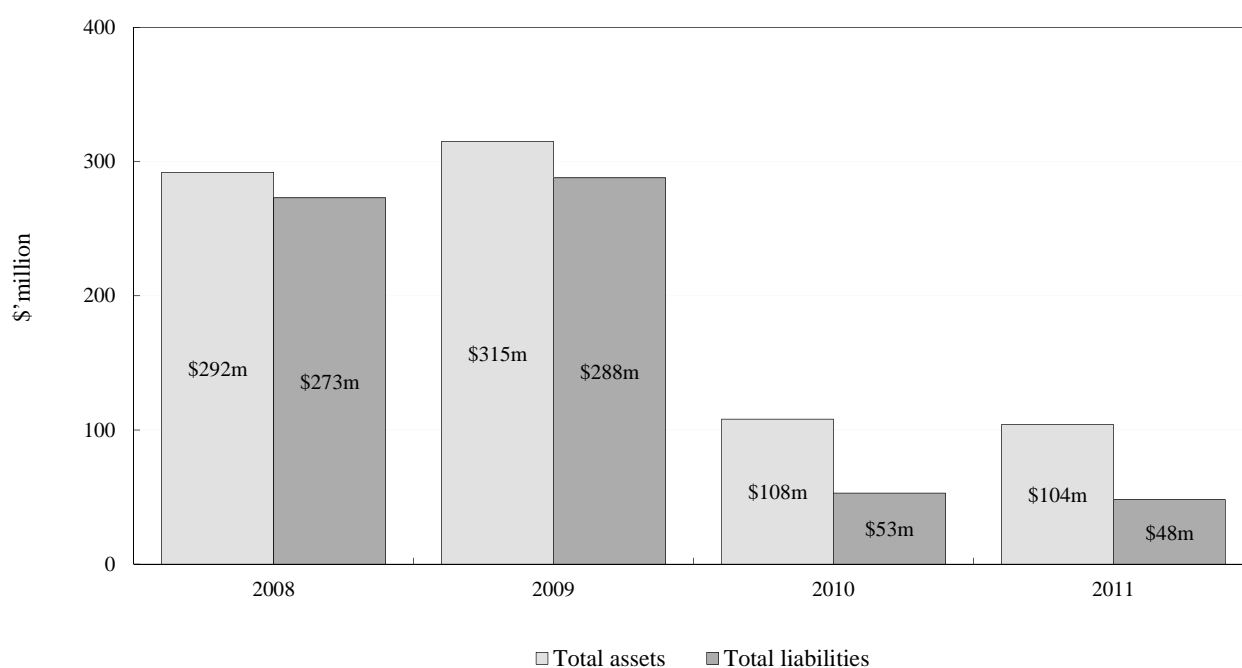
## Statement of Financial Position

### Assets and liabilities

Total assets decreased by \$4 million to \$104 million due mainly to a \$15 million decrease in cash, partially offset by a \$7 million increase in intangible assets and a \$5 million increase in receivables.

The increase in intangible assets reflects new additions totalling \$10 million offset by amortisation and disposals of \$3 million. The increase in receivables includes a \$3.7 million increase in amounts owed by other SA Government agencies for services provided by SSSA.

The following chart shows the assets and liabilities for the Department for the four years to 2011.



## Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'million	2010 \$'million	2009 \$'million	2008 \$'million
<b>Net cash flows</b>				
Operating	(3.8)	37.6	53.2	39.9
Investing	(11.3)	(11.6)	(61.4)	(37.0)
Financing	-	(23.0)	12.4	24.3
Change in cash	(15.1)	3.0	4.2	27.2
Cash at 30 June	50.9	66.0	63.0	58.8

**Highlights of the Department's administered financial report**

The administered financial statements mainly reflect the Department's transactions on behalf of the SA Government for the Consolidated Account.

	2011 \$'million	2010 \$'million
<b>Income</b>		
Taxation	3 458	3 328
Commonwealth revenues	7 738	8 511
Revenues from SA Government	1 780	1 761
Other revenues	1 016	1 161
<b>Total income</b>	<b>13 992</b>	<b>14 761</b>
<b>Expenses</b>		
Payments to SA Government	10 076	9 966
Grants, subsidies and transfers	2 875	3 985
Other expenses	913	772
<b>Total expenses</b>	<b>13 864</b>	<b>14 723</b>
<b>Net result</b>	<b>128</b>	<b>38</b>
<b>Assets</b>		
Current assets	1 437	1 292
Non-current assets	2	1
<b>Total assets</b>	<b>1 439</b>	<b>1 293</b>
<b>Liabilities</b>		
Current liabilities	941	919
Non-current liabilities	484	488
<b>Total liabilities</b>	<b>1 425</b>	<b>1 407</b>
<b>Total equity</b>	<b>14</b>	<b>(114)</b>

The Consolidated Account result for 2010-11 is reported in the Treasurer's Statements (refer to the Appendix to Part B of this Report).

**Further commentary on operations****Commonwealth funding arrangements**

From 1 January 2009, the 'Intergovernmental Agreement on Federal Financial Relations' (IGA) came into operation. The IGA provides a new framework for the Commonwealth's financial relations with the states and territories. Accompanying the reform process was a rationalisation of the Commonwealth-State payment structure.

The IGA provides for the following types of Commonwealth payments:

- general revenue assistance, including the ongoing provision of GST payments, to be used by the states and territories for any purpose

- national specific purpose payments (SPP) to be spent in the key service delivery sectors as agreed to be between the Commonwealth and the states. Each national SPP is linked to a national agreement that contains objectives, outcomes, outputs and performance indicators, and clarifies the roles and responsibilities of each jurisdiction
- national partnership payments (NPP) to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally significant reforms.

Under the IGA all Commonwealth funding is provided to the Department, which is then responsible for distributing funds to agencies. The Treasurer has established a Special Deposit Account to receive and disburse money paid to the State for the national SPP purposes listed in Schedule F of the IGA and the national NPP purposes listed in Schedule G.

The balance of the IGA account at 30 June 2011 was \$210 million (\$258.2 million).

## Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses	5	126 908	130 712
Supplies and services	6	77 796	73 814
Depreciation and amortisation expense	7	4 409	4 301
Other expenses	8	414	172
<b>Total expenses</b>		<u>209 527</u>	<u>208 999</u>
<b>Income:</b>			
Revenues from fees and charges	10	130 743	128 575
Interest revenues	11	1 317	854
Other income	12	1 065	716
Commonwealth revenue	13	850	313
<b>Total income</b>		<u>133 975</u>	<u>130 458</u>
<b>Net cost of providing services</b>		<u>(75 552)</u>	<u>(78 541)</u>
<b>Revenues from SA Government:</b>			
Revenues from SA Government	14	77 322	110 303
<b>Total revenues from SA Government</b>		<u>77 322</u>	<u>110 303</u>
<b>Net result</b>		<u>1 770</u>	<u>31 762</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive result</b>		<u><u>1 770</u></u>	<u><u>31 762</u></u>

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

## Statement of Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	15	50 879	66 028
Receivables	16	24 246	18 348
<b>Total current assets</b>		75 125	84 376
<b>Non-current assets:</b>			
Receivables	16	29	840
Property, plant and equipment	17	5 454	6 151
Intangible assets	18	23 824	17 067
<b>Total non-current assets</b>		29 307	24 058
<b>Total assets</b>		104 432	108 434
<b>Current liabilities:</b>			
Payables	19	8 906	10 804
Employee benefits	20	11 199	13 500
Provisions	21	284	208
Other current liabilities	22	753	670
<b>Total current liabilities</b>		21 142	25 182
<b>Non-current liabilities:</b>			
Payables	19	2 023	2 386
Employee benefits	20	23 056	24 079
Provisions	21	959	685
Other non-current liabilities	22	384	1 004
<b>Total non-current liabilities</b>		26 422	28 154
<b>Total liabilities</b>		47 564	53 336
<b>Net assets</b>		56 868	55 098
<b>Equity:</b>			
Contributed capital	23	547	547
Retained earnings	23	56 213	54 443
Asset revaluation surplus	23	108	108
<b>Total equity</b>		56 868	55 098
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	24		
Contingent assets and liabilities	25		

## Statement of Changes in Equity for the year ended 30 June 2011

		Contributed	Asset revaluation	Retained	Total
	Note	capital \$'000	surplus \$'000	earnings \$'000	\$'000
Balance at 30 June 2009		547	108	26 455	27 110
Net result for 2009-10		-	-	31 762	31 762
Total comprehensive result for 2009-10		-	-	31 762	31 762
Transactions with SA Government as owner:					
Net assets transferred as a result of an administrative restructure	29	-	-	(3 774)	(3 774)
Balance at 30 June 2010	23	547	108	54 443	55 098
Net result for 2010-11		-	-	1 770	1 770
Total comprehensive result for 2010-11		-	-	1 770	1 770
<b>Balance at 30 June 2011</b>	23	<b>547</b>	<b>108</b>	<b>56 213</b>	<b>56 868</b>

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



## Statement of Cash Flows for the year ended 30 June 2011

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(131 107)	(126 819)
Payments for supplies and services		(78 607)	(75 742)
GST payments on purchases		(10 057)	(9 778)
GST remitted to ATO		(13 725)	(11 489)
<b>Cash used in operations</b>		<u>(233 496)</u>	<u>(223 828)</u>
Cash inflows:			
Fees and charges		126 225	127 483
Interest received		1 326	781
GST receipts on receivables		12 983	10 916
GST recovered from ATO		9 911	10 997
Other receipts		1 065	668
Commonwealth funding		850	313
<b>Cash generated from operations</b>		<u>152 360</u>	<u>151 158</u>
Cash flows from SA Government:			
Receipts from SA Government		77 322	110 303
<b>Cash generated from SA Government</b>		<u>77 322</u>	<u>110 303</u>
<b>Net cash provided by (used in) operating activities</b>	27(b)	<u>(3 814)</u>	<u>37 633</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(1 239)	(1 956)
Purchase of intangible assets		(10 096)	(9 635)
<b>Cash generated from investing activities</b>		<u>(11 335)</u>	<u>(11 591)</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(11 335)</u>	<u>(11 591)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Contribution to government		-	(462)
Cash transferred as a result of restructuring activities		-	(23 289)
<b>Cash used in financing activities</b>		<u>-</u>	<u>(23 751)</u>
Cash inflows:			
Cash received as a result of restructuring activities		-	761
<b>Cash generated from financing activities</b>		<u>-</u>	<u>761</u>
<b>Net cash provided by (used in) financing activities</b>		<u>-</u>	<u>(22 990)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(15 149)</u>	<u>3 052</u>
<b>Cash and cash equivalents at 1 July</b>		66 028	62 976
<b>Cash and cash equivalents at 30 June</b>	27(a)	<u>50 879</u>	<u>66 028</u>

## Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2011

(Activities - refer note 4)	1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	19 818	17 954	40 088	41 434	51 742	50 940	14 916	20 014
Supplies and services	7 114	5 902	24 114	23 035	33 286	28 710	13 254	16 129
Depreciation and amortisation expense	352	242	978	1 228	2 324	1 829	752	999
Other expenses	22	40	4	87	384	-	4	44
<b>Total expenses</b>	<b>27 306</b>	<b>24 138</b>	<b>65 184</b>	<b>65 784</b>	<b>87 736</b>	<b>81 479</b>	<b>28 926</b>	<b>37 186</b>
<b>Income:</b>								
Revenues from fees and charges	3 130	3 468	35 287	33 197	72 319	66 035	19 983	25 811
Interest revenues	49	4	22	8	1 231	837	15	5
Other income	393	144	285	288	293	223	91	60
Commonwealth revenue	-	-	850	313	-	-	-	-
<b>Total income</b>	<b>3 572</b>	<b>3 616</b>	<b>36 444</b>	<b>33 806</b>	<b>73 843</b>	<b>67 095</b>	<b>20 089</b>	<b>25 876</b>
<b>Net cost of providing services</b>	<b>(23 734)</b>	<b>(20 522)</b>	<b>(28 740)</b>	<b>(31 978)</b>	<b>(13 893)</b>	<b>(14 384)</b>	<b>(8 837)</b>	<b>(11 310)</b>
<b>Revenues from SA Government:</b>								
Revenues from SA Government	-	-	-	-	-	-	-	-
<b>Net result</b>	<b>(23 734)</b>	<b>(20 522)</b>	<b>(28 740)</b>	<b>(31 978)</b>	<b>(13 893)</b>	<b>(14 384)</b>	<b>(8 837)</b>	<b>(11 310)</b>

(Activities - refer note 4)	5		General/ Not attributable		Total	
	2011	2010	2011	2010	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	344	370	-	-	126 908	130 712
Supplies and services	28	38	-	-	77 796	73 814
Depreciation and amortisation expense	3	3	-	-	4 409	4 301
Other expenses	-	1	-	-	414	172
<b>Total expenses</b>	<b>375</b>	<b>412</b>	<b>-</b>	<b>-</b>	<b>209 527</b>	<b>208 999</b>
<b>Income:</b>						
Revenues from fees and charges	24	64	-	-	130 743	128 575
Interest revenues	-	-	-	-	1 317	854
Other income	3	1	-	-	1 065	716
Commonwealth revenue	-	-	-	-	850	313
<b>Total income</b>	<b>27</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>133 975</b>	<b>130 458</b>
<b>Net cost of providing services</b>	<b>(348)</b>	<b>(347)</b>	<b>-</b>	<b>-</b>	<b>(75 552)</b>	<b>(78 541)</b>
<b>Revenues from SA Government:</b>						
Revenues from SA Government	-	-	77 322	110 303	77 322	110 303
<b>Net result</b>	<b>(348)</b>	<b>(347)</b>	<b>77 322</b>	<b>110 303</b>	<b>1 770</b>	<b>31 762</b>

The allocations to programs are indicative and are based on broad costing methodologies.

## Disaggregated Disclosures - Assets and Liabilities as at 30 June 2011

(Activities - refer note 4)	1		2		3		4	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	-	-	-	-	-	-
Receivables	164	243	1 577	1 342	15 423	10 568	5 434	4 935
Property, plant and equipment	66	66	1 146	1 461	1 526	2 273	2 218	1 822
Intangible assets	-	-	17 427	11 925	5 360	4 257	607	100
<b>Total assets</b>	<b>230</b>	<b>309</b>	<b>20 150</b>	<b>14 728</b>	<b>22 309</b>	<b>17 098</b>	<b>8 259</b>	<b>6 857</b>
<b>Liabilities:</b>								
Payables	1 035	1 093	2 792	3 449	3 331	5 248	1 898	1 795
Employee benefits	5 141	5 151	10 399	11 888	14 757	14 691	3 869	5 743
Provisions	189	125	382	289	526	337	143	140
Other liabilities	-	-	-	-	1 004	1 674	-	-
<b>Total liabilities</b>	<b>6 365</b>	<b>6 369</b>	<b>13 573</b>	<b>15 626</b>	<b>19 618</b>	<b>21 950</b>	<b>5 910</b>	<b>7 678</b>
<b>Net assets</b>	<b>(6 135)</b>	<b>(6 060)</b>	<b>6 577</b>	<b>(898)</b>	<b>2 691</b>	<b>(4 852)</b>	<b>2 349</b>	<b>(821)</b>

(Activities - refer note 4)	5		General/ Not attributable		Total	
	2011	2010	2011	2010	2011	2010
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	-	-	50 879	66 028	50 879	66 028
Receivables	-	-	1 677	2 100	24 275	19 188
Property, plant and equipment	-	-	498	529	5 454	6 151
Intangible assets	-	-	430	785	23 824	17 067
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>53 484</b>	<b>69 442</b>	<b>104 432</b>	<b>108 434</b>
<b>Liabilities:</b>						
Payables	13	16	1 860	1 589	10 929	13 190
Employee benefits	89	106	-	-	34 255	37 579
Provisions	3	2	-	-	1 243	893
Other liabilities	-	-	133	-	1 137	1 674
<b>Total liabilities</b>	<b>105</b>	<b>124</b>	<b>1 993</b>	<b>1 589</b>	<b>47 564</b>	<b>53 336</b>
<b>Net assets</b>	<b>(105)</b>	<b>(124)</b>	<b>51 491</b>	<b>67 853</b>	<b>56 868</b>	<b>55 098</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department of Treasury and Finance (the Department)

The Department provides policy advice and financial management services to the SA Government in order to strengthen state finances and contribute to community well being through supporting the objectives of South Australia's Strategic Plan (SASP). This is achieved by promoting policy accountability in the public sector based on objective and comprehensive analysis of options, by managing the whole-of-government financial processes and by providing financial services.

The Department is the lead agency supporting the Government's key economic, social and financial policy outcomes through the provision of advice and coordination of resource allocation for government programs. The Department also provides financial services to the Government and the community, covering asset and liability management, collection of state taxes, insurance and superannuation.

The Department also supports the Government's target for improved administrative efficiency within the public sector through implementation and provision of shared services and provision of procurement and fleet management further across the SA Government.

The Department provides the Government with policy and financial advice on achieving the SASP through the following departmental priorities:

#### ***Strengthen State finances including maintaining the AAA credit rating***

Related SASP objective: Growing prosperity

Target Area: Credit rating; Strategic infrastructure

#### ***Achieve performance improvements in the South Australian public sector***

Related SASP objective: Growing prosperity

Target Area: Performance in the public sector - administrative efficiency; Government decision-making

#### ***Improve budget and financial management processes***

Related SASP objective: Growing prosperity

Target Area: Performance in the public sector - Government decision-making; strategic infrastructure

#### ***Improve service delivery***

Related SASP objective: Growing prosperity

Target Area: Performance in the public sector - customer and client satisfaction with Government services; Government decision-making

#### ***Effective industry regulation***

Related SASP objective: Growing prosperity

Target Area: Performance in the public sector - Government decision-making

#### ***Corporate priorities***

Related SASP objective: Growing prosperity

Target Area: Performance in the public sector - productivity; Government decision-making

To achieve these objectives, the Department delivers a number of activities for the Government. The activity information is summarised in note 4.

### 2. Summary of significant accounting policies

#### 2.1 *Statement of compliance*

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

Except for the amendments to AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2011. These are outlined in note 3.

*Basis of preparation*

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note 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 applies
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the 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 2011 and the comparative information presented.

**2.2 Reporting entity**

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

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

**2.3 Restructure of administrative arrangements**

There were no restructures as a result of administrative or machinery of government changes in 2010-11.

*2009-10*

- Transferred out:
  - Fleet SA
 

On 1 July 2009 the light motor vehicle fleet transferred to the SAFA. The net impact on equity was transfer of net assets from the Department to SAFA of \$3 773 484. Further detail is contained in note 29.

2009-10 (continued)

- Transferred in:
  - Shared Services SA  
Shared Services SA completed the transition of Tranche 2 services in October 2009. The services comprised general accounting, external financial reporting, asset accounting and taxation services for eight agencies. There were 43.6 FTE's that transitioned into Shared Services SA. Further detail is contained in note 29.

#### **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 APSs has 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 report 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 Department is not subject to income tax. The Department 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 creditors 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 end of the reporting date**

Refer note 30.

#### **2.8 Income**

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

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

The following are specific recognition criteria:

##### *Fees and charges*

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 clients or by reference to the stage of completion.

*Contributions received*

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

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

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

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

*Commonwealth funding*

The Commonwealth provided a national payment under the Intergovernmental Agreement on Federal Financial Relations for the recovery of costs in undertaking work under the standard business reporting requirement. The funding was \$850 000 (\$313 000).

*Revenues from SA Government*

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

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

*Net gain on disposal of non-current assets*

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

**2.9 Expenses**

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

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

The following are specific recognition criteria:

*Employee benefit expenses*

Employee benefit expenses include all costs related to employment including wages and salaries and leave entitlements. These are recognised when incurred.

Employee benefit expenses include expenses associated with the employment of staff assigned to support the activities of SAFA and the South Australian Superannuation Board (Super SA). The Department fully recovers these expenses through service level agreements with SAFA and Super SA.

*Superannuation*

The amount charged to the Statement of Comprehensive Income represents the contributions made by the Department to the superannuation scheme in respect of current services of current departmental staff. The superannuation liability of the SA Government is recognised in the whole-of-government general purpose financial statements.

*Depreciation and amortisation*

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

*Depreciation and amortisation (continued)*

The 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 change to the time period or method, as appropriate, which is a change in accounting estimate.

The value of fitouts for leased buildings is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Land is not depreciated.

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

<i>Class of asset</i>	<i>Depreciation/amortisation method</i>	<i>Useful life (years)</i>
Buildings	Straight-line	20-40
Fitouts - leasehold buildings	Straight-line	Remaining life of lease
Furniture	Straight-line	5-10
Information technology equipment	Straight-line	3-5
Intangibles	Straight-line	3-15
Office equipment	Straight-line	3-5
Plant and equipment	Straight-line	5-10

*Grants and contributions*

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

*Borrowing costs*

All borrowing costs are recognised as expenses.

**2.10 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 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**

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

*Cash and cash equivalents*

Cash and cash equivalents in the Statement of Financial Position and Statement of Cash Flows includes cash on hand and deposits at call that are readily converted to cash and which are subject to insignificant risk of changes in value.

Cash is measured at nominal value.

*Receivables*

Receivables include amounts receivable from goods and services provided, 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 receivable 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 Department 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 assets assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value, less accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

*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 is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, the Department revalues its land, buildings and fitouts over \$1 million. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation 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 asset 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 reviewed for indication of impairment through stocktaking processes or at the reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets an impairment loss is offset against the asset revaluation 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 Department only has intangible assets with finite lives. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

The acquisition of software or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiably, 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 that includes upgrades or enhancements to existing software systems that result in additional functionality or performance is capitalised. Other expenditure for modifications that merely maintain the existing level of performance or system functionality is expensed.

## 2.12 *Liabilities*

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

### *Payables*

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

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

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

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

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

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

### *Borrowings/Financial liabilities*

The Department measures financial liabilities including borrowings/debt at historical cost.

Borrowings are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled.

### *Leases*

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

The Department has entered into finance leases and operating leases.

### *Finance leases*

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

Minimum lease payments are allocated between borrowing costs and reduction of the lease liability, to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Lease liabilities are classified as both current and non-current.

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

### *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 agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

Lease incentives in the form of leasehold improvements are capitalised as an asset and amortised over the remaining term of the lease or estimated useful life of the improvement whichever is shorter.

**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 and wages, annual 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. There were no accrued salaries and wages as of 30 June 2011.

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

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

**Long service leave**

The liability for long service leave is recognised after an employee has completed five (5.5) years of service. An actuarial assessment of long service leave based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave taken.

The current/non-current classification of the Department's long service leave liabilities has been calculated based on historical usage patterns.

**Provisions**

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

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

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

**Workers compensation**

The Department is responsible for workers compensation with an actuarial estimate of the outstanding liability as at 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.

The Department is responsible for the payment for workers compensation claims.

**2.13 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 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**

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is disclosed in note 5.

**3. New and revised accounting standards and policies (continued)**

The Department did not voluntarily change any of its accounting policies during 2010-11.

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2011. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the Department.

**4. Activities of the Department**

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

**Activity 1: Accountability for Public Sector Resources**

The Department has the role of ensuring accountability for public sector resources through providing policy, economic and financial advice to the Government and coordinating resource allocations for government programs and priorities at the whole-of-government level.

The activities of the Sustainable Budget Commission ceased on 17 December 2010.

**Activity 2: Financial Services Provision**

The Department has a role of providing a range of whole-of-government services including liability management, collection of taxes, and insurance and superannuation administration.

This activity includes the employee benefit expenses and liabilities associated with the employment of staff assigned to support the activities of Super SA and the treasury and insurance activities of SAFA. The recovery of these expenses from Super SA and SAFA are recognised by the Department as revenue from fees and charges.

**Activity 3: Shared Services**

Design, development, implementation and delivery of shared services across government.

**Activity 4: State Procurement and Vehicles for Ministers, Parliamentarians and VIPs**

The Department has a role of providing a range of services (in addition to those provided by Shared Services SA) to other government agencies including contract management and procurement policy, vehicles for ministers, parliamentarians and VIPs and information and communication technology support services.

Activity 4 also includes the employee benefit expenses and liabilities associated with the employment of ICT support services staff assigned to Shared Services SA.

**Activity 5: Gambling Policy**

The Department provides policy advice to the Government on economic, social and regulatory issues associated with gambling.

**General/Not attributable:**

Certain items of the Department are not allocated to activities.

The disaggregated disclosures schedules presents expenses, income, assets and liabilities attributed to each of the activities for the years ended 30 June 2010 and 30 June 2011.

**5. Employee benefit expenses**

	2011	2010
	\$'000	\$'000
Salaries and wages	90 714	93 428
TVSPs (refer below)	2 345	2 696
Long service leave	3 284	4 161
Annual leave	8 775	8 543
Employment on-costs - superannuation	11 217	11 901
Employment on-costs - other	5 589	5 769
Board fees	265	263
Other employee related expenses	4 719	3 951
Total employee benefit expenses	126 908	130 712

<b>TVSPs</b>	2011	2010
Amount paid to these employees:	\$'000	\$'000
TVSPs	2 345	2 696
Annual leave and long service leave paid during the reporting period	632	828
	<u>2 977</u>	<u>3 524</u>
Recovery from the DTF - administered items*	2 570	2 134
Net cost to the Department	<u>407</u>	<u>1 390</u>

\* The recovery amount includes payroll tax, Shared Services SA administration fees and payments for employee assistance.

The number of employees who were paid TVSPs during the reporting period was 21 (24).

<b>Remuneration of employees</b>	2011	2010
The number of employees whose total remuneration received/receivable falls within the following bands:	Number	Number
\$127 500 - \$130 699*	-	1
\$130 700 - \$140 699	6	5
\$140 700 - \$150 699	13	10
\$150 700 - \$160 699	9	6
\$160 700 - \$170 699	7	13
\$170 700 - \$180 699	6	3
\$180 700 - \$190 699	5	3
\$190 700 - \$200 699	4	1
\$200 700 - \$210 699	1	8
\$210 700 - \$220 699	4	4
\$220 700 - \$230 699	3	2
\$230 700 - \$240 699	5	2
\$240 700 - \$250 699	4	-
\$250 700 - \$260 699	2	1
\$260 700 - \$270 699	1	1
\$270 700 - \$280 699	1	1
\$280 700 - \$290 699	2	-
\$290 700 - \$300 699	2	2
\$310 700 - \$320 699	1	-
\$320 700 - \$330 699	2	-
\$350 700 - \$360 699	-	1
\$360 700 - \$370 699	1	-
\$370 700 - \$380 699	1	-
\$390 700 - \$400 699	-	1
Total	<u>80</u>	<u>65</u>

\* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2009-10.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year, of which 62 (62) are executive and 18 (3) non-executive staff. Remuneration of employees reflects all costs of employment including salaries and wages, payment in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$15.817 million (\$12.178 million).

#### **Accounting policy change**

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 124 (123).

<b>6. Supplies and services</b>	2011	2010
	\$'000	\$'000
Accommodation and telecommunications	15 390	13 915
Information technology expenses	24 366	23 460
Motor vehicle expenses	36	6
Minor works, maintenance and equipment	713	702
Legal costs	801	835
Consultants	1 461	1 562
Contractors and temporary staff	18 982	17 092
Valuation fees	4 650	4 511
General administration and consumables	5 915	6 594
Other	5 482	5 137
Total supplies and services	<u>77 796</u>	<u>73 814</u>

## Supplies and services provided by entities within the SA Government:

Accommodation and telecommunications	15 227	13 723
Information technology expenses	3 669	5 291
Minor works, maintenance and equipment	386	396
Legal costs	774	781
Valuation fees	4 650	4 511
General administration and consumables	1 556	1 853
Other	2 168	2 763
Total supplies and services provided by entities within the SA Government	<u>28 430</u>	<u>29 318</u>

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the Department not holding a valid tax invoice for payment.

The number and dollar amount of consultants paid/payable (included in supplies and services expense) that fell within the following bands:	2011	2010	2011	2010
	Number	Number	\$'000	\$'000
Below \$10 000	21	15	93	67
Between \$10 000 and \$50 000	13	11	308	278
Above \$50 000	8	10	1 060	1 217
Total paid/payable to the consultants engaged	<u>42</u>	<u>36</u>	<u>1 461</u>	<u>1 562</u>

<b>7. Depreciation and amortisation expense</b>	2011	2010
Depreciation:	\$'000	\$'000
Plant and equipment	2	3
Furniture	38	39
Information technology equipment	871	685
Office equipment	262	283
Total depreciation	<u>1 173</u>	<u>1 010</u>
Amortisation:		
Intangible assets	2 412	2 210
Building fitouts	824	1 081
Total amortisation	<u>3 236</u>	<u>3 291</u>
Total depreciation and amortisation expense	<u>4 409</u>	<u>4 301</u>

Additional disclosure is made in the asset movement notes 17 and 18.

<b>8. Other expenses</b>	2011	2010
Derecognition of assets	399	-
Bad and doubtful debts expenses	15	172
Total other expenses	<u>414</u>	<u>172</u>
<b>9. Auditor's remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	536	498
Total audit fees	<u>536</u>	<u>498</u>

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

<b>10. Revenue from fees and charges</b>	2011 \$'000	2010 \$'000
Agencies for the provision of corporate services	2 722	2 585
SAFA	14 055	14 011
South Australian Superannuation Board	13 681	14 070
Community Emergency Services Fund	5 617	5 495
Land tax certificates	276	329
Regulatory fees	147	68
Shared Services SA	68 032	62 989
Service provision	24 817	27 850
Fleet management	445	412
Sale of goods	-	6
Other recoveries	951	760
Total fees and charges	130 743	128 575
Fees and charges received/receivable from entities within the SA Government:		
Agencies for the provision of corporate services	2 722	2 585
SAFA	14 055	14 011
Community Emergency Services Fund	5 617	5 495
Shared Services SA	68 032	62 989
Service provision	20 738	24 209
Other recoveries	385	401
Total fees and charges from entities within the SA Government	111 549	109 690
<b>11. Interest revenues</b>		
Interest from entities within the SA Government	1 317	854
Total interest revenues	1 317	854
<b>12. Other income</b>		
Commissions	151	164
Banking recoveries	90	140
Other reimbursements	-	2
Other income	678	328
Derecognition liabilities	-	82
Recovery of prior year doubtful debts	146	-
Total other income	1 065	716
Other income received/receivable from entities within the SA Government:		
Other reimbursements	-	2
Other income	417	-
Total other income from entities within the SA Government	417	2
<b>13. Commonwealth revenue</b>		
Council of Australian Governments funding arrangements	850	313
Total other income	850	313
<b>14. Revenues from SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	74 622	95 703
Transfer from contingencies	2 700	14 600
Total revenues from SA Government	77 322	110 303

The appropriation from Consolidated Account of \$74.622 million is predominantly in support of operating activities and the following components can be attributable to capital: RISTEC \$6.395 million, e-Procurement \$320 000, minor capital replacement \$2.245 million - annual program and licensing, maintenance and support of Masterpiece financial system \$2.98 million.

Contingencies of \$2.7 million included TVSP and associated reimbursements for the Department of \$2.57 million and enterprise bargaining supplementation for the Department and Shared Services SA of \$130 000.

<b>15. Cash and cash equivalents</b>	2011	2010
	\$'000	\$'000
Deposits with the Treasurer	50 872	66 021
Cash on hand	7	7
Total cash and cash equivalents	<u>50 879</u>	<u>66 028</u>

**Deposits with the Treasurer**

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is not available for general use.

**Interest rate risk**

The Shared Services SA component of deposits with the Treasurer earn a floating interest rate based on daily bank deposit rates. The Shared Services SA balance at 30 June 2011 was \$22.932 million (\$29.348 million). Other deposits with the Treasurer were non-interest bearing. Cash on hand is non-interest bearing. The carrying amount of cash approximates net fair value.

<b>16. Receivables</b>	2011	2010
Current:	\$'000	\$'000
Receivables	13 542	8 069
Allowance for doubtful debts	(36)	(167)
Accrued revenues	7 755	7 830
Prepayments*	2 985	2 616
Total current receivables	<u>24 246</u>	<u>18 348</u>
Non-current:		
Receivables	29	24
Prepayments	-	816
Total non-current receivables	<u>29</u>	<u>840</u>
Total receivables	<u>24 275</u>	<u>19 188</u>
Receivables from entities within SA Government:		
Receivables	13 171	7 157
Accrued revenues	7 542	7 731
Prepayments	4	21
Total receivables from SA Government entities	<u>20 717</u>	<u>14 909</u>

\* The increase in current prepayments recognises a prepaid asset of one day's salaries and wages and associated on-costs of \$409 000 for 1 July 2011 paid on 30 June 2011.

**Movement in the allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for 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.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	167	222
Increase in allowance	15	167
Amounts recovered during the year	(146)	-
Doubtful debts written off	-	(173)
Write-off due to restructure	-	(49)
Carrying amount at 30 June	<u>36</u>	<u>167</u>

**Interest rate and credit risk**

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing.

Other than 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.



**Interest rate and credit risk (continued)**

Maturity analysis of receivables - refer note 28.

Categorisation of financial instruments and risk exposure information - refer note 28.

<b>17. Property, plant and equipment</b>	2011	2010
Non-current:	\$'000	\$'000
Building fitouts:		
At cost	6 930	8 941
Accumulated amortisation	(4 923)	(6 201)
Total building fitouts	<u>2 007</u>	<u>2 740</u>
Plant and equipment:		
At cost	13	13
Accumulated depreciation	(13)	(11)
Total plant and equipment	<u>-</u>	<u>2</u>
Furniture:		
At cost (deemed fair value)	277	292
Accumulated depreciation	(203)	(170)
Total furniture	<u>74</u>	<u>122</u>
Information technology equipment:		
At cost (deemed fair value)	7 151	7 304
Accumulated depreciation	(4 753)	(5 015)
Total information technology equipment	<u>2 398</u>	<u>2 289</u>
Office equipment:		
At cost (deemed fair value)	1 247	1 347
Accumulated depreciation	(998)	(937)
Total office equipment	<u>249</u>	<u>410</u>
Work in progress:		
At cost	726	588
Total work in progress	<u>726</u>	<u>588</u>
Total non-current property, plant and equipment	<u>5 454</u>	<u>6 151</u>
Total property, plant and equipment	<u>5 454</u>	<u>6 151</u>

**Impairment**

There were no indicators of impairment for the property, plant and equipment as at 30 June 2011.

**Resources received free of charge**

There were no resources received free of charge.

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2010-11:

	Building fitouts \$'000	Plant and equipment \$'000	Furniture \$'000	Information technology equipment \$'000	Office equipment \$'000	Work in progress \$'000	Total \$'000
Carrying amount at 1 July	2 740	2	122	2 289	410	588	6 151
Additions	93	-	-	986	101	138	1 318
Disposals and derecognition of assets	(2)	-	(10)	(6)	-	-	(18)
Depreciate expense	(824)	(2)	(38)	(871)	(262)	-	(1 997)
Carrying amount at 30 June	<u>2 007</u>	<u>-</u>	<u>74</u>	<u>2 398</u>	<u>249</u>	<u>726</u>	<u>5 454</u>

<b>18. Intangible assets</b>	2011	2010
Internally developed computer software:	\$'000	\$'000
At cost (deemed fair value)	10 741	11 020
Accumulated amortisation	(10 491)	(10 729)
Total internally developed computer software	250	291
Other computer software:		
At cost (deemed fair value)	11 140	11 945
Accumulated amortisation	(4 537)	(6 395)
Total other computer software	6 603	5 550
Work in progress:		
At cost (deemed fair value)	16 971	11 226
Total work in progress	16 971	11 226
Total intangible assets	23 824	17 067

**Reconciliation of intangible assets**

The following table shows the movement of intangible assets during 2010-11:

	Internally developed software \$'000	Other computer software \$'000	Work in progress \$'000	Total 2011 \$'000
Carrying amount at 1 July	291	5 550	11 226	17 067
Additions	-	3 617	5 933	9 550
Capital transfers from works in progress	188	-	(188)	-
Disposals and derecognition of assets	-	(381)	-	(381)
Amortisation expense	(229)	(2 183)	-	(2 412)
Carrying amount at 30 June	250	6 603	16 971	23 824

Additions mainly relate to the purchase of Masterpiece licences and further developments of the Department's RevenueSA databases.

**Impairment**

There were no indications of impairment for intangible assets as at 30 June 2011.

<b>19. Payables</b>	2011	2010
Current:	\$'000	\$'000
Creditors and accrued expenses	6 667	7 215
Employment on-costs	2 230	2 681
GST payable	9	908
Total current payables	8 906	10 804
Non-current:		
Employment on-costs	2 023	2 386
Total non-current payables	2 023	2 386
Total payables	10 929	13 190
Payables to entities within SA Government:		
Creditors and accrued expenses	2 278	3 081
Employment on-costs	1 784	1 980
Total payables to SA Government entities	4 062	5 061

**Interest rate and credit risk**

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of payables - refer note 28.

Categorisation of financial instruments and risk exposure information - refer note 28.

<b>20. Employee benefits</b>	2011	2010
Current:	\$'000	\$'000
Accrued salaries and wages*	-	2 898
Annual leave	8 095	8 505
Long service leave	3 104	2 097
Total current employee benefits	<u>11 199</u>	<u>13 500</u>
Non-current:		
Long service leave	23 056	24 079
Total non-current employee benefits	<u>23 056</u>	<u>24 079</u>
Total employee benefits	<u>34 255</u>	<u>37 579</u>

\* In accordance with the Department's normal payroll schedule, all employees were paid on 30 June 2011 for work performed up to and including 1 July 2011. As such no accrued salaries and wages were recognised for 2010-11.

The annual leave liability is calculated at the salary rates the Department expects to pay. For 2010-11 a salary inflation rate of 4 percent was used for this estimate. This salary inflation rate remained unchanged from the prior year.

The actuarial assessment reduced the benchmark for the measurement of the long service leave liability from the 2010 benchmark of 5.5 years to five years. The net financial effect of the change in the benchmark in the current financial year is an increase in liabilities of \$253 000.

<b>21. Provisions</b>	2011	2010
Current:	\$'000	\$'000
Provision for workers compensation	284	208
Total current provisions	<u>284</u>	<u>208</u>
Non-current:		
Provision for workers compensation	959	685
Total non-current provisions	<u>959</u>	<u>685</u>
Total provisions	<u>1 243</u>	<u>893</u>
<b>Reconciliation of provisions</b>		
Carrying amount at 1 July	893	1 611
Payments/other sacrifices of future economic benefits	(329)	(755)
Additional provisions recognised	679	578
Restructure transfer	-	(541)
Carrying amount at 30 June	<u>1 243</u>	<u>893</u>

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based in an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

<b>22. Other liabilities</b>	2011	2010
Current:	\$'000	\$'000
Unearned revenue	83	-
Lease incentives	670	670
Total current other liabilities	<u>753</u>	<u>670</u>
Non-current:		
Unearned revenue	49	-
Lease incentives	335	1 004
Total non-current other liabilities	<u>384</u>	<u>1 004</u>
Total other liabilities	<u>1 137</u>	<u>1 674</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

<b>23. Equity</b>	2011	2010
	\$'000	\$'000
Capital contribution	547	547
Asset revaluation surplus	108	108
Retained earnings	56 213	54 443
Total equity	<u>56 868</u>	<u>55 098</u>

The asset revaluation surplus is used to record increments and decrements in the value of non-current assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

<b>24. Unrecognised contractual commitments</b>	2011	2010
(a) <b>Remuneration commitments</b>	\$'000	\$'000
Commitments for the payment of salaries and other remuneration under employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:		
Not later than one year	11 672	11 790
Later than one year but not later than five years	18 991	20 805
Later than five years	-	-
Total remuneration commitments	<u>30 663</u>	<u>32 595</u>

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

(b) **Operating lease commitments**

*The Department as lessee*

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rental is payable in arrears.

Motor vehicles are leased from Fleet SA . These leases are non-cancellable with terms of three to five years.

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2011	2010
	\$'000	\$'000
Not later than one year	9 835	9 831
Later than one year but not later than five years	15 777	24 120
Later than five years	374	1 312
Total non-cancellable operating lease commitments	<u>25 986</u>	<u>35 263</u>

(c) **Other commitments**

The Department's other commitments are primarily agreements for software licence and software development.

The Department also has commitments to provide advisory and planning services to Super SA members.

	2011	2010
	\$'000	\$'000
Not later than one year	10 245	9 298
Later than one year but not later than five years	8 517	11 010
Total other commitments	<u>18 762</u>	<u>20 308</u>

**25. Contingent assets and liabilities**

The Department is not aware of any contingent assets or liabilities in relation to the Department's operations. In addition, the Department has made no guarantees.

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

Members that were entitled to receive remuneration for membership during 2010-11 financial year were:

**SABA Advisory Board**

Ms J Brown

Mr B Brownjohn

Mr L Foster

Ms A Howe\* (resigned 17 December 2010)

Mr C Long

Mr B Rowse\* (Presiding Member)

(appointed 1 December 2010)

Ms Y Sneddon

Ms A Westley\* (appointed 8 April 2011)

Mr J Wright\* (resigned 29 September 2010)

**SAFA Audit Committee**

Mr L Foster  
 Mr P Mendo\*  
 Ms Y Sneddon

**South Australian Superannuation Board**

Hedley Bachmann (resigned 8 July 2010)  
 Kevin Cantley\*  
 Virginia Deegan  
 Bill Griggs\*

Philip Jackson (Presiding Member)  
 (appointed 9 September 2010)  
 Jan McMahon  
 Leah York\*\*

The number of members whose remuneration received/receivable falls within the following bands:	2011 Number	2010 Number
\$0	7	5
\$1 - \$9 999	2	2
\$20 000 - \$29 999	2	2
\$30 000 - \$39 999	5	5
\$40 000 - \$49 999	1	1
Total	<u>17</u>	<u>15</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$277 000 (\$287 000).

Amounts paid to a superannuation plan for board/committee members were \$23 000 (\$24 000).

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.

\*\* Deputy member serving as a member of the Member Services Committee and paid an annual attendance fee.

27. Cash flow reconciliation	2011	2010
(a) <b>Reconciliation of cash and cash equivalents - cash at 30 June as per:</b>	\$'000	\$'000
Statement of Cash Flows	50 879	66 028
Statement of Financial Position	<u>50 879</u>	<u>66 028</u>
(b) <b>Reconciliation of net cash provided by operating (used in) activities to net cost of providing services</b>		
Net cash provided by (used in) operating activities	(3 814)	37 633
Revenues from SA Government	(77 322)	(110 303)
Non-cash items:		
Depreciation and amortisation expense	(4 409)	(4 301)
Derecognition of assets	(399)	-
Bad and doubtful debt expenses	(15)	(172)
Derecognition of liabilities	-	82
Non-current assets accrual in payables	(467)	(522)
Non-current assets classified as held for sale	-	10 671
Changes in assets/liabilities:		
Increase (Decrease) in receivables	5 102	(10 805)
Decrease (Increase) in payables	2 261	427
Decrease (Increase) in employee benefits	3 324	(2 739)
Decrease (Increase) in provisions	(350)	718
Decrease (Increase) in other liabilities	537	770
Net cost of providing services	<u>(75 552)</u>	<u>(78 541)</u>

**28. Financial instruments/Financial risk management****28.1 Categorisation of financial instruments**

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

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents	15, 27	50 879	50 879	66 028	66 028
Loans and receivables held:					
Receivables	16	24 275	24 275	19 188	19 188
Total financial assets		<u>75 154</u>	<u>75 154</u>	<u>85 216</u>	<u>85 216</u>
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables <sup>(1)</sup>	19	10 920	10 920	12 282	12 282
Other financial liabilities	22	1 137	1 137	1 674	1 674
Total financial liabilities		<u>12 057</u>	<u>12 057</u>	<u>13 956</u>	<u>13 956</u>

- (1) Payment amounts disclosed here exclude amounts relating to statutory 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 payables, tax equivalents, Commonwealth tax, audit 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) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

**Credit risk**

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

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

**28.2 Ageing analysis of financial assets**

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2011</b>				
Not impaired:				
Receivables <sup>(1)</sup>	16 859	3 970	3 410	24 239
Impaired:				
Receivables <sup>(1)</sup>	-	-	36	36
<b>2010</b>				
Not impaired:				
Receivables <sup>(1)</sup>	15 108	1 642	2 271	19 021
Impaired:				
Receivables <sup>(1)</sup>	-	-	167	167

- (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, tax equivalents, Commonwealth tax, audit receivables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law' They are carried at cost.

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

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

	Contractual maturity			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	50 879	50 879	-	-
Receivables	24 275	24 246	29	-
Total financial assets	75 154	75 125	29	-
Financial liabilities:				
Payables	10 920	8 361	1 092	1 467
Other financial liabilities	1 137	753	384	-
Total financial liabilities	12 057	9 114	1 476	1 467
<b>2010</b>				
Financial assets:				
Cash and cash equivalents	66 028	66 028	-	-
Receivables	19 188	18 372	816	-
Total financial assets	85 216	84 400	816	-
Financial liabilities:				
Payables	12 282	9 398	830	2 054
Other financial liabilities	1 674	670	1 004	-
Total financial liabilities	13 956	10 068	1 834	2 054

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 28.3 represent the Department's maximum exposure to financial liabilities.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. 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 the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**29. Net revenue from administrative restructure**

There were no restructures as a result of administrative or machinery of government changes in 2010-11.

**Net revenue from administrative restructure 2009-10****Transferred out**

On 1 July 2009, Fleet SA was transferred from the Department to SAFA.

On transfer of Fleet SA to SAFA, the Department recognised movement of the following assets and liabilities.

<b>Transferred out (continued)</b>	2010
Current assets:	\$'000
Cash	23 289
Receivables	12 174
Property, plant and equipment	59 755
	<hr/>
Assets classified as held for sale	95 218
Total current assets	6 911
	<hr/>
102 129	
Non-current assets:	
Property, plant and equipment	139 577
Total non-current assets	<hr/>
Total assets	139 577
	<hr/>
241 706	
Current liabilities:	
Payables	2 349
Borrowings	73 054
Other current liabilities	616
	<hr/>
76 019	
Liabilities directly associated with non-current assets held for sale	2 951
Total current liabilities	<hr/>
	78 970
	<hr/>
Non-current liabilities:	
Borrowings	158 962
Total non-current liabilities	<hr/>
Total liabilities	158 962
	<hr/>
237 932	
Net assets transferred	<hr/>
	3 774

**Transferred in**

Shared Services SA (SSSA) completed the transition of Tranche 2 services in October 2009 comprising general accounting, external financial reporting, asset accounting and taxation services for eight agencies with 43.6 FTEs transitioned into SSSA.

*Name of agency*

- Attorney-General's Department - AGD
- Department for Correctional Services - DCS
- Department of Further Education, Employment and Science - DFEEST
- Department for Transport, Energy and Infrastructure - DTEI
- Department of Water, Land and Biodiversity Conservation - DWLBC (now Department for Water)
- South Australian Fire and Emergency Services Commission - SAFECOM
- South Australia Police - SAPOL

The following table shows income and expenses associated with the functions transferred as part of Tranche 2 Group 2 for 2009-10. The income and expense in the transferor agencies column were supplied by the respective transferor entities and as such have been relied upon by the Department.

	AGD	DCS	DFEEST	DTEI	DWLBC
	\$'000	\$'000	\$'000	\$'000	\$'000
Appropriation	-	-	280	-	61
Revenue from services	-	-	-	-	-
Other income	-	-	-	-	-
Total income	<hr/>	<hr/>	280	<hr/>	61
Employee benefit expenses	68	96	277	188	57
Supplies and services	4	1	3	75	4
Depreciation and amortisation	-	-	-	-	-
Total expenses	<hr/>	<hr/>	280	263	61
Net result	<hr/>	<hr/>	-	(263)	-



<i>Transferred in (continued)</i>	SAFECOM \$'000	SAPOL \$'000	SSSA \$'000	Total \$'000
Appropriation	62	12	-	415
Revenue from services	-	-	3 450	3 450
Other income	-	-	411	411
Total income	62	12	3 861	4 276
Employee benefit expenses	121	170	2 244	3 221
Supplies and services	8	11	320	426
Depreciation and amortisation	-	-	4	4
Total expenses	129	181	2 568	3 651
Net result	(67)	(169)	1 293	625

The following assets and liabilities were transferred to SSSA as part of Tranche 2 Group 2.

	AGD \$'000	DCS \$'000	DFEEST \$'000	DTEI \$'000
Cash	52	34	332	146
Total assets	52	34	332	146
Payables	5	4	33	15
Employee benefits	47	30	299	131
Total liabilities	52	34	332	146
Net assets transferred	-	-	-	-

	DWLBC \$'000	SAFECOM \$'000	SAPOL \$'000	Total \$'000
Cash	43	102	52	761
Total assets	43	102	52	761
Payables	4	10	5	76
Employee benefits	39	92	47	685
Total liabilities	43	102	52	761
Net assets transferred	-	-	-	-

### 30. Events after the end of the reporting period

The Department is not aware of any after the reporting period events.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Income:</b>			
Taxation	32	3 457 562	3 328 147
Commonwealth revenues	33	7 738 040	8 510 452
Dividends	34	271 600	297 812
Interest revenues	35	146 578	117 773
Revenues from SA Government	36	1 779 663	1 761 184
Grants and contributions	37	145 632	155 177
Revenues from fees and charges	38	81 255	46 280
Other revenues	39	371 805	544 159
<b>Total income</b>		<b>13 992 135</b>	<b>14 760 984</b>
<b>Expenses:</b>			
Payments to SA Government	36	10 076 437	9 965 661
Employee benefit expenses	40	421 190	419 436
Supplies and services	41	72 264	64 524
Borrowing costs	42	334 847	225 134
Grants, subsidies and transfers	43	2 875 244	3 984 842
Depreciation and amortisation expense	44	98	159
Other expenses	45	84 415	62 917
<b>Total expenses</b>		<b>13 864 495</b>	<b>14 722 673</b>
<b>Net result</b>		<b>127 640</b>	<b>38 311</b>
<b>Other comprehensive income:</b>			
Changes in property, plant and equipment asset revaluation surplus		-	448
<b>Total comprehensive result</b>		<b>127 640</b>	<b>38 759</b>

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

## Statement of Administered Financial Position as at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	46	1 333 135	1 187 872
Receivables	47	104 544	102 131
Other financial assets	48	21	1 990
<b>Total current assets</b>		1 437 700	1 291 993
<b>Non-current assets:</b>			
Receivables	47	2	2
Other financial assets	48	962	426
Property, plant and equipment	49	1 024	979
<b>Total non-current assets</b>		1 988	1 407
<b>Total assets</b>		1 439 688	1 293 400
<b>Current liabilities:</b>			
Payables	50	938 976	913 938
Employee benefits	51	972	1 238
Provisions	52	18	16
Other current liabilities	53	1 390	3 628
<b>Total current liabilities</b>		941 356	918 820
<b>Non-current liabilities:</b>			
Payables	50	482 783	486 848
Employee benefits	51	467	276
Provisions	52	62	51
Other non-current liabilities	53	780	805
<b>Total non-current liabilities</b>		484 092	487 980
<b>Total liabilities</b>		1 425 448	1 406 800
<b>Net assets</b>		14 240	(113 400)
<b>Equity:</b>			
Accumulated surplus (deficit)		13 792	(113 848)
Asset revaluation surplus		448	448
<b>Total equity</b>		14 240	(113 400)

Total equity is attributable to the SA Government as owner

Unrecognised and contractual commitments	55
Contingent assets and liabilities	56

**Statement of Administered Changes in Equity  
for the year ended 30 June 2011**

	Note	Asset revaluation surplus \$'000	Accumulated surplus (deficit) \$'000	Total \$'000
Balance at 30 June 2009		-	(160 955)	(160 955)
Recognition of Housing Loans Redemption Fund	54	-	8 796	8 796
Restated balance as at 30 June 2009		-	(152 159)	(152 159)
Net result for 2009-10		-	38 311	38 311
Gain on revaluation of land and buildings		448	-	448
Total restated comprehensive result for 2009-10		448	38 311	38 759
Balance at 30 June 2010		448	(113 848)	(113 400)
Net result for 2010-11		-	127 640	127 640
Total comprehensive result for 2010-11		-	127 640	127 640
<b>Balance at 30 June 2011</b>		<b>448</b>	<b>13 792</b>	<b>14 240</b>

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

## Statement of Administered Cash Flows for the year ended 30 June 2011

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash inflows:			
Taxation received		3 457 562	3 328 147
Receipts from Commonwealth		7 738 040	8 510 452
Dividends		271 600	297 812
Interest received		146 699	117 704
Receipts from SA Government		1 779 663	1 761 184
Grants and contributions		152 757	160 148
Fees and charges		81 680	46 615
GST receipts on receivables		8 124	8 403
GST recovered from ATO		8 486	2 665
Other receipts		364 015	548 777
<b>Cash generated from operations</b>		<b>14 008 626</b>	<b>14 781 907</b>
Cash outflows:			
Payments to SA Government		(9 997 931)	(9 981 058)
Employee benefit payments		(421 336)	(419 566)
Payments for supplies and services		(72 366)	(64 459)
Interest payments		(390 152)	(169 829)
Grants, subsidies and transfers		(2 883 013)	(3 989 707)
GST payments on purchases		(9 363)	(6 399)
GST remitted to ATO		(7 562)	(5 289)
Other payments		(85 026)	(92 892)
<b>Cash used in operations</b>		<b>(13 866 749)</b>	<b>(14 729 199)</b>
<b>Net cash provided by (used in) operating activities</b>	58(b)	<b>141 877</b>	<b>52 708</b>
<b>Cash flows from investing activities:</b>			
Cash outflows			
Purchase of property, plant and equipment		(142)	-
<b>Cash used in investing activities</b>		<b>(142)</b>	<b>-</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(142)</b>	<b>-</b>
<b>Cash flows from financing activities:</b>			
Cash inflows:			
Proceeds from other financial assets		4 088	1 812
<b>Cash generated from financing activities</b>		<b>4 088</b>	<b>1 812</b>
Cash outflows:			
Repayment of interest bearing liabilities		(560)	(399)
<b>Cash used in financing activities</b>		<b>(560)</b>	<b>(399)</b>
<b>Net cash provided by (used in) financing activities</b>		<b>3 528</b>	<b>1 413</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>145 263</b>	<b>54 121</b>
<b>Cash and cash equivalents at 1 July</b>		<b>1 187 872</b>	<b>1 133 751</b>
<b>Cash and cash equivalents at 30 June</b>	58(a)	<b>1 333 135</b>	<b>1 187 872</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2011**

	Admin items on behalf of the Consolidated Account		Commonwealth mirror taxes on Commonwealth Places Revenue Account		Community Development Fund	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income:</b>						
Taxation	3 362 260	3 238 450	-	-	-	-
Commonwealth revenues	5 813 957	5 665 643	21 802	20 673	-	-
Dividends	271 600	297 812	-	-	-	-
Interest revenues	143 311	114 815	-	-	-	-
Revenues from SA Government	46 142	76 885	-	-	-	-
Grants and contributions	-	-	-	-	20 000	20 000
Revenues from fees and charges	63 601	29 150	-	-	-	-
Other revenues	203 782	376 771	-	-	-	-
<b>Total income</b>	<b>9 904 653</b>	<b>9 799 526</b>	<b>21 802</b>	<b>20 673</b>	<b>20 000</b>	<b>20 000</b>
<b>Expenses:</b>						
Payments to SA Government	9 856 011	9 722 640	-	-	-	-
Employee benefit expenses	281	277	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	48 361	76 609	-	-	20 000	20 000
Depreciation expense	-	-	-	-	-	-
Other expenses	-	-	21 802	20 673	-	-
<b>Total expenses</b>	<b>9 904 653</b>	<b>9 799 526</b>	<b>21 802</b>	<b>20 673</b>	<b>20 000</b>	<b>20 000</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income:</b>						
Changes in asset revaluation surplus	-	-	-	-	-	-
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	Community Emergency Services Fund		Country Equalisation Scheme		ETSA Sales/Lease Proceeds Account	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Income:</b>						
Taxation	95 302	89 697	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	183	153	693	504	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	81 414	86 286	-	-	-	-
Revenues from fees and charges	403	419	-	-	-	-
Other revenues	-	-	-	-	3 712	3 379
<b>Total income</b>	<b>177 302</b>	<b>176 555</b>	<b>693</b>	<b>504</b>	<b>3 712</b>	<b>3 379</b>
<b>Expenses:</b>						
Payments to SA Government	-	-	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	177 415	176 407	-	-	-	-
Depreciation expense	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>177 415</b>	<b>176 407</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net result</b>	<b>(113)</b>	<b>148</b>	<b>693</b>	<b>504</b>	<b>3 712</b>	<b>3 379</b>
<b>Other comprehensive income:</b>						
Changes in asset revaluation surplus	-	-	-	-	-	-
<b>Total comprehensive result</b>	<b>(113)</b>	<b>148</b>	<b>693</b>	<b>504</b>	<b>3 712</b>	<b>3 379</b>

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2011 (continued)**

	Hospitals Fund		Housing Loan Redemption Fund		Intergovt Agreement on Federal Relations	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Income:</b>						
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	1 902 281	2 824 136
Dividends	-	-	-	-	-	-
Interest revenues	-	-	479	473	-	-
Revenues from SA Government	-	-	-	-	-	-
Grants and contributions	-	-	-	-	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	157 718	158 601	-	-	-	-
<b>Total income</b>	<b>157 718</b>	<b>158 601</b>	<b>479</b>	<b>473</b>	<b>1 902 281</b>	<b>2 824 136</b>
<b>Expenses:</b>						
Payments to SA Government	157 718	158 601	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	-	-	-	-	1 950 483	2 789 702
Depreciation expense	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-
<b>Total expenses</b>	<b>157 718</b>	<b>158 601</b>	<b>-</b>	<b>-</b>	<b>1 950 483</b>	<b>2 789 702</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>479</b>	<b>473</b>	<b>(48 202)</b>	<b>34 434</b>
<b>Other comprehensive income:</b>						
Changes in asset revaluation surplus	-	-	-	-	-	-
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>479</b>	<b>473</b>	<b>(48 202)</b>	<b>34 434</b>

	Industry Financial Assistance Account		Local government concessions		Local Government Disaster Fund	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>Income:</b>						
Taxation	-	-	-	-	-	-
Commonwealth revenues	-	-	-	-	-	-
Dividends	-	-	-	-	-	-
Interest revenues	118	210	-	-	1 794	1 579
Revenues from SA Government	-	750	-	-	-	-
Grants and contributions	21 932	28 155	2 495	2 473	-	-
Revenues from fees and charges	-	-	-	-	-	-
Other revenues	84	845	-	-	-	-
<b>Total income</b>	<b>22 134</b>	<b>29 960</b>	<b>2 495</b>	<b>2 473</b>	<b>1 794</b>	<b>1 579</b>
<b>Expenses:</b>						
Payments to SA Government	-	20 000	-	-	-	-
Employee benefit expenses	-	-	-	-	-	-
Supplies and services	-	-	-	-	40	40
Borrowing costs	-	-	-	-	-	-
Grants, subsidies and transfers	36 563	9 397	2 237	2 187	1 083	1 073
Depreciation expense	-	-	-	-	-	-
Other expenses	(494)	805	-	-	-	-
<b>Total expenses</b>	<b>36 069</b>	<b>30 202</b>	<b>2 237</b>	<b>2 187</b>	<b>1 123</b>	<b>1 113</b>
<b>Net result</b>	<b>(13 935)</b>	<b>(242)</b>	<b>258</b>	<b>286</b>	<b>671</b>	<b>466</b>
<b>Other comprehensive income:</b>						
Changes in asset revaluation surplus	-	-	-	-	-	-
<b>Total comprehensive result</b>	<b>(13 935)</b>	<b>(242)</b>	<b>258</b>	<b>286</b>	<b>671</b>	<b>466</b>





**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2011 (continued)**

	Treasury Working		Total	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
<b>Income:</b>				
Taxation	-	-	3 457 562	3 328 147
Commonwealth revenues	-	-	7 738 040	8 510 452
Dividends	-	-	271 600	297 812
Interest revenues	-	-	146 578	117 773
Revenues from SA Government	-	-	1 779 663	1 761 184
Grants and contributions	-	-	145 632	155 177
Revenues from fees and charges	-	-	81 255	46 280
Other revenues	4 662	4 529	371 805	544 159
<b>Total income</b>	<b>4 662</b>	<b>4 529</b>	<b>13 992 135</b>	<b>14 760 984</b>
<b>Expenses:</b>				
Payments to SA Government	-	-	10 076 437	9 965 661
Employee benefit expenses	-	-	421 190	419 436
Supplies and services	-	-	72 264	64 524
Borrowing costs	-	-	334 847	225 134
Grants, subsidies and transfers	-	-	2 875 244	3 984 842
Depreciation expense	-	-	98	159
Other expenses	4 662	4 529	84 415	62 917
<b>Total expenses</b>	<b>4 662</b>	<b>4 529</b>	<b>13 864 495</b>	<b>14 722 673</b>
<b>Net result</b>	<b>-</b>	<b>-</b>	<b>127 640</b>	<b>38 311</b>
<b>Other comprehensive income:</b>				
Changes in asset revaluation surplus	-	-	-	448
<b>Total comprehensive result</b>	<b>-</b>	<b>-</b>	<b>127 640</b>	<b>38 759</b>

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

The administered financial statements include the revenues, expenses, assets and liabilities which the Department administers on behalf of the SA Government but does not control.

These financial statements include a number of revenue and expense transactions on behalf of the SA Government for the Consolidated Account. Such transactions include collection of revenues from taxations, revenues from the Commonwealth Government, dividends and interest. The expense transactions include transfers to agencies for employee entitlements and supplies and services, grants and subsidies to public sector agencies, the private sector and the community and the transfer of revenues to the Consolidated Account. The associated Statement of Financial Position items for the Consolidated Account such as loans and borrowings are recognised in the whole-of-government general purpose financial report.

The administered financial statements include the Intergovernmental Agreement on Federal Financial Relations Account. The purpose of the account is to receive monies from the Commonwealth Government and disburse the monies to agencies pursuant to the Intergovernmental Agreement on Federal Financial Relations for the national specific purpose payments listed in Schedule F of that Agreement and for the national partnership payments for the purposes listed in Schedule G of that Agreement.

The administered financial statements also include the fixed property component of the Emergency Services levy collected by RevenueSA and transferred to the Community Emergency Services Fund and all the transactions for the Special Deposit Accounts established under section 8 of the PFAA that are administered by the Department listed below:

- Commonwealth Mirror Taxes on Commonwealth Places Revenue Account
- Community Development Fund
- Community Emergency Services Fund
- Country Equalisation Scheme Account
- ETSA Sales/Lease Proceeds Account
- Hospitals Fund

Special Deposit Accounts established under section 8 of the PFAA that are administered by the Department listed below (continued):

- Housing Loans Redemption Fund\*
- Industry Financial Assistance Account
- Intergovernmental Agreement on Federal Financial Relations
- Local Government Concessions Senior Card Holders
- Local Government Disaster Fund
- Responsible Gambling Working Party
- State Procurement Board - Gaming Machines Account\*\*
- Support Services to Parliamentarians
- Sustainable Budget Commission (ceased 17 December 2010)
- Treasurer's interest in the National Wine Centre Account
- Treasury Working Account
- Treasury and Finance Administered Items Account

\* The Housing Loans Redemption Fund has been recognised as an administrative item for the first time this year. The opening balance has been included as an error correction in equity as the Housing Loans Redemption Fund has been omitted in prior years.

\*\* The State Procurement Board - Gaming Machines Account will begin winding up operations from 1 July 2011. The Board was responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992*. The financial transactions for the gaming machines are included in the Department's administered items financial statements.

Under the Gaming Machines (Miscellaneous) Amendment Bill 2010, passed in both Houses on 25 November 2010 and proclaimed on 1 July 2011, the purchase of gaming machines has been eliminated from the Board's role.

**31. Summary of significant accounting policies**

The Department's significant accounting policies are contained in note 2.

The policies outlined in note 2 apply to both the Department and administered financial statements.

**32. Taxation**

	2011	2010
	\$'000	\$'000
Stamp duties	1 321 103	1 317 840
Commonwealth places mirror - stamp duties	363	299
Payroll tax	1 145 678	1 088 855
Commonwealth places mirror - payroll tax	20 043	19 050
Land tax	595 885	553 257
Commonwealth places mirror - land tax	1 396	1 324
Emergency Services levy	95 302	89 697
Local government rate equivalents	5 859	5 226
Income tax equivalents	161 599	136 157
Contributions from Lotteries Commission	85 231	92 754
Save the River Murray levy	25 036	23 659
Hindmarsh Island Bridge levy	67	29
Total taxation	3 457 562	3 328 147

Taxation received/receivable from entities within the SA Government:

Stamp duties	4 332	4 231
Payroll tax	210 878	209 507
Land tax	236 365	205 159
Emergency Services levy	2 965	2 864
Local government rate equivalents	5 645	2 956
Income tax equivalents	161 599	136 157
Contributions from Lotteries Commission	85 231	92 754
Total taxation from entities within the SA Government	707 015	653 628

<b>33. Commonwealth revenues</b>	2011 \$'000	2010 \$'000
Commonwealth general purpose grants:		
GST revenue grants	4 251 512	4 099 707
Transitional assistance	-	7 455
Commonwealth places mirror taxes	21 802	20 673
Total Commonwealth general purpose grants	<u>4 273 314</u>	<u>4 127 835</u>
Commonwealth specific purpose grants:		
Concessions to pensioners and others	24 186	22 804
Council of Australian Governments funding arrangements	1 523 284	1 461 110
Intergovernmental Agreement on Federal Financial Relations - recurrent	1 093 112	1 208 799
Intergovernmental Agreement on Federal Financial Relations - capital	809 169	1 614 972
Other grants paid to the Consolidated Account	999	365
First Home Owners Boost	13 976	74 567
Total Commonwealth specific purpose grants	<u>3 464 726</u>	<u>4 382 617</u>
Total Commonwealth revenues	<u>7 738 040</u>	<u>8 510 452</u>
<b>34. Dividends</b>		
Adelaide Convention Centre	-	1 017
Austraining International	286	-
ForestrySA	26 516	31 067
HomeStart	7 329	5 628
Land Management Corporation	12 757	53 603
SA Water Corporation	169 006	169 009
South Australian Asset Management Corporation	4 000	23 500
SA Government Employee Residential Property	1 706	1 706
SAFA	50 000	11 513
Transmission Lessor Corporation	-	769
Total dividends	<u>271 600</u>	<u>297 812</u>
<b>35. Interest revenues</b>		
Interest*	146 578	117 773
Total interest revenues	<u>146 578</u>	<u>117 773</u>
* 2009-10 comparative figure has increased by \$473 000 from the inclusion of the Housing Loans Redemption Fund.		
Interest from entities within the SA Government	139 750	112 436
Total interest revenues from entities within the SA Government	<u>139 750</u>	<u>112 436</u>
<b>36. Revenues from/payments to SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to <i>Appropriation Act</i>	1 732 289	1 682 075
Appropriations under other Acts	46 142	77 635
Transfer from contingencies	1 232	1 474
Total revenues from SA Government	<u>1 779 663</u>	<u>1 761 184</u>
Payments to SA Government:		
Transfer of revenue received on behalf of Consolidated Account	9 856 011	9 701 967
Other payments to the Consolidated Account	157 718	179 274
Return of surplus cash pursuant to cash alignment policy	62 708	84 420
Total payments to SA Government	<u>10 076 437</u>	<u>9 965 661</u>
<b>37. Grants and contributions</b>		
Grants and contributions	145 632	155 177
Total grants and contributions	<u>145 632</u>	<u>155 177</u>
SA Government entities	144 729	154 719
Total grants and contributions from entities within the SA Government	<u>144 729</u>	<u>154 719</u>

<b>38. Revenues from fees and charges</b>	2011	2010
	\$'000	\$'000
Guarantee fees	63 601	29 150
Support services to Parliamentarians	1 520	1 229
State Procurement Board - gaming machines	15 731	15 455
Other recoveries	403	446
Total fees and charges	81 255	46 280
Fees and charges received/receivable from entities within the SA Government:		
Guarantee fees	63 601	29 150
Support services to Parliamentarians	1 520	1 206
State Procurement Board - gaming machines	-	27
Total fees and charges from entities within the SA Government	65 121	30 383
<b>39. Other revenues</b>		
Contributions towards public hospital costs	157 718	158 601
Discounted cash flow valuations for financial assistance loans	84	845
Repayments of advances	70 962	87 143
Return of cash to Consolidated Account - cash alignment policy	96 557	143 901
Return of capital	-	73 631
Return of deposit account balances	22 306	59 298
Essential Services Commission of South Australia	5 526	5 356
Support services to Parliamentarians	7	9
Other income	18 645	15 375
Total other revenues	371 805	544 159
Other revenues received/receivable from entities within the SA Government:		
Contributions towards public hospital costs	157 718	158 601
Discounted cash flow valuations for financial assistance loans	-	845
Repayment of advances	70 841	87 027
Return of cash to Consolidated Account - cash alignment policy	96 557	143 901
Return of capital	-	73 631
Return of deposit account balances	10 735	48 898
Essential Services Commission of South Australia	5 526	5 356
Other	7 240	7 865
Total other revenues from entities within the SA Government	348 617	526 124
<b>40. Employee benefit expenses</b>		
Superannuation contributions to various schemes	406 846	405 841
Salaries and wages	11 040	10 353
Long service leave	289	574
Annual leave	891	718
Employment on-costs - superannuation	1 073	1 001
Employment on-costs - other	657	624
Minister's salary, electorate and expense allowance	281	277
Other employee related expenses	113	48
Total employee benefit expenses	421 190	419 436
<b>Remuneration of employees</b>	2011	2010
The number of employees whose total remuneration received or receivable falls within the following bands:	Number	Number
\$140 700 - \$150 699	1	1
Total	1	1

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, payment in lieu of leave, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$148 000 (\$143 000).

#### **Accounting policy change**

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 7 (1).

<b>41. Supplies and services</b>	2011	2010		
	\$'000	\$'000		
State's share of GST administration	49 449	41 610		
Support services to Parliamentarians	5 499	5 445		
Gaming machines	15 732	15 521		
Unclaimed monies	476	404		
Accommodation and telecommunication	65	-		
Consultants	123	558		
General administration and consumables	920	986		
Total supplies and services	<u>72 264</u>	<u>64 524</u>		
Supplies and services provided by entities within the SA Government:				
Support services to Parliamentarians	2 898	2 577		
Gaming machines	-	39		
Unclaimed monies	-	26		
Accommodation and telecommunication	2	-		
General administration and consumables	872	945		
Total supplies and services provided by entities within the SA Government	<u>3 772</u>	<u>3 587</u>		
Total supplies and services includes GST amounts not recoverable from the ATO where the Department does not hold a valid tax invoice for payment.				
The number and dollar amount of consultancies paid/payable that fell within the following bands:	2011	2010	2011	2010
	\$'000	\$'000	Number	Number
Below \$10 000	1	6	-	3
Between \$10 000 and \$50 000	115	153	4	5
Above \$50 000	-	399	-	3
Total paid/payable to the consultants engaged	<u>116</u>	<u>558</u>	<u>4</u>	<u>11</u>
<b>42. Borrowing costs</b>	2011	2010		
	\$'000	\$'000		
Interest on borrowings	289 914	190 546		
Interest paid on deposit accounts and other monies	44 933	34 588		
Total borrowing costs	<u>334 847</u>	<u>225 134</u>		
Borrowing costs paid/payable to entities within the SA Government:				
Interest on borrowings	289 914	190 546		
Interest paid on deposit accounts and other monies	40 623	32 097		
Total borrowing costs to entities within the SA Government	<u>330 537</u>	<u>222 643</u>		
<b>43. Grants, subsidies and transfers</b>				
Recurrent grants, subsidies and transfers	1 929 207	2 385 762		
Capital grants, subsidies and transfers	946 037	1 599 080		
Total grants, subsidies and transfers	<u>2 875 244</u>	<u>3 984 842</u>		
Grants, subsidies and transfers paid to entities within the SA Government:				
Recurrent grants, subsidies and transfers	1 804 376	2 143 397		
Capital grants, subsidies and transfers	946 037	1 599 080		
Total grants, subsidies and transfers paid to entities within the SA Government	<u>2 750 413</u>	<u>3 742 477</u>		
<b>44. Depreciation and amortisation expense</b>				
Buildings	26	13		
Building fitouts	68	142		
Office equipment	4	4		
Total depreciation and amortisation expense	<u>98</u>	<u>159</u>		

<b>45. Other expenses</b>	2011	2010
	\$'000	\$'000
Refunds and remissions	36 644	20 591
Payments to the South Australian Superannuation Fund	9 500	10 400
Payments to Commonwealth Government	21 802	20 673
Bad debts expenses	314	58
Doubtful debts expenses	1 517	512
Discounted cash flow valuations for financial assistance loans	(3 947)	(1 058)
Repayment of borrowings	12 131	5 840
Loans forgiven	1 623	1 293
Other	4 831	4 608
Total other expenses	84 415	62 917
Other expenses paid/payable to entities within the SA Government:		
Repayment of borrowings	12 131	5 840
Other	862	949
Total other expenses paid/payable within the SA Government	12 993	6 789
<b>46. Cash and cash equivalents</b>		
Deposits with the Treasurer*	1 292 635	1 145 772
Promissory notes	40 500	42 100
Total cash and cash equivalents	1 333 135	1 187 872

\* Deposits with the Treasurer include \$9.23 million from the Home Loans Redemption Fund.

#### *Deposits with the Treasurer*

Includes funds held in the Accrual Appropriation Excess Funds Account. The balance of this fund is not available for general use.

<b>47. Receivables</b>	2011	2010
	\$'000	\$'000
Current:		
Receivables	94 501	94 015
Allowance for doubtful debts	(4 005)	(2 492)
Accrued revenues*	13 594	10 091
Prepayments**	51	-
GST input tax recoverable	403	517
Total current receivables	104 544	102 131
Non-current:		
Receivables	2	2
Total non-current receivables	2	2
Total receivables	104 546	102 133
Receivables from entities within SA Government:		
Receivables	89 902	89 907
Accrued revenues	13 592	9 797
Total receivables from SA Government entities	103 494	99 704

\* Current accrued revenues in 2009-10 include \$39 000 for accrued interest for the Housing Loans Redemption Fund.

\*\* The increase in prepayments reflects salaries and wages and associated on-costs for 1 July 2011 paid on 30 June 2011.

**Movement in the allowance for doubtful debts**

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired. An allowance for 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.

The following table shows the movements in the allowance for doubtful debts (impairment loss):

	2011	2010
	\$'000	\$'000
Carrying amount at 1 July	2 492	462
Increase (Decrease) in provision	1 513	2 030
Carrying amount at 30 June	4 005	2 492

**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 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 - refer note 59.

Categorisation of financial instruments and risk exposure information - refer note 59.

**48. Other financial assets**

	2011	2010
	\$'000	\$'000
Current:		
Loans for financial assistance	21	1 990
Total current other financial assets	21	1 990
Non-current:		
Loans for financial assistance	966	426
Provision for doubtful debts	(4)	-
Total non-current other financial assets	962	426
Total other financial assets	983	2 416

**Movement in the provision for doubtful debts**

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

The following table shows the movements in the provision for doubtful debts (impairment loss):

	2011	2010
	\$'000	\$'000
Increase in provision	4	-
Carrying amount at 30 June	4	-

**49. Property, plant and equipment**

Buildings:		
At valuation	874	874
Accumulated depreciation	(26)	-
Total buildings	848	874
Building fitouts:		
At cost	793	651
Accumulated amortisation	(671)	(604)
Total building fitouts	122	47

<b>49. Property, plant and equipment (continued)</b>	2011	2010
Land:	\$'000	\$'000
At valuation	46	46
Total land	<u>46</u>	<u>46</u>
Office equipment:		
At cost (deemed fair value)	21	21
Accumulated depreciation	(13)	(9)
Total office equipment	<u>8</u>	<u>12</u>
Total non-current property, plant and equipment	<u>1 024</u>	<u>979</u>
Total property, plant and equipment	<u>1 024</u>	<u>979</u>

**Valuation of non-current assets**

A valuation of the land and buildings for the National Wine Centre was performed by Mr Fred Taomina, BAppSc(Val), APPI of Valcorp as at 30 June 2010. The revaluation involved discounting to net present value of the National Wine Centre land and buildings at the termination of the 40 year lease arrangement with the University of Adelaide. The valuation resulted in a land and building increment of \$448 814.

**Impairment**

There were no indicators of impairment of property, plant and equipment as at 30 June 2011.

**Resources received free of charge**

There were no resources received free of charge.

**Reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment during 2010-11:

	Buildings \$'000	Building fitouts \$'000	Land \$'000	Office equipment \$'000	Total \$'000
Carrying amount at 1 July	874	47	46	12	979
Additions	-	142	-	-	142
Depreciation expense	(26)	(67)	-	(4)	(97)
Carrying amount at 30 June	<u>848</u>	<u>122</u>	<u>46</u>	<u>8</u>	<u>1 024</u>

<b>50. Payables</b>	2011	2010
Current:	\$'000	\$'000
Creditors - electricity entities lease proceeds	4 079	3 712
Creditors - revenue on behalf of the Consolidated Account	846 574	780 589
Creditors - other	72 856	119 071
Accrued expenses	15 350	10 695
Employment on-costs	131	181
GST payable	(14)	(310)
Total current payables	<u>938 976</u>	<u>913 938</u>
Non-current:		
Creditors - electricity entities lease proceeds	482 742	486 821
Employment on-costs	41	27
Total non-current payables	<u>482 783</u>	<u>486 848</u>
Total payables	<u>1 421 759</u>	<u>1 400 786</u>
Payables to entities within SA Government:		
Creditors - electricity entities lease proceeds	486 821	490 533
Creditors - revenue on behalf of the Consolidated Accounts	846 575	780 589
Creditors - other	72 856	118 939
Accrued expenses	14 127	10 050
Employment on-costs	76	81
Total payables to SA Government entities	<u>1 420 455</u>	<u>1 400 192</u>



**Interest rate and credit risk**

Creditors are raised for all amounts billed but unpaid. Creditors are normally settled within 30 days of the invoice date provided the goods and services have been received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand. In addition, there is no concentration of credit risk.

Maturity analysis of payables - refer note 59.3.

Categorisation of financial instruments and risk exposure information - refer note 59.

<b>51. Employee benefits</b>	2011	2010
Current:	\$'000	\$'000
Accrued salaries and wages	-	310
Annual leave	655	597
Long service leave	317	331
Total current employee benefits	<u>972</u>	<u>1 238</u>
Non-current:		
Long service leave	467	276
Total non-current employee benefits	<u>467</u>	<u>276</u>
Total employee benefits	<u>1 439</u>	<u>1 514</u>

In accordance with the Department's normal payroll schedule, all employees were paid on 30 June 2011 for work performed up to and including 1 July 2011. As such no accrued salaries and wages were recognised for 2010-11.

The annual leave liability is calculated at the salary rates the Department expects to pay. For 2010-11 a salary inflation rate of 4 percent was used for this estimate. This salary inflation rate remained unchanged from the prior year.

The actuarial assessment reduced the benchmark for the measurement of the long service leave liability from the 2010 benchmark of 5.5 years to five years.

<b>52. Provisions</b>	2011	2010
Current:	\$'000	\$'000
Provision for workers compensation	18	16
Total current provisions	<u>18</u>	<u>16</u>
Non-current:		
Provision for workers compensation	62	51
Total non-current provisions	<u>62</u>	<u>51</u>
Total provisions	<u>80</u>	<u>67</u>
<b>Reconciliation of provisions</b>		
Carrying amount at 1 July	67	56
Additional provisions recognised	13	11
Carrying amount at 30 June	<u>80</u>	<u>67</u>

A liability has been recognised to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by DPC.

<b>53. Other liabilities</b>		
Current:		
Unearned revenue	1 390	3 628
Total current other liabilities	<u>1 390</u>	<u>3 628</u>
Non-current:		
Unearned revenue	780	805
Total non-current other liabilities	<u>780</u>	<u>805</u>
Total other liabilities	<u>2 170</u>	<u>4 433</u>

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**54. Adjustments to equity - error correction**

The activities of the Housing Loans Redemption Fund have been recognised in the administered financial statements for the first time. The balance of accumulated surplus (deficit) as at 1 July 2009 was increased by \$8.796 million to correct the omission. The net result for 2009-10 was increased by \$473 000 to recognise the financial performance of the Housing Loans Redemption Fund for that year. Net assets as at 30 June 2010 were increased by \$9.269 million to recognise these adjustments. The impact on the relevant financial statement line items is detailed below:

	30.06.10 (published) \$'000	Error correction \$'000	30.06.10 (restated) \$'000
<b>Statement of Administered Comprehensive Income</b>			
Income	14 760 511	473	14 760 984
Expenses	(14 722 673)	-	(14 722 673)
Net result	<u>37 838</u>	<u>473</u>	<u>38 311</u>
<b>Statement of Administered Financial Position</b>			
Cash	<u>1 178 642</u>	<u>9 230</u>	<u>1 187 872</u>
Receivables	<u>102 092</u>	<u>39</u>	<u>102 131</u>
Net assets	<u>(122 669)</u>	<u>9 269</u>	<u>(113 400)</u>

**55. Unrecognised contractual commitments****(a) Remuneration commitments**

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

	2011 \$'000	2010 \$'000
Not later than one year	2 078	1 476
Later than one year but not later than five years	2 582	2 723
Total remuneration commitments	<u>4 660</u>	<u>4 199</u>

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

**(b) Operating lease commitments**

*The Department as lessee*

At the reporting date, the Department has operating leases for office accommodation and motor vehicles.

Office accommodation is leased from the Department for Transport, Energy and Infrastructure. The leases are non-cancellable with terms ranging up to six years with some leases having right of renewal. Rental is payable in arrears.

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

	2011 \$'000	2010 \$'000
Not later than one year	1 471	579
Later than one year but not later than five years	3 052	212
Total operating lease commitments	<u>4 523</u>	<u>791</u>

**(c) Other commitments**

The Department's other commitments primarily relate to distribution of Commonwealth funds to agencies in accordance with Schedule G of the Intergovernmental Agreement on Federal Financial Relations.

	2011 \$'000	2010 \$'000
Not later than one year	144 569	195 956
Later than one year but not later than five years	68 463	66 523
Total other commitments	<u>213 032</u>	<u>262 479</u>

**56. Contingent assets and liabilities**

The following contingent assets and liabilities exist for the administered items:

- Residual responsibilities for structural integrity of the National Wine Centre's buildings outside agreed maintenance regimes as required by the Memorandum of Lease - National Wine Centre. The lease expires in September 2043. The estimated maximum exposure of this liability is undefined.

**56. Contingent assets and liabilities (continued)**

- Under an agreement dated 9 May 1996 with the Australian Energy Market Operator (AEMO), previously known as National Electricity Market Management Company, the Treasurer may be required to contribute to the winding up of AEMO. The maximum exposure of the contingent liability at 30 June 2011 is capped at \$691 725.
- Under an agreement between Osborne Cogeneration Pty Ltd and SAFA for the Osborne Generation Plant, SAFA has guaranteed the performance of certain obligations by two Origin Energy subsidiaries. SAFA in turn, is indemnified by Origin Energy for the performance of its subsidiaries and by the Treasurer for the performance of Origin Energy under this arrangement. The maximum exposure of the guarantee is estimated at \$150 million to \$200 million.
- Under an agreement with the South Australian Netball Association, the Treasurer has guaranteed the repayment of a loan that the South Australian Netball Association has with an external banking institution with a total exposure value of \$1 289 890.
- Financial obligations under various assistance agreements with the Treasurer relating to the Industry Investment Attraction Fund, the Structural Adjustment Fund for South Australia, the Strategic Industry Support Fund, the Innovation and Investment Fund. In addition to a number of one-off industry assistance projects that are funded by individual funding submissions. Agreements are subject to performance criteria by those entities receiving assistance.
- Under the *Housing Loans Redemption Fund Act 1962* the Treasurer is committed to meet any shortfall in the fund from appropriated general revenue.

**57. Lease**

The Treasurer entered into an agreement with the University of Adelaide to lease land and buildings previously owned by the National Wine Centre over a 40 year period, for an upfront consideration of \$1 million. The effective commencement date for the lease was 9 September 2003. The lease has been treated as an operating lease in accordance with AASB 117. The consideration of \$1 million has been recorded as unearned revenue and is being apportioned over the life of the lease.

**58. Cash flow reconciliation**

	2011	2010
(a) Reconciliation of cash and cash equivalents - cash at 30 June as per:	\$'000	\$'000
Statement of Administered Cash Flows	1 333 135	1 187 872
Statement of Administered Financial Position	<u>1 333 135</u>	<u>1 187 872</u>
 (b) <b>Reconciliation of net cash provided by (used in) operating activities to net result</b>		
Net cash provided by (used in) operating activities	141 877	52 708
Non-cash items:		
Depreciation and amortisation expense	(98)	(159)
Bad debts	(314)	(58)
Doubtful debts	(1 517)	(512)
Discounted cash flow adjustment	4 031	1 904
Loans forgiven	(1 623)	(1 293)
Increments on revaluation of non-current assets	-	448
Interest written off	-	6
Change in assets and liabilities:		
Increase (Decrease) in receivables	3 926	45 588
Decrease (Increase) in payables	(20 967)	(59 732)
Decrease (Increase) in employee benefits	75	122
Decrease (Increase) in provisions	(13)	(11)
Decrease (Increase) in other liabilities	2 263	(252)
Total comprehensive result	<u>127 640</u>	<u>38 759</u>

**59. Financial instruments/Financial risk management****59.1 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.

**59.1 Categorisation of financial instruments (continued)**

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash:					
Cash and cash equivalents	46,58	1 333 135	1 333 135	1 187 872	1 187 872
Loans and receivables:					
Receivables	47	104 143	104 143	101 616	101 616
Investments - held to maturity:					
Other financial assets	48	983	983	2 416	2 416
Total financial assets		<u>1 438 261</u>	<u>1 438 261</u>	<u>1 291 904</u>	<u>1 291 904</u>
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables <sup>(1)</sup>	50	1 421 773	1 421 773	1 401 096	1 401 096
Total financial liabilities		<u>1 421 773</u>	<u>1 421 773</u>	<u>1 401 096</u>	<u>1 401 096</u>

- (1) Payment amounts disclosed here exclude amounts relating to statutory 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 payables, tax equivalents, Commonwealth tax, audit 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) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

**Credit risk**

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

The Department has minimal concentration of credit risk. The Department does not engage in high risk hedging for its financial assets.

Allowances for impairment of financial assets is calculated on past experience and current and expected changes in client credit rating. Currently the Department does not hold any collateral as security to any of its financial assets. Other than receivables, there is no evidence to indicate that the financial assets are impaired. Refer note 17 for information on the allowance for impairment in relation to receivables.

**59.2 Ageing analysis of financial assets**

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2011</b>				
Not impaired:				
Receivables <sup>(1)</sup>	94 552	2	9 589	104 143
Other financial assets	962	-	-	962
Impaired:				
Receivables <sup>(1)</sup>	-	-	4 005	4 005
Other financial assets	-	-	-	-
	<u>95 514</u>	<u>2</u>	<u>13 594</u>	<u>109 110</u>
<b>2010</b>				
Not impaired:				
Receivables <sup>(1)</sup>	100 001	1	1 614	101 616
Other financial assets	-	-	-	-
Impaired:				
Receivables <sup>(1)</sup>	-	-	2 492	2 492
Other financial assets	-	-	-	-
	<u>100 001</u>	<u>1</u>	<u>4 106</u>	<u>104 108</u>

- (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, tax equivalents, Commonwealth tax, audit receivables etc they would be excluded from the disclosure. The standard defines contract as 'enforceable by law'. They are carried at cost.

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

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

	Contractual maturity			
	Carrying amount	Less than 1 year	1-5 years	More than 5 years
	\$'000	\$'000	\$'000	\$'000
<b>2011</b>				
Financial assets:				
Cash and cash equivalents	1 333 135	1 333 135	-	-
Receivables	104 143	104 143	-	-
Other financial assets	983	450	533	-
Total financial assets	1 438 261	1 437 728	533	-
Financial liabilities:				
Payables	1 421 773	923 529	15 502	482 742
Total financial liabilities	1 421 773	923 529	15 502	482 742
<b>2010</b>				
Financial assets:				
Cash and cash equivalents	1 187 872	1 187 872	-	-
Receivables	101 616	101 616	-	-
Other financial assets	2 416	2 416	-	-
Total financial assets	1 291 904	1 291 904	-	-
Financial liabilities:				
Payables	1 401 096	914 248	14 875	471 973
Total financial liabilities	1 401 096	914 248	14 875	471 973

**Liquidity risk**

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The continued existence of the Department is dependent on State Government policy and on continuing appropriations by Parliament for the Department's administration and programs. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 59.3 represent the Department's maximum exposure to financial liabilities.

**Market risk**

Market risk for the Department is primarily through interest rate risk. Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. 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 the Department as it has been determined that the possible impact on profit and loss or total equity from fluctuations in interest rates is immaterial.

**60. Events after the end of the reporting period**

The State Procurement Board - Gaming Machines Account will begin winding up operations from 1 July 2011. The State Procurement Board was responsible for the purchase and on-selling of gaming machines under the *Gaming Machine Act 1992*. The financial transactions for the gaming machines are included in the Department's administered items financial statements.

Under the Gaming Machines (Miscellaneous) Amendment Bill 2010, passed in both Houses on 25 November 2010 and proclaimed on 1 July 2011, the purchase of gaming machines has been eliminated from the Board's role.

# University of Adelaide

## Functional responsibility

### Establishment

The University of Adelaide (the University) is established by the *University of Adelaide Act 1971*.

### Functions

The University has the objective of advancing learning and knowledge which it achieves through the provision of university education and the conduct of research activities.

The University has financial interests in a number of entities as detailed in notes 2, 32, 33 and 34 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

Regulations under the PFAA provide that the University is a public authority. Consequently, subsection 31(1)(b) of the PFAA provides for the Auditor-General to audit the accounts of the University for each financial year.

#### *Assessment of controls*

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

### Scope of audit

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

During 2010, specific areas of audit attention included:

- corporate governance
- payroll
- expenditure
- student fee revenue
- Commonwealth financial assistance
- sundry revenue
- research grants revenue
- cash
- fixed assets
- general ledger journal creation, approval and processing
- monitoring of controlled entity operations.

Internal audit activities and reports were also reviewed.

The audits of the controlled entities for the year ending 31 December 2010 were carried out by private accounting firms.

## **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 University of Adelaide and its controlled entities (the Consolidated Entity) as at 31 December 2010, 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*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

### **Assessment of controls**

In my opinion, the controls exercised by the University of Adelaide in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to corporate governance – frameworks, documented policies and procedures and payroll as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide have been conducted properly and in accordance with law.

### **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the Vice-Chancellor. The responses to the management letter were considered to be generally satisfactory. Major matters raised with the University and the related responses are detailed below.

#### ***Corporate governance – frameworks***

In previous years Audit has commented on the University's progress in implementing legal compliance and risk management frameworks. The key issues were the need to complete the implementation of:

- a legal compliance framework
- a risk management framework
- a contract management framework.

The audit in 2010 identified that the University is in the process of:

- implementing the legal compliance framework in schools and faculties
- implementing operational risk management in schools and divisions.

A phased approach is being implemented due to the complexity and diversity of the University's operations. Early completion of these significant developments is considered important to ensure the overall effectiveness of the governance arrangements applying to the University's operations.

#### ***Documented policies and procedures***

The audit in 2010 identified that the University has not developed policies and procedures to support operational practices in a number of areas. The review also identified instances where business processes implemented by the University were inconsistent with the documented policies and procedures.

Audit recommended that the University implement a program to review documented policies and procedures to:

- identify gaps in documented policies and procedures
- identify instances where current documented policies and procedures do not reflect current practice
- develop a program of action to address identified gaps or inconsistency between current practice and the documented policies and procedures.

The University accepted Audit's recommendation and advised that policies and procedures would be reviewed and updated.

### ***Payroll***

The University implemented a new payroll system in August 2010. The audit of the payroll control environment included a review of measures implemented to address matters identified in prior years and a review of the new payroll system. The external audit review of controls over payroll processing occurred at the same time as an internal audit review of the upgraded payroll system and the findings of both reviews were consistent.

The 2010 audit identified:

- areas in which key payroll functions were not appropriately segregated
- data entry was not independently reviewed
- access to the payroll EFT file was not secured to prevent unauthorised changes
- areas for improving control of approving and processing casual timesheets.

The audit also considered whether the use of bona fide reports by the University provided assurance over the integrity of payroll processing. The increased focus on this control process responds to the outcome of the current and previous audit reviews and a reassessment of risks.

It was noted that the University provides bona fide reports to work sites but has not implemented a central process to monitor the effectiveness of the review of bona fide reports. Monitoring the review of bona fide reports potentially provides assurance that work site managers have received and reviewed the bona fide reports and that any matters arising from the review of bona fide reports are effectively addressed. This approach supplements the other processing controls implemented by the University over processing individual payroll transactions.

The University responded that:

- a process for the quarterly review and return of bona fides reports has been implemented
- a number of reviews have commenced to address segregation of duties
- it would implement an independent review of data entry
- it will improve access controls to the payroll EFT file
- a casual contract and time sheet system is being implemented to improve control over approving and processing casual timesheets.



## Expenditure

The audit of accounts payable processing considered the adequacy of segregation of duties. It concluded that the following functions were not appropriately segregated in some schools and faculties:

- raising purchase orders
- approving purchase orders
- receipting goods and services
- approving invoices for payment
- processing invoices
- updating the vendor masterfile.

Audit recommended the University review and update systems access controls in schools and divisions to support effective segregation of incompatible functions. The University responded that it has addressed segregation of duties through the implementation of a workflow process within the upgraded finance system.

## Student fee revenue

The 2010 audit of controls over processing student fee revenue included follow-up of action by the University to address internal audit recommendations. It was noted that user access restrictions were not implemented to support the segregation of incompatible functions as recommended by internal audit. Specifically, the external audit identified instances where systems users had access to:

- process transactions and maintain system tables
- process transactions and approve transactions
- process cash receipts and refunds and write-offs.

It was recommended the University review the segregation of duties and advise of corrective action it will take to rectify the issues noted. The University acknowledged that segregation of duties could be improved and advised that where this may not be possible due to resource availability, system reports will be reviewed to mitigate the risk.

## Interpretation and analysis of the financial report (Consolidated)

The revenue and expense items for the interpretation and analysis of the financial report have been sourced from notes 36 and 37 as these notes are prepared in accordance with the Department of Education, Employment and Workplace Relations reporting guidelines and provide consistency and comparability with the other universities.

### Highlights of the financial report (Consolidated)

	2010 \$'million	2009 \$'million
<b>Revenue</b>		
Australian Government grants and FEE-HELP	340	298
HECS-HELP (Australian Government and student)	79	72
Fees and charges	149	125
Other	165	174
<b>Total revenue</b>	<b>733</b>	<b>669</b>
<b>Expenses</b>		
Salaries and related expenses	358	326
Other expenses	315	275
<b>Total expenses</b>	<b>673</b>	<b>601</b>

**Highlights of the financial report (Consolidated)**

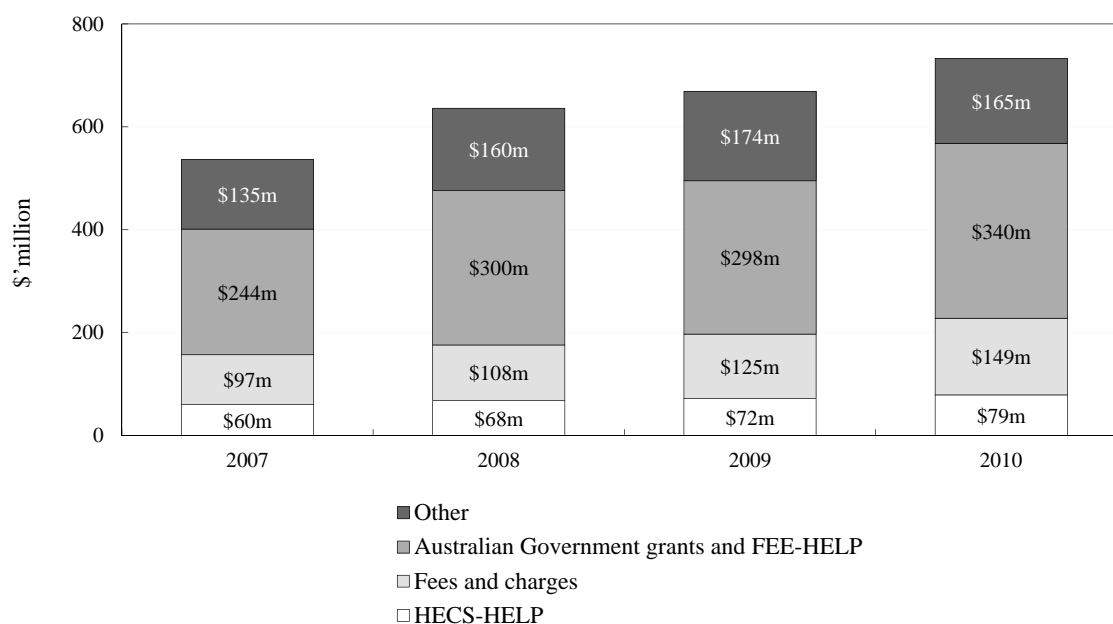
	2010 \$'million	2009 \$'million
<b>Operating result from continuing operations</b>	60	68
<b>Net cash flows provided by (used in) operating activities</b>	94	74
<b>Net cash flows provided by (used in) investing activities</b>	(108)	(139)
<b>Assets</b>		
Current assets	167	145
Non-current assets	1 210	1 062
<b>Total assets</b>	1 377	1 207
<b>Liabilities</b>		
Current liabilities	102	93
Non-current liabilities	185	153
<b>Total liabilities</b>	287	246
<b>Total equity</b>	1 090	961

**Statement of Comprehensive Income****Revenue**

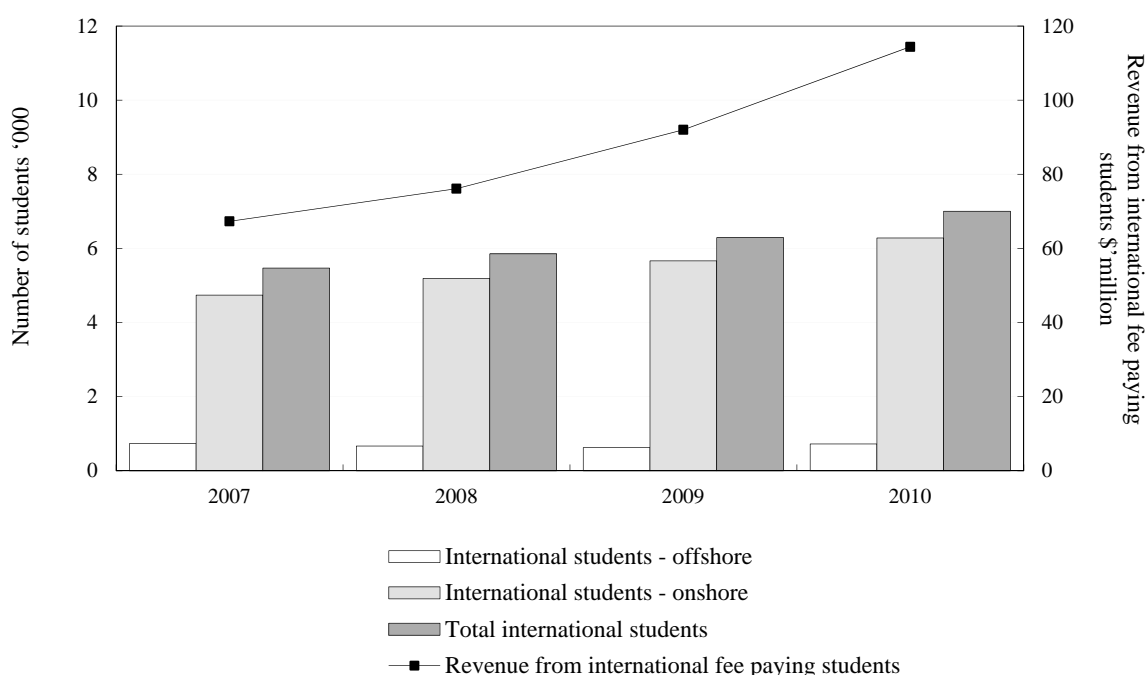
Revenue increased by \$64 million to \$733 million. The main movements in the University's revenue were:

- an increase in fees and charges of \$24 million. This increase is due predominantly to an increase in student fee income of \$21 million which relates mainly to international fee paying students
- an increase in Australian Government financial assistance of \$49 million, due principally to increased Australian Government grants
- a reduction in investment revenue of \$15 million reflecting the high level of unrealised investment gains recognised in 2009.

A structural analysis of operating revenues for the University in the four years to 2010 is presented in the following chart.



The following chart highlights the general upward trend in the revenue received from international fee paying students and the increase in international fee paying students.

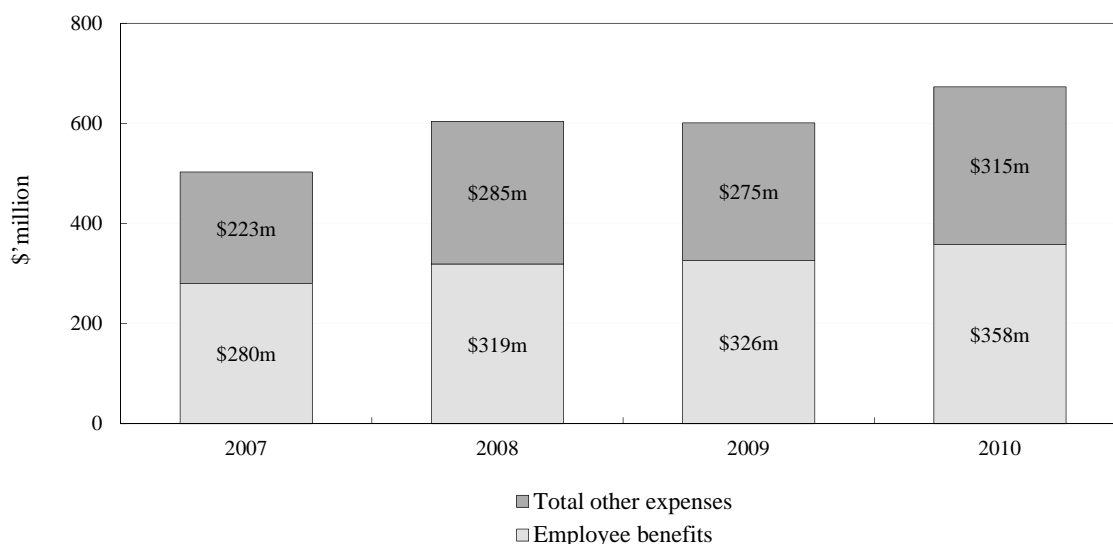


### Expenses

Expenditure from continuing operations in 2010 totalled \$673 million as compared to \$601 million in 2009. This increase in expenditure mainly reflects a \$31 million increase in salaries and related expenses and a \$41 million increase in other expenses. Other expenses increased due to:

- a \$3 million loss related to the disposal of assets
- a \$3 million increase in finance costs
- an \$11 million valuation decrement on a building following the revaluation of the University's land and buildings
- a \$10 million increase in administration, communication and travel costs and research expenses.

The following chart shows the growth in employee expenses in relation to total other expenses over the four years to 2010.

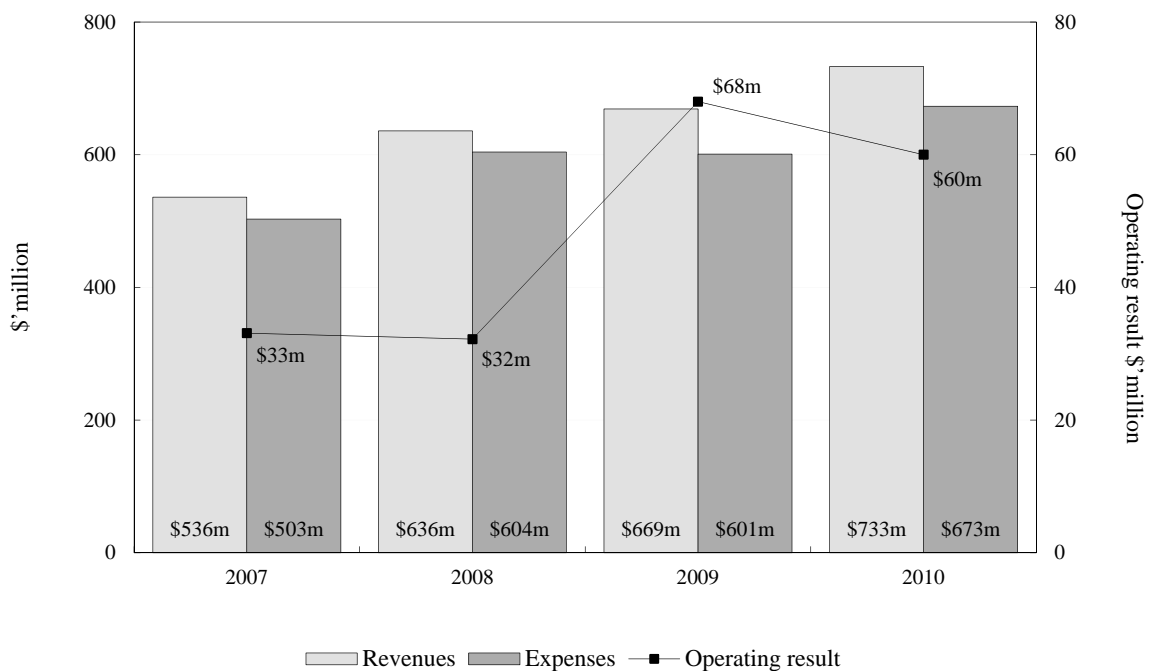


**Operating result from continuing operations**

The consolidated operating result for the year was a surplus of \$60 million (\$68 million). This decrease is due predominantly to:

- increased salaries and wages expenses
- an increase in administration and communication, building and grounds expenditure and teaching and research expenses
- a reduction in investment revenue reflecting the high level of unrealised investment gains on the General and Composite Fund in 2009.

The following chart shows the operating revenues, operating expenses and operating result for the four years to 2010.



**Statement of Financial Position**

The consolidated net assets of the University at 31 December 2010 totalled \$1090 million (\$961 million), an increase of \$129 million.

**Assets**

The value of the University’s assets increased by \$171 million to \$1377 million. The increase is due mainly to:

- an increase in other financial assets due mainly to an increase in held to maturity bank term investments
- an increase in the value of property, plant and equipment which reflects the work in progress for various capital redevelopment projects and a revaluation
- an increase in intangibles reflecting the replacement of the University’s financial systems.

**Liabilities**

The value of the University's liabilities increased by \$42 million to \$287 million. The University increased borrowings in 2010 by \$25 million to fund its major capital works program. The increase also reflects an increase in payables, provisions, and the University's defined benefit obligation.

**Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2010.

	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
<b>Net cash flows</b>				
Operating	94.2	73.7	88.3	36.7
Investing	(107.9)	(138.8)	(81.3)	(136)
Financing	24.1	58.3	(0.1)	(0.3)
Change in cash (including the effect of exchange rate movements)	10.5	(6.6)	6.8	(99.6)
Cash at 31 December	31.9	21.4	28.0	21.2

The net cash flows used in investing activities decreased by \$31 million due mainly to the reduced spending on capital works projects.

The decrease in the net cash flows from financing activities in 2010 reflects reduced borrowings undertaken by the University in 2010.

## Statement of Comprehensive Income for the year ended 31 December 2010

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Revenue from continuing operations:</b>					
Received under <i>Higher Education Support Act 2003</i> :					
Base operating financial assistance	4	162 525	149 302	162 525	149 302
Other operating financial assistance	4	8 397	12 455	8 397	12 455
Higher Education Contribution Scheme	4	83 734	76 012	83 734	76 012
		<u>254 656</u>	<u>237 769</u>	<u>254 656</u>	<u>237 769</u>
Learning and teaching:					
Student fees	4	135 396	114 202	135 396	114 202
Grants		54 538	36 949	48 877	36 477
		<u>189 934</u>	<u>151 151</u>	<u>184 273</u>	<u>150 679</u>
Research grants and fees:					
National competitive grants		81 263	74 060	81 263	74 060
Public sector - other		43 134	39 488	33 892	37 045
Industry and other		34 541	27 039	23 265	22 983
		<u>158 938</u>	<u>140 587</u>	<u>138 420</u>	<u>134 088</u>
Research - other:					
Cooperative Research Centre direct funding		2 963	4 854	2 963	4 854
Research Infrastructure Program		14 158	14 471	14 158	14 471
Sustainable Excellence Research funding		4 551	-	4 551	-
		<u>21 672</u>	<u>19 325</u>	<u>21 672</u>	<u>19 325</u>
Other:					
Investment revenue	4	12 585	25 387	28 806	27 423
Property revenue	4	14 356	12 337	14 716	12 595
Specialist services and trading	4	49 037	60 619	16 567	16 570
Other	4	32 219	22 041	26 153	19 825
		<u>108 197</u>	<u>120 384</u>	<u>86 242</u>	<u>76 413</u>
<b>Total revenue from continuing operations</b>		<u>733 397</u>	<u>669 216</u>	<u>685 263</u>	<u>618 274</u>
<b>Expenses from continuing operations:</b>					
Salaries and related expenses	5	357 570	326 304	346 139	314 010
Student services		34 273	30 743	34 273	30 743
Teaching and research	5	68 678	65 840	68 983	66 227
Buildings and grounds	5	41 755	37 852	41 005	36 090
Finance costs	5	3 659	790	4 079	1 121
Administration, communication and travel	5	108 124	98 114	67 617	62 307
Finance and fund administration	5	2 728	5 119	2 622	5 119
Miscellaneous equipment, depreciation and net loss on disposal of assets	5	56 664	36 455	56 453	35 604
<b>Total expenses from continuing operations</b>		<u>673 451</u>	<u>601 217</u>	<u>621 171</u>	<u>551 221</u>
<b>Net operating result for the year</b>		<u>59 946</u>	<u>67 999</u>	<u>64 092</u>	<u>67 053</u>
<b>Operating result for the period</b>		59 946	67 999	64 092	67 053
<b>Other comprehensive income:</b>					
Gain (Loss) on revaluation of land and buildings	15	73 554	-	73 380	-
Gain (Loss) on value of available-for-sale financial assets, net of tax	14	-	-	(5 730)	819
Gain (Loss) on revaluation of library	15	(1 810)	-	(1 810)	-
Gain (Loss) on swap contracts	9	(1 257)	13 142	(1 257)	13 142
Share of other comprehensive income of associates and joint ventures, net of tax	4	(136)	(248)	-	-
Net actuarial gain (loss) recognised in respect of defined benefit plans	27	(710)	5 013	(710)	5 013
Non-controlling equity interest distribution paid		(493)	-	-	-
<b>Total other comprehensive income</b>		<u>69 148</u>	<u>17 907</u>	<u>63 873</u>	<u>18 974</u>
<b>Total comprehensive income</b>		<u>129 094</u>	<u>85 906</u>	<u>127 965</u>	<u>86 027</u>
Total comprehensive income attributable to non-controlling interest		109	(128)	-	-
<b>Total comprehensive income attributable to the University of Adelaide</b>		<u>129 203</u>	<u>85 778</u>	<u>127 965</u>	<u>86 027</u>

## Statement of Financial Position as at 31 December 2010

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current assets:</b>					
Cash and cash equivalents	6	31 958	21 428	23 594	15 123
Receivables	7	31 976	28 728	26 188	25 886
Other financial assets	8	57 445	40 003	57 750	39 600
Inventories	10	10 112	8 175	1 139	1 172
Other non-financial assets	11	6 781	7 354	6 750	7 252
		<u>138 272</u>	<u>105 688</u>	<u>115 421</u>	<u>89 033</u>
Non-current assets held for sale	12	29 203	39 297	-	-
<b>Total current assets</b>		<u>167 475</u>	<u>144 985</u>	<u>115 421</u>	<u>89 033</u>
<b>Non-current assets:</b>					
Other financial assets	8	119 856	108 256	120 186	108 643
Investments accounted for using the equity method	13	2 159	2 295	713	713
Available-for-sale financial assets	14	-	-	41 723	47 453
Property, plant and equipment	15	991 683	877 553	985 183	874 696
Investment property	16	18 685	19 252	18 685	19 252
Intangible assets	17	19 064	1 664	19 064	1 664
Other non-financial assets	11	1 317	1 186	1 317	1 186
Deferred government superannuation contribution	27	57 257	51 700	57 257	51 700
		<u>1 210 021</u>	<u>1 061 906</u>	<u>1 244 128</u>	<u>1 105 307</u>
<b>Total non-current assets</b>		<u>1 210 021</u>	<u>1 061 906</u>	<u>1 244 128</u>	<u>1 105 307</u>
<b>Total assets</b>		<u>1 377 496</u>	<u>1 206 891</u>	<u>1 359 549</u>	<u>1 194 340</u>
<b>Current liabilities:</b>					
Payables	18	54 360	48 686	37 363	37 324
Borrowings	19	5 006	2 506	5 006	2 506
Provisions	20	28 204	27 037	27 398	26 268
Derivative financial instruments	9	-	64	-	64
Defined benefit obligation	27	3 900	3 500	3 900	3 500
Other	21	10 990	11 454	20 447	19 100
		<u>102 460</u>	<u>93 247</u>	<u>94 114</u>	<u>88 762</u>
<b>Total current liabilities</b>		<u>102 460</u>	<u>93 247</u>	<u>94 114</u>	<u>88 762</u>
<b>Non-current liabilities:</b>					
Payables	18	5 966	5 338	5 487	5 239
Borrowings	19	78 043	55 849	78 043	55 849
Provisions	20	43 826	40 828	43 568	40 596
Derivative financial instruments	9	3 808	2 487	3 808	2 487
Defined benefit obligation	27	53 357	48 200	53 357	48 200
		<u>185 000</u>	<u>152 702</u>	<u>184 263</u>	<u>152 371</u>
<b>Total non-current liabilities</b>		<u>185 000</u>	<u>152 702</u>	<u>184 263</u>	<u>152 371</u>
<b>Total liabilities</b>		<u>287 460</u>	<u>245 949</u>	<u>278 377</u>	<u>241 133</u>
<b>Net assets</b>		<u>1 090 036</u>	<u>960 942</u>	<u>1 081 172</u>	<u>953 207</u>
<b>Equity:</b>					
Capital reserves	23	585 674	513 980	594 337	528 497
Specific purpose reserves	23	329 597	270 612	329 597	270 612
Retained surplus	23	173 089	174 565	157 238	154 098
		<u>1 088 360</u>	<u>959 157</u>	<u>1 081 172</u>	<u>953 207</u>
<b>Total University interest</b>		<u>1 088 360</u>	<u>959 157</u>	<u>1 081 172</u>	<u>953 207</u>
Non-controlling interest		1 676	1 785	-	-
<b>Total equity</b>		<u>1 090 036</u>	<u>960 942</u>	<u>1 081 172</u>	<u>953 207</u>

## Statement of Changes in Equity for the year ended 31 December 2010

<b>Consolidated</b>	Capital reserves \$'000	Specific purpose reserves \$'000	Retained surplus \$'000	Minority interest \$'000	Total \$'000
Balance at 1 January 2009	513 980	205 275	154 124	1 657	875 036
Net operating result	-	47 182	20 689	128	67 999
Other comprehensive income:					
Gain (loss) on interest rate swap contracts	-	13 142	-	-	13 142
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	(248)	-	(248)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	5 013	-	-	5 013
Total other comprehensive income	-	18 155	(248)	-	17 907
Balance at 31 December 2009	513 980	270 612	174 565	1 785	960 942
Operating result after income tax for the period:					
Balance at 1 January 2010	513 980	270 612	174 565	1 785	960 942
Net operating result	(50)	60 952	(1 340)	384	59 946
Other comprehensive income:					
Gain (loss) on revaluation of land and buildings	73 554	-	-	-	73 554
Gain (loss) on revaluation of library	(1 810)	-	-	-	(1 810)
Gain (loss) on swap contracts	-	(1 257)	-	-	(1 257)
Share of other comprehensive income of associates and joint ventures, net of tax	-	-	(136)	-	(136)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	(710)	-	-	(710)
Non-controlling equity interest distribution paid	-	-	-	(493)	(493)
Total other comprehensive income	71 744	(1 967)	(136)	(493)	69 148
<b>Balance at 31 December 2010</b>	<b>585 674</b>	<b>329 597</b>	<b>173 089</b>	<b>1 676</b>	<b>1 090 036</b>
<b>Parent</b>					
Balance at 1 January 2009	527 678	205 275	134 227	-	867 180
Net operating result	-	47 182	19 871	-	67 053
Other comprehensive income:					
Gain (loss) on value of available-for-sale financial assets, net of tax	819	-	-	-	819
Gain (loss) on interest rate swap contracts	-	13 142	-	-	13 142
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	5 013	-	-	5 013
Total other comprehensive income	819	18 155	-	-	18 974
Balance at 31 December 2009	528 497	270 612	154 098	-	953 207
Operating result after income tax for the period:					
Balance at 1 January 2010	528 497	270 612	154 098	-	953 207
Net operating result	-	60 952	3 140	-	64 092
Other comprehensive income:					
Gain (loss) on revaluation of land and buildings	73 380	-	-	-	73 380
Gain (loss) on value of available-for-sale financial assets, net of tax	(5 730)	-	-	-	(5 730)
Gain (loss) on revaluation of library	(1 810)	-	-	-	(1 810)
Gain (loss) on swap contracts	-	(1 257)	-	-	(1 257)
Net actuarial gain (loss) recognised in respect of defined benefit plans	-	(710)	-	-	(710)
Total other comprehensive income	65 840	(1 967)	-	-	63 873
<b>Balance at 31 December 2010</b>	<b>594 337</b>	<b>329 597</b>	<b>157 238</b>	<b>-</b>	<b>1 081 172</b>



## Statement of Cash Flows for the year ended 31 December 2010

	Note	Consolidated		University	
		2010 Inflows (Outflows)	2009 Inflows (Outflows)	2010 Inflows (Outflows)	2009 Inflows (Outflows)
<b>Cash flows from operating activities:</b>					
Inflows:		\$'000	\$'000	\$'000	\$'000
Australian Government financial assistance	37(h)	405 243	351 454	399 868	351 545
OS-HELP (net)	37(h)	1 105	450	1 105	450
Superannuation supplementation	37(h)	3 311	3 086	3 311	3 086
State Government financial assistance		24 011	30 360	23 684	30 049
HECS-HELP student upfront payments		13 446	12 456	13 446	12 456
Fee paying student revenue received		127 020	111 819	127 020	111 819
Fees and charges		17 094	14 589	17 094	14 589
Donations and bequests		8 972	6 256	8 972	6 244
Interest and dividends received		9 015	6 494	5 536	4 317
Consultancy and contract research		60 977	67 862	32 962	38 490
Specialist services and produce trading		15 935	16 240	3 691	4 701
GST received		26 526	29 174	24 747	27 480
Other		29 562	31 481	39 479	23 200
<b>Total inflows</b>		<b>742 217</b>	<b>681 812</b>	<b>700 915</b>	<b>628 426</b>
Outflows:					
Salaries and related expenses		(350 678)	(325 115)	(339 240)	(312 999)
Student services		(34 306)	(30 816)	(34 257)	(30 752)
Goods and services		(230 565)	(219 303)	(196 112)	(179 505)
Interest and other costs of finance		(3 902)	(1 122)	(3 902)	(1 122)
GST paid		(28 566)	(31 733)	(24 264)	(28 190)
<b>Total outflows</b>		<b>(648 017)</b>	<b>(608 089)</b>	<b>(597 775)</b>	<b>(552 568)</b>
<b>Net cash provided by (used in) operating activities</b>	24	<b>94 200</b>	<b>73 723</b>	<b>103 140</b>	<b>75 858</b>
<b>Cash flows from investing activities:</b>					
Inflows:					
Proceeds from sale of property, plant and equipment		16 605	360	137	289
Proceeds from sale of financial assets		3 270	83 832	2 867	83 475
Sale of investments - held to maturity		-	572	-	572
Increase in loans		38	496	6	191
Repayment of loans by related parties		172	153	172	172
Increase in funds held on deposit		-	-	1 500	-
<b>Total inflows</b>		<b>20 085</b>	<b>85 413</b>	<b>4 682</b>	<b>84 699</b>
Outflows:					
Payments for property, plant and equipment		(90 380)	(130 253)	(86 274)	(129 455)
Payments for intangible assets		(7 922)	(8 713)	(7 922)	(8 713)
Purchase of financial assets		(11 859)	(85 102)	(11 859)	(84 702)
Purchase of investments - held to maturity		(17 900)	-	(17 900)	-
Decrease in loans		(16)	(142)	(16)	(6)
Increase in loans to related parties		-	-	(250)	-
Decrease in funds held on deposit		-	-	-	(4 500)
<b>Total outflows</b>		<b>(128 077)</b>	<b>(224 210)</b>	<b>(124 221)</b>	<b>(227 376)</b>
<b>Net cash provided by (used in) investing activities</b>		<b>(107 992)</b>	<b>(138 797)</b>	<b>(119 539)</b>	<b>(142 677)</b>
<b>Cash flows from financing activities:</b>					
Inflows:					
Increase in borrowings		24 700	58 300	24 700	58 300
<b>Total inflows</b>		<b>24 700</b>	<b>58 300</b>	<b>24 700</b>	<b>58 300</b>
Outflows:					
Repayment of borrowings		(55)	-	-	-
Dividends paid to minority interests		(493)	-	-	-
<b>Total outflows</b>		<b>(548)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash provided by (used in) financing activities</b>		<b>24 152</b>	<b>58 300</b>	<b>24 700</b>	<b>58 300</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>10 360</b>	<b>(6 774)</b>	<b>8 301</b>	<b>(8 519)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>21 428</b>	<b>28 016</b>	<b>15 123</b>	<b>23 456</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>170</b>	<b>186</b>	<b>170</b>	<b>186</b>
<b>Cash and cash equivalents at 31 December</b>	6	<b>31 958</b>	<b>21 428</b>	<b>23 594</b>	<b>15 123</b>

The University invests its surplus working capital into bank term investments. These bank term investments are reported as financial assets held to maturity within note 8 (2010: \$57.3 million, 2009: \$39.4 million). As a consequence these amounts are not reported within cash and cash equivalents and the movement in these assets are not reported within the Statement of Cash Flows.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Basis of preparation

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with AASs, AASB interpretations, the requirements of the Department of Education, Employment and Workplace Relations (DEEWR) and South Australian TIs and the APF issued under the provisions of the PFAA (except where in conflict with DEEWR requirements).

#### (a) *Compliance with International Financial Reporting Standards (IFRS)*

The financial statements and notes of the University of Adelaide (the University) comply with AASs, some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

#### (b) *Critical accounting estimates*

Preparation of financial statements in conformity with AASs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the University's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed where applicable, in the relevant notes to the financial statements.

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. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

### 2. Scope of reporting

The financial statements and notes disclose the 2010 operating results and 2009 comparative results of The University of Adelaide as follows:

University — refers to all aspects of operation of The University of Adelaide only.

Consolidated — refers to the financial results of The University of Adelaide together with the financial results of its controlled entities (refer note 32). It includes the University's interests in associated entities (note 33) and its joint venture operations (note 34), recognised using the equity accounting method.

The controlled entities of The University of Adelaide, included in this report are:

- Adelaide Research & Innovation Pty Ltd as trustee for The Adelaide Research & Innovation Investment Trust:
  - ACN 008 123 466 Pty Ltd (formerly Repromed Pty Ltd)
- Adelaide Unicare Pty Ltd as trustee for the Unihealth Research & Development Trust
- Martindale Holdings Pty Ltd as trustee for:
  - J S Davies Estate
  - J A T Mortlock Trust
  - The Roseworthy Farm
- National Wine Centre Pty Ltd as trustee for the National Wine Centre Trust
- Roseworthy Piggery Pty Ltd.

### 3. Statement of significant accounting policies

#### (a) *Basis of accounting*

This general purpose financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity, and these policies have been consistently applied to all the years presented, unless otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures. Where comparatives have been reclassified, the impact of this reclassification has been disclosed in the relevant note.

**(b) Principles of consolidation**

The consolidated financial statements of the Consolidated Entity include the financial statements of the University, being the parent entity, and its controlled entities (the Consolidated Entity). All entities have a 31 December reporting period.

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities have been eliminated in the consolidated financial statements. Accounting policies of controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Non-controlling interest in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

**(c) Foreign currency**

The University and its controlled entities financial statements are prepared in Australian dollars as their primary activities are conducted within Australia where the functional currency is Australian dollars.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the net operating result. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

**(d) Revenue recognition**

The University recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the University and specific criteria have been met for each of the University's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the transaction have been resolved. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Grant revenue*

Grant revenue is recognised in the accounting period that the University obtains control of the revenue which is generally when it is received.

*Student tuition fees and charges*

Student tuition fees are recognised in the accounting period in which the service is provided.

*Consultancy, contract and industry research*

Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.

*Bequests and donations*

Bequests and donations are recognised as income in the accounting period they are received.

*Interest and investment income*

Interest and income from investments are recognised as they accrue (refer note 3(j)).

*Asset sales*

The net gain/loss from asset sales is included in the Consolidated Entity net operating result. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

**(e) GST**

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

(e) ***GST (continued)***

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

(f) ***Intangible assets***

Research expenditure is expensed in the period in which it is incurred. Where no internally generated asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

Any intangible assets arising from development (or from the development phase of an internal project) are recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- the intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- how the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

All computer software other than operating systems is treated as intangible assets.

Intangible assets are stated at cost less accumulated amortisation and impairment, whereby impairment is tested annually (refer note 17).

(g) ***Employee benefits***

*Wages and salaries*

The employees' entitlements to wages and salaries represent the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The entitlements have been calculated at the wage and salary rates as at the balance date and have been recognised in payables.

*Annual leave*

The employees' entitlements to annual leave expected to be settled within 12 months of the balance date have been calculated at the amounts expected to be paid when the liabilities are settled and recognised in current provisions. Where the employees' entitlements to annual leave are not expected to be settled within 12 months of the balance date, the provision has been discounted to present value using the Australian Government three year bond rate and recognised in non-current provisions. The employee on-costs related to annual leave provision are recognised in payables.

*Long service leave*

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employees' entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Australian Government securities at balance date, which most closely match the terms of maturity of the related liabilities, and recognised in non-current provisions.

In determining the liability for employees' entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been recognised in payables.

*Superannuation*

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the net operating result. For defined benefit plans, the actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur and the liability in relation to the defined benefit obligation, net of assets, has been recognised in the Statement of Financial Position. Refer note 27 for details relating to the individual schemes.

(h) ***Receivables***

The collectability of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

**(i) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) Other financial assets**

The Consolidated Entity classifies its investment into the following categories: financial assets held for trading, financial assets held to maturity, available for sale financial assets and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of the investments is made at initial recognition and is reviewed at each balance date.

*Financial assets held for trading*

The financial assets are classified in this category if acquired for the purpose of selling in the short-term and the assets are subject to frequent changes in fair value. Financial assets held for trading purposes are recorded at fair value in the Statement of Financial Position, with any realised and unrealised gains or losses recognised in the net operating result.

- *Composite Fund*

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by independent investment managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These securities are traded by the investment managers, however, the Composite Fund represents a long-term investment holding. As a consequence, these investments are reported in non-current financial assets in the Statement of Financial Position at market values obtained from the investment managers.

*Financial assets held to maturity*

The University places its surplus operating funds into bank term deposits with fixed maturity dates. The bank term deposits held at balance date had original maturities of 180 days or less. Financial assets held to maturity are recognised at cost.

*Available-for-sale financial assets*

The financial assets are classified in this category where there is an intention to dispose of the investment, rather than replacing the investment through trading. Available-for-sale financial assets are recorded at fair value less impairment in the Statement of Financial Position. Unrealised gains and losses arising from changes in fair value are recognised directly in the revaluation reserve, until the investment is disposed of or is determined impaired, at which time the cumulative unrealised gain or loss previously recognised in the reserve is included in the net operating result for the period. The University's investments in controlled entities are classified as non-current available-for-sale financial assets as the University does not intend to dispose of these assets in the near future.

*Loans and receivables*

The financial assets are classified in this category when the Consolidated Entity provides money, goods or services to a debtor with no intention of selling the receivable. Financial assets classified as loans and receivables are recorded at amortised cost less impairment. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

Fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes (refer note 31). The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. Financial instruments that are not traded in an active market are recognised at the lower of cost or net realisable value. The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values.

**(k) Derivative financial instruments**

The Consolidated Entity enters into interest rate swaps (derivative financial instruments) to manage its exposure to movements in interest rates on its borrowings.

In addition, the Consolidated Entity enters into foreign currency swaps (derivative financial instruments) to manage its exposure to movements in exchange rates on its capital expenditure.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised as an asset or liability as the interest rates swaps are effective hedging instruments.

**(k) Derivative financial instruments (continued)**

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

*Hedge accounting*

The Consolidated Entity has designated the interest rate and foreign currency swaps as cash flow hedges.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Consolidated Entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting cash flows of the hedged item.

*Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designed and qualify as cash flow hedges are deferred in Statement of Comprehensive Income. The gain or loss relating to the ineffective portion is recognised immediately in the net operating result. As at 31 December 2010 there are no ineffective hedge instruments.

Amounts deferred in equity are recorded in the net operating result in the periods when the hedged item is recognised in the net operating result. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the net operating result. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognised immediately in the net operating result.

**(l) Investments in business undertakings**

*Controlled entities*

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the net operating result when they are declared by the controlled entities.

*Associates*

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises a significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at cost.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. The Consolidated Entity's share of the associates' net profit or loss after tax is recognised in consolidated other comprehensive income after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated Entity or another associate of the Consolidated Entity.

*Joint venture operations*

The University derives income as part of its participation in Cooperative Research Centres, as listed in note 34(a)(i). In the ordinary course of events this income, which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at the balance date, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity's interest in other joint ventures, as described in note 34(a)(ii), are accounted for using the equity method of accounting.

*Other business undertakings*

The Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non-publicly listed investments, these have been valued at lower of cost or net realisable value (refer note 3(j)).

**(m) Inventories***Consumable materials and trading stock*

The University has a number of inventory stores at several locations. The inventory is valued at cost based on the weighted average cost method.

*Livestock*

The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

**(n) Property, plant and equipment***Acquisitions*

Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with note 3(q).

*Revaluations*

During 2010 land and buildings were independently valued on a fair value basis in accordance with AASs.

Increases in the carrying amounts arising on revaluation of each class of assets, being land and buildings, library collection and works of art are credited to capital reserves in equity within the Statement of Financial Position except to the extent that they reverse previous reductions in the carrying amounts which were charged to the net operating result. Decreases that reverse previous increases of the same class of asset are first charged against the capital reserves in equity to the extent of the remaining reserve attributable to the class of asset. All other decreases are charged to the net operating result.

*Disposal of revalued assets*

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

*Land and buildings*

The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided to the University by government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

All land and buildings are recorded at fair value which has been assessed via an independent valuation on the basis of market value for existing use. The valuation of land and buildings has been carried out by Mr Martin Oldfield, AAPI, BBus(Prop) (Val), Mr Lachlan Hogarth, AAPI, BBus(Prop) (Val), Grad Cert App Fin, Mrs Kate Tynan, AAPI, BBusProp (Val), Dimitri Ekonomopoulos, GAPI, BBus(Prop) (Val) of Maloney Field Services (Australia) Pty Ltd on 31 December 2010.

*Other collections*

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

*Library collection*

The library collection was revalued on 31 December 2010 using an internal valuation based on the annual price movement of books.

*Works of art*

Works of art greater than \$2000 are recorded at fair value on the basis of an independent valuation carried out by Mr J F B Bruce, Valuer (MSAV) of Bonham's & Goodman on 31 December 2008. The additions to works of art during 2009 and 2010 have been recognised at cost. No provision for depreciation is made for works of art.

*Leased property, plant and equipment*

Leases of property, plant and equipment where the University, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the net operating result on a straight-line basis, over the period of the lease.

**(o) *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. The University intends to dispose of any assets held for sale within the next 12 months after balance date.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised in the net operating result for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

Non-current assets classified as held for sale are presented separately within current assets in the Statement of Financial Position.

**(p) *Impairment of assets***

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 net operating result for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(q) *Depreciation and amortisation***

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land and works of art, on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

Buildings	20-160 years
Leasehold improvements	10-50 years
Library	10 years
Plant and equipment including motor vehicles	5-10 years
Leased plant and equipment	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

**(r) *Investment properties***

Investment properties are distinct from property, plant and equipment, in that they are held to earn rentals, rather than for use in the production or supply of goods and services.

Investment properties are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the University. Where an investment property is acquired at no cost or for nominal consideration, its cost is deemed to be its fair value, as at the date of acquisition.

Subsequent to initial recognition at cost, investment properties are revalued to fair value, which is based on active market prices, with changes in the fair value recognised in the net operating result in the period that they arise. The properties are not depreciated. Rental revenue from the leasing of investment properties is recognised in the net operating result in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

An independent valuation of investment properties has been carried out by Mr L Hogarth, AAPI, BBus (Prop) (Val), Grad Cert App Fin, of Maloney Field Services (Australia) Pty Ltd on 31 December 2010.



**(s) Workers compensation**

The University is responsible for payments of workers compensation claims and is registered with WorkCoverSA as an exempt employer.

The actuarial assessment of the provision for workers compensation claims has been prepared by Brett & Watson Pty Ltd using the incurred claims cost development method. Under the incurred claims cost development method the development of the case estimated incurred cost (case estimates plus inflation adjusted amounts paid) is calculated and development factors adopted based on past experience. These development factors are used to determine the ultimate incurred claims cost and by deducting the inflation adjusted payments to date, the expected future claim payments, expressed in current values.

**(t) Payables**

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(u) Salaries and related expenses**

Items attributed to salaries and related expenses include salaries and wages, employee entitlements and other costs incidental to the employment of staff such as professional development costs and FBT.

**(v) Operating revenue - other**

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, fund raising and bequests, sundry recoveries and recharges.

**(w) Borrowings costs**

Borrowing costs incurred for the construction of buildings are capitalised during the period of time that is required to complete and prepare the building for its intended use. Other borrowing costs are expensed.

**(x) Rounding**

All amounts in this report are rounded to the nearest one thousand dollars.

**4. Revenue from continuing operations**

	Consolidated		University	
	2010	2009	2010	2009
Received under <i>Higher Education Support Act 2003</i> :	\$'000	\$'000	\$'000	\$'000
Base operating financial assistance:				
Commonwealth Grants Scheme (Commonwealth supported places)	119 182	105 749	119 182	105 749
Institutional Grants Scheme	15 271	15 744	15 271	15 744
Research Training Scheme	28 072	27 809	28 072	27 809
	<u>162 525</u>	<u>149 302</u>	<u>162 525</u>	<u>149 302</u>
Other operating financial assistance:				
Capital development pool and renewal funding	-	2 246	-	2 246
Other operating financial assistance	8 397	10 209	8 397	10 209
	<u>8 397</u>	<u>12 455</u>	<u>8 397</u>	<u>12 455</u>
Higher Education Contribution Scheme:				
HECS-HELP student upfront payments	13 446	12 456	13 446	12 456
Australian Government financial assistance	70 288	63 556	70 288	63 556
	<u>83 734</u>	<u>76 012</u>	<u>83 734</u>	<u>76 012</u>
	<u>254 656</u>	<u>237 769</u>	<u>254 656</u>	<u>237 769</u>
Student fee income includes:				
Fee paying student revenue received				
Award courses:				
Australian fee paying undergraduate students	1 640	2 739	1 640	2 739
Australian fee paying postgraduate students	2 939	2 942	2 939	2 942
International fee paying students	114 401	92 017	114 401	92 017
	<u>118 980</u>	<u>97 698</u>	<u>118 980</u>	<u>97 698</u>

4. Revenue from continuing operations (continued)	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Non-award courses:					
Continuing education		553	609	553	609
Australian fee paying		5 510	5 408	5 510	5 408
Other teaching service fees		4 238	4 317	4 238	4 317
		<u>10 301</u>	<u>10 334</u>	<u>10 301</u>	<u>10 334</u>
		<u>129 281</u>	<u>108 032</u>	<u>129 281</u>	<u>108 032</u>
Australian Government financial assistance:					
FEE-HELP		5 309	5 391	5 309	5 391
Overseas postgraduate research scholarship		806	779	806	779
		<u>135 396</u>	<u>114 202</u>	<u>135 396</u>	<u>114 202</u>
Investment revenue					
General fund earnings		5 239	2 127	4 792	2 580
Net realised gains on composite fund investments		3 191	-	3 191	-
General and Composite Fund investment market valuation adjustment		-	20 335	-	20 335
Royalty, trademarks and licences		3 203	1 701	619	1 422
Dividends received		952	1 224	952	1 224
Distributions from controlled entities		-	-	19 252	1 862
		<u>12 585</u>	<u>25 387</u>	<u>28 806</u>	<u>27 423</u>
Property revenue:					
Rental charges/accommodation fees		11 383	10 451	11 590	10 633
Parking fees		1 203	1 004	1 203	1 004
Building development and maintenance recovery		1 250	473	1 250	473
Other property revenue		520	409	673	485
		<u>14 356</u>	<u>12 337</u>	<u>14 716</u>	<u>12 595</u>
Other revenue:					
Specialist services and trading:					
Consultancy fees		15 996	26 883	7 636	8 262
Library charges and fines		882	976	882	976
Sale of services		18 129	20 888	5 047	5 722
Sale of goods		10 677	9 100	606	480
Sponsorship and conference income		1 267	598	1 267	598
Other specialist services and trading		2 086	2 174	1 129	532
		<u>49 037</u>	<u>60 619</u>	<u>16 567</u>	<u>16 570</u>
Bequests and donations received for:					
Research		5 598	3 262	5 598	3 262
General operational purposes		3 402	2 953	3 402	2 953
		<u>9 000</u>	<u>6 215</u>	<u>9 000</u>	<u>6 215</u>
Prizes and scholarships		1 646	1 324	1 646	1 324
Recharge of costs to other organisations		445	377	445	377
Application management and late fee		763	490	763	490
Franchise fees		837	998	837	998
Bad debts recoveries		-	2	-	2
Insurance claim recovery		15	6	15	6
Salary recharges		1 590	913	1 590	913
AusAID scholarships and stipends		4 785	3 670	4 785	3 670
Net foreign exchange gain		170	186	170	186
Other revenue		12 968	7 860	6 902	5 644
		<u>32 219</u>	<u>22 041</u>	<u>26 153</u>	<u>19 825</u>
Share of operating results of associates and joint ventures accounted for using the equity method:					
Joint venture operations	34	(123)	(84)	-	-
Associates	33	(13)	(164)	-	-
		<u>(136)</u>	<u>(248)</u>	<u>-</u>	<u>-</u>

5. Expenses from continuing operations	Consolidated		University	
	2010	2009	2010	2009
<i>Salaries and related expenses</i>	\$'000	\$'000	\$'000	\$'000
Salaries and related expenses - academic:				
Salaries	139 554	129 012	139 554	129 012
Contributions to superannuation schemes	20 585	18 166	20 585	18 166
Payroll tax	8 170	7 214	8 170	7 214
Annual leave	12 325	9 760	12 325	9 760
Long service leave	3 724	2 970	3 724	2 970
Workers. compensation	705	625	705	625
Other	4 557	4 333	4 557	4 333
Total academic salaries and related expenses	189 620	172 080	189 620	172 080
Salaries and related expenses - non-academic:				
Salaries	122 514	113 301	112 935	102 907
Contributions to superannuation schemes	16 781	14 708	15 819	13 688
Payroll tax	7 025	5 850	6 514	5 637
Annual leave	10 537	8 877	10 414	8 530
Long service leave	2 961	2 674	2 893	2 596
Workers. compensation	726	692	563	488
Other	4 271	4 868	4 246	4 830
Total non-academic salaries and related expenses	164 815	150 970	153 384	138 676
Deferred Government superannuation expense	3 135	3 254	3 135	3 254
Total salaries and related expenses	357 570	326 304	346 139	314 010
Teaching and research:				
Agriculture, animals and cropping	829	618	900	771
Books, subscriptions and printed material	7 647	8 216	7 647	8 216
Laboratory expenses	15 478	14 765	15 478	14 765
Research transfer to other institutions	24 056	23 693	24 056	23 693
Other teaching and research	20 668	18 548	20 902	18 782
	68 678	65 840	68 983	66 227
Buildings and grounds:				
Cleaning and security	7 281	6 249	7 222	5 805
Property maintenance	12 225	10 454	12 084	9 474
Building leases and rent	11 282	14 229	11 025	14 160
Utilities	10 967	6 920	10 674	6 651
	41 755	37 852	41 005	36 090
Finance costs:				
Interest	3 056	313	3 476	644
Finance charges	603	477	603	477
	3 659	790	4 079	1 121
Administration, communication and travel:				
Consultants and specialist services	17 868	20 948	15 371	18 842
Fees and licenses	11 166	9 215	11 152	9 189
Insurance	3 421	1 951	3 248	1 768
Administration and communication	53 191	46 734	15 589	13 627
Publicity and fundraising	4 198	3 764	4 074	3 511
Travel, accommodation and entertainment	18 280	15 502	18 183	15 370
	108 124	98 114	67 617	62 307

**Salaries and related expenses (continued)**

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Finance and fund administration:					
Bad and doubtful debts:					
Student loans		(11)	34	(11)	34
Student tuition		151	494	151	494
Other debtors		227	(260)	121	(260)
		367	268	261	268
General and Composite Fund investment market valuation adjustment		364	-	364	-
Net realised loss on Composite Fund investments		-	1 698	-	1 698
Unrealised losses on investment properties		567	1 775	567	1 775
Management and merchant fees		539	362	539	362
FBT payments		850	815	850	815
Other		41	201	41	201
		2 728	5 119	2 622	5 119
Miscellaneous equipment, depreciation and net loss on disposal of assets includes:					
Amortisation of intangible assets:					
Software		1 388	401	1 388	401
Amortisation:	3(q)				
Leasehold improvements		3 895	3 159	3 891	3 155
		5 283	3 560	5 279	3 556
Depreciation:	3(q)				
Buildings		13 506	12 498	13 484	12 367
Plant, equipment and motor vehicles		7 269	7 050	7 084	6 334
Library collection		3 937	3 701	73 937	3 701
		24 712	23 249	24 505	22 402
		29 995	26 809	29 784	25 958
Non-capitalised equipment		12 239	9 232	12 239	9 232
Net loss on disposal of assets		3 301	414	3 301	414
Loss on revaluation of other buildings		11 129	-	11 129	-
		56 664	36 455	56 453	35 604
<b>6. Cash and cash equivalents</b>	3(i)				
Cash at bank or on hand		16 568	13 016	8 594	7 123
Deposits at call		15 390	8 412	15 000	8 000
		31 958	21 428	23 594	15 123

The University invested its surplus working capital into bank term investments (2010: \$57.3 million, 2009: \$39.4 million). These bank term investments have been reported as financial assets held to maturity in note 8. As a result these funds are not reported within cash and cash equivalents or within the Statement of Cash Flows.

**7. Receivables**

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current:	3(h)				
Student tuition fees		3 543	1 366	3 543	1 366
Provision for impaired receivables		(666)	(629)	(666)	(629)
		2 877	737	2 877	737
Trade debtors		22 080	22 897	15 917	19 786
Provision for impaired receivables		(904)	(752)	(529)	(483)
		21 176	22 145	15 388	19 303
Sundry debtors and accrued income		7 826	5 750	7 826	5 750
Provision for impaired receivables		-	-	-	-
		7 826	5 750	7 826	5 750
Student loans		314	360	314	360
Provision for impaired receivables		(217)	(264)	(217)	(264)
		97	96	97	96
		31 976	28 728	26 188	25 886

**(a) Impaired receivables**

As at 31 December 2010 current receivables of the group with a nominal value of \$4.3 million (\$2.1 million) were impaired. The amount of the provision was \$1.8 million (\$1.6 million). The individually impaired receivables mainly relate to outstanding trade and student debtors. It was assessed that a portion of these receivables is expected to be recovered.

	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Zero to three months	50	48	50	44
Three to six months	708	251	702	251
Over six months	3 503	1 767	3 134	1 502
	<u>4 261</u>	<u>2 066</u>	<u>3 886</u>	<u>1 797</u>

As at 31 December 2010 current receivables of the group of \$29.5 million (\$28.3 million) were not impaired. The majority of these receivables are current and mainly relate to a number of government agencies and independent customers for whom there is no recent history of default.

	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Zero to three months	25 570	25 158	21 434	22 668
Three to six months	1 570	1 481	911	1 180
Over six months	2 362	1 668	1 369	1 617
	<u>29 502</u>	<u>28 307</u>	<u>23 714</u>	<u>25 465</u>

The movement in the provision for impaired receivables is as follows:

At 1 January	1 645	1 295	1 376	1 234
Net provision for impairment recognised (reversed) during the year	-	475	247	257
Receivables written off during the year as uncollectable	(233)	(125)	(211)	(115)
	<u>1 787</u>	<u>1 645</u>	<u>1 412</u>	<u>1 376</u>

The creation and release of the provision for impaired receivables has been included in 'Finance and fund administration' in the Statement of Comprehensive Income. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash. The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

**8. Other financial assets**

	Note	Consolidated		University	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
<b>Current:</b>					
Other loans		117	172	422	172
Held to maturity - bank term investments		57 328	39 428	57 328	39 428
Term deposits		-	403	-	-
		<u>57 445</u>	<u>40 003</u>	<u>57 750</u>	<u>39 600</u>
<b>Non-current:</b>					
Held for trading					
Composite Fund at fair value:	3(j)				
Australian fixed interest securities		6 385	5 664	6 385	5 664
Overseas fixed interest securities		6 098	5 064	6 098	5 064
Australian equities		49 505	46 216	49 505	46 216
Overseas equities		34 884	31 070	34 884	31 070
Property trusts		8 720	7 588	8 720	7 588
Cash and liquid assets		4 907	4 265	4 907	4 265
Alternative strategies		7 463	6 623	7 463	6 623
		<u>117 962</u>	<u>106 490</u>	<u>117 962</u>	<u>106 490</u>
Other shares		1 226	1 033	1 226	983
Total non-current other financial assets held for trading		<u>119 188</u>	<u>107 523</u>	<u>119 188</u>	<u>107 473</u>
Other loans		668	733	988	1 170
Total non-current other financial assets		<u>119 856</u>	<u>108 256</u>	<u>120 186</u>	<u>108 643</u>

**Held to maturity - bank term investments**

The University invests its surplus working capital into bank term investments and these bank term investments have been reported as financial assets held to maturity. As a result these funds are not reported within cash and cash equivalents in note 6 or within the Statement of Cash Flows.

9. Derivative financial instruments		Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current liabilities:					
	Foreign currency swap contracts - cash flow hedges	-	64	-	64
Non-current liabilities:					
	Interest rate swap contracts - cash flow hedges	3 808	2 487	3 808	2 487
	Total derivative financial instruments	3 808	2 551	3 808	2 551

During 2007 the University entered into nine \$10 million forward start interest rate swaps (totalling \$90 million), to manage its interest rate exposures on planned borrowings for its North Terrace Development Strategy. The swaps commenced in February 2010 and amortise on a straight-line basis over 20 years. The University is obligated to pay a fixed interest rate of 6.65 percent. These interest rate swaps are effective hedges and the fair value of these hedges are recorded as a non-current liability.

During 2009 the University entered into foreign currency swaps totalling \$700 000 to manage USD foreign currency exposures on capital expenditure. As at 31 December 2009, US\$400 000 remained with maturities out to February 2010 at a weighted average exchange rate of 0.7916. These foreign currency swaps were effective hedges and the fair value of these hedges were recorded as a current liability. During 2010 these swap contracts were executed when due and no further foreign currency swaps were entered into.

10. Inventories	Note 3(m)	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Consumable materials and trading stock	8 407	6 237	1 189	1 222
	Livestock	1 755	1 988	-	-
	Provision for obsolescence	(50)	(50)	(50)	(50)
		10 112	8 175	1 139	1 172

The University has not written down inventories (2009: \$154 000) during the year ended 31 December 2010. The 2009 write-down was included in 'Teaching and research' expenses in the Statement of Comprehensive Income.

11. Other non-financial assets		Note	Consolidated		University	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current:						
	Prepayments		6 368	6 944	6 337	6 890
	Accrued income		413	410	413	362
			6 781	7 354	6 750	7 252
Non-current:						
	Prepayments		1 317	1 186	1 317	1 186
	Total other non-financial assets		8 098	8 540	8 067	8 438

12. Non-current assets held for sale	Note 3(o)				
Current:					
	Controlled entities	29 203	39 297	-	-
		29 203	39 297	-	-

13. Investments accounted for using the equity method		Note	Consolidated		University	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Investments in associates:						
	At cost	33	-	-	298	298
	Equity accounted		214	227	-	-
Interests in joint ventures:						
	At cost	34	-	-	415	415
	Equity accounted		1 945	2 068	-	-
			2 159	2 295	713	713

14. Available-for-sale financial assets	Note	Consolidated		University		
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	
Non-current:						
Investments in controlled entities	32	-	-	41 723	47 453	
<b>15. Property, plant and equipment</b>						
		Trust land \$'000	Other land \$'000	Trust buildings \$'000	Other buildings \$'000	WIP \$'000
<b>Consolidated</b>						
As at 1 January 2009:						
Cost	4	2 512	54 543	27 610	50 859	
Valuation	135 590	84 541	334 936	29 383	-	
Accumulated depreciation/amortisation	-	-	(9 155)	(1 787)	-	
Net book amount	135 594	87 053	380 324	55 206	50 859	
Year ended 31 December 2009:						
Opening net book amount	135 594	87 053	380 324	55 206	50 859	
Additions	-	367	-	126	137 119	
Disposals	-	-	-	-	-	
Transfers	-	(35 511)	14 674	16 340	(38 583)	
Depreciation/Amortisation	-	-	(10 487)	(2 011)	-	
Closing net book amount	135 594	51 909	384 511	69 661	149 395	
As at 31 December 2009:						
Cost	4	2 879	69 217	45 616	149 395	
Valuation	135 590	49 030	334 936	27 650	-	
Accumulated depreciation/amortisation	-	-	(19 642)	(3 605)	-	
Net book amount	135 594	51 909	384 511	69 661	149 395	
Year ended 31 December 2010:						
Opening net book amount	135 594	51 909	384 511	69 661	149 395	
Revaluation increments (decrements)	9 735	20 496	46 893	(14 699)	-	
Additions	-	57	-	-	91 061	
Disposals	-	-	(2 209)	-	-	
Transfers	-	-	170 442	(936)	(195 794)	
Depreciation/Amortisation	-	-	(11 355)	(2 151)	-	
Closing net book amount	145 329	72 462	588 282	51 875	44 662	
At 31 December 2010:						
Cost	4	474	291	1 626	44 662	
Valuation	145 325	71 988	588 014	50 487	-	
Accumulated depreciation/amortisation	-	-	(23)	(238)	-	
Net book amount	145 329	72 462	588 282	51 875	44 662	
		Leasehold improvements \$'000	Library collections \$'000	Works of art \$'000	Plant and equipment \$'000	Total \$'000
As at 1 January 2009:						
Cost	15 430	2 269	-	113 874	267 101	
Valuation	-	34 744	7 534	-	626 728	
Accumulated depreciation/amortisation	(5 139)	(3 474)	-	(77 868)	(97 423)	
Net book amount	10 291	33 539	7 534	36 006	796 406	
Year ended 31 December 2009:						
Opening net book amount	10 291	33 539	7 534	36 006	796 406	
Additions	-	2 392	33	7 423	147 460	
Disposals	-	(89)	-	(519)	(608)	
Transfers	5 394	-	-	(1 611)	(39 297)	
Depreciation/Amortisation	(3 159)	(3 701)	-	(7 050)	(26 408)	
Closing net book amount	12 526	32 141	7 567	34 249	877 553	
As at 31 December 2009:						
Cost	20 824	2 303	33	110 656	400 927	
Valuation	-	37 013	7 534	-	591 753	
Accumulated depreciation/amortisation	(8 298)	(7 175)	-	(76 407)	(115 127)	
Net book amount	12 526	32 141	7 567	34 249	877 553	

**15. Property, plant and equipment**  
**(continued)**

	Leasehold improvements \$'000	Library collections \$'000	Works of art \$'000	Plant and equipment \$'000	Total \$'000
<b>Consolidated</b>					
Year ended 31 December 2010:					
Opening net book amount	12 526	32 141	7 567	34 249	877 553
Revaluation increments (decrements)	-	(1 810)	-	-	60 615
Additions	-	2 178	47	10 537	103 880
Disposals	(3)	(1 406)	(3)	(340)	(3 961)
Transfers	2 657	-	-	5 834	(17 797)
Depreciation/Amortisation	(3 895)	(3 937)	-	(7 269)	(28 607)
Closing net book amount	11 285	27 166	7 611	43 011	991 683
At 31 December 2010:					
Cost	23 529	-	77	121 907	192 570
Valuation	-	27 166	7 534	-	890 514
Accumulated depreciation/amortisation	(12 244)	-	-	(78 896)	(91 401)
Net book amount	11 285	27 166	7 611	43 011	991 683
	Trust land \$'000	Other land \$'000	Trust buildings \$'000	Other buildings \$'000	WIP \$'000
<b>University</b>					
As at 1 January 2009:					
Cost	4	2 512	54 543	27 101	50 859
Valuation	135 590	48 500	334 936	26 730	-
Accumulated depreciation/amortisation	-	-	(9 155)	(1 678)	-
Net book amount	135 594	51 012	380 324	52 153	50 859
Year ended 31 December 2009:					
Opening net book amount	135 594	51 012	380 324	52 153	50 859
Additions	-	-	-	-	136 975
Disposals	-	-	-	-	-
Transfers	-	-	14 674	18 515	(38 583)
Depreciation/Amortisation	-	-	(10 487)	(1 880)	-
Closing net book amount	135 594	51 012	384 511	68 788	149 251
As at 31 December 2009:					
Cost	4	2 512	69 217	45 616	149 251
Valuation	135 590	48 500	334 936	26 730	-
Accumulated depreciation/amortisation	-	-	(19 642)	(3 558)	-
Net book amount	135 594	51 012	384 511	68 788	149 251
Year ended 31 December 2010:					
Opening net book amount	135 594	51 012	384 511	68 788	149 251
Revaluation increments (decrements)	9 735	20 481	46 893	(14 858)	-
Additions	-	-	-	-	87 881
Disposals	-	-	(2 209)	-	-
Transfers	-	-	170 442	(936)	(195 794)
Depreciation/Amortisation	-	-	(11 355)	(2 129)	-
Closing net book amount	145 329	71 493	588 282	50 865	41 338
At 31 December 2010:					
Cost	4	50	291	1 626	41 338
Valuation	145 325	71 443	588 014	49 477	-
Accumulated depreciation/amortisation	-	-	(23)	(238)	-
Net book amount	145 329	71 493	588 282	50 865	41 338
	Leasehold improvements \$'000	Library collections \$'000	Works of art \$'000	Plant and equipment \$'000	Total \$'000
As at 1 January 2009:					
Cost	15 350	2 269	-	105 693	258 331
Valuation	-	34 744	7 534	-	588 034
Accumulated depreciation/amortisation	(5 135)	(3 474)	-	(72 225)	(91 667)
Net book amount	10 215	33 539	7 534	33 468	745 698
Year ended 31 December 2009:					
Opening net book amount	10 215	33 539	7 534	33 468	754 698
Additions	-	2 392	33	6 752	146 152
Disposals	-	(89)	-	(508)	(597)
Transfers	5 394	-	-	-	-
Depreciation/Amortisation	(3 155)	(3 701)	-	(6 334)	(25 557)
Closing net book amount	12 454	32 141	7 567	33 378	847 696



15. <b>Property, plant and equipment (continued)</b> <b>University</b>	Leasehold	Library	Works of art	Plant and	Total
	improvements	collections		equipment	
As at 31 December 2009:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	20 744	2 303	33	108 947	398 627
Valuation	-	37 013	7 534	-	590 303
Accumulated depreciation/amortisation	(8 290)	(7 175)	-	(75 569)	(114 234)
Net book amount	12 454	32 141	7 567	33 378	874 696
Year ended 31 December 2010:					
Opening net book amount	12 454	32 141	7 567	33 378	874 696
Revaluation increments (decrements)	-	(1 810)	-	-	60 441
Additions	-	2 178	47	10 094	100 200
Disposals	(3)	(1 406)	(3)	(340)	(3 961)
Transfers	2 657	-	-	5 834	(17 797)
Depreciation/Amortisation	(3 891)	(3 937)	-	(7 084)	(28 396)
Closing net book amount	11 217	27 166	7 611	41 882	985 183
At 31 December 2010:					
Cost	23 449	-	77	119 767	186 602
Valuation	-	27 166	7 534	-	888 959
Accumulated depreciation/amortisation	(12 232)	-	-	(77 885)	(90 378)
Net book amount	11 217	27 166	7 611	41 882	985 183

16. <b>Investment property</b>	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Balance at 1 January	19 252	21 027	19 252	21 027
Net gain (loss) from fair value adjustments	(567)	(1 775)	(567)	(1 775)
Balance at 31 December	18 685	19 252	18 685	19 252

**(a) Amount recognised in income statement for investment property**

The University has recognised \$1.8 million (\$1.6 million) of rental income from investment properties within the Statement of Comprehensive Income. Any direct operating expenses from generating rental income are included within the Statement of Comprehensive Income and are immaterial.

**(b) Valuation basis**

The basis of valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location, condition and subject to similar leases.

An independent valuation of investment properties has been carried out by Mr L Hogarth, AAPI, BBus(Prop) (Val), Grad Cert App Fin of Maloney Field Services on 31 December 2010.

**(c) Non-current assets pledged as security**

No non-current assets have been pledged.

**(d) Contractual obligations**

There are no capital commitments for investment properties.

**(e) Leasing arrangements**

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on investment properties are as follows:

	Note	Consolidated		University	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Within one year		1 494	1 387	1 494	1 387
Later than one year but not later than five years		2 101	2 858	2 101	2 858
Later than five years		-	3	-	3
		3 595	4 248	3 595	4 248

	Note	Consolidated 2010 \$'000	University 2009 \$'000
<b>17. Intangible assets</b>	3(f)		
Non-current:			
At 1 January 2009:			
Cost		12 086	12 086
Accumulated amortisation and impairment		(10 861)	(10 861)
Net book amount		1 225	1 225
Year ended 31 December 2009:			
Opening net book amount		1 225	1 225
Additions - internal development		840	840
Transfer from WIP		-	-
Amortisation charge		(401)	(401)
Closing net book amount		1 664	1 664
As at 1 January 2010:			
Cost		12 926	12 926
Accumulated amortisation and impairment		(11 262)	(11 262)
Net book amount		1 664	1 664
Year ended 31 December 2010:			
Opening net book amount		1 664	1 664
Additions - internal development		991	991
Transfer from WIP		17 797	17 797
Amortisation charge		(1 388)	(1 388)
Closing net book amount		19 064	19 064
As at 31 December 2010:			
Cost		31 714	31 714
Accumulated amortisation and impairment		(12 650)	(12 650)
Net book amount		19 064	19 064

	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>18. Payables</b>				
Current:				
Accounts payable	39 621	36 843	24 245	26 466
Annual and long service leave on-costs	4 104	3 725	4 043	3 665
Accruals	2 895	2 064	1 339	1 143
Salary and wage deductions	7 631	5 957	7 627	5 953
OS-HELP liability to Australian Government	109	97	109	97
	54 360	48 686	37 363	37 324
Non-current:				
Accounts payable	447	75	-	-
Annual and long service leave on-costs	5 519	5 263	5 487	5 239
	5 966	5 338	5 487	5 239
Total payables	60 326	54 024	42 850	42 563

<b>19. Borrowings</b>				
Current:				
Other - unsecured	5 006	2 506	5 006	2 506
Non-current:				
Other - unsecured	78 043	55 849	78 043	55 849
Total borrowings	83 049	58 355	83 049	58 355

The University maintains an unsecured \$20 million multi-option facility (as a standby working capital facility) and an unsecured \$100 million multi-option facility (to part fund the North Terrace Development Strategy). As at 31 December 2010 the standby working capital facility has not been drawn down. As at 31 December 2010 the multi-option facility has been drawn down to the value of \$83 million to fund the Major Capital Works Program.

20. Provisions	Note	Consolidated		University	
		2010	2009	2010	2009
Current:		\$'000	\$'000	\$'000	\$'000
Workers compensation provision		354	864	354	864
Annual and long service leave		25 513	24 779	24 707	24 010
Insurance provision		2 337	1 394	2 337	1 394
		<u>28 204</u>	<u>27 037</u>	<u>27 398</u>	<u>26 268</u>
Non-current:					
Workers compensation provision		527	890	527	890
Annual and long service leave		38 975	35 592	38 717	35 360
Defined benefit fund net liability	27(c)	4 324	4 346	4 324	4 364
		<u>43 826</u>	<u>40 828</u>	<u>43 568</u>	<u>40 596</u>
Total provisions		<u>72 030</u>	<u>67 865</u>	<u>70 966</u>	<u>66 864</u>

**Movements in provisions**

	Workers compensation provision	Annual and long service leave	Insurance provision	Defined benefit fund net liability
Consolidated - current:	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 January	864	24 779	1 394	-
Additional (Reductions in) provisions recognised	(510)	734	943	-
Carrying amount at 31 December	<u>354</u>	<u>25 513</u>	<u>2 337</u>	<u>-</u>
Consolidated - non-current:				
Carrying amount at 1 January	890	35 592	-	4 346
Additional (Reductions in) provisions recognised	(363)	3 383	-	(22)
Carrying amount at 31 December	<u>527</u>	<u>38 975</u>	<u>-</u>	<u>4 324</u>

**Workers compensation provision**

Provision is made based on an actuarial assessment of workers compensation estimated claims liability for future years. Refer to policy note 3(s).

**Annual and long service leave**

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to policy note 3(g).

**Insurance provision**

Provision has been made for the actuarial assessment of future liability to the University for losses incurred prior to 31 December 2010 that were expected to be paid subsequent to 1 January 2011 and are below the University deductible in the University insurance policies.

**Defined benefit fund net liability**

Provision is made for the Super Scheme A 1985 defined benefit obligation in accordance with AASB 119. Refer note 3(g) and note 27(c).

21. Other liabilities	Consolidated		University	
	2010	2009	2010	2009
Current:	\$'000	\$'000	\$'000	\$'000
Outside funded positions	98	78	98	78
Income in advance	1 092	424	614	32
Student tuition fees received in advance	8 677	9835	8 677	9 835
Residential bonds	334	312	334	312
Employee benefits – redundancy	182	216	182	216
Funds held on deposit for controlled entities	-	-	9 959	8 039
Other	607	589	583	588
	<u>10 990</u>	<u>11 454</u>	<u>20 447</u>	<u>19 100</u>

**22. Employee benefits and related on-cost liabilities**

In accordance with the requirements of AASB 119, employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately in note 20. Below is a composite note disclosure showing the total liabilities the Consolidated Entity has as at 31 December 2010 relating to employee benefits:

**22. Employee benefits and related on-cost liabilities (continued)**

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Annual leave:					
On-costs included in payables - current	18	2 898	2 854	2 868	2 822
Employee benefits - current	20	16 315	16 143	15 956	15 768
		<u>19 213</u>	<u>18 997</u>	<u>18 824</u>	<u>18 590</u>
On-costs included in payables - non-current	18	1 150	782	1 146	778
Employee benefits - non-current	20	6 409	4 374	6 376	4 345
		<u>7 559</u>	<u>5 156</u>	<u>7 522</u>	<u>5 123</u>
Long service leave:					
On-costs included in payables - current	18	1 206	871	1 175	843
Employee benefits - current	20	9 198	8 636	8 751	8 242
		<u>10 404</u>	<u>9 507</u>	<u>9 926</u>	<u>9 085</u>
On-costs included in payables - non-current	18	4 369	4 481	4 341	4 461
Employee benefits - non-current	20	32 565	31 218	32 340	31 015
		<u>36 934</u>	<u>35 699</u>	<u>36 681</u>	<u>35 476</u>
		<u>74 110</u>	<u>69 359</u>	<u>72 953</u>	<u>68 274</u>

**23. Retained surplus and reserves****(a) Summary**

## Capital reserves:

Capital reserve	2 971	2 971	-	-
Capital profits reserve	1 481	1 481	-	-
Asset revaluation reserve	300 695	228 951	273 490	201 920
Initial asset recognition reserve	279 124	279 124	279 124	279 124
Available-for-sale investments revaluation reserve	1 403	1 453	41 723	47 453
	<u>585 674</u>	<u>513 980</u>	<u>594 337</u>	<u>528 497</u>

## Specific purpose reserves:

Special reserve	181 055	149 158	181 055	149 158
Bequests/donations unspent income reserve	23 071	10 734	23 071	10 734
Restricted purpose bequest capital reserve	96 976	84 935	96 976	84 935
Composite Fund revaluation reserve	28 495	25 785	28 495	25 785
	<u>329 597</u>	<u>270 612</u>	<u>329 597</u>	<u>270 612</u>

## Retained surplus

	<u>173 089</u>	<u>174 565</u>	<u>157 238</u>	<u>154 098</u>
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**(b) Movements in reserves**

## Capital reserve:

Opening balance	2 971	2 971	-	-
Current year movement	-	-	-	-
Closing balance	<u>2 971</u>	<u>2 971</u>	-	-

## Capital profits reserve:

Opening balance	1 481	1 481	-	-
Current year movement	-	-	-	-
Closing balance	<u>1 481</u>	<u>1 481</u>	-	-

## Asset revaluation reserve:

Opening balance	228 951	228 951	201 920	201 920
Revaluation increment on property, plant and equipment	71 744	-	71 570	-
Closing balance	<u>300 695</u>	<u>228 951</u>	<u>273 490</u>	<u>201 920</u>

## Initial asset recognition reserve:

Opening balance	279 124	279 124	279 124	279 124
Current year movement	-	-	-	-
Closing balance	<u>279 124</u>	<u>279 124</u>	<u>279 124</u>	<u>279 124</u>

(b) <b>Movements in reserves (continued)</b>	Consolidated		University	
	2010	2009	2010	2009
Available-for-sale financial assets revaluation reserve:	\$'000	\$'000	\$'000	\$'000
Opening balance	1 403	1 453	47 453	46 634
Current year movement	-	-	(5 730)	819
Closing balance	1 403	1 453	41 723	47 453
Special reserve:				
Opening balance	149 158	107 377	149 158	107 377
Transfer from (to) retained surplus	31 897	41 781	31 897	41 781
Closing balance	181 055	149 158	181 055	149 158
Bequests/donations unspent income reserve:				
Opening balance	10 734	13 301	10 734	13 301
Transfer from (to) retained surplus	12 337	(2 567)	12 337	(2 567)
Closing balance	23 071	10 734	23 071	10 734
Restricted purpose bequest capital reserve:				
Opening balance	84 935	77 188	84 935	77 188
Transfer from (to) retained surplus	12 041	7 747	12 041	7 747
Closing balance	96 976	84 935	96 976	84 935
Composite Fund revaluation reserve:				
Opening balance	25 785	7 409	25 785	7 409
Transfer from (to) retained surplus	2 710	18 376	2 710	18 376
Closing balance	28 495	25 785	28 495	25 785

(c) **Nature and purpose of reserves***Capital reserve*

Represents capital accounts held within controlled entities of the University.

*Capital profits reserve*

Represents the accumulation of realised revalued increments of assets sold.

*Asset revaluation reserve*

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy note 3(n).

*Initial asset recognition reserve*

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

*Available-for-sale financial assets revaluation reserve*

Is used to record increments and decrements on the revaluation of available for sale financial assets. Refer accounting policy note 3(j).

*Specific purpose reserves*

Represents a number of reserves generated through a series of specific purpose transactions, that can only be used in accordance with the attributes of the generating transactions. The special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

24. <b>Reconciliation of net cash provided by (used in) operating activities to net operating result</b>	Note	Consolidated		University	
		2010	2009	2010	2009
Net operating result		\$'000	\$'000	\$'000	\$'000
Non-cash items:		59 946	67 999	64 092	67 053
Amortisation	5	5 283	3 560	5 279	3 556
Depreciation	5	24 712	23 249	24 505	22 402
Write-down (Write-up) of investments		(2 155)	(16 477)	(2 155)	(16 477)
Other revenue/expenses		(3 606)	(4 865)	(3 994)	(4 235)
Loss on revaluation of other buildings		11 129	-	11 129	-
Funds held on deposit		-	-	(1 500)	4 500
Loss (Profit) on sale of property, plant and equipment		(6 369)	240	(54)	308

24. Reconciliation of net cash provided by (used in) operating activities to net operating result (continued)	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Change in assets/liabilities:				
Decrease (Increase) in inventories	(1 937)	(957)	33	(40)
Decrease (Increase) in receivables	(3 248)	4 612	(302)	4 014
Decrease (Increase) in other assets	442	(678)	371	(694)
Increase (Decrease) in payables	6 302	(747)	287	1 900
Increase (Decrease) in other current liabilities	(464)	3 373	1 347	(704)
Increase (Decrease) in provisions	4 165	(5 586)	4 102	(5 725)
Net cash provided by operating activities	94 200	73 723	103 140	75 858
<b>25. Commitments</b>				
<b>Operating expenditure</b>				
Contracted but not provided for and payable:				
Not later than one year	15 466	16 589	15 350	16 589
Later than one year, but not later than five years	20 513	25 811	20 123	25 811
Later than five years	724	775	724	775
	36 703	43 175	36 197	43 175
<b>Capital expenditure</b>				
<i>Property, plant and equipment</i>				
Contracted but not provided for and payable:				
Not later than one year	95 887	161 937	94 359	161 934
Later than one year, but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	95 887	161 937	94 359	161 937
<b>Operating lease commitments</b>				
Future operating base rental not provided for and payable:				
Not later than one year	10 857	7 844	10 431	7 408
Later than one year, but not later than five years	22 126	12 379	20 471	11 718
Later than five years	224	66	224	66
	33 207	20 289	31 126	19 192
Representing:				
Cancellable operating leases	31 126	19 192	31 126	19 192
Non-cancellable operating leases	2 081	1 097	-	-
	33 207	20 289	31 126	19 192

The operating lease commitments primarily relate to leases of photocopiers, computers, office equipment and office space.

## 26. Contingencies

### (a) Guarantees

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Human Services, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre. In 2009 the original guarantee of \$120 000 was cancelled and a new guarantee for the amount of \$46 000 was issued to reflect the reduction in the outstanding loan balance.

On 1 July 2006 the University ceased to be a Crown exempt employer and was required to register as an exempt employer with WorkCoverSA and provide a bank guarantee to cover projected workers compensation outstanding claims liabilities. The University provided a \$2.5 million bank guarantee to WorkCoverSA which matures on 30 April 2011. The amount of the guarantee was based on an actuarial assessment of the projected workers compensation claims liabilities. In August 2010 the University was advised by WorkCoverSA that it had approved a self insurance renewal for a period of three years from 1 July 2010.

**(b) Superannuation****(i) The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)**

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. Refer note 27(c).

**(ii) UniSuper Limited Superannuation Schemes**

Refer note 27(b).

**(c) Litigation**

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these financial statements, some matters remain outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. Claims of an insurance nature have been covered by a provision of \$2.3 million under the self insurance component of the University programme. Refer note 20.

**27. Superannuation schemes****(a) Categories**

The University contributes to a range of superannuation schemes, which are divided into the following categories:

- (i) Those operative and open to membership:
  - UniSuper Defined Benefit Plan or Accumulation Super 2 (formerly Investment Choice Plan)
  - Accumulation Super 1 (formerly UniSuper Award Plus Plan)
- (ii) Those operative but closed to future membership:
  - The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)
- (iii) State Government Schemes closed to future membership by University employees:
  - State Pension Scheme
  - State Lump Sum Scheme.

**(b) UniSuper Limited Superannuation Schemes**

The employees' UniSuper plan is determined by the terms of employment and is administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2010 for employees in either the Defined Benefit Division or Accumulation Super 2 (formerly Investment Choice Plan) was 14 percent of salaries plus 3 percent of salaries. The contribution to the Accumulation Super 1 (formerly Award Plus Plan) and for employees only in the Accumulation Super 1 was 9 percent of salaries.

The operation of clause 34 of the Trust Deed (as amended in 2006) means that the UniSuper Defined Benefit Division is a defined contribution fund for the purpose of AASB 119, allowing participating employers to treat the UniSuper Defined Benefit Division as a defined contribution fund.

Clause 34 states that where the trustee considers the assets to be insufficient to provide benefits payable under the Deed, the trustee must reduce the benefits of its members on a fair and equitable basis.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2010 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Contribution Plan.

As at 30 June 2010 the assets of the Defined Benefit Division in aggregate were estimated to be \$1217 million in deficiency of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the Defined Benefit Division.

**(b) UniSuper Limited Superannuation Schemes (continued)**

As at 30 June 2010 the assets of the Defined Benefit Division in aggregate were estimated to be \$312 million in excess of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary, Russell Employee Benefits, using the actuarial demographic assumptions outlined in their report dated 12 June 2009 on the actuarial investigation of the Defined Benefit Division as at 31 December 2008. The financial assumptions used were:

	Vested benefits	Accrued benefits
Gross of tax investment return	7.25% p.a.	8.5% p.a.
Net of tax investment return	6.75% p.a.	8.0% p.a.
CPI	2.75% p.a.	2.75% p.a.
Inflationary salary increases long-term	3.75% p.a.	3.75% p.a.

Assets have been included at their net market value, ie allowing for realisation costs.

**(c) The University of Adelaide Superannuation Scheme A 1985**

The University of Adelaide Superannuation Scheme A 1985 (the Scheme) is a defined benefit plan in accordance with AASB 119 that provides superannuation benefits for employees who had not transferred to UniSuper. The Scheme is administered by Tidswell Financial Services Ltd. The trustee is The University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater). The Scheme is closed to new members.

<i>Reconciliation of the present value of the defined benefit obligation</i>	Note	2010 \$'000	2009 \$'000
Present value of defined benefit obligations at 1 January		15 817	19 622
Current service costs		452	523
Interest costs		808	680
Contributions by scheme participants		47	53
Actuarial losses (gains)		365	(4 024)
Benefits paid		(708)	(729)
Taxes, premiums and expenses paid		(316)	(308)
Present value of defined benefit obligations at 31 December		<u>16 465</u>	<u>15 817</u>
<i>Reconciliation of the fair value of scheme assets</i>			
Fair value of scheme assets at 1 January		11 471	9 710
Expected return on scheme assets		866	752
Actuarial gains (losses)		(345)	989
Employer contributions		1 126	1 004
Contributions by scheme participants		47	53
Benefits paid		(708)	(729)
Taxes, premiums and expenses paid		(316)	(308)
Fair value of scheme assets at 31 December		<u>12 141</u>	<u>11 471</u>
<i>Reconciliation of the assets and liabilities recognised in the Statement of Financial Position</i>			
Defined benefit obligation including contributions tax provision		16 465	15 817
Fair value of scheme assets		(12 141)	(11 471)
Defined benefit fund net liability	20	<u>4 324</u>	<u>4 346</u>
<i>Expense recognised in the Statement of Comprehensive Income</i>			
Service cost		452	523
Interest cost		808	680
Expected return on assets		(866)	(752)
Superannuation expense		<u>394</u>	<u>451</u>



**(c) The University of Adelaide Superannuation Scheme A 1985 (continued)**

	2010	2009
	\$'000	\$'000
<i>Amounts recognised in total comprehensive income</i>		
Actuarial losses (gains)	710	(5 013)
<i>Cumulative amount recognised in total comprehensive income</i>		
Cumulative amount of actuarial losses (gains)	(1 249)	(1 959)
<i>Scheme assets</i>	2010	2009
The percentage invested in each asset class at the reporting date:	Percent	Percent
Australian equity	25	18
International equity	27	33
Fixed income	25	28
Property	10	9
Cash	14	12

***Fair value of scheme assets***

The fair value of scheme assets does not include amounts relating to any of the University's own financial instruments or any property occupied by, or other assets used by, the University.

***Expected rate of return on scheme assets***

The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for the correlations of the investment returns between asset classes. The returns used for each asset class are net of investment tax and investment fees. The expected return on assets assumption for pension assets has not been reduced for investment tax, as earnings on the assets supporting the pension liability are tax free.

	2010	2009
	\$'000	\$'000
Actual return on scheme assets	521	1 741

***Principal actuarial assumptions at the balance date***

	2010	2009
	Percent	Percent
Discount rate (active members)	5.00	5.10
Discount rate (pensioners)	5.50	5.70
Expected rate of return on plan assets (active members)	6.75	7.00
Expected rate of return on plan assets (pensioners)	8.00	7.75
Expected salary increase rate	4.00	4.00
Expected pension increase rate	2.50	2.50

***Historical information***

	2010	2009	2008	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of defined benefit obligation	16 465	15 817	19 662	15 362	15 366
Fair value of scheme assets at 1 January	12 141	11 471	9 710	12 075	10 580
Deficit (Surplus) in scheme	4 324	4 346	9 912	3 287	4 786
Experience adjustments loss (gain) - scheme assets	345	(989)	3 636	(210)	(792)
Experience adjustments loss (gain) - scheme liabilities	(110)	(25)	1 138	798	(872)

***Expected contributions***

The expected employer contributions for the year ended 31 December 2011 are \$400 000.

**(d) State Government superannuation schemes**

In 1991, employees of the City Campus of the South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the South Australia Superannuation Board. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2010 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

**(d) State Government superannuation schemes (continued)**

Super SA estimate that, as at 31 December 2010, using AASB 119 assumptions there is an unfunded liability of \$57.2 million (\$51.7 million). This represents an increase in liability of \$5.5 million since 31 December 2009. 2009 was the first year the unfunded liability was calculated using AASB 119 assumptions. Previously the unfunded liability was determined using long term economic assumptions used in the triennial actuarial assessment.

The Commonwealth Government has agreed to provide assistance under section 20 of the *Higher Education Funding Act 1988* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant. Under the Commonwealth legislation titled '*State Grants (General Purposes) Amendment Act 1982*', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Financial Statement Guidelines for Australian Higher Education Providers for 2010 Reporting Period' provided by DEEWR. The accounting treatment employed is also consistent with the approach taken by other Australian universities. Accordingly, total assets of \$57.2 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Defined Benefit Obligation'.

Summary	Consolidated		University	
	2010	2009	2010	2009
Deferred Government superannuation contribution:	\$'000	\$'000	\$'000	\$'000
Non-current asset	57 257	51 700	57 257	51 700
Defined benefit obligation:				
Current liability	3 900	3 500	3 900	3 500
Non-current liability	53 357	48 200	53 357	48 200
	57 257	51 700	57 257	51 700

**(e) Contributions**

The total employer contributions were:

	2010	2009
	\$'000	\$'000
UniSuper Defined Benefit Division (UniSuper Defined Contribution Plan) or Accumulation Super 2 (formerly Investment Choice Plan)	28 274	24 945
Accumulation Super 1 (formerly UniSuper Award Plus Plan)	12 701	10 986
State Government Superannuation Schemes (3 percent)	13	19
The University of Adelaide Superannuation Scheme A 1985	95	103
Self-managed funds	37	37
	41 120	36 090

**28. Disaggregation information**

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities is not significant so as to warrant disaggregation information disclosure.

**29. Auditors' remuneration**

	Consolidated		University	
	2010	2009	2010	2009
Amounts paid or payable for assurance services were:	\$'000	\$'000	\$'000	\$'000
South Australian Auditor-General	248	224	248	224
Other auditors of controlled entities	80	85	-	-
	328	309	248	224
Amounts paid or payable for other services were:				
Other auditors of controlled entities	20	31	-	-
	348	340	248	224

Amounts paid or payable for advisory services relate to the provision of accounting services.

**30. The University council members and senior management****(a) Names of the University council members and senior management***University council members*

Ex officio	von Doussa, QC, The Hon John William Hill, The Hon Robert Murray McWha, Professor James Alexander Findlay AM, Professor Christopher	ceased 25.07.2010 commenced 26.07.2010
Co-opted	vacant	
Appointed	Bagot, Mr Charles Castine, Ms Kathryn Davidson, Ms Dianne Kowalick, Mr Ian John Martin, Ms Pamela June Steel, Ms Loewn Young, Mr Stephen Elliott	commenced 01.01.2010
Elected staff	Crewther, Dr Rodney James Kwan, Mr Jeremy Soteriou, Mr Christakis Thomas, Professor Anthony Linton, Professor Valerie Margaret	commenced 01.8.2010 ceased 29.03.2010
Elected graduates	Anderson, Ms Carolyn Yvette Maddocks, Professor Simon Radcliffe AM, Dr John Clive Robinson, Dr Susan	ceased 05.09.2010 commenced 06.09.2010
Student	Chen, Ms Ai Kirchner, Mr Sam Plagakis, Ms Sophie Emmett-Grey, Ms Lavinia Ting, Mr Xu Wong, Mr Christopher	ceased 05.03.2010 ceased 05.03.2010 ceased 05.3.2010 commenced 06.03.2010 commenced 06.03.2010 commenced 06.03.2010

*University senior management*

McWha, Professor James  
Brooks, Professor Mike  
Duldig, Mr Paul  
McDougall, Professor Fred  
Beilby, Professor Justin  
Dowd, Professor Peter  
Harvey, Professor Nicholas  
Hill, Professor Robert  
Quester, Professor Pascale  
Lohmann, Professor Birgit  
Russell AM, Professor Richard  
Taplin, Professor John

**(b) Remuneration of the University council members and senior management***University council members*

No remuneration was paid to any members of council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.

**(b) Remuneration of the University council members and senior management (continued)**

University senior management	2010	2009
	\$'000	\$'000
Amounts paid or payable to University senior management	4 034	3 945
	2010	2009
	Number	Number
\$220 000 - \$234 999	4	4
\$235 000 - \$249 999	-	1
\$265 000 - \$279 999	1	1
\$280 000 - \$294 999	2	-
\$295 000 - \$309 999	-	2
\$325 000 - \$339 999	1	-
\$340 000 - \$354 999	-	1
\$355 000 - \$369 999	2	2
\$370 000 - \$384 999	1	-
\$820 000 - \$834 999	1	1
	12	12

The DEEWR Guidelines specify that executives are defined as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity.

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University.

**31. Financial instruments****(a) Interest rate risk**

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into interest rate swaps, futures contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

The Consolidated Entity has entered into forward start interest rate swaps to manage its interest rate exposures on borrowings for its North Terrace Development Strategy. Further details are contained in note 9.

2010	Note	Weighted average effective rate Percent	Floating interest rate \$'000	Fixed maturity dates			
				Less than 1 year \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000
Financial assets:							
Cash and cash equivalents	6	5.79	31 431	-	-	-	-
Receivables	7	-	-	-	-	-	-
Financial assets held for trading	8	-	-	-	-	-	-
Financial assets held to maturity	8	5.93	-	57 328	-	-	-
Other financial assets	8,13	1.74	-	117	117	117	117
Derivative financial instruments	9	-	-	-	-	-	-
			31 431	57 445	117	117	117
Weighted average interest rate			5.88%	5.93%	6.29%	6.29%	6.29%
Financial liabilities:							
Derivative financial instruments	9	-	-	-	-	-	-
Payables	18	-	-	-	-	-	-
Borrowings	19	5.60	-	5 000	5 000	5 000	5 000
			-	5 000	5 000	5 000	5 000
Weighted average interest rate			-	5.60%	5.60%	5.60%	5.60%

**(a) Interest rate risk (continued)**

	Note	Fixed maturity dates		Non-interest bearing	Total
		4 to 5 years	5+ years		
		\$'000	\$'000	\$'000	\$'000
<b>2010</b>					
Financial assets:					
Cash and cash equivalents	6	-	-	527	31 958
Receivables	7	-	-	31 976	31 976
Financial assets held for trading	8	-	-	119 188	119 188
Financial assets held to maturity	8	-	-	-	57 328
Other financial assets	8,13	103	214	2 159	2 944
Derivative financial instruments	9	-	-	-	-
		103	214	153 850	243 394
Weighted average interest rate		6.60%	7.00%		
Financial liabilities:					
Derivative financial instruments	9	-	-	3 808	3 808
Payables	18	-	-	60 326	60 326
Borrowings	19	5 000	58 000	49	83 049
		5 000	58 000	64 183	147 183
Weighted average interest rate		5.60%	5.60%		

	Note	Weighted average effective rate	Floating interest rate	Fixed maturity dates			
				Less than 1 year	1 to 2 years	2 to 3 years	3 to 4 years
		Percent	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2009</b>							
Financial assets:							
Cash and cash equivalents	6	3.50	19 546	-	-	-	-
Receivables	7	-	-	-	-	-	-
Financial assets held for trading	8	-	-	-	-	-	-
Financial assets held to maturity	8	4.60	-	39 831	-	-	-
Other financial assets	8,13	1.87	-	117	117	117	117
Derivative financial instruments	9	-	-	-	-	-	-
			19 546	39 948	117	117	117
Weighted average interest rate			3.59%	4.66%	6.50%	6.50%	6.50%
Financial liabilities:							
Derivative financial instruments	9	-	-	-	-	-	-
Payables	18	-	-	-	-	-	-
Borrowings	19	4.45	-	2 500	5 000	5 000	5 000
			-	2 500	5 000	5 000	5 000
Weighted average interest rate			-	4.45%	4.45%	4.45%	4.45%

	Note	Fixed maturity dates		Non-interest bearing	Total
		4 to 5 years	5+ years		
		\$'000	\$'000	\$'000	\$'000
Financial assets:					
Cash and cash equivalents	6	-	-	1 882	21 428
Receivables	7	-	-	28 728	28 728
Financial assets held for trading	8	-	-	107 523	107 523
Financial assets held to maturity	8	-	-	-	39 831
Other financial assets	8,13	117	320	2 295	3 200
Derivative financial instruments	9	-	-	-	-
		117	320	140 428	200 710
Weighted average interest rate		6.50%	6.87%		

(a) <b>Interest rate risk (continued)</b>		Fixed maturity dates		Non-interest bearing	Total
		4 to 5 years	5+ years		
2009	Note	\$'000	\$'000	\$'000	\$'000
Financial liabilities:					
Derivative financial instruments	9	-	-	2 551	2 551
Payables	18	-	-	54 024	54 024
Borrowings	19	5 000	35 800	55	58 355
		<u>5 000</u>	<u>35 800</u>	<u>56 630</u>	<u>114 930</u>
Weighted average interest rate		4.45%	4.45%		

(b) **Foreign exchange risk**

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers may enter into forward foreign currency exchange contracts to hedge overseas fixed interest securities and a portion of overseas equities. The terms of the hedge contracts are usually less than three months.

The Consolidated Entity has entered into foreign currency swaps to manage foreign currency exposures on capital expenditure. Further details are contained in note 9.

(c) **Credit risk exposures**

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

(i) *On Statement of Financial Position financial instruments*

The credit risk on financial assets recognised in the Statement of Financial Position is the carrying amount of those assets, net of any allowances for losses.

The credit risk relating to receivables is limited as it consists of a large number of customers across different industries and sectors, including a significant amount owing from government customers with minimal credit risk. The credit risk relating to cash holdings and investments is limited as the counterparties are banks and investment managers with high credit ratings assigned by international credit-rating agencies.

(ii) *Off Statement of Financial Position financial instruments*

The reporting entity and its controlled entities do not possess or trade any off Statement of Financial Position financial instruments.

(d) **Liquidity risk**

Liquidity risk is managed through maintaining a minimum level of readily accessible funds, by continuously monitoring forecast and actual cash flows, in line with the University's Liquidity Risk Management Policy.

(e) **Fair values of financial assets and financial liabilities**

Fair values of financial assets and financial liabilities are determined by the Consolidated Entity on the following basis:

(i) *On Statement of Financial Position financial instruments*

The Consolidated Entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

Bank term deposits, accounts receivable, accounts payable and bank loans are carried at nominal value which approximates fair value.

The fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporations.

(ii) *Off Statement of Financial Position financial instruments*

The reporting entity and its controlled entities do not possess or trade any off Statement of Financial Position financial instruments.

**32. Investments in controlled entities**

Controlled entities and contribution to operating result before elimination of consolidation items:

Controlled Entity	Holding		Investment at fair value		Investment at cost		Contribution to operating result	
	2010	2009	2010	2009	2010	2009	2010	2009
	Percent	Percent	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Adelaide Research and Innovation Investment Trust	100	100	1 310	714	-	-	916	273
Adelaide Unicare Pty Ltd	100	100	4 472	2 486	-	-	3 232	610
Martindale Holdings Pty Ltd as trustee for:								
J S Davies Estate	83	83	17 436	17 977	-	-	1 927	639
J A T Mortlock Trust	100	100	16 493	25 221	-	-	7 592	944
Roseworthy Farm	100	100	1 211	602	-	-	620	17
National Wine Centre Pty Ltd	100	100	463	88	-	-	378	(218)
Roseworthy Piggery Pty Ltd	100	100	338	365	100	100	(27)	415
			<u>41 723</u>	<u>47 453</u>	<u>100</u>	<u>100</u>	<u>14 638</u>	<u>2 680</u>

All of the above controlled entities are incorporated in Australia.

***J S Davies Estate***

The University holds a 5/6th interest in a joint venture named J S Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and included in the Consolidated Entity. The remaining 1/6th is recognised as an outside equity interest.

**33. Investments in associates****(a) *Equity and contribution to operating result***

Associated entity	Principal activity	Holding		Consolidated carrying amount		Investment at cost	
		2010 Percent	2009 Percent	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>Held by the University</i>							
Ngee Ann Adelaide Education Centre Pte Ltd	Operates a graduate education centre in Singapore.	50	50	205	172	298	298
Australian Centre for Plant Functional Genomics Pty Ltd	Responsible for the development of world-class capability in plant genomic research and its application for economic and social benefit to Australia.	43	43	9	55	-	-
				<u>214</u>	<u>227</u>	<u>298</u>	<u>298</u>

Ngee Ann Adelaide Education Centre Pte Ltd is incorporated in Singapore. All other associates are incorporated in Australia.

The University has a 25 percent interest in an incorporated associate, SABRENet Ltd, which has been established to further the use of advanced data networking, for the conduct of research and education in South Australia. SABRENet Ltd is not accounted for using the equity method as the University does not have access to the residual assets of the entity.

**(b) *Movements in carrying amounts of investments in associates***

	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At 1 January	227	391	-	-
Additional investment in associates	-	-	-	-
Share of operating result	(13)	(164)	-	-
	<u>214</u>	<u>227</u>	<u>-</u>	<u>-</u>

(c) <b>Results attributed to associates</b>	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Operating result	(13)	(164)	-	-
Additional investment in associates	-	-	-	-
Retained surplus attributable to associates at 1 January	227	391	-	-
Retained surplus attributable to associates at 31 December	214	227	-	-

(d) **Accounting for associates**(i) *Capital and other expenditure commitments*

There are no material capital and other expenditure commitments relating to associated entities.

(ii) *Contingent liabilities*

There are no material contingent liabilities relating to associated entities.

(iii) *Post balance date events*

There are no material post balance date events to report for associated entities.

(iv) *Assets, liabilities, revenue and expenditure*

Since the above activities do not materially affect the Consolidated Entity figures, assets, liabilities, revenue and expenditure have been reported as net amounts.

(v) *Off Statement of Financial Position financial instruments*

Neither the Consolidated Entity, nor any of its associated entities, have any off Statement of Financial Position financial instruments.

**34. Interests in joint ventures**(a) **Groups**

The University participates in a number of joint ventures. For reporting purposes these have been segregated into three groups as follows:

(i) *Cooperative Research Centres (CRCs)*

CRCs have the characteristics of joint ventures. These operations are not material to the University and there is no separate disclosure for 2010 in accordance with AASB 131.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, government agencies, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest based on their contribution proportion. The funding of the CRC is coordinated through either a company formed by the core participants or by a centre agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure.

			Participation Percent
CRC for Greenhouse Gas Technologies	(I)	(C)	10
CRC for Molecular Plant Breeding (ceased activities June 2010)	(U)	-	27
Energy Pipelines CRC	(I)	-	43
Deep Exploration Technologies CRC	(I)	(C)	10
CRC for National Plant Biosecurity	(I)	(C)	-
CRC for Beef Genetic Technologies	(I)	(C)	8
CRC for an Internationally Competitive Pork Industry	(I)	-	24
eWater CRC	(I)	(C)	2
Desert Knowledge CRC (ceased activities June 2010)	(U)	(C)	-
Future Farm Industries CRC	(I)	(C)	1
Australian Seafood CRC	(I)	-	-

(I) Incorporated

(U) Unincorporated

(C) CSIRO is a partner



(i) *Cooperative Research Centres (CRCs) (continued)*

The University is a supporting participant for the CRC for National Plant Biosecurity and the Australian Seafood CRC. It was an associate participant for the Desert Knowledge CRC under the terms of an associate agreement entered into with Ninti One Limited the CRC management company acting as centre agent.

The University over the next five years will make both cash and in-kind contributions to support the work of the CRCs. The University has committed to participate in the work of these CRCs, with contributions in constant dollars, \$500 000 in cash (\$500 000) and \$23.4 million in-kind (\$9.9 million).

(ii) *Joint ventures accounted for using the equity method*

<b>Name</b>	<b>Principal activity</b>		<b>Participation Percent</b>
Middleback Field Centre	To provide pastoral-zone courses and range land ecology research programmes.	(U)	33
Professional Certificate in Arbitration (previously - National Course in General Arbitration & Dispute Resolution)	To develop and deliver tertiary courses in arbitration.	(U)	50
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia.	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U)	25
South Australian Consortium for Information Technology & Telecommunications	Represents the three South Australian Universities by providing a focal point for the State in pursuing and winning major research funding in IT&T.	(I)	33
Ethics Centre of South Australia (ECSA)	ECSA draws on expertise from the three SA Universities to conduct research and provide education and advice on ethical issues. ECSA also aims to provide discussion and understanding of ethical issues in the SA community.	(U)	33
Water Ed Australia Pty Ltd	A centre of leadership and innovation in collaborative water resources management education and training.	(I)	20
Adelaide Proteomics Centre (APC)	Provision of cost effective and high quality proteomic analysis to researchers conducting basic and applied research.	(U)	50
Adelaide MicroArray Centre	Provision of services for MicroRNA profiling using microarrays.	(U)	50

(ii) <i>Joint ventures accounted for using the equity method (continued)</i>			
<b>Name</b>	<b>Principal activity</b>		<b>Participation Percent</b>
Defence Systems Innovation Centre	A centre to conduct contract-based studies and consultancies, post-graduate and under-graduate education programs, and collaborative research projects focussed on the needs of the defence community.	(U)	50
eResearchSA	To provide expertise, facilities and advice to the South Australian research community for research collaboration, data management, high performance computing and visualisation technologies.	(U)	50
(I) Incorporated	(U) Unincorporated		

All joint ventures have a 31 December reporting period, except for Water Ed Australia Pty Ltd, which has a 30 June reporting period.

The Consolidated Entity's reported interest in the assets employed in the joint ventures totals \$1.9 million (\$2.1 million). These are included in the Consolidated Statement of Financial Position, in accordance with the accounting policy described in note 3(l).

**(b) *Equity and contribution to operating result***

<b>Joint venture entity</b>	2010 Percent	2009 Percent	Carrying amount		Investment at cost	
			2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<i>Held by the University</i>						
Middleback Field Centre	33	33	16	20	-	-
Professional Certificate in Arbitration	50	50	66	11	65	65
South Australian Centre for Economic Studies	50	50	227	306	-	-
South Australian Tertiary Admissions Centre	25	25	519	419	-	-
South Australian Consortium for Information Technology & Telecommunications	33	33	72	91	-	-
Ethics Centre of South Australia	33	33	40	46	-	-
Water Ed Australia Pty Ltd	20	20	599	913	350	350
Adelaide Proteomics Centre (APC)	50	50	59	-	-	-
Adelaide MicroArray Centre	50	-	143	-	-	-
Defence Systems Innovation Centre	50	50	-	-	-	-
eResearch SA	50	50	204	262	-	-
			<u>1 945</u>	<u>2 068</u>	<u>415</u>	<u>415</u>

**(c) *Movements in carrying amounts of joint ventures***

	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At 1 January	2 068	2 082	-	-
Share of operating result	(123)	(84)	-	-
Additional investment in joint ventures	-	70	-	-
	<u>1 945</u>	<u>2 068</u>	<u>-</u>	<u>-</u>

**(d) *Results attributed to joint ventures***

Operating result	(123)	(84)	-	-
Additional investment in joint ventures	-	70	-	-
Retained surplus attributable at 1 January	2 068	2 082	-	-
Retained surplus attributable at 31 December	<u>1 945</u>	<u>2 068</u>	<u>-</u>	<u>-</u>

- (e) **Accounting for joint ventures**
- (i) *Capital and other expenditure commitments*  
There are no material capital and other expenditure commitments relating to joint ventures.
- (ii) *Contingent liabilities*  
There are no known material contingent liabilities relating to joint ventures.
- (iii) *Post balance date events*  
There are no material post balance date events to report for joint ventures.
- (iv) *Assets, liabilities, revenue and expenditure*  
Since the above activities do not materially affect the University group figures, assets, liabilities, revenue and expenditure have been reported as net amounts.
- (v) *Off Statement of Financial Position financial instruments*  
Neither the reporting entity, nor any of its joint ventures, have any off Statement of Financial Position financial instruments.

### 35. Related parties

- (a) **Parent Entity**  
The ultimate Parent Entity within the group is the University of Adelaide.
- (b) **Controlled entities, joint ventures and associated entities**  
Investments in controlled entities are detailed in note 32, investments in associates are detailed in note 33 and interests in joint ventures are detailed in note 34.
- (c) **Council members and senior management**  
Disclosures relating to the University Council members and senior management are detailed in note 30.
- (d) **Councillor related transactions**  
Certain councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and council members, in respect of services provided to council members, are trivial and domestic in nature.
- Certain council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services is on normal trading terms.
- (e) **Property leases**  
The University is the lessor of long-term leases at peppercorn rents to the CSIRO and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.
- The University and the CSIRO are partners in a number of CRCs - refer note 34.
- (f) **Fees paid to members of Council**  
No remuneration was paid to any members of Council, or members of its standing committees for the financial year in their role as councillor or members of those committees. Some members of Council are employees of the University or were contractors of the University, and as such receive remuneration in the course of their employment with the University.
- (g) **Students at the University**  
From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the normal fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

The following information being note 36 to note 41 has been prepared in accordance with DEEWR reporting guidelines.

**36. Income Statement for the year ended 31 December 2010**

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Revenue from continuing operations:</b>					
Australian Government financial assistance	37	405 950	357 233	400 289	356 761
State and Local Government financial assistance	39	26 201	31 641	25 874	31 330
HECS-HELP - student upfront payments	4	13 446	12 456	13 446	12 456
Fees and charges	40	149 165	125 304	149 372	125 486
Investment income		8 934	23 686	28 187	26 001
Royalties, trademarks and licenses	4	3 651	1 701	619	1 422
Consultancy and contract revenue	41	62 566	62 613	34 015	37 804
Other revenue		63 484	54 582	33 461	27 014
Total revenue from continuing operations		733 397	669 216	685 263	618 274
<b>Expenses from continuing operations</b>					
Salaries and related expenses	5	357 570	326 304	346 139	314 010
Depreciation and amortisation	5	29 995	26 809	29 784	25 958
Buildings and grounds	5	41 755	37 852	41 005	36 090
Bad and doubtful debts	5	367	268	261	268
Finance costs	5	3 659	790	4 079	1 121
General and Composite Fund investment market valuation adjustment	5	364	-	364	-
Net realised loss on Composite Fund investments		-	1 698	-	1 698
Scholarships, grants and prizes		31 309	28 036	31 309	28 036
Non-capitalised equipment	5	12 239	9 232	12 239	9 232
Advertising, marketing and promotional expenses		4 074	3 511	4 074	3 511
Net losses on disposal of assets	5	3 301	414	3 301	414
Other expenses		188 818	166 303	148 616	130 883
Total expenses from continuing operations		673 451	601 217	621 171	551 221
Net operating result for the year		59 946	67 999	64 092	67 053

**37. Australian Government financial assistance****(a) DEEWR - Commonwealth Grants Scheme and other DEEWR grants**

Commonwealth Grants Scheme	119 182	105 749	119 182	105 749
Teaching hospitals grant	759	694	759	694
Indigenous Support Programme	578	666	578	666
Partnership & Participation Program	1 168	160	1 168	160
Workplace Reform Programme	-	1 194	-	1 194
Learning & Teaching Performance Fund	-	1 853	-	1 853
Capital development pool	-	2 246	-	2 246
Diversity and Structural Adjustment Fund	-	320	-	320
Workplace Productivity Programme	1 392	1 296	1 392	1 296
Improving the practical component of teacher education initiative	-	18	-	18
Transitional Cost Program	4 666	3 919	4 666	3 919
	127 745	118 115	127 745	118 115

**(b) Higher Education Loan Programmes**

HECS-HELP (Australian Government payments only)	65 622	59 637	65 622	59 637
FEE-HELP	5 309	5 391	5 309	5 391
OS-HELP	1 092	444	1 092	444
	72 023	65 472	72 023	65 472

(c) <b>Learning scholarships</b>	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Australian postgraduate awards	7 079	5 143	7 079	5 143
International postgraduate research scholarships	806	779	806	779
Commonwealth education costs scholarships	153	1 236	153	1 236
Commonwealth accommodation scholarships	120	1 532	120	1 532
Indigenous access scholarships	179	171	179	171
	<b>8 337</b>	<b>8 861</b>	<b>8 337</b>	<b>8 861</b>
(d) <b>DIISR research</b>				
Joint research engagement	15 271	15 744	15 271	15 744
Research Training Scheme	28 072	27 809	28 072	27 809
Research infrastructure block grants	12 838	12 961	12 838	12 961
Sustainable research excellence	4 551	-	4 551	-
Implementation Assistance Programme	97	189	97	189
Australian Scheme for Higher Education Repositories	-	289	-	289
Commercialisation Training Scheme	123	232	123	232
	<b>60 952</b>	<b>57 224</b>	<b>60 952</b>	<b>57 224</b>
(e) <b>Other capital funding</b>				
Better Universities Renewal funding	-	-	-	-
Teaching and Learning Capital Fund	-	11 096	-	11 096
Education Investment Fund	22 935	4 164	22 935	4 164
	<b>22 935</b>	<b>15 260</b>	<b>22 935</b>	<b>15 260</b>
(f) <b>Australian Research Council (ARC)</b>				
(i) <b>Discovery</b>				
Projects	11 678	11 537	11 678	11 537
Fellowships	2 152	1 312	2 152	1 312
Indigenous researchers development	-	12	-	12
	<b>13 830</b>	<b>12 861</b>	<b>13 830</b>	<b>12 861</b>
(ii) <b>Linkages</b>				
Infrastructure	1 320	1 510	1 320	1 510
International	12	26	12	26
Projects	6 194	5 046	6 194	5 046
	<b>7 526</b>	<b>6 582</b>	<b>7 526</b>	<b>6 582</b>
(iii) <b>Networks and Centres</b>				
Networks	-	331	-	331
Centres	2 316	2 269	2 316	2 269
	<b>2 316</b>	<b>2 600</b>	<b>2 316</b>	<b>2 600</b>
Total ARC	<b>23 672</b>	<b>22 043</b>	<b>23 672</b>	<b>22 043</b>
(g) <b>Other Australian Government financial assistance received</b>				
AusAID	580	578	580	578
Australian Centre for International Agricultural Research	2 023	1 601	2 023	1 601
Australian Institute of Health and Welfare	827	648	827	648
CSIRO	1 274	1 163	1 274	1 163
Defence, Science and Technology Organisation	1 250	1 828	1 250	1 828
Department of Agriculture, Fisheries and Forestry	13 173	13 955	13 173	13 955
Department of Defence	761	178	761	178
Department of Education, Employment and Workplace Relations	483	680	483	680
Department of Environment, Water, Heritage and the Arts	1 058	1 034	1 058	1 034
Department of Health and Ageing	58 684	44 169	53 023	43 697
Department of Immigration and Citizenship	45	114	45	114
Department of Innovation, Industry, Science and Research	9 327	3 249	9 327	3 249
Department of Veterans' Affairs	219	18	219	18
Other	582	1 043	582	1 043
	<b>90 286</b>	<b>70 258</b>	<b>84 625</b>	<b>69 786</b>

(g) <i>Other Australian Government financial assistance received (continued)</i>	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Reconciliation:				
Australian Government grants	335 019	292 205	329 358	291 733
HECS-HELP - Australian Government payments	65 622	59 637	65 622	59 637
FEE-HELP	5 309	5 391	5 309	5 391
	<u>405 950</u>	<u>357 233</u>	<u>400 289</u>	<u>356 761</u>
(h) <i>Australian Government grants received - cash basis</i>				
CGS and other DEEWR grants	127 788	113 153	127 788	113 153
Higher education loan programmes	71 595	63 545	71 595	63 545
Scholarships	8 337	8 861	8 337	8 861
DIISR research	60 952	57 224	60 952	57 224
Other capital funding	22 935	15 260	22 935	15 260
ARC grants - Discovery	13 858	12 918	13 858	12 918
ARC grants - Linkages	7 244	6 582	7 244	6 582
ARC grants - Networks and Centres	2 316	2 600	2 316	2 600
Other Australian Government grants	90 218	71 402	84 843	71 402
	<u>405 243</u>	<u>351 545</u>	<u>399 868</u>	<u>351 545</u>
OS-Help (net)	1 105	450	1 105	450
Superannuation Programme	3 311	3 086	3 311	3 086
	<u>409 659</u>	<u>355 081</u>	<u>404 284</u>	<u>355 081</u>

38. **Acquittal of Australian Government financial assistance**

(a) <i>DEEWR - Commonwealth Grants Scheme and other DEEWR grants</i>	Note	Parent Entity (University) only			
		Commonwealth Grants Scheme		Teaching Hospitals Grant	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial assistance received in cash during the reporting period		118 980	100 782	759	694
Net accrual adjustments		202	4 967	-	-
Revenue for the period	37(a)	<u>119 182</u>	<u>105 749</u>	<u>759</u>	<u>694</u>
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		<u>119 182</u>	<u>105 749</u>	<u>759</u>	<u>694</u>
Expenses including accrued expenses		<u>(119 182)</u>	<u>(105 749)</u>	<u>(759)</u>	<u>(694)</u>
Surplus (Deficit) for the reporting period		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		Indigenous Support Programme		Partnership & Participation Program	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial assistance received in cash during the reporting period		578	666	1 168	160
Net accrual adjustments		-	-	-	-
Revenue for the period	37(a)	<u>578</u>	<u>666</u>	<u>1 168</u>	<u>160</u>
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		<u>578</u>	<u>666</u>	<u>1 168</u>	<u>160</u>
Expenses including accrued expenses		<u>(578)</u>	<u>(666)</u>	<u>(317)</u>	<u>(160)</u>
Surplus (Deficit) for the reporting period		<u>-</u>	<u>-</u>	<u>851</u>	<u>-</u>



**(b) Higher Education Loan Programmes**

		Parent Entity (University) only			
		HECS-HELP (Australian Government payments only)		FEE-HELP	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	Note	65 068	57 395	5 422	5 700
Net accrual adjustments		554	2 242	(113)	(309)
Revenue for the period	37(b)	65 622	59 637	5 309	5 391
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		65 622	59 637	5 309	5 391
Expenses including accrued expenses		(65 622)	(59 637)	(5 309)	(5 391)
Surplus (Deficit) for the reporting period		-	-	-	-
		OS-HELP		Total	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		1 105	450	71 595	63 545
Net accrual adjustments		(13)	(6)	428	1 927
Revenue for the period	37(b)	1 092	444	72 023	65 472
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		1 092	444	72 023	65 472
Expenses including accrued expenses		(1 092)	(444)	(72 023)	(65 472)
Surplus (Deficit) for the reporting period		-	-	-	-

**(c) Learning scholarships**

		Parent Entity (University) only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		7 079	5 143	806	779
Net accrual adjustments		-	-	-	-
Revenue for the period	37(c)	7 079	5 143	806	779
Surplus (Deficit) from the previous year		999	878	-	-
Total revenue including accrued revenue		8 078	6 021	806	779
Expenses including accrued expenses		(6 881)	(5 022)	(806)	(779)
Surplus (Deficit) for the reporting period		1 197	999	-	-
		Commonwealth Education Costs Scholarships		Commonwealth Accommodation Scholarships	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		153	1 236	120	1 532
Net accrual adjustments		-	-	-	-
Revenue for the period	37(c)	153	1 236	120	1 532
Surplus (Deficit) from the previous year		862	540	1 186	982
Total revenue including accrued revenue		1 015	1 776	1 306	2 514
Expenses including accrued expenses		(673)	(914)	(944)	(1 328)
Surplus (Deficit) for the reporting period		342	862	362	1 186



**(c) Learning scholarships (continued)**

		Parent Entity (University) only			
		Indigenous Access Scholarships		Total	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	Note	179	171	8 337	8 861
Net accrual adjustments		-	-	-	-
Revenue for the period	37(c)	179	171	8 337	8 861
Surplus (Deficit) from the previous year		2	14	3 049	2 414
Total revenue including accrued revenue		181	185	11 386	11 275
Expenses including accrued expenses		(162)	(183)	(9 466)	(8 226)
Surplus (Deficit) for the reporting period		19	2	1 920	3 049

**(d) DIISR Research**

		Parent Entity (University) only			
		Joint Research Engagement		Research Training Scheme	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		15 271	15 744	28 072	27 809
Net accrual adjustments		-	-	-	-
Revenue for the period	37(d)	15 271	15 744	28 072	27 809
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		15 271	15 744	28 072	27 809
Expenses including accrued expenses		(15 271)	(15 744)	(28 072)	(27 809)
Surplus (Deficit) for the reporting period		-	-	-	-

		Research Infrastructure Block Grants		Sustainable Research Excellence	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		12 838	12 961	4 551	-
Net accrual adjustments		-	-	-	-
Revenue for the period	37(d)	12 838	12 961	4 551	-
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		12 838	12 961	4 551	-
Expenses including accrued expenses		(12 838)	(12 961)	(3 636)	-
Surplus (Deficit) for the reporting period		-	-	915	-

		Implementation Assistance Programme		Australian Scheme for Higher Education Repositories	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period		97	189	-	289
Net accrual adjustments		-	-	-	-
Revenue for the period	37(d)	97	189	-	289
Surplus (Deficit) from the previous year		-	-	-	-
Total revenue including accrued revenue		97	189	-	289
Expenses including accrued expenses		(97)	(189)	-	(289)
Surplus (Deficit) for the reporting period		-	-	-	-

**(d) DIISR Research (continued)**

		Parent Entity (University) only			
		Commercialisation Training Scheme		Total	
		2010	2009	2010	2009
Note		\$'000	\$'000	\$'000	\$'000
	Financial assistance received in cash during the reporting period	123	232	60 952	57 224
	Net accrual adjustments	-	-	-	-
	Revenue for the period	123	232	60 952	57 224
	Surplus (Deficit) from the previous year	255	215	255	215
	Total revenue including accrued revenue	378	447	61 207	57 439
	Expenses including accrued expenses	(135)	(192)	(60 049)	(57 184)
	Surplus (Deficit) for the reporting period	243	255	1 158	255

**(e) Other capital funding**

		Parent Entity (University) only			
		Better Universities Renewal Funding		Teaching and Learning Capital Fund	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
	Financial assistance received in cash during the reporting period	-	-	-	11 096
	Net accrual adjustments	-	-	-	-
	Revenue for the period	-	-	-	11 096
	Surplus (Deficit) from the previous year	13 726	15 476	7 303	-
	Total revenue including accrued revenue	13 726	15 476	7 303	11 096
	Expenses including accrued expenses	(13 726)	(1 750)	(5 463)	(3 793)
	Surplus (Deficit) for the reporting period	-	13 726	1 840	7 303

		Education Investment Fund		Total	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
	Financial assistance received in cash during the reporting period	22 935	4 164	22 935	15 260
	Net accrual adjustments	-	-	-	-
	Revenue for the period	22 935	4 164	22 935	15 260
	Surplus (Deficit) from the previous year	1 810	-	22 839	15 476
	Total revenue including accrued revenue	24 745	4 164	45 774	30 736
	Expenses including accrued expenses	(5 228)	(2 354)	(24 417)	(7 897)
	Surplus (Deficit) for the reporting period	19 517	1 810	21 357	22 839

**(f) Australian Research Council grants - Discovery**

		Parent Entity (University) only			
		Projects		Fellowships	
		2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
	Financial assistance received in cash during the reporting period	11 706	11 593	2 152	1 312
	Net accrual adjustments	(28)	(56)	-	-
	Revenue for the period	11 678	11 537	2 152	1 312
	Surplus (Deficit) from the previous year	5 471	5 334	613	-
	Total revenue including accrued revenue	17 149	16 871	2 765	1 312
	Expenses including accrued expenses	(11 088)	(11 400)	(1 382)	(699)
	Surplus (Deficit) for the reporting period	6 061	5 471	1 383	613

**(f) Australian Research Council grants -  
Discovery (continued)**

		Parent Entity (University) only			
		Indigenous Researchers Development		Total	
Note		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Financial assistance received in cash during the reporting period	-	13	13 858	12 918
	Net accrual adjustments	-	(1)	(28)	(57)
37(f)	Revenue for the period	-	12	13 830	12 861
	Surplus (Deficit) from the previous year	12	11	6 096	5 345
	Total revenue including accrued revenue	12	23	19 926	18 206
	Expenses including accrued expenses	(3)	(11)	(12 473)	(12 110)
	Surplus (Deficit) for the reporting period	9	12	7 453	6 096

**Australian Research Council grants -  
Linkages**

		Parent Entity (University) only			
		Infrastructure		International	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Financial assistance received in cash during the reporting period	1 320	1 510	12	52
	Net accrual adjustments	-	-	-	(26)
37(f)	Revenue for the period	1 320	1 510	12	26
	Surplus (Deficit) from the previous year	591	-	87	89
	Total revenue including accrued revenue	1 911	1 510	99	115
	Expenses including accrued expenses	(1 911)	(919)	(45)	(28)
	Surplus (Deficit) for the reporting period	-	591	54	87

		Projects		Total	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Financial assistance received in cash during the reporting period	5 912	5 020	7 244	6 582
	Net accrual adjustments	282	26	282	-
37(f)	Revenue for the period	6 194	5 046	7 526	6 582
	Surplus (Deficit) from the previous year	2 891	1 988	3 569	2 077
	Total revenue including accrued revenue	9 085	7 034	11 095	8 659
	Expenses including accrued expenses	(6 168)	(4 143)	(8 124)	(5 090)
	Surplus (Deficit) for the reporting period	2 917	2 891	2 971	3 569

**Australian Research Council grants -  
Networks and Centres**

		Parent Entity (University) only			
		Networks		Centres	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
	Financial assistance received in cash during the reporting period	-	331	2 316	2 269
	Net accrual adjustments	-	-	-	-
37(f)	Revenue for the period	-	331	2 316	2 269
	Surplus (Deficit) from the previous year	278	445	-	-
	Total revenue including accrued revenue	278	776	2 316	2 269
	Expenses including accrued expenses	(278)	(498)	(2 316)	(2 269)
	Surplus (Deficit) for the reporting period	-	278	-	-

<i>Australian Research Council grants - Networks and Centres (continued)</i>		Total	
		2010 \$'000	2009 \$'000
	Note		
Financial assistance received in cash during the reporting period		2 316	2 600
Net accrual adjustments		-	-
Revenue for the period	37(f)	2 316	2 600
Surplus (Deficit) from the previous year		278	445
Total revenue including accrued revenue		2 594	3 045
Expenses including accrued expenses		(2 594)	(2 767)
Surplus (Deficit) for the reporting period		-	278

39. State and Local Government financial assistance	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
(a) SA Government and Local Government financial assistance				
Arts SA	28	85	28	85
Bio Innovation SA	1 788	1 884	1 788	1 884
Central Northern Adelaide Health Service	3 438	2 897	3 438	2 897
Children, Youth and Women's Health Service	367	297	367	297
Department for Environment and Heritage	451	509	451	509
Department for Families and Communities	275	432	275	432
Department of Further Education, Employment, Science and Technology	3 490	7 718	3 490	7 718
Department of Health	1 436	1 565	1 436	1 565
DPC	1 398	1 444	1 398	1 444
Department of Primary Industries and Resources	1 062	4 370	1 062	4 370
Department of Education and Children's Services	175	35	175	35
Department for Trade and Economic Development	105	-	105	-
Department for Transport, Energy and Infrastructure	755	664	755	664
Department of Water, Land and Biodiversity Conservation	941	1 166	941	1 166
Institute of Medical and Veterinary Science	39	60	39	60
Motor Accident Commission	515	638	515	638
Police Department SA	223	292	223	292
Public Trustee Office	35	27	35	27
Royal Adelaide Hospital	5 233	5 166	5 233	5 166
SA Murray-Darling Basin NRM Board	322	158	322	158
SafeWork SA	159	79	159	79
South Australian Dental Service	426	501	426	501
SAFA	750	-	750	-
South Australian Museum	659	155	659	155
Southern Yorke Peninsula Health Service	327	311	-	-
WorkCover Corporation	284	223	284	223
Other	442	627	442	469
Total SA Government and Local Government financial assistance	25 123	31 303	24 796	30 834
(b) Other State Government and Local Government financial assistance	1 078	496	1 078	496
Total State and Local Government financial assistance	26 201	31 799	25 874	31 330

40. Fees and charges		Consolidated		University	
		2010	2009	2010	2009
Fees and charges were collected from the following sources during the reporting period:	Note	\$'000	\$'000	\$'000	\$'000
Student fee income	4	129 281	108 032	129 281	108 032
Library charges and fines	4	882	976	882	976
Application management and late fees	4	763	490	763	490
Parking fees	4	1 203	1 004	1 203	1 004
Rental charges/accommodation fees	4	11 383	10 451	11 590	10 633
Recharge of costs to other organisations	4	445	377	445	377
Franchise fees	4	837	998	837	998
Other		4 371	2 976	4 371	2 976
		<u>149 165</u>	<u>125 304</u>	<u>149 372</u>	<u>125 486</u>
<b>41. Consultancy and contract revenue</b>					
Consultancy		15 995	26 883	7 636	8 262
Contract research		46 571	35 730	26 379	29 542
		<u>62 566</u>	<u>62 613</u>	<u>34 015</u>	<u>37 804</u>

# University of South Australia

## Functional responsibility

### Establishment

The University of South Australia (the University) is established under the *University of South Australia Act 1990*.

### Functions

To provide tertiary education programs, preserve, extend and disseminate knowledge through teaching, research, scholarship and consultancy and to provide educational programs for the benefit of the wider community or the enhancement of its cultural life.

The University has a financial interest in a number of entities as detailed in notes 1(b), 32, 33 and 34 to the financial statements.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

### Scope of the audit

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

For the year ended 31 December 2010 areas reviewed included:

- payroll
- expenditure
- fixed assets
- liabilities including provisions
- revenue including government financial assistance, student fees, research revenue and other revenue
- receipting and banking
- general ledger and financial accounting
- cash at bank.

Internal audit activities were also reviewed.

## Audit findings and comments

### Auditor's report on the financial report

The following is an extract from the 2010 Independent Auditor's Report, which details the qualification to the University's financial report.

#### ***Basis for Qualified Opinion***

*The University has recognised \$33.7 million of unspent funding as a liability for the year ended 31 December 2010. This amount has been accounted for as income received in advance and included in 'Other Liabilities - Commonwealth and State Government Grants' and 'Other Liabilities - Income in advance on incomplete projects' in Note 25 to the financial statements. The University has disclosed its accounting treatment of these funds in Note 1(d) to the financial statements.*

*In my opinion, the funds represent contributions and meet the recognition criteria of income in accordance with Accounting Standard AASB 1004 'Contributions' and the Department of Treasury and Finance Accounting Policy Framework V 'Income Framework'. The University controls these funds upon receipt and it is highly probable that any unspent funds will be spent in accordance with stipulated conditions. It is highly unlikely that unspent funds will need to be repaid to the granting bodies and as such funds received, including any unspent portion, should be recognised as income at the time of receipt.*

*As a result, the following has been misstated in the 2010 financial report:*

- *the revenue recognised as Australian Government grants is understated by \$1.8 million (\$11 million understated in 2009)*
- *the revenue recognised as State and Local Government financial assistance is understated by \$4.1 million (\$2 million overstated in 2009)*
- *the revenue recognised as Consultancy and contract research is understated by \$2.2 million (\$620 000 understated in 2009)*
- *Operating result attributable to members of University of South Australia is understated by \$8.1 million (\$9.6 million understated in 2009)*
- *Retained earnings is understated by \$25.6 million (\$16 million understated in 2009)*
- *Other liabilities is overstated by \$33.7 million (\$25.6 million overstated in 2009).*

#### ***Qualified Opinion***

*In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the University of South Australia and its controlled entities (the consolidated entity) as at 31 December 2010, 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 guidelines issued under the Higher Education Support Act 2003 and Australian Accounting Standards.*

## **Assessment of controls**

In my opinion, the controls exercised by the University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll, expenditure, journal processing, student revenue and intellectual property as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the University of South Australia have been conducted properly and in accordance with law.

## **Communication of audit matters**

Matters arising during the course of the audit were detailed in a management letter to the Vice Chancellor. The response to the management letter was generally considered to be satisfactory. Major matters raised with the University and the related responses are detailed below.

### ***Grant funding***

As occurred in past years, the University has recognised a liability for some grants which were unspent as at 31 December 2010.

In my opinion, these grants represent contributions which are non-reciprocal and the University obtains control of the grant funding on receipt. As a consequence, in accordance with AASB 1004, these grants should be recognised as revenue in the year of receipt.

As a result the Independent Auditor's Report on the University's financial report for 2010 (and 2009) was qualified on the treatment of these grants. The financial effect of the non-compliance with the accounting standard is provided above under the heading 'Auditor's report on the financial report'.

### ***Payroll***

#### *Leave reporting*

Consistent with prior years, management review of leave reports was not adequate. In particular, management's review of leave records on the 'Employee Position Report' was found to be inconsistently performed. In my view, this does not enable adequate follow-up of missing leave forms and appropriate recording of leave. In the current control environment missed leave records are likely to occur and come at a cost to the University through employees taking paid leave to which they are not entitled, preventable leave liabilities in the Statement of Financial Position and overstated employee expenditure in the Statement of Comprehensive Income. The University responded that it regularly communicated with its staff regarding leave policies and procedures and that given the nature of academic staff duties, it believed risks were being managed appropriately.

#### *Access to payroll systems*

Weaknesses exist in controls governing access to systems used for payroll processing and disbursement. Audit recommended the University:

- ensure system access is consistent with staff roles and responsibilities
- perform regular reviews of access profiles
- establish policy/procedure frameworks that clearly define who can authorise access to systems and in what circumstances access should be granted.

The University agreed and indicated it will review access levels and establish procedures.



### *Review of casual employment payments*

Concerns persist with the level and consistency of management review of the following casual payroll reports:

- 'Claims this Pay' report - impacting the capacity of the University to detect and prevent payroll processing errors
- 'Acknowledgement of Casual Pays' report - impacting the capacity for the University to ensure the validity and accuracy of casual payments.

The University responded that it is continually pursuing improvement to these controls through its service improvement program. Further, it indicated the requirement for the review would be reinforced and followed up with staff.

### *Segregation of duties*

Audit recommended that the University better segregate duties between those employees who can process changes to the payroll system and those with important oversight, review and EFT disbursement responsibilities. The University responded that it would review system access levels to achieve this segregation.

### *Testing of transactions*

Audit testing of a sample of payroll transactions identified the following concerns:

- Casual payment rates can be negotiated at the discretion of schools/divisions administering casual employment, however there was no central guiding framework or principles. The University responded that it is pursuing improvements to the use of and control over negotiated rates.
- There were instances where academic staff received pay in lieu of notice despite being given adequate notice of their termination. The University responded that it would update its termination quoting processes to ensure such payments are subject to eligibility.
- There were instances where employment contracts were created, authorised and activated considerably after casual staff had commenced their duties. The University responded that it will reinforce the requirement that contracts are created and authorised prior to commencement.

## ***Expenditure***

### *Authorisation*

In recent years Audit has reported that the University needs to improve how it ensures adherence to the Vice Chancellor's delegations and that at least two officers familiar with the expenditure should substantiate any given transaction. These concerns continued to exist in 2010. In August 2010 the University advised that system controls aimed at strengthening the segregation of duties were being investigated as part of advanced functionality within existing financial systems. However, these system changes have yet to be implemented. In July 2011 the University confirmed its commitment to introduce system changes to address these concerns. It indicated that the relevant system project had entered the design phase with trials expected in late 2011. The University advised that full implementation was deferred pending new technology being released in early 2012 that allows easier access to online approvals. The response also indicated the University has, in the interim period, introduced greater sample testing of payments.

*Access to systems*

The expenditure audit included a review of access to systems important to the processing and payment of invoices. Audit recommended that the University review the levels of access required by systems administrator functions. The University agreed but considered that at least one system administration staff member needed overall access. The University advised of its intention to introduce a control to ensure independent review of processing by the system administration support team.

*Procurement*

Audit review of expenditure transactions included an assessment of purchasing practices. Audit found that staff knowledge and use of the University's guide to procurement, known as the procurement handbook, was inconsistent. The approach taken to procurement at the local level varied and there was limited documentation supporting actions taken. The University responded that it had commenced providing accredited purchase officer training to equip relevant staff with appropriate skills and knowledge to undertake procurement on behalf of the University.

*Research expenditure*

Last year Audit reported the risk that insufficient central monitoring of research grant expenditure could expose the University to increased risk of error or fraud and ultimately reputation risk. In late 2010 an internal audit commissioned report further highlighted weaknesses in the University's monitoring and accountability in relation to expenditure of grants. While the University worked towards improved monitoring processes during 2010, they were not operational. Audit recommended the University establish minimum standards expected of research fund managers and implement monitoring processes to ensure compliance with grant agreements, and overall management of expenditure against available funds. In July 2011 the University responded that it had developed a new formal procedure and action plan for research grant management that will come into effect from August 2011.

*Journal processing*

While University policy requires that general journals be independently approved prior to posting, consistent with our prior year findings, in 2010 there were no preventative or monitoring controls to ensure this occurred. An independent approval acts as a control against fraud or unauthorised alteration of financial records. Audit recommended that the University review its journal posting arrangements to include preventative or monitoring controls. The University confirmed that financial system upgrades in early 2012 will require segregation of processing and approval of journal entries.

*Student revenue*

The audit identified a need to better restrict access privileges to the 'Apply Online' student system and recommended access to the system be reviewed and limited to the functionality needed to achieve appropriate segregation of duties. The University agreed and indicated it was to review specific roles against access profiles in Apply Online.

*Intellectual property*

In the past two years Audit has reported that adequate intellectual property (IP) and associated risk management was dependent on the timely finalisation and implementation of its proposed framework and policy. A follow-up of the University's progress on this matter noted that while an IP framework had been accepted, IP policies had yet to be approved and IP statements were still being finalised. The University responded in July 2011 that its draft policy is being further refined to ensure it is compatible with other overlapping frameworks, policies, guidelines and procedures prior to its approval within the University's governance structure.

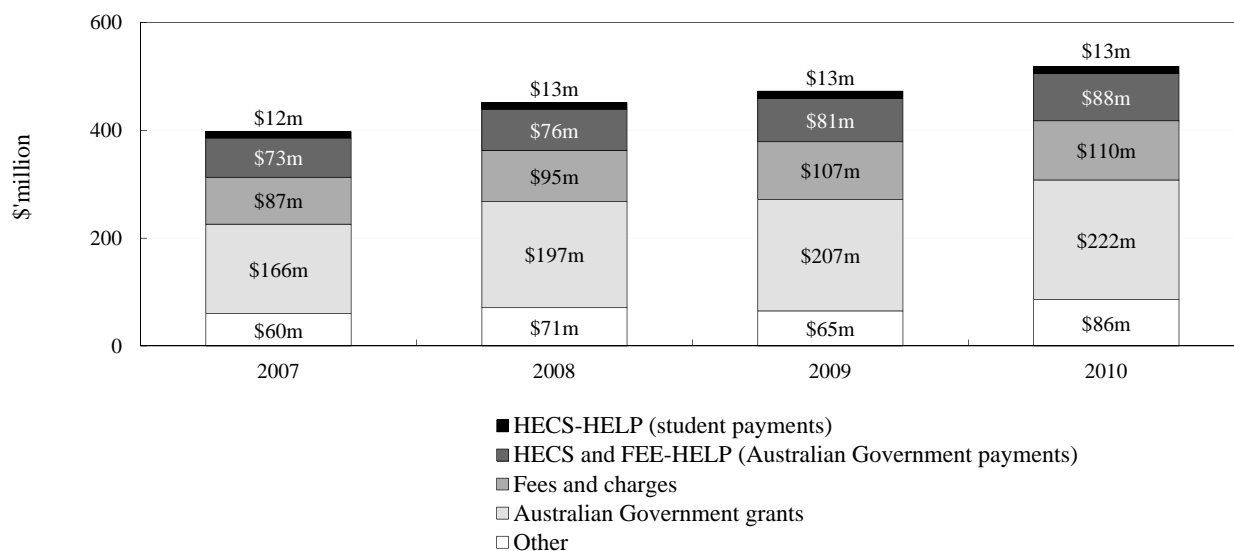
## Interpretation and analysis of the financial report

Highlights of the financial report (Consolidated)	2010 \$'million	2009 \$'million
<b>Income</b>		
Australian Government grants	222	207
HECS-HELP and FEE-HELP (Australian Government)	88	81
HECS HELP (student payments)	13	13
Fees and charges	110	107
Other	86	65
<b>Total income</b>	<b>519</b>	<b>473</b>
<b>Expenses</b>		
Employee related expenses	283	265
Other expenses	165	166
<b>Total expenses</b>	<b>448</b>	<b>431</b>
<b>Operating result before income tax</b>	<b>71</b>	<b>42</b>
<b>Net cash provided by (used in) operating activities</b>	<b>99</b>	<b>87</b>
<b>Net cash provided by (used in) investing activities</b>	<b>(30)</b>	<b>(52)</b>
<b>Assets</b>		
Current assets	291	209
Non-current assets	1 033	954
<b>Total assets</b>	<b>1 324</b>	<b>1 163</b>
<b>Liabilities</b>		
Current liabilities	142	117
Non-current liabilities	397	366
<b>Total liabilities</b>	<b>539</b>	<b>483</b>
<b>Total equity</b>	<b>785</b>	<b>680</b>

### Statement of Comprehensive Income

#### Income

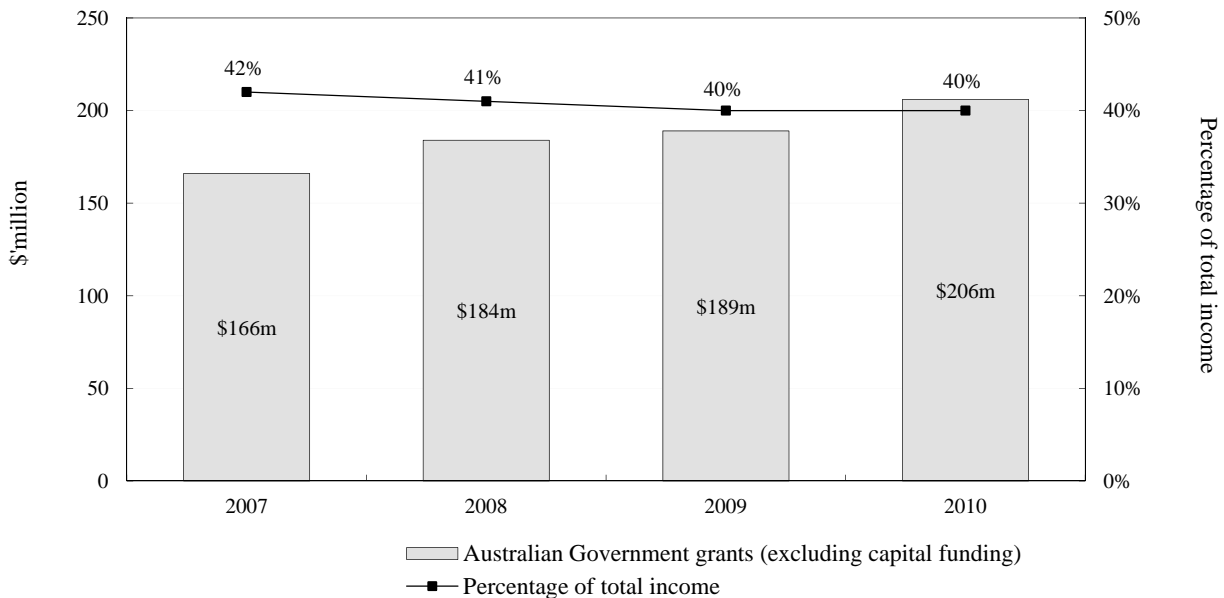
A structural analysis of the University's income for the four years to 2010 is presented in the following chart.



The chart shows sustained growth in income over the four years to 2010. The following provides more detail on major revenue components.

*Australian Government grants*

Australian Government grants, including capital grants, increased \$15 million to \$222 million. Capital funding is not necessarily comparable from year to year and has been excluded from the following chart which shows non-capital Australian Government grants in recent years.



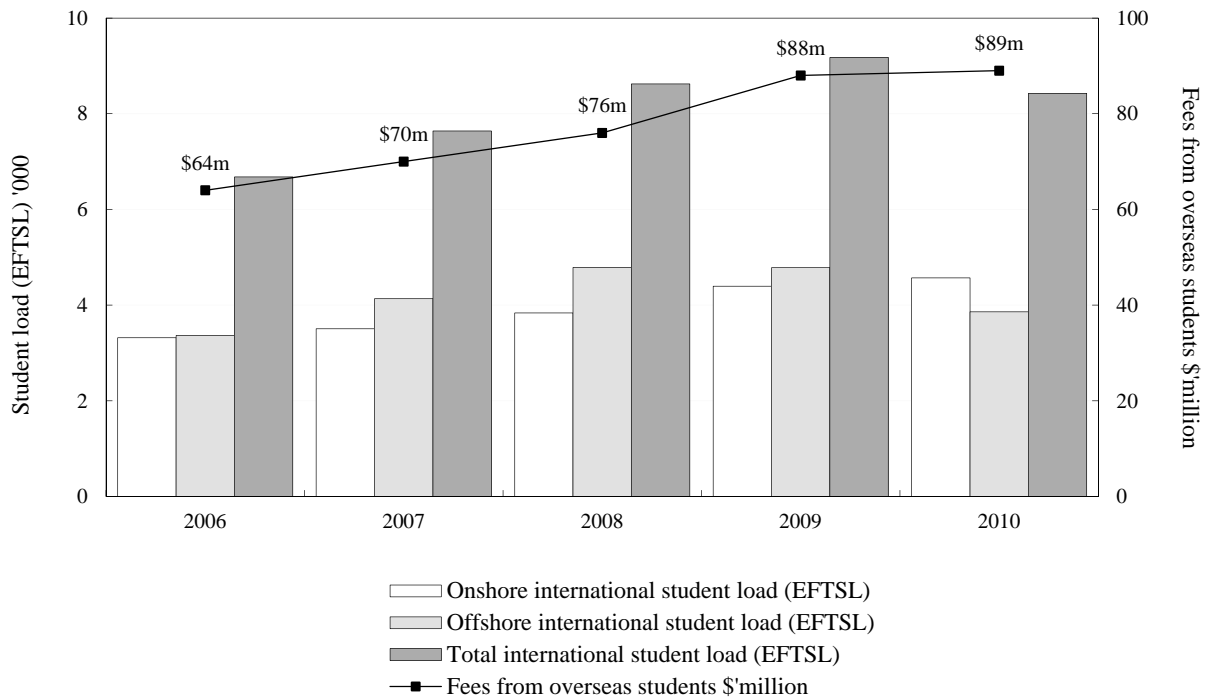
While the chart shows continued growth, the proportion of non-capital Australian Government grants to total income has remained relatively constant over the four years.

Of note in total Australian Government grants were the following changes in 2010:

- a \$13 million increase in the base operating grant up 10 percent reflecting a 5 percent increase in the number of Commonwealth supported students together with price indexing and changes in the value of funding for specific programs
- a \$4.3 million increase in Commonwealth Government research grants
- a \$2.4 million increase in the Partnership and Participation program (project related funding)
- a \$2.8 million increase in the Capital Development Pool (project related funding)
- a \$1.3 million increase from the Diversity and Structural Adjustment Fund (project related funding)
- a \$4.3 million decrease in other capital funding
- a \$1.6 million decrease in the Workplace Reform program (project related funding)
- a \$1.5 million decreased in the Learning and Teaching Performance Fund (project related funding).

Fees and charges - overseas students

The following chart shows that the previous growth in fees from overseas student revenues slowed in 2010.



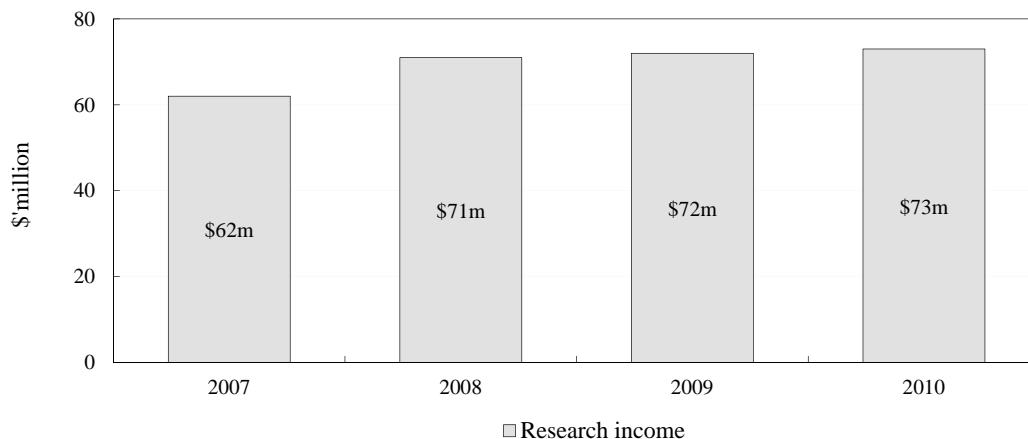
Source: Student numbers, which are based on equivalent full time student load (EFTSL), were obtained from the University’s annual reports and are unaudited figures.

While overseas students fee income increased by \$1 million the international student load reduced in 2010 by 748. This comprised a rise of 175 in the onshore international student load and a fall of 923 in the offshore international student load, reflecting the University’s scale back of its transnational operations.

Revenue from fee paying overseas students represents 17 percent of total revenue, a ratio which has fallen since 2009 when it represented 19 percent of total revenue.

Research

The following chart shows that research income has remained relatively stable over the last three years. Research income is disclosed in the notes to the financial statements as DIISR Research - note 3(d), Australian Research Council - note 3(f), other Australian Government research grants - note 3(g), State and Local Government research grants - note 4 and contract research - note 7.



When interpreting research income it is important to note that the University has deferred significant amounts of research revenue into future reporting periods. These receipts are held as cash at bank and as a current liability ‘income received in advance – Commonwealth and State Government grants’. Refer to the comments made earlier under the heading ‘Auditor’s report on the financial report’ and to comments under the heading ‘Statement of Financial Position’ later in this section of this Report for more information. The balance of deferred Commonwealth and State Government grants as at 31 December 2010 was \$31.4 million (\$21.6 million).

**Expenses**

Expenses increased by \$16 million, totalling \$448 million. The main expense of the University is employee benefits. This item increased by \$18 million to \$283 million. The percentage of total income expended on employee benefits fell from 56 percent to 54 percent in 2010.

Other expenses decreased by \$1 million to \$165 million.

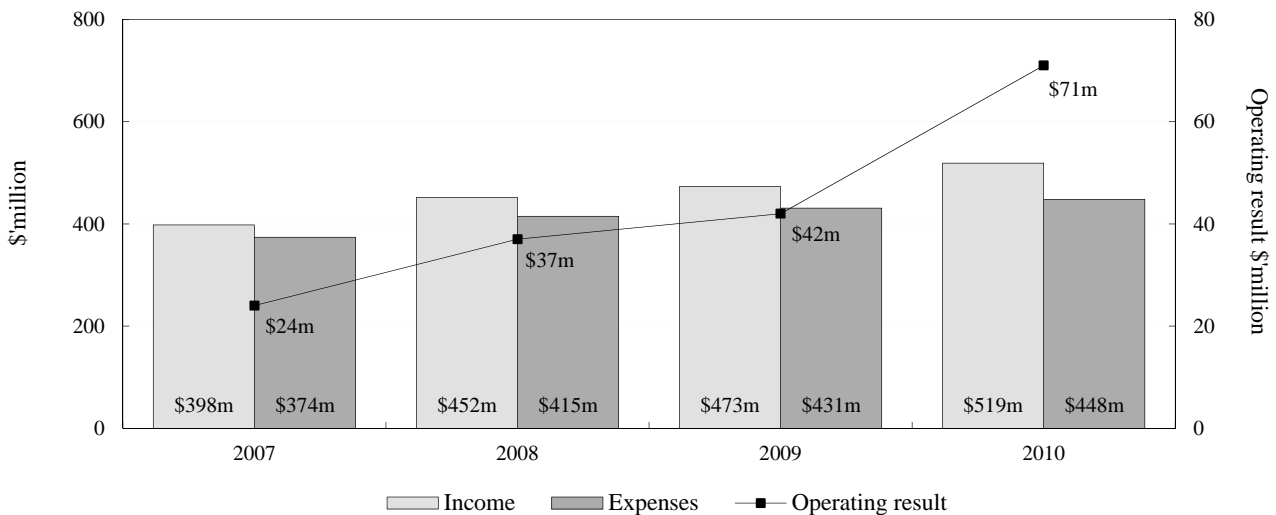
**Operating result**

The result of operations for the year was a surplus of \$71 million (\$42 million), an increase of \$29 million.

Contributing to the result were:

- \$14.5 million resulting from the sale of investments
- \$13 million capital funding from the Education Investment Fund
- \$9.7 million interest revenue resulting from significant cash balances.

The following chart shows the movement in income, expenses and the operating result before income tax for the last four years.



**Statement of Financial Position**

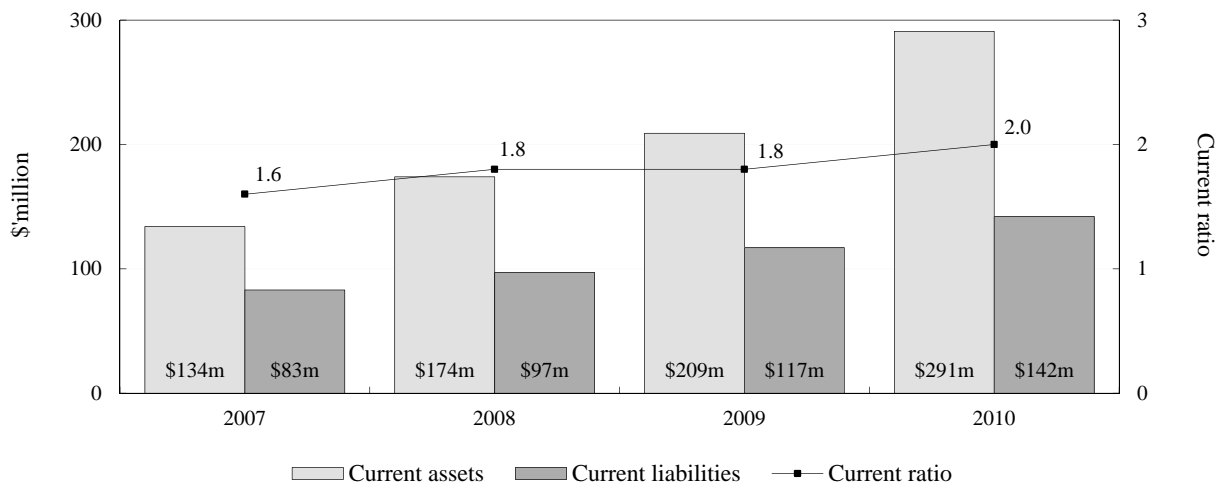
The main item of the University’s Statement of Financial Position is property, plant and equipment, representing 50 percent of total assets. The carrying value of property, plant and equipment increased by \$51 million to \$662 million.

The increase was due mainly to:

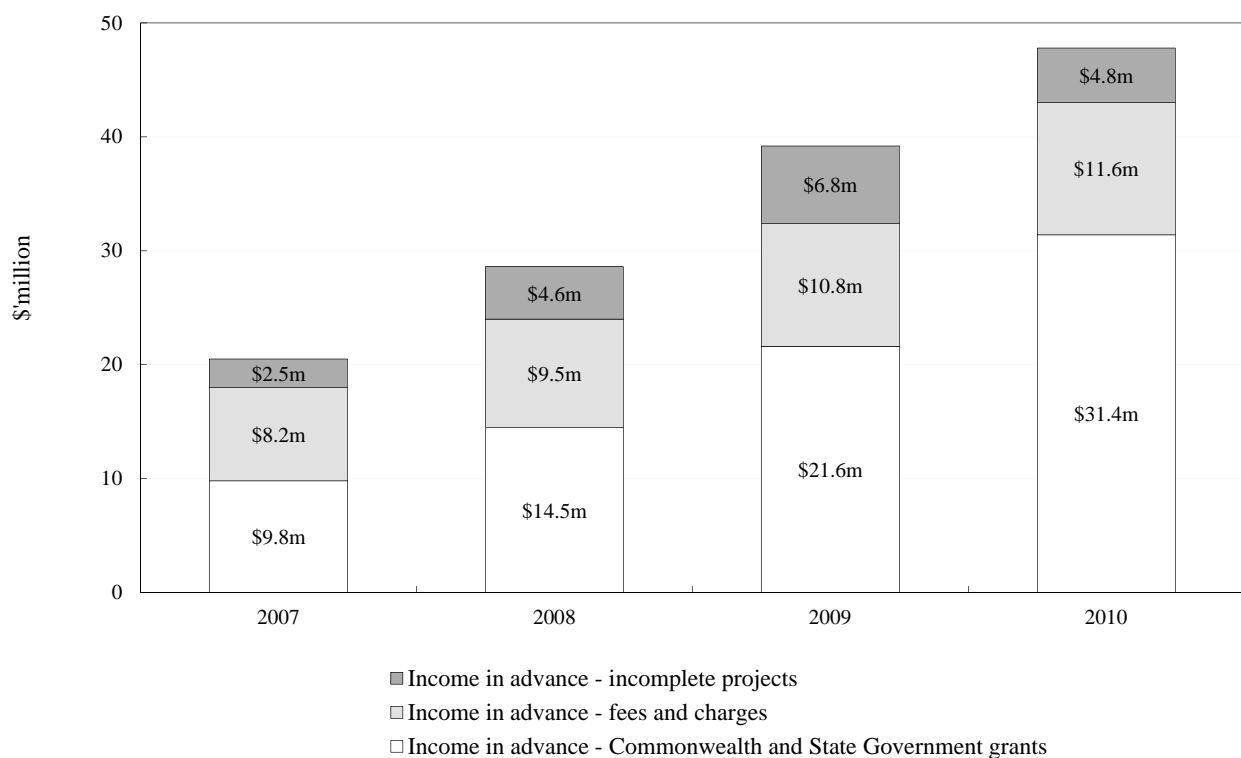
- revaluation of land and buildings, \$34.3 million
- continuation of major capital development projects, \$30 million
- other asset additions, \$15.5 million.

These increases were offset by depreciation charges of \$26.6 million.

The following chart shows the University’s current assets and liabilities. As at 31 December 2010 current assets, \$291 million, exceeded current liabilities, \$142 million, by \$149 million.



The following chart shows the growth of income in advance within the University’s other liabilities. These liabilities represent deferral of income into future reporting periods in accordance with the University’s income recognition policies. Reference should be made to note 1(d) to the financial statements and also to the audit qualification described earlier under the heading ‘Auditor’s report on the financial report’ earlier in this section of this Report.



**Statement of Cash Flows**

The University's substantial cash balances have continued to grow. As at 31 December 2010 cash and at call deposits were \$214.3 million (\$145.6 million). The following table summarises the net cash flows for the four years to 2010.

	2010 \$'million	2009 \$'million	2008 \$'million	2007 \$'million
<b>Net cash flows</b>				
Operating	98	87	77	53
Investing	(30)	(52)	(44)	(46)
Financing	-	-	-	(1)
Change in cash	68	35	33	6
Cash at 31 December	214	146	111	78

Operating cash inflows include capital grants which are used for investing purposes, primarily payments for property, plant and equipment.



## Statement of Comprehensive Income for the year ended 31 December 2010

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Revenue from continuing operations:</b>					
Australian Government financial assistance:	3				
Australian Government grants		222 120	206 705	222 120	206 705
HECS-HELP – Australian Government payments		82 787	76 105	82 787	76 105
FEE-HELP		5 525	5 277	5 525	5 277
State and local government financial assistance	4	8 501	11 630	8 501	11 630
HECS-HELP – student payments		13 389	12 986	13 389	12 986
Fees and charges	5	109 751	107 175	109 751	107 175
Investment revenue	6	11 647	6 548	24 247	7 178
Royalties		566	638	606	503
Consultancy and contract research	7	25 690	27 107	25 851	27 273
Other revenue		23 693	19 398	16 386	11 291
<b>Total revenue from continuing operations</b>		<b>503 669</b>	<b>473 569</b>	<b>509 163</b>	<b>466 123</b>
Gains (losses) on disposal of assets	9	14 910	(418)	560	(418)
<b>Total income from continuing operations</b>		<b>518 579</b>	<b>473 151</b>	<b>509 723</b>	<b>465 705</b>
<b>Expenses from continuing operations:</b>					
Employee related expenses	10	282 585	264 692	277 669	258 732
Depreciation and amortisation	11	27 608	26 744	27 548	26 525
Repairs and maintenance	12	8 709	8 403	8 708	8 385
Other expenses	13	128 446	131 372	125 359	128 657
Bad and doubtful debts	14	354	204	354	204
<b>Total expenses from continuing operations</b>		<b>447 702</b>	<b>431 415</b>	<b>439 638</b>	<b>422 503</b>
<b>Operating result before income tax</b>		<b>70 877</b>	<b>41 736</b>	<b>70 085</b>	<b>43 202</b>
Income tax expense		539	214	119	214
<b>Operating result attributable to the members of the University of South Australia</b>	26(b)	<b>70 338</b>	<b>41 522</b>	<b>69 966</b>	<b>42 988</b>
<b>Property, plant and equipment revaluation surplus:</b>					
Gain (Loss) on revaluation of land and buildings	26(a)	34 345	-	34 345	-
Gain (Loss) on revaluation of library		-	(83)	-	(83)
Gain (Loss) on revaluation of available-for-sale financial assets		(357)	1 591	(357)	1 591
Gain (Loss) on revaluation of art collection		130	-	130	-
<b>Total comprehensive income attributable to the members of the University of South Australia</b>		<b>104 456</b>	<b>43 030</b>	<b>104 084</b>	<b>44 496</b>

## Statement of Financial Position as at 31 December 2010

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current assets:</b>					
Cash and cash equivalents	15	214 268	145 632	197 935	143 459
Receivables	16	31 071	27 268	30 942	26 063
Deferred government superannuation contribution	31	29 000	26 000	29 000	26 000
Other non-financial assets	19	16 804	9 973	29 903	10 711
<b>Total current assets</b>		<b>291 143</b>	<b>208 873</b>	<b>287 780</b>	<b>206 233</b>
<b>Non-current assets:</b>					
Other financial assets	18	6 560	7 312	7 267	7 508
Property, plant and equipment	20	662 011	610 975	661 984	610 551
Intangible assets	21	6 251	5 553	6 251	5 553
Deferred government superannuation contribution	31	358 300	330 600	358 300	330 600
<b>Total non-current assets</b>		<b>1 033 122</b>	<b>954 440</b>	<b>1 033 802</b>	<b>954 212</b>
<b>Total assets</b>		<b>1 324 265</b>	<b>1 163 313</b>	<b>1 321 582</b>	<b>1 160 445</b>
<b>Current liabilities:</b>					
Trade and other payables	22	27 903	30 694	27 471	30 070
Provisions	24	16 952	18 172	16 757	17 634
Current tax liabilities		663	689	663	689
Other liabilities	25	67 222	41 241	67 317	41 314
Provision for superannuation	31	29 000	26 000	29 000	26 000
<b>Total current liabilities</b>		<b>141 740</b>	<b>116 796</b>	<b>141 208</b>	<b>115 707</b>
<b>Non-current liabilities:</b>					
Trade and other payables	22	4 575	4 149	4 575	4 149
Provisions	24	34 434	31 008	34 434	31 008
Provision for superannuation	31	358 300	330 600	358 300	330 600
<b>Total non-current liabilities</b>		<b>397 309</b>	<b>365 757</b>	<b>397 309</b>	<b>365 757</b>
<b>Total liabilities</b>		<b>539 049</b>	<b>482 553</b>	<b>538 517</b>	<b>481 464</b>
<b>Net assets</b>		<b>785 216</b>	<b>680 760</b>	<b>783 065</b>	<b>678 981</b>
<b>Equity:</b>					
Reserves	26(a)	160 761	126 643	160 761	126 643
Retained earnings	26(b)	624 455	554 117	622 304	552 338
<b>Total equity</b>		<b>785 216</b>	<b>680 760</b>	<b>783 065</b>	<b>678 981</b>

## Statement of Changes in Equity for the year ended 31 December 2010

	Reserves \$'000	Retained earnings \$'000	Total \$'000
<b>Consolidated</b>			
Balance at 1 January 2009	125 135	512 595	637 730
Profit (Loss)	-	41 522	41 522
Gain (Loss) on available-for-sale financial assets	1 591	-	1 591
Gain (Loss) on revaluation of library	(83)	-	(83)
Balance at 31 December 2009	<u>126 643</u>	<u>554 117</u>	<u>680 760</u>
Balance at 1 January 2010	126 643	554 117	680 760
Profit (Loss)	-	70 338	70 338
Gain (Loss) of revaluation of land and buildings	34 345	-	34 345
Gain (Loss) on available-for-sale financial assets	(357)	-	(357)
Gain (Loss) on revaluation of art collection	130	-	130
<b>Balance at 31 December 2010</b>	<u><u>160 761</u></u>	<u><u>624 455</u></u>	<u><u>785 216</u></u>
<b>University</b>			
Balance at 1 January 2009	125 135	509 350	634 485
Profit (Loss)	-	42 988	42 988
Gain (Loss) on available-for-sale financial assets	1 591	-	1 591
Gain (Loss) on revaluation of library	(83)	-	(83)
Balance at 31 December 2009	<u>126 643</u>	<u>552 338</u>	<u>678 981</u>
Balance at 1 January 2010	126 643	552 338	678 981
Profit (Loss)	-	69 966	69 966
Gain (Loss) of revaluation of land and buildings	34 345	-	34 345
Gain (Loss) on available-for-sale financial assets	(357)	-	(357)
Gain (Loss) on revaluation of art collection	130	-	130
<b>Balance at 31 December 2010</b>	<u><u>160 761</u></u>	<u><u>622 304</u></u>	<u><u>783 065</u></u>

## Statement of Cash Flows for the year ended 31 December 2010

	Note	Consolidated		University	
		2010 Inflows (Outflows)	2009 Inflows (Outflows)	2010 Inflows (Outflows)	2009 Inflows (Outflows)
		\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities:</b>					
Inflows:					
Australian Government grants received	3(h)	307 804	293 498	307 804	293 498
OS-HELP (net)	3(h)	4	(3)	4	(3)
Superannuation supplementation	3(h)	23 845	28 924	23 845	28 924
State and local government grants		12 222	10 173	12 222	10 173
HECS-HELP – student payments		13 389	12 986	13 389	12 986
Receipts from student fees and other customers		118 332	116 632	118 136	115 775
Dividends received		1 371	1 536	1 755	1 434
Interest received		7 673	4 607	7 584	4 533
Royalties		566	638	606	503
Consultancy and contract research		32 323	28 172	31 409	27 757
Other receipts		33 368	19 406	26 130	11 299
GST recovered/paid		5 524	6 813	5 541	7 353
Outflows:					
Payments to suppliers and employees (GST inclusive)		(457 517)	(436 859)	(448 898)	(427 715)
<b>Net cash provided by (used in) operating activities</b>	36	<b>98 904</b>	<b>86 523</b>	<b>99 527</b>	<b>86 517</b>
<b>Cash flows from investing activities:</b>					
Inflows:					
Proceeds from sale of property, plant and equipment		1 450	354	904	354
Proceeds from sale of investments		15 254	380	585	230
Outflows:					
Payments for property, plant and equipment		(46 174)	(52 116)	(45 895)	(51 903)
Payments for investments		(798)	(888)	(645)	(304)
<b>Net cash provided by (used in) investing activities</b>		<b>(30 268)</b>	<b>(52 270)</b>	<b>(45 051)</b>	<b>(51 623)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>68 636</b>	<b>34 253</b>	<b>54 476</b>	<b>34 894</b>
<b>Cash and cash equivalents at 1 January</b>		<b>145 632</b>	<b>111 379</b>	<b>143 459</b>	<b>108 565</b>
<b>Cash and cash equivalents at 31 December</b>	15	<b>214 268</b>	<b>145 632</b>	<b>197 935</b>	<b>143 459</b>
Non-cash investing and financing activities	37				

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

#### 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years reported unless otherwise stated. The financial statements include separate statements for the University of South Australia (the University) as an individual entity and the Consolidated Entity consisting of the University and its subsidiaries.

##### (a) Basis of preparation

The annual financial statements represent the audited general purpose financial statements which have been prepared on an accrual basis in accordance with AASs, AASB interpretations, requirements of the Department of Education, Employment and Workplace Relations (DEEWR) and other State/Australian Government legislative requirements.

**(a) Basis of preparation (continued)**

Except where in conflict with the DEEWR requirements, the financial statements are prepared in accordance with the South Australian TIs and APSs issued under the provisions of the PFAA.

The financial statements and notes of the Consolidated Entity comply with Australian standards, some of which contain requirements specific to not for profit entities that are consistent with International Financial Reporting Standards.

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars and presented in Australian dollars.

*Historical cost convention*

The financial statements have been prepared on an accrual basis and under the historical cost convention, except for certain assets and liabilities that were valued in accordance with the applicable valuation policy.

*Critical accounting estimates*

Compliance with AASB requires certain critical accounting estimates and assumptions to be applied in preparing the financial statements. Further, it requires management to exercise judgment in applying the University's accounting policies. Management's judgment is based on estimates and associated assumptions which are supported by historical experience and other reasonable factors.

The areas involving a high degree of judgment where assumptions and estimates are significant to the financial statements are superannuation receivable and provision, long service leave, and valuation and depreciation of property, plant and equipment. Further details are disclosed in the relevant notes to the financial statements.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed regularly. Revisions to accounting estimates are recognised in the period which it affects. If the revision affects both current and future periods, the revision is recognised in the period of the revision and future periods.

**(b) Principles of consolidation***(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2010 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Details of subsidiaries are set out in note 32.

*(ii) Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group has no material investments in associates and therefore they are not incorporated in the financial statements (refer note 33).

*(iii) Joint venture operations*

If material, the proportionate interests in the assets, liabilities and expenses of a joint venture operation are incorporated in the financial statements under the appropriate headings.

(iii) *Joint venture operations (continued)*

Details of joint venture operations are set out in note 34(a). The University's interests in these joint ventures are not considered to be material to the University's core activities and therefore not incorporated in the financial statements.

(iv) *Joint venture entities*

If material, the interest in joint venture entities are accounted for in the consolidated financial statements using the equity method and are carried at cost by the University. Under the equity method the Group's share of the profits or losses of the entity are recognised in the Statement of Comprehensive Income, and the share of movements in reserves in the Statement of Comprehensive Income and the Statement of Changes in Equity.

Details of joint venture entities are set out in note 34(b). The University's interests in these joint ventures are not considered to be material to the University's core activities and therefore not incorporated in the financial statements.

(c) **Foreign currency translation**

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

(d) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances rebates and amounts collected on behalf of third parties. Revenue is recognised for the major business activities as follows:

(i) *Financial assistance*

- *DEEWR financial assistance (including Commonwealth Grant Scheme, Higher Education Loan programs, scholarships and DIISR Research)*

The University recognises DEEWR financial assistance as revenue in the year in which it had been designated for the funding of teaching and research.

- *Other financial assistance (including ARC, NHMRC, Australian Government and State Government)*

Grants received which have specified conditions which give the grantor the right to recall funds not spent in accordance with the specific agreement imposes on the University a performance obligation. That is, the University is required to consume the future economic benefits of the grant as specified, or return the grant to the grantor. Therefore these grants are deferred until this performance obligation has been extinguished and the grant funds have been expended in accordance with their respective agreement or the grantor has exercised the right for funds to be repaid or transferred.

Other grants which do not contain specified conditions are generally recognised on receipt.

(ii) *Fees and charges*

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) *Investment income*

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) *Consultancy and contract research*

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) *Other revenue*

Other revenue is recognised when the University obtains control or the right to receive the monies and the recognition criteria is met.

**(e) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**(f) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(g) Receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement no more than 14 days from the date of recognition.

Student fee receivables are recognised initially at fair value as at census date and are collectable at that point. Periodically these receivables are adjusted for any provision for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is established when there is objective evidence that the University will not be able to collect all amounts due according to the original terms of receivables. The movement in the provision is recognised in the Statement of Comprehensive Income in the period in which receivables are adjusted to an estimated recoverable amount (at least annually).

**(h) Available-for-sale financial assets**

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

Purchases and sales of investments are recognised on trade date (the date on which the University commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the University has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation surplus. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the Statement of Comprehensive Income as gains and losses from investment securities.

If the market for a financial asset is not active (eg unlisted securities), the University attempts to establish fair value by using other valuation techniques. If no relevant or reliable fair value can be determined then the valuation basis reverts to original cost adjusted for impairment.

The University assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the Statement of Comprehensive Income.

The University has investments in shares, property trusts and managed funds, which are classified as available-for-sale financial assets and are measured at fair value.

**(i) Property, plant and equipment**

Property, plant and equipment original cost includes expenditure that is directly attributable to the acquisition of the items. 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 University and the cost of the item can be measured reliably. Repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred (refer note 12).

(i) ***Property, plant and equipment (continued)***

Revaluation increments are credited directly to the asset revaluation surplus except to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense, in which case the revaluation increment is charged to the Statement of Comprehensive Income.

Revaluation decrements are debited directly to the asset revaluation surplus to the extent that a credit balance exists for that asset class. Any remainder of the net revaluation decrement is charged to the Statement of Comprehensive Income.

Revaluation increments and decrements are offset against one another within asset classes, but not otherwise.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

(i) ***Land***

Land occupied by the University is either owned by the University or by the State Government. All land is recognised on the basis that the University effectively controls the land occupied and is shown at fair value based on periodic, but at least triennial, valuations by external independent valuers.

The last valuation was as at 31 December 2010 and was performed by R Wood, B AppSc PRM(Val), AAPI from Southwick Goodyear Pty Ltd. Land fair value estimates were based on the highest and best use of the land and valued separately from any structures or improvements residing on it, but having regard to any restrictions of its use. Detail of restrictions on assets is provided in note 1(k).

(ii) ***Buildings***

Buildings, other than buildings under construction, have been recognised on a fair value basis which management have concluded is approximated by written down current cost. These fair value estimates are based on periodic, but at least triennial, valuations by external independent valuers.

As at 31 December 2010, the entire buildings portfolio was revalued independently by R Wood, B AppSc PRM(Val), AAPI from Southwick Goodyear Pty Ltd. Buildings fair value estimates were based on the highest and best use, being the existing use as University campuses. The valuation approach adopted was to assess the 'written down current cost' for the buildings based upon the 'new replacement cost' having regard to the estimated useful and remaining life for each structure.

Buildings under construction and buildings commissioned or purchased after the valuation are measured at cost.

(iii) ***Library collection***

The library collection is valued at fair value. The University has concluded that the collection's fair value is best approximated by written down current cost based on a University valuation which is completed at the end of each year. The 2010 valuation resulted in a decrease of \$1.363 million and this has been recognised as a loss in the Statement of Comprehensive Income recorded within other expenses.

(iv) ***Plant and equipment***

Plant and equipment includes computer hardware and software, general equipment and vehicles. Plant and equipment is depreciated in accordance with note 1(j). The carrying value, cost less accumulated depreciation, is deemed to approximate fair value.

(v) ***Art collection***

As at 31 December 2010, the University internally valued its art collection at fair value with the offsetting adjustments to the art collection revaluation surplus. The 2010 valuation resulted in an increase to the fair value of the art collection of \$130 000. The art collection will be internally revalued every three years.

(vi) ***Leased assets***

Leases of property, plant and equipment where the University has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the



*(vi) Leased assets (continued)*

Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. The Consolidated Entity has no finance leases for 2010 ( nil). Refer to note 30(b) for details on operating leases.

*(j) Depreciation*

Depreciation is provided for all property, plant and equipment other than land, art collection and buildings under construction. The Consolidated Entity does not depreciate the art collection because it believes that the collection does not diminish in value over time. Depreciation is calculated on a straight-line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

<i>Assets class</i>	<i>Useful life</i>
Property:	
Buildings	50-150 years
Leasehold improvements	Lease term
Library collection:	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and equipment:	
IT infrastructure	5 years
IT systems	7 years
IT other	3 years
Motor vehicles	5 years
Other	10 years
Leased plant and equipment:	
IT infrastructure	5 years
IT other	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of the reporting period.

*(k) Restrictions on assets*

Land includes \$48.085 million (\$42.13 million) of Crown Lands and \$21.72 million (\$19.61 million) of land dedicated for educational use by the Minister of Education.

The University has restrictions on the above land by application of the *University of South Australia Act 1990* section 6(3).

*(l) Intangible assets and amortisation*

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Income as an expense when it is incurred.

With respect to internally generated intangible assets, expenditure on development activities is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Statement of Comprehensive Income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, which is currently seven years.

Intangibles in progress represent capitalised expenditure where the project was incomplete at balance date. The expenditure is transferred to intangible assets upon the completion of the project.

*(m) Unfunded superannuation*

In accordance with the 1998 instructions issued by the Department of Education, Training and Youth Affairs, now DEEWR, the effects of the unfunded superannuation liabilities of the University and its controlled entities were recorded in the Statement of Comprehensive Income and the Statement of Financial Position for the first time in 1998.

**(m) Unfunded superannuation (continued)**

In 2009, the DEEWR Guidelines for Defined Benefit Obligations (Superannuation) were rewritten to align with AASs. Superannuation Supplementation program funding is not to be recognised as a revenue as the payment is in respect of an existing liability. The recognition of the expense in the face statements should be offset by the revenue received in respect of the receivable from the Australian Government. This has resulted in the removal of the deferred government superannuation revenue (Commonwealth Supplementation) from the Statement of Comprehensive Income and moving the expense item (which is a net amount) to an 'ordinary' expense within employee related expenses. As the University has a defined benefit plan which is fully covered by the Superannuation Supplementation program it has reported a nil expense in the Statement of Comprehensive Income.

An arrangement exists between the Australian Government and the South Australian State Government to share the unfunded liability of the University's beneficiaries of the South Australian State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1988*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly, the unfunded liabilities have been recognised in the Statement of Financial Position as a liability with a corresponding asset. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Group (refer to note 31).

**(n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the University prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(o) Employee benefits**

Employee benefits expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

**(i) Wages, salaries, non-monetary benefits and annual leave**

Liabilities for wages, salaries, non-monetary benefits and annual leave (including the leave loading) expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The annual leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

**(ii) Sick leave**

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

**(iii) Long service leave**

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119. The last update was performed at 31 December 2010 by Bruce Watson, FIA, FIAA of Brett & Watson Pty Ltd. The current portion represents the amount expected to be paid in the following 12 months. The liability for long service leave is recognised in the provision for employee benefits and 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 expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national Government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while related on-costs are recognised as payables.

**(iv) Superannuation**

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University and are expensed in the Statement of Comprehensive Income. Note 31 provides details in respect of the individual schemes.

**(p) Workers compensation**

The University is responsible for payments of workers compensation.

The provision for workers compensation is independently actuarially estimated each year. The last update was performed at 31 December 2010 by Laurie Brett FIA, FIAA of Brett & Watson Pty Ltd using Case Estimation Methodology. Under this methodology consideration is given to individual case estimates of all open claims plus allowance for incurred but not reported claims, re-opening of claims regarded as closed and unforeseen escalation of case estimates as more information becomes available.

**(q) Funds held on behalf of external entities**

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash and cash equivalents and a corresponding liability is included in other liabilities (refer note 25).

**(r) GST**

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

Receivables and payables are stated with the amount of GST included.

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

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

**(s) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted for changes in deferred tax assets and liabilities. Due to the University's Income Tax Exempt Charitable Entity status, it does not incur Australian income tax. In relation to foreign operations, the University is subject to tax under the Tax Acts applicable in some foreign countries. Tax in respect of these operations has been brought to account in the year it is incurred.

**(t) Changes in accounting policy note**

AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the University for the reporting period ending 31 December 2010. The University has assessed the impact of the new and amended standards and interpretations and considers the impact to be insignificant.

**2. Disaggregated information (Consolidated)**

<i>Geographical</i>	Revenue		Results		Total Assets	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Australia	490 332	454 471	69 738	40 662	1 324 110	1 163 256
Asia	13 271	19 057	597	858	155	57
Other	66	41	3	2	-	-
Total	503 669	473 569	70 338	41 522	1 324 265	1 163 313

The University operates in the field of higher education principally in Australia and provides teaching and research services. The results of the geographical segments, other than Australia, are based upon consideration of the variable costs associated with those operations.

**3. Australian Government financial assistance including HECS-HELP and FEE-HELP**

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(a) Commonwealth Grants Scheme and other grants</b>	40.1				
Commonwealth Grants Scheme		143 668	130 835	143 668	130 835
Indigenous Support program		1 096	1 059	1 096	1 059
Partnership & Participation program		3 000	602	3 000	602
Workplace Reform program		-	1 634	-	1 634
Workplace Productivity program		1 581	1 581	1 581	1 581
Learning & Teaching Performance Fund		-	1 532	-	1 532
Capital Development Pool		2 849	-	2 849	-
Improving the Practical Component of Teacher Education Initiative		-	726	-	726
Transitional Cost program		461	1 083	461	1 083
Diversity & Structural Adjustment Fund		2 595	1 266	2 595	1 266
Chair in Child Protection		1 102	419	1 102	419
<b>Total Commonwealth Grants Scheme and other grants</b>		<b>156 352</b>	<b>140 737</b>	<b>156 352</b>	<b>140 737</b>
<b>(b) Higher Education Loan programs</b>	40.2				
HECS-HELP		82 787	76 105	82 787	76 105
FEE-HELP		5 525	5 277	5 525	5 277
<b>Total Higher Education Loan programs</b>		<b>88 312</b>	<b>81 382</b>	<b>88 312</b>	<b>81 382</b>
<b>(c) Scholarships</b>	40.3				
Australian Postgraduate Awards		3 273	2 356	3 273	2 356
International Postgraduate Research Scholarship		368	344	368	344
Commonwealth Education Cost Scholarships		3 045	2 412	3 045	2 412
Commonwealth Accommodation Scholarships		23	2 084	23	2 084
Indigenous Access Scholarships		81	-	81	-
Indigenous Staff Scholarships		-	35	-	35
<b>Total scholarships</b>		<b>6 790</b>	<b>7 231</b>	<b>6 790</b>	<b>7 231</b>
<b>(d) DIISR Research</b>	40.4				
Joint Research Engagement Scheme		6 631	5 708	6 631	5 708
Research Training Scheme		11 277	10 753	11 277	10 753
Research Infrastructure Block Grants		2 383	2 295	2 383	2 295
Implementation Assistance program		71	137	71	137
Australian Scheme for Higher Education Repositories		-	242	-	242
Commercialisation Training Scheme		114	110	114	110
Sustainable Research Excellence in Universities		1 062	-	1 062	-
<b>Total DIISR Research grants</b>		<b>21 538</b>	<b>19 245</b>	<b>21 538</b>	<b>19 245</b>
<b>(e) Other capital funding</b>	40.5				
Teaching and Learning Capital Fund		-	14 914	-	14 914
Education Investment Fund		13 210	2 586	13 210	2 586
<b>Total other capital funding</b>		<b>13 210</b>	<b>17 500</b>	<b>13 210</b>	<b>17 500</b>

	Note	Consolidated		University	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>(f) Australian Research Council</b>	40.6				
(i) <i>Discovery</i>	40.6(a)				
Project		3 549	3 314	3 549	3 314
Fellowships		307	-	307	-
Indigenous Researchers Development		-	5	-	5
Total discovery		3 856	3 319	3 856	3 319
(ii) <i>Linkages</i>	40.6(b)				
Infrastructure		100	(15)	100	(15)
International Projects		16	43	16	43
Total linkages		4 160	3 168	4 160	3 168
(iii) <i>Networks and centres</i>	40.6(c)				
Research networks		230	346	230	346
Centres		69	68	69	68
Total networks and centres		299	414	299	414
Total Australian Research Council		8 431	6 929	8 431	6 929
<b>(g) Other Australian Government financial assistance</b>					
Aboriginal Tutorial Assistance Scheme grant		143	201	143	201
Other Commonwealth grants		1 539	1 299	1 539	1 299
Other Australian Government research grants		14 117	13 563	14 117	13 563
Total other Australian Government financial assistance		15 799	15 063	15 799	15 063
Total Australian Government financial assistance		310 432	288 087	310 432	288 087
Reconciliation:					
Australian Government grants		222 120	206 705	222 120	206 705
HECS-HELP payments		82 787	76 105	82 787	76 105
FEE-HELP payments		5 525	5 277	5 525	5 277
Total Australian Government financial assistance		310 432	288 087	310 432	288 087
<b>(h) Australian Government grants received – cash basis</b>					
CGS and other DEEWR grants		157 538	145 284	157 538	145 284
Higher Education Loan programs		89 218	77 709	89 218	77 709
Scholarships		6 790	7 231	6 790	7 231
DIISR Research		21 568	19 245	21 568	19 245
Other capital funding		6 470	16 600	6 470	16 600
ARC grants - discovery		3 825	3 388	3 825	3 388
ARC grants - linkages		5 678	5 602	5 678	5 602
ARC grants - networks and centres		-	234	-	234
Other Australian Government grants		16 717	18 205	16 717	18 205
Total Australian Government grants received - cash basis		307 804	293 498	307 804	293 498
OS-HELP (net)		4	(3)	4	(3)
Superannuation supplementation		23 845	28 924	23 845	28 924
Total Australian Government funding received - cash basis		331 653	322 419	331 653	322 419

4. State and Local Government financial assistance	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Research grants	7 429	9 542	7 429	9 542
Other	1 072	2 088	1 072	2 088
Total State and Local Government financial assistance	8 501	11 630	8 501	11 630
<b>5. Fees and charges</b>				
Course fees and charges:				
Continuing education	1 745	1 838	1 745	1 838
Fee-paying overseas students	89 379	88 411	89 379	88 411
Fee-paying domestic postgraduate students	2 852	1 799	2 852	1 799
Total course fees and charges	93 976	92 048	93 976	92 048
Other fees and charges:				
Other fees and charges	7 799	7 485	7 799	7 485
Miscellaneous enrolment fees	7 366	6 780	7 366	6 780
Seminar/workshops	610	862	610	862
Total other fees and charges	15 775	15 127	15 775	15 127
Total fees and charges	109 751	107 175	109 751	107 175
<b>6. Investment revenue</b>				
Dividends and distributions	1 949	1 541	14 643	2 245
Interest	9 698	5 007	9 604	4 933
Total investment revenue	11 647	6 548	24 247	7 178
<b>7. Consultancy and contract research</b>				
Consultancy	4 103	4 716	4 114	4 742
Contracts	21 587	22 391	21 737	22 531
Total consultancy and contract research	25 690	27 107	25 851	27 273
<b>8. Other revenue</b>				
Donations and bequests	1 627	1 625	1 627	1 625
Scholarships and prizes	1 448	1 505	1 448	1 505
Other fees and charges	13 098	13 799	5 787	5 682
Other	7 520	2 469	7 524	2 479
Total other revenue	23 693	19 398	16 386	11 291
<b>9. Gains (Losses) on disposal of assets</b>				
<i>(a) Disposal of property, plant and equipment</i>				
Proceeds from sale	1 450	354	904	354
Carrying amount of assets sold	(1 010)	(724)	(395)	(724)
Net gain (loss) on disposal of property, plant and equipment	440	(370)	509	(370)
<i>(b) Sale of shares</i>				
Realised gain (loss) on disposal of investments	14 470	(48)	51	(48)
Total of net gain (loss) on disposal of assets	14 910	(418)	560	(418)
<b>10. Employee related expenses</b>				
<i>(a) Employee related expenses</i>				
Academic:				
Salaries	119 911	115 254	119 911	115 254
Contribution to funded superannuation and pension schemes:				
Emerging cost	635	745	635	745
Funded	17 190	16 089	17 190	16 089
Payroll tax	7 134	6 787	7 134	6 787
Workers compensation	(52)	554	(52)	554
Long service leave	3 702	2 356	3 702	2 356
Annual leave	9 132	7 070	9 132	7 070
Total academic	157 652	148 855	157 652	148 855

(a) <b>Employee related expenses (continued)</b>	Consolidated		University	
	2010	2009	2010	2009
Non-academic:	\$'000	\$'000	\$'000	\$'000
Salaries	93 354	87 589	89 109	82 445
Contribution to superannuation and pension schemes:				
Emerging cost	815	970	445	517
Funded	13 678	12 458	13 678	12 458
Payroll tax	6 095	5 845	5 839	5 552
Workers compensation	(21)	489	(39)	460
Long service leave	3 068	1 935	3 049	1 910
Annual leave	7 750	6 350	7 742	6 334
Total non-academic	124 739	115 636	119 823	109 676
Total academic and non-academic employee benefits and on-costs	282 391	264 491	277 475	258 531
Council member remuneration	194	201	194	201
Total employee related expenses	282 585	264 692	277 669	258 732

(b) **Voluntary separation packages**

Employee related expenses include voluntary separation packages paid during the year as follows:

	Consolidated		University	
	2010	2009	2010	2009
	Number	Number	Number	Number
Number of voluntary separation packages	20	27	20	27
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Voluntary separation package expenses	1 333	2 266	1 333	2 266
Annual leave and long service leave entitlements paid	506	877	506	877
Total amount associated with separations	1 839	3 143	1 839	3 143

There is no entitlement to recover separation payments from DPC.

(c) **Aggregate employee benefits liability**

In accordance with AASB 119, employee on-costs are required to be reported as payable whilst leave liability amounts are reported separately as employee benefits. Below is a composite note showing the total liabilities the University has at 31 December relating to employee benefits:

	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Annual leave:				
On-costs included in payables - current	2 760	2 275	2 760	2 275
On-costs included in payables - non-current	1 399	1 179	1 399	1 179
Employee benefits - current	11 731	10 215	11 662	9 959
Employee benefits - non-current	5 842	5 159	5 842	5 159
	21 732	18 828	21 663	18 572
Long service leave:				
On-costs included in payables - current	499	691	499	691
On-costs included in payables - non-current	3 176	2 970	3 176	2 970
Employee benefits - current	4 678	6 381	4 552	6 099
Employee benefits - non-current	28 023	24 721	28 023	24 721
	36 376	34 763	36 250	34 481
Separations scheme:				
Employee benefits - current	210	1 025	210	1 025
Total aggregate employee benefits liability	58 318	54 616	58 123	54 078

11. Depreciation and amortisation	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Depreciation:				
Buildings	16 115	15 707	16 115	15 676
Leasehold improvements	549	426	549	426
Library collection	2 374	2 645	2 374	2 645
Plant and equipment	7 528	6 975	7 468	6 787
Total depreciation	26 566	25 753	26 506	25 534
Amortisation				
Intangibles	1 042	991	1 042	991
Total amortisation	1 042	991	1 042	991
Total depreciation and amortisation	27 608	26 744	27 548	26 525
<b>12. Repairs and maintenance</b>				
Buildings	7 668	7 347	7 668	7 338
Grounds	1 041	1 056	1 040	1 047
	8 709	8 403	8 708	8 385
<b>13. Other expenses</b>				
Scholarships, grants and prizes	19 688	20 771	19 688	20 771
Non-capitalised equipment	4 207	4 130	4 198	4 127
Advertising, marketing and promotional expenses	6 778	6 338	6 712	6 241
Telecommunications	4 464	4 830	4 396	4 740
Travel, staff development and entertainment	18 806	16 633	18 628	16 420
External services*	36 225	40 099	35 135	39 180
IT hardware and software	7 940	7 843	7 912	7 808
Library subscriptions	3 473	3 539	3 473	3 539
Printing	1 620	1 747	1 607	1 747
Operating lease rental expenses	2 774	2 474	2 756	2 450
Bank charges, legal costs, insurance and taxes	4 354	4 262	4 327	4 219
General consumables	6 229	7 571	5 560	6 879
Other**	11 888	11 135	10 967	10 536
Total other expenses	128 446	131 372	125 359	128 657
* Included within external services for 2010 is an amount for consultants of \$2.279 million University, \$2.621 million Consolidated (\$2.089 million University, \$2.127 million Consolidated) exclusive of GST. This amount excludes consultant payments in relation to the capital works program.				
** Net foreign exchange losses included in other expenses for 2010 were \$409 000 (\$484 000) University and Consolidated. Impairment loss in respect of available-for-sale assets included in other expenses for 2010 was \$nil (\$nil) University, \$414 000 (\$nil) Consolidated.				
<b>14. Bad and doubtful debts</b>				
	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Bad and doubtful debts	354	204	354	204
Total bad and doubtful debts	354	204	354	204
<b>15. Cash and cash equivalents</b>				
Cash at bank and on hand	6 145	4 316	6 174	3 904
Deposits	208 123	141 316	191 761	139 555
Total cash and cash equivalents	214 268	145 632	197 935	143 459
(a) <b>Reconciliation to cash at the end of the year</b>				
Balances per Statement of Financial Position	214 268	145 632	197 935	143 459
Balances per Statement of Cash Flows	214 268	145 632	197 935	143 459
(b) <b>Cash at bank and on hand</b>				
During the year cash earned 4.25 percent interest (3.25 percent) and the interest is credited to the University quarterly in March, June, September and December.				



**(c) Deposits**

During the year the cash deposits earned interest at a fixed rate which ranged between 3.25 percent and 6.34 percent (range of 3.25 percent and 6.15 percent). These deposits had an average maturity of 140 days.

16. Receivables	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade debtors	12 195	14 792	12 066	13 587
Provision for impairment receivables	(368)	(505)	(368)	(505)
	<u>11 827</u>	<u>14 287</u>	<u>11 698</u>	<u>13 082</u>
Student fees	4 035	4 267	4 035	4 267
Provision for impaired receivables	(533)	(576)	(533)	(576)
	<u>3 502</u>	<u>3 691</u>	<u>3 502</u>	<u>3 691</u>
Commonwealth receivables	13 658	7 832	13 658	7 832
Other	2 084	1 458	2 084	1 458
	<u>31 071</u>	<u>27 268</u>	<u>30 942</u>	<u>26 063</u>

**(a) Impaired receivables**

As at 31 December 2010 current trade receivables of the Group with a nominal value of \$351 000 (\$492 000) were specifically identified as impaired. The individually impaired receivables were assessed in consultation with local responsible managers. Factors considered in the assessment included the age of the debt combined with the particular circumstances and experience with similar debt types. In addition, current trade receivables were collectively evaluated for impairment based upon past due status and historical collection experience resulting in a further provision of \$17 000 (\$13 000). The total amount of the provision was \$368 000 (\$505 000).

*Trade receivables*

The ageing analysis of trade receivables is as follows:

	Consolidated	
	2010 \$'000	2009 \$'000
Less than three months	-	-
Three to six months	37	27
Over six months	331	478
	<u>368</u>	<u>505</u>

As at 31 December 2010, trade receivables of \$6.554 million (\$4.966 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these receivables is as follows:

	Consolidated	
	2010 \$'000	2009 \$'000
Less than three months	5 410	4 021
Three to six months	590	760
Over six months	554	185
	<u>6 554</u>	<u>4 966</u>

Movements in the trade debtors provision for impaired receivables are as follows:

At 1 January	505	455
Provision for impairment recognised during the year	143	385
Receivables written off during the year as uncollectable	(107)	(42)
Unused amount reversed and debts collected	(173)	(293)
At 31 December	<u>368</u>	<u>505</u>

*Student receivables*

As at 31 December 2010, student receivables of \$3.704 million (\$4.061 million) were past due but not impaired.

*Student receivables (continued)*

The ageing analysis of these receivables is as follows:

	Consolidated	
	2010	2009
	\$'000	\$'000
Less than three months	504	371
Three to six months	2 205	2 853
Over six months	995	837
	<u>3 704</u>	<u>4 061</u>

Movements in the student fees provision for impaired receivables are as follows:

At 1 January	576	661
Provision for impairment recognised during the year	314	316
Receivables written off during the year as uncollectable	(288)	(325)
Unused amount reversed and debts collected	(69)	(76)
At 31 December	<u>533</u>	<u>576</u>

The creation and release of the provision for impaired receivables has been included in 'Bad and doubtful debts expense' in the Statement of Comprehensive Income. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

**(b) Foreign exchange and interest rate risk**

The carrying amount of the Group and the University's receivables are denominated in Australian dollars.

**(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.

**17. Investments accounted for using the equity method**

The University has no material investments in associates or joint venture entities which would be accounted for in the consolidated financial statements using the equity method of accounting.

**18. Other financial assets**

		Consolidated		University	
	Note	2010	2009	2010	2009
		\$'000	\$'000	\$'000	\$'000
Non-current:					
Shares in subsidiaries	32	-	-	1 730	1 730
Available-for-sale financial assets		6 560	7 312	5 537	5 778
Total other financial assets		<u>6 560</u>	<u>7 312</u>	<u>7 267</u>	<u>7 508</u>

**19. Other non-financial assets**

Current:

Prepayments	8 136	8 134	8 120	8 066
Accrued income	8 668	1 839	21 783	2 645
Total other non-financial assets	<u>16 804</u>	<u>9 973</u>	<u>29 903</u>	<u>10 711</u>

**20. Property, plant and equipment**

	Construction in progress	Land	Freehold buildings	Plant and equipment	Plant and equipment in progress
Consolidated					
At 1 January 2009:	\$'000	\$'000	\$'000	\$'000	\$'000
Cost	6 246	-	30 569	53 461	-
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(381 666)	(27 976)	-
Net book amount	<u>6 246</u>	<u>87 740</u>	<u>446 681</u>	<u>25 485</u>	<u>-</u>
Year ended 31 December 2009:					
Opening net book amount	6 246	87 740	446 681	25 485	-
Revaluation	-	-	-	-	-
Additions	26 948	6 147	5 435	11 237	-
Disposals	-	-	-	(723)	-
Reclassifications	(14 108)	-	12 419	1 597	-
Depreciation charge	-	-	(15 707)	(6 975)	-
Closing net book amount	<u>19 086</u>	<u>93 887</u>	<u>448 828</u>	<u>30 621</u>	<u>-</u>

**20. Property, plant and equipment (continued)**

	Construction in progress	Land	Freehold buildings	Plant and equipment	Plant and equipment in progress
	\$'000	\$'000	\$'000	\$'000	\$'000
At December 2009:					
Cost	19 086	6 147	48 424	61 564	-
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(397 374)	(30 943)	-
Net book amount	19 086	93 887	448 828	30 621	-
Year ended 31 December 2010:					
Opening net book amount	19 086	93 887	448 828	30 621	-
Revaluation	-	19 455	14 890	-	-
Additions	30 012	1 558	706	6 244	4 513
Disposals	-	-	(341)	(615)	-
Reclassifications	(27 632)	-	24 908	551	-
Depreciation charge	-	-	(16 115)	(7 528)	-
Closing net book amount	21 466	114 900	472 876	29 273	4 513
At 31 December 2010:					
Cost	21 466	-	-	63 016	4 513
Valuation	-	114 900	909 164	-	-
Accumulated depreciation	-	-	(436 288)	(33 743)	-
Net book amount	21 466	114 900	472 876	29 273	4 513
		Leasehold Improvements	Library	Art collection	Total
		\$'000	\$'000	\$'000	\$'000
At 1 January 2009:					
Cost		3 283	-	-	93 559
Valuation		-	31 640	1 333	918 491
Accumulated depreciation		(1 411)	(15 345)	-	(426 398)
Net book amount		1 872	16 295	1 333	585 652
Year ended 31 December 2009:					
Opening net book amount		1 872	16 295	1 333	585 652
Revaluation		-	(702)	-	(702)
Additions		-	2 707	28	52 502
Disposals		-	(1)	-	(724)
Reclassifications		92	-	-	-
Depreciation charge		(426)	(2 645)	-	(25 753)
Closing net book amount		1 538	15 654	1 361	610 975
At 31 December 2009:					
Cost		3 375	-	-	138 596
Valuation		-	28 202	1 361	915 081
Accumulated depreciation		(1 837)	(12 548)	-	(442 702)
Net book amount		1 538	15 654	1 361	610 975
Year ended 31 December 2010:					
Opening net book amount		1 538	15 654	1 361	610 975
Revaluation		-	(1 363)	130	33 112
Additions		-	2 424	44	45 501
Disposals		(5)	(50)	-	(1 011)
Reclassifications		2 173	-	-	-
Depreciation charge		(549)	(2 374)	-	(26 566)
Closing net book amount		3 157	14 291	1 535	662 011
At 31 December 2010:					
Cost		5 525	-	-	94 520
Valuation		-	25 211	1 535	1 050 810
Accumulated depreciation		(2 368)	(10 920)	-	(483 319)
Net book amount		3 157	14 291	1 535	662 011

**20. Property, plant and equipment (continued)**

<b>University</b>	Construction in progress	Land	Freehold buildings	Plant and equipment	Plant and equipment in progress
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2009:					
Cost	6 246	-	30 100	52 093	-
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(381 299)	(26 936)	-
Net book amount	<u>6 246</u>	<u>87 740</u>	<u>446 579</u>	<u>25 157</u>	<u>-</u>
Year ended 31 December 2009:					
Opening net book amount	6 246	87 740	446 579	25 157	-
Revaluation	-	-	-	-	-
Additions	26 948	6 147	5 433	11 026	-
Disposals	-	-	-	(723)	-
Reclassifications	(14 108)	-	12 419	1 597	-
Depreciation charge	-	-	(15 676)	(6 787)	-
Closing net book amount	<u>19 086</u>	<u>93 887</u>	<u>448 755</u>	<u>30 270</u>	<u>-</u>
At 31 December 2009:					
Cost	19 086	6 147	47 952	59 985	-
Valuation	-	87 740	797 778	-	-
Accumulated depreciation	-	-	(396 975)	(29 715)	-
Net book amount	<u>19 086</u>	<u>93 887</u>	<u>448 755</u>	<u>30 270</u>	<u>-</u>
Year ended 31 December 2010:					
Opening net book amount	19 086	93 887	448 755	30 270	-
Revaluation	-	19 455	14 890	-	-
Additions	30 012	1 558	438	6 233	4 513
Disposals	-	-	-	(340)	-
Reclassifications	(27 632)	-	24 908	551	-
Depreciation charge	-	-	(16 115)	(7 468)	-
Closing net book amount	<u>21 466</u>	<u>114 900</u>	<u>472 876</u>	<u>29 246</u>	<u>4 513</u>
At 31 December 2010:					
Cost	21 466	-	-	62 672	4 513
Valuation	-	114 900	909 164	-	-
Accumulated depreciation	-	-	(436 288)	(33 426)	-
Net book amount	<u>21 466</u>	<u>114 900</u>	<u>472 876</u>	<u>29 246</u>	<u>4 513</u>
		Leasehold Improvements	Library	Art collection	Total
At 1 January 2009:		\$'000	\$'000	\$'000	\$'000
Cost		3 283	-	-	91 722
Valuation		-	31 640	1 333	918 491
Accumulated depreciation		(1 411)	(15 345)	-	(424 991)
Net book amount		<u>1 872</u>	<u>16 295</u>	<u>1 333</u>	<u>585 222</u>
Year ended 31 December 2009:					
Opening net book amount		1 872	16 295	1 333	585 222
Revaluation		-	(702)	-	(702)
Additions		-	2 707	28	52 289
Disposals		-	(1)	-	(724)
Reclassifications		92	-	-	-
Depreciation charge		(426)	(2 645)	-	(25 534)
Closing net book amount		<u>1 538</u>	<u>15 654</u>	<u>1 361</u>	<u>610 551</u>
At 31 December 2009:					
Cost		3 375	-	-	136 545
Valuation		-	28 202	1 361	915 081
Accumulated depreciation		(1 837)	(12 548)	-	(441 075)
Net book amount		<u>1 538</u>	<u>15 654</u>	<u>1 361</u>	<u>610 551</u>
Year ended 31 December 2010:					
Opening net book amount		1 538	15 654	1 361	610 551
Revaluation		-	(1 363)	130	33 112
Additions		-	2 424	44	45 222
Disposals		(5)	(50)	-	(395)
Reclassifications		2 173	-	-	-
Depreciation charge		(549)	(2 374)	-	(26 506)
Closing net book amount		<u>3 157</u>	<u>14 291</u>	<u>1 535</u>	<u>661 984</u>

**20. Property, plant and equipment (continued)**

	Leasehold Improvements \$'000	Library \$'000	Art collection \$'000	Total \$'000
At 31 December 2010:				
Cost	5 525	-	-	94 176
Valuation	-	25 211	1 535	1 050 810
Accumulated depreciation	(2 368)	(10 920)	-	(483 002)
Net book amount	3 157	14 291	1 535	661 984

**21. Intangible assets**

	Intangibles in progress \$'000	Intangibles \$'000	Total \$'000
<b>Consolidated</b>			
At 1 January 2009:			
Cost	-	5 968	5 968
Accumulated amortisation	-	(330)	(330)
Net book amount	-	5 638	5 638
Year ended 31 December 2009:			
Opening net book amount	-	5 638	5 638
Additions	891	15	906
Amortisation charge	-	(991)	(991)
Closing net book amount	891	4 662	5 553
At 31 December 2009:			
Cost	891	5 983	6 874
Accumulated amortisation	-	(1 321)	(1 321)
Net book amount	891	4 662	5 553
Year ended 31 December 2010:			
Opening net book amount	891	4 662	5 553
Additions	1 740	-	1 740
Reclassifications	(809)	809	-
Amortisation charge	-	(1 042)	(1 042)
Closing net book amount	1 822	4 429	6 251
At 31 December 2010:			
Cost	1 822	6 792	8 614
Accumulated amortisation	-	(2 363)	(2 363)
Net book amount	1 822	4 429	6 251
<b>University</b>			
At 1 January 2009:			
Cost	-	5 968	5 968
Accumulated amortisation	-	(330)	(330)
Net book amount	-	5 638	5 638
Year ended 31 December 2009:			
Opening net book amount	-	5 638	5 638
Additions	891	15	906
Amortisation charge	-	(991)	(991)
Closing net book amount	891	4 662	5 553
At 31 December 2009:			
Cost	891	5 983	6 874
Accumulated amortisation	-	(1 321)	(1 321)
Net book amount	891	4 662	5 553
Year ended 31 December 2010:			
Opening net book amount	891	4 662	5 553
Additions	1 740	-	1 740
Reclassifications	(809)	809	-
Amortisation charge	-	(1 042)	(1 042)
Closing net book amount	1 822	4 429	6 251
At 31 December 2010:			
Cost	1 822	6 792	8 614
Accumulated amortisation	-	(2 363)	(2 363)
Net book amount	1 822	4 429	6 251

**22. Payables**

	Consolidated		University	
	2010	2009	2010	2009
Current:	\$'000	\$'000	\$'000	\$'000
Trade creditors	17 951	21 911	17 519	21 287
Accrued salaries	6 693	5 817	6 693	5 817
Annual leave on-costs	2 760	2 275	2 760	2 275
Long service leave on-costs	499	691	499	691
Total current payables	27 903	30 694	27 471	30 070
Non-current:				
Annual leave on-costs	1 399	1 179	1 399	1 179
Long service leave on-costs	3 176	2 970	3 176	2 970
Total non-current payables	4 575	4 149	4 575	4 149
Total payables	32 478	34 843	32 046	34 219

**(a) Foreign exchange and interest rate risk**

The carrying amounts of the Group and the University's payables are denominated in Australian dollars.

**23. Borrowings**

The University does not hold any borrowings.

**(a) Financing arrangements**

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated		University	
	2010	2009	2010	2009
Credit standby arrangements:	\$'000	\$'000	\$'000	\$'000
Total facilities:				
Credit card facility with National Australian Bank (NAB)	8 000	5 000	8 000	5 000
Credit card facility with American Express (Amex)	1 530	1 530	1 530	1 530
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	500	2 000	500	2 000
IT lease facility with Commonwealth Bank	5 000	5 000	5 000	5 000
Bank guarantee	5 100	5 100	5 100	5 100
	20 330	18 830	20 330	18 830
Used at balance date:				
Credit card facility NAB	1 052	919	1 052	919
Credit card facility with Amex	323	374	323	374
Documentary letter of credit facility with NAB	-	-	-	-
Pre-approved lease/lease purchase with NAB	-	-	-	-
IT lease facility with Commonwealth Bank	-	1	-	1
Bank guarantee	1 423	3 677	1 423	3 677
	2 798	4 971	2 798	4 971
Unused at balance date:				
Credit card facility NAB	6 948	4 081	6 948	4 081
Credit card facility with Amex	1 207	1 156	1 207	1 156
Documentary letter of credit facility with NAB	200	200	200	200
Pre-approved lease/lease purchase with NAB	500	2 000	500	2 000
IT lease facility with Commonwealth Bank	5 000	4 999	5 000	4 999
Bank guarantee	3 677	1 423	3 677	1 423
	17 532	13 859	17 532	13 859
Bank loan facilities:				
NAB facilities	35 000	35 000	35 000	35 000
Total facilities	35 000	35 000	35 000	35 000
Used at balance date	-	-	-	-
Unused at balance date	35 000	35 000	35 000	35 000

24. Provisions	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current:				
Annual leave	11 731	10 215	11 662	9 959
Long service leave	4 678	6 381	4 552	6 099
Separation scheme	210	1 025	210	1 025
Workers compensation liability	333	551	333	551
Total current provisions	16 952	18 172	16 757	17 634
Non-current:				
Annual leave	5 842	5 159	5 842	5 159
Long service leave	28 023	24 721	28 023	24 721
Workers compensation liability	569	1 128	569	1 128
Total non-current provisions	34 434	31 008	34 434	31 008
Total provisions	51 386	49 180	51 191	48 642

Movements in the workers compensation liability are set out below:

Carrying amount 1 January	1 679	1 902	1 679	1 902
Additional provisions recognised	412	788	412	788
Amounts used	(711)	(748)	(711)	(748)
Unused amounts reversed	(401)	(99)	(401)	(99)
Increase (Decrease) in discounted amount	(77)	(164)	(77)	(164)
Carrying amount 31 December	902	1 679	902	1 679

## 25. Other liabilities

Current:				
Funds held on behalf of external entities	17 676	1 250	17 676	1 250
Income in advance on incomplete projects	4 827	6 812	4 827	6 812
Fees and charges	11 598	10 798	11 598	10 798
Commonwealth and State Government grants	31 421	21 639	31 421	21 639
Other	1 700	742	1 795	815
Total other liabilities	67 222	41 241	67 317	41 314

## 26. Reserves and retained earnings

### (a) Reserves

Property plant and equipment revaluation surplus:				
Land and buildings	158 839	124 494	158 839	124 494
Art collection	424	294	424	294
Library	-	-	-	-
	159 263	124 788	159 263	124 788
Available-for-sale investments revaluation surplus	1 498	1 855	1 498	1 855
	160 761	126 643	160 761	126 643

### Movements in reserves

Property, plant and equipment revaluation surplus:				
Land and buildings:				
Balance 1 January	124 494	124 494	124 494	124 494
Asset revaluation increment	34 345	-	34 345	-
Balance 31 December	158 839	124 494	158 839	124 494
Art collection:				
Balance 1 January	294	294	294	294
Asset revaluation increment	130	-	130	-
Balance 31 December	424	294	424	294
Library:				
Balance 1 January	-	83	-	83
Asset revaluation decrement	-	(83)	-	(83)
Balance 31 December	-	-	-	-

<i>Movements in reserves (continued)</i>	Consolidated		University	
	2010	2009	2010	2009
Available-for-sale investments revaluation surplus:	\$'000	\$'000	\$'000	\$'000
Balance 1 January	1 855	264	1 855	264
Asset revaluation increment	-	1 591	-	1 591
Asset revaluation decrement	(357)	-	(357)	-
Total available-for-sale investments revaluation surplus	1 498	1 855	1 498	1 855
<b>(b) Retained earnings</b>				
Retained earnings at 1 January	554 117	512 595	552 338	509 350
Operating result for the period	70 338	41 522	69 966	42 988
Retained earnings at 31 December	624 455	554 117	622 304	552 338

**(c) Nature and purpose of reserves**

The University has four reserves. The land and buildings revaluation surplus records revaluations in land and buildings, the available-for-sale investments revaluation surplus records revaluations in investments, the library revaluation surplus records revaluations in the library collection and the art collection revaluation surplus records revaluations in the art collection.

**27. Key management personnel disclosures****(a) Names of responsible persons**

The following persons were responsible persons of the University during the 2010 year. Council members include University employees who may be ex officio members or elected staff members.

*2010 council members*

Dr Ian Gould, Chancellor  
 Professor Peter Høj, Vice Chancellor and President  
 Dr Wendy Craik, AM, Deputy Chancellor  
 Mr Terry Evans, Pro Chancellor (appointed to Pro Chancellor, commencing 31 March 2010)  
 Associate Professor Stephen Boyle (terms September to October 2010 and December 2010)  
 Ms Pauline Carr (term commenced 30 March 2010)  
 Mr William Cossey, AM  
 Professor Drew Dawson  
 Ms Kelly Graham Sutton (term commenced 1 January 2010, term completed 31 December 2010)  
 Ms Tanya Hosch  
 Mr Bruce Linn  
 Mr Jim McDowell  
 Mr Ian McLachlan  
 Ms Paula Nagel (term commenced 30 March 2010)  
 Associate Professor Margaret Peters (leave of absences September to October 2010 and December 2010; term completed 31 December 2010)  
 Mr Thomas Rudkin (term commenced 1 January 2010, term completed 31 December 2010)  
 Dr Sue Vardon, AO (resigned 12 January 2010)  
 Ms Bronwen Webb

*Directorships held by council members during the 2010 year in subsidiaries and associates of the University*

Mr Bruce Linn, ITEK Pty Ltd, GTA Pty Ltd (1 January 2010 to 30 November 2010), GTA No 2 Pty Ltd (from 19 March 2010) and SABRENet Ltd  
 Mr Ian McLachlan, ITEK Pty Ltd

**(b) Remuneration of University council members, directors of subsidiary companies and executive officers**

<i>Remuneration of council members</i>	Consolidated		University	
	2010 Number	2009 Number	2010 Number	2009 Number
\$nil	7	7	7	7
\$10 000 - \$19 999	8	7	8	8
\$20 000 - \$29 999	-	-	2	1
\$30 000 - \$39 999	-	1	-	1
\$40 000 - \$49 999	1	2	-	-
\$50 000 - \$59 999	2	1	1	1
	18	18	18	18



**(b) Remuneration of University council members, directors of subsidiary companies and executive officers (continued)**

The remuneration received and receivable by council members for their services as council members was \$194 000 (\$201 000). The total remuneration received and receivable by council members in their position as council members and as directors of subsidiary companies was \$255 000 (\$262 000).

	Consolidated		University	
	2010 Number	2009 Number	2010 Number	2009 Number
<i>Remuneration of executive officers</i>				
\$100 000 - \$109 999	-	1	-	1
\$150 000 - \$159 999*	1	-	1	-
\$180 000 - \$189 999	1	-	1	-
\$200 000 - \$209 999	-	1	-	1
\$260 000 - \$269 999*	-	1	-	1
\$270 000 - \$279 999	1	2	1	2
\$280 000 - \$289 999	-	1	-	1
\$290 000 - \$299 999	2	1	2	1
\$310 000 - \$319 999	1	-	1	-
\$320 000 - \$329 999	-	1	-	1
\$330 000 - \$339 999	-	1	-	1
\$340 000 - \$349 999*	2	-	2	-
\$350 000 - \$359 999	1	1	1	1
\$410 000 - \$419 999	1	-	1	-
\$580 000 - \$589 999	-	1	-	1
\$690 000 - \$699 999	1	-	1	-
	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>

\* includes leave paid on termination.

Executives are defined as the Vice Chancellor and President and the University's Senior Management Group. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting period. No executive received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

**(c) Executive officers' compensation**

	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Short-term employee benefits	3 061	2 936	3 061	2 936
Post-employment benefits	485	431	485	431
Other long-term benefits	104	21	104	21
Termination benefits	124	-	124	-
	<u>3 774</u>	<u>3 388</u>	<u>3 774</u>	<u>3 388</u>

**(d) Related party transactions**

From time to time University council members have interests or positions in entities with which the University conducts business. In all cases, transactions with these entities are undertaken on a normal commercial basis.

**28. Remuneration of auditors**

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

<i>Assurance services</i>	Consolidated		University	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Audit services:				
Fees paid to Auditor-General's Department:				
Audit of financial reports and other audit work	248	233	248	233
Fees paid to other audit firms:				
Audit and review of financial reports of any entity in the Consolidated Entity	10	19	-	-
	<u>258</u>	<u>252</u>	<u>248</u>	<u>233</u>

**29. Contingencies**

The University entered into an agreement with the Minister of the Department of Education, Training and Employment on 20 February 1997 to provide 35 spaces in a child care centre built in 1997 at the University's City West campus. If the agreement is terminated at any time after the commencement of the eighth year of the term, a sum of \$680 000 is to be repaid on a pro-rata basis reducing to zero after 21 years. As at 31 December 2010 this contingent liability reduced to \$389 000.

**29. Contingencies (continued)**

The University entered into an agreement with the Commonwealth Department of Innovation, Industry, Science and Research (DIISR) on 23 September 2009 to raise \$5 million by 2014 after which an endowed chair in child protection can be funded from investment revenue. The Commonwealth has provided \$2 million and the University must raise \$3 million by 2014. If the \$3 million is not raised by 2014, the Commonwealth may request repayment of any portion of the Commonwealth contribution of \$2 million. As at 31 December 2010 this contingent liability is \$2 million.

No material losses are anticipated in respect of any of the above contingent liabilities.

The University has no other material contingent liabilities.

**30. Commitments****(a) Capital commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2010	2009	2010	2009
Property, plant and equipment payable:	\$'000	\$'000	\$'000	\$'000
Within one year	30 066	8 707	30 066	8 707
Later than one year but not later than five years	3 850	4 279	3 850	4 279
Total capital commitments	<u>33 916</u>	<u>12 986</u>	<u>33 916</u>	<u>12 986</u>

**(b) Lease commitments - operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

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

	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Within one year	2 602	2 602	2 602	2 602
Later than one year but not later than five years	4 296	3 233	4 296	3 233
Later than five years	86	-	86	-
Total lease commitments - operating leases	<u>6 984</u>	<u>5 835</u>	<u>6 984</u>	<u>5 835</u>

Major operating leases include leases for office space, vehicles and computers. The terms of the office space lease agreements include renewal or purchase options ranging between one and 10 years.

**(c) Other expenditure commitments**

Commitments for other expenditure in existence at the reporting date but not recognised as liabilities, are payable as follows:

	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Within one year	6 148	5 427	6 148	5 427
Later than one year but not later than five years	5 293	8 313	5 293	8 313
Later than five years	1 635	615	1 635	615
Total other expenditure commitments	<u>13 076</u>	<u>14 355</u>	<u>13 076</u>	<u>14 355</u>

**31. Superannuation plans**

The University contributes to the following employee superannuation funds:

**(a) Superannuation plan**

A number of present and past employees of the University and its predecessor institutions are members of the South Australian superannuation schemes. These schemes are administered by Super SA on behalf of the South Australian Superannuation Board (the Board) which is responsible for managing these schemes. These funds are managed by the specialist investment manager, Superannuation Funds Management Corporation of South Australia.

**(a) Superannuation plan (continued)**

Under these schemes, benefits are paid as a continuing pension or lump sum to members eligible to claim their entitlement. The Pension Scheme is a defined benefit scheme where member benefits are calculated as a percentage of final salary. Benefits are generally payable fortnightly and are indexed by CPI. The Lump Sum Scheme is part accumulation and part defined benefit where member basic entitlements are refund of the member's contributions with investment returns plus a defined multiple of final salary.

Under current arrangements, Super SA pays eligible members their benefit and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State Government under the Commonwealth State Agreement. The agreement provides that the employer component of the superannuation benefits payable to former employees of the University who were members of one of the main State schemes, be shared.

An actuarial assessment (the assessment) of the University's superannuation liability with respect to future benefits for current pensioners and employees was performed by Brett and Watson Pty Ltd as at 31 December 2010. The actuarial valuation was based on 30 June 2010 membership data which was projected to 31 December 2010. The University's superannuation liability was assessed to be \$413.8 million (\$379.8 million).

The University's liability under the scheme has been partly funded by an amount of \$26.5 million (\$23.2 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$387.3 million (\$356.6 million).

Defined benefit obligations:	2010	2009
	\$'000	\$'000
Present value obligations	413 800	379 800
Present value of plan assets	26 500	23 200
Total liability	<u>387 300</u>	<u>356 600</u>

The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth Government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

Recognition of the receivable from the Commonwealth is in accordance with DEEWR guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by Brett and Watson Pty Ltd in determining the University's liability were:

	2010	2009
	Percent	Percent
	per annum	per annum
Rate of increase in the CPI	2.5	2.5
Rate of salary increases	4.0	4.0
Discount rate	5.7	5.9
Return of fund assets	7.0	8.0

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3 percent real gap between salary increases and investment earnings.

**(b) Deferred government superannuation contribution**

The Commonwealth Government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State Government.

On an accrual basis, expenses of \$24.693 million (\$24.722 million) are offset by \$24.693 million (\$24.722 million) Commonwealth revenue. As the University has a defined benefit plan which is fully covered by the Superannuation Supplementation program these costs have been offset and have a nil balance in the Statement of Comprehensive Income.

Note 40.8 contains details regarding payments made to Super SA and revenue received from the Commonwealth Government.

<b>(b) <i>Deferred government superannuation contribution (continued)</i></b>	2010	2009
Defined benefit obligations:	\$'000	\$'000
Current provision for superannuation	29 000	26 000
Non-current provision for superannuation	358 300	330 600
Total liability	387 300	356 600
Reimbursement rights:		
Current deferred Government superannuation contribution	29 000	26 000
Non-current deferred Government superannuation contribution	358 300	330 600
Total asset	387 300	356 600
Total net liability/asset in the Statement of Financial Position	-	-

**(c) *UniSuper***

The University contributes to the following employee superannuation funds:

**(i) *UniSuper Defined Benefit Division***

The Defined Benefit Division (DBD) Superannuation Fund (the Fund) is managed by a corporate trustee, UniSuper Limited, which has delegated the day to day administration of the Fund to a wholly-owned subsidiary company, UniSuper Management Pty Ltd. The executive management of UniSuper Management Pty Ltd reports to the Boards of UniSuper Limited and UniSuper Management Pty Ltd.

The University contributes to the DBD at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The DBD provides defined benefits based on years of service, average service fraction and final average salary or choice of investment funds.

At its 23 November 2006 meeting the Board approved an amendment to clause 34 of the UniSuper Trust Deed, effective 31 December 2006, altering its classification from a defined benefit plan to a defined contribution plan. Previously under clause 34 if the UniSuper assets were considered by the Trustee to be insufficient to provide benefits payable under the Deed, the trust could request additional contributions from employers, provided they are given notice that such a request may be made four years in advance. If such a request was agreed to by employers then members were required to also make additional contributions equal to one half of the rate which their employer is prepared to contribute.

Clause 34(b) now states that if 'the Trustee still considers that UniSuper is or may be insufficient to provide the benefits payable under the Deed, the Trustee must reduce the benefits (including benefits in the course of payment) payable under Division A and Division B on a fair and equitable basis'.

As set out under paragraph 25 of AASB 119 a defined contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the funds and the actuarial risk and investment risk fall on the employee. As at 30 June 2010 the assets of the DBD aggregate (ie entire multi-employer DBD plan) were estimated to be:

- \$1217 million (\$1396 million) in deficiency of vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of CPI indexed pensions being provided by the DBD
- \$312 million in excess (\$39 million in deficiency) of accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and CPI indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary Russell Employee Benefits using the actuarial demographic assumptions outlined in their report dated 12 June 2009 on the actuarial investigation of the DBD as at 31 December 2008. The financial assumptions used were:

	Vested benefits Percent per annum	Accrued benefits Percent per annum
Gross of tax investment return	7.25	8.50
Net of tax investment return	6.75	8.00
CPI	2.75	2.75
Inflationary salary increases long term	3.75	3.75

(i) *UniSuper Defined Benefit Division (continued)*

Assets have been included at their net market value, ie allowing for realisation costs.

The DBD as at 30 June 2010 is therefore in an 'unsatisfactory financial position' as defined by *Superannuation Industry (Supervision) Act 1993* Regulation 9.04. An 'unsatisfactory financial position' for a defined benefit fund is defined as when 'the value of the assets of the Fund is inadequate to cover the value of the liabilities of the Fund in respect of benefits vested in the members of the Fund'. The actuary and the Trustee have followed the procedure required by section 130 of the *Superannuation Industry (Supervision) Act 1993* when funds are found to be in an unsatisfactory financial position.

The actuary currently believes, in respect of the long term financial condition of the Fund, that assets as at 30 June 2010, together with current contribution rates, are expected to be sufficient to provide for the current benefit levels for both existing members and anticipated new members if experience follows the 'best estimate' assumptions.

(ii) *UniSuper Accumulation Super 2 (Accum 2)*

The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides benefits based on the defined contributions of the University and employee during the membership of the employee.

Employees may have an Accum 2 account if they had elected within the first 12 months of membership to transfer their benefit calculation from the DBD to the Accum 2. Contributions made by both the employee and employer remain unchanged.

The University has also recognised an expense of \$20.542 million (\$19.157 million) in respect of Accum 2.

(iii) *UniSuper Accumulation Super 1 (Accum 1)*

The University makes contributions into the fund for employee entitlements arising under the Superannuation Guarantee and Award obligations. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University has recognised an expense of \$20.534 million (\$19.157 million) in respect of the DBD and Accum 2.

The University has also recognised an expense of \$10.292 million (\$9.355 million) in respect of Accum 1.

**32. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Ownership interest	
		2010 Percent	2009 Percent
(a) ITEK Pty Ltd	Australia	100	100
(b) University of South Australia Foundation Incorporated	Australia	100	100

(a) *ITEK Pty Ltd (ITEK)*

ITEK was formed on 1 July 1999 and is the trustee for the ITEK Trust. In the year ended 31 December 2009, ITEK Trust changed its accounting period from 30 June to 31 December therefore 31 December 2010 was the first full calendar year report. The financial results of the Group are consolidated on a calendar year basis.

The ITEK Trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formation of spin off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.

ITEK had a 100 percent interest in GTA Pty Ltd as trustee for the GTA Trust. During 2010 the business previously conducted through the GTA Trust was sold.

**(b) University of South Australia Foundation Incorporated (Foundation)**

The Foundation is a dormant entity with no assets, liabilities or equity as at 31 December 2010 and no transactions over the reporting period. This company will remain legally intact indefinitely to ensure that any future bequests, which have named the Foundation as the beneficiary, will ultimately flow to the University as intended.

The Foundation’s purpose was to partner the University, its alumni and its supporters in industry and elsewhere in generating philanthropic support for the benefit of the University.

**33. Investments in associates**

The University has an interest in SABRENet Ltd as described below:

**SABRENet Ltd (SABRENet)**

SABRENet is incorporated in Australia and was registered on 28 September 2005 as a non-profit company limited by guarantee and has been recognised by the ATO as a tax exempt entity. The founding members are the three South Australian Universities and the South Australian Government, while the Defence Science and Technology Organisation is a contractual partner.

The objects for which the company was established are to be a non-profit institution to further the use of advanced data networking for the conduct of research and education in South Australia for the benefit of South Australia and for the purposes of economic and social advancement in Australia generally.

While the University has significant influence over SABRENet, its interest in SABRENet is limited to the use of SABRENet’s asset (the network). That is, the University receives no return for its interest in SABRENet. To date, the University has provided \$250 000 to SABRENet which has been recognised as an expense in the year payment was made. Consequently the University’s interest in SABRENet has not been taken up in the accounts on an equity basis.

**34. Interests in joint ventures**

**(a) Joint venture operations**

The University’s interests in joint venture operations are as follows:

Entity	Reporting date	Ownership interest	
		2010 Percent	2009 Percent
(i) Mawson Centre Building	31 December	63	63
(ii) e-Research SA	31 December	33	25
(iii) SA node of the Australia National Fabrication Facility (ANFF)	30 June	-	-

**(i) Mawson Centre Building**

The University, the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children’s Services (DECS) entered into an agreement in 2003 to design, develop, construct and operate the Mawson Centre at Mawson Lakes. This multi-purpose community centre will assist in meeting the cultural, entertainment, recreational and educational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63 percent share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19 percent share and DECS holding an 18 percent share.

In 2010 the building was independently revalued and the University’s 63 percent share of the asset’s carrying amount as at 31 December 2010 is \$7.328 million (\$8.709 million) which is included in buildings.

**(ii) eResearch SA (formerly South Australian Partnership for Advanced Computing (SAPAC))**

eResearch SA is a collaborative joint venture of the three South Australian universities and its mission is to support the development, implementation and use of eResearch methodologies and activities in South Australia and to provide access to eResearch facilities and practical support for researchers from all disciplines. The University’s 33 percent share of this joint venture has not been included in the consolidated report as this is immaterial to the University’s activities.

**(iii) South Australian node of the Australia National Fabrication Facility (ANFF)**

Established in 2007, under the National Collaborative Research Infrastructure Strategy, the ANFF links seven university based nodes to provide researchers and industry with access to state of the art fabrication facilities. Each node offers a specific area of expertise including advanced materials, nano-electronics and photonics and bio nano applications. The ANFF is a company limited by guarantee and no contributions were made to the ANFF during the year.

**(b) Joint venture entities**

The University has an interest in a number of joint venture entities as described below. The University's interests in these joint ventures are not considered to be material to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per AASB 131.

Entity	Reporting date	Ownership interest	
		2010 Percent	2009 Percent
(i) Australian Centre for Community Ageing	30 June	25.00	25.00
(ii) Cooperative Research Centre for Integrated Engineering Asset Management	30 June	12.27	11.41
(iii) Cooperative Research Centre for Irrigation Futures	30 June	-	3.85
(iv) Cooperative Research Centre for Sustainable Tourism Pty Ltd	30 June	-	2.72
(v) Desert Knowledge Cooperative Research Centre	30 June	-	9.08
(vi) South Australian Consortium for Information Technology and Telecommunications	31 December	33.33	33.33
(vii) Spencer Gulf Rural Health School	31 December	50.00	50.00
(viii) South Australian Tertiary Admissions Centre	30 June	25.00	25.00
(ix) Cooperative Research Centre for Advanced Automotive Technologies	30 June	5.00	5.00
(x) Cooperative Research Centre for Contamination Assessment and Remediation of the Environment	30 June	22.76	24.85
(xi) Cooperative Research Centre for Polymers	30 June	1.97	1.86
(xii) Cooperative Research Centre for Rail Innovation	30 June	10.60	11.00
(xiii) Australian Seafood Cooperative Research Centre	30 June	1.06	2.08
(xiv) Australian Synchrotron	30 June	1.00	1.00
(xv) Defence Systems Innovation Centre	30 June	50.00	50.00
(xvi) The Cooperative Research Centre for Remote Economic Participation	30 June	8.74	-
(xvii) Australian Centre for Plant Functional Genomics	31 December	1.10	0.60

**(i) Australian Centre for Community Ageing (ACCA)**

The ACCA is a joint venture collaboration involving internationally recognised education and training organisations, a major aged care provider, an international developer of urban communities and an internationally respected research centre. The collaboration involves the 'pooling' of expertise contributed by each of the joint venture members with an aim of applying outcomes of quality research in ageing issues into practical solutions for older people, as well as informing those who supply older people with goods and services.

**(ii) Cooperative Research Centre for Integrated Engineering Asset Management (CIEAM)**

The CIEAM is a national cooperative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life cycle physical asset management to meet present and future needs to ensure international competitiveness and sustainability of Australian industry.

**(iii) Cooperative Research Centre for Irrigation Futures (CRCIF)**

The CRCIF is a national cooperative research centre. Its goals were to double profitability and halve water use of Australian irrigation and also intended to define and promote sustainable irrigation areas and practices. This joint venture came to an end as at 30 June 2010.

**(iv) Cooperative Research Centre for Sustainable Tourism Pty Ltd (CRCST)**

The CRCST was a national cooperative research centre which focused on delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism. This joint venture came to an end as at 30 June 2010.

- (v) *Desert Knowledge Cooperative Research Centre (DK-CRC)*

The DK-CRC is a national cooperative research centre and brokerage institution that links researchers with 27 partners. Its purpose is to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on desert knowledge, and creating the networks to market this knowledge in other desert lands. Funding received by DK-CRC came to an end on 30 June 2010.
- (vi) *South Australian Consortium for Information Technology and Telecommunications (SACITT)*

The SACITT brings together the three universities of South Australia and is supported by an advisory board comprising industry and government representatives. Its purposes are to establish South Australia as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by South Australian industry, and to enable the three universities to plan jointly for education provision in IT&T through advice to the South Australian Vice-Chancellors' Committee.
- (vii) *Spencer Gulf Rural Health School (SGRHS)*

The SGRHS is a regional multi-disciplinary school of health science created as a joint initiative of the University of Adelaide and the University of South Australia, supported by the Commonwealth Government. It is located at the University of South Australia, Whyalla campus. The aim of the centre is to improve access to appropriate health care services for rural and remote communities.
- (viii) *South Australian Tertiary Admissions Centre (SATAC)*

The SATAC is a joint venture of the three South Australian universities and the Minister for Education, Training and Employment. The SATAC receives and processes undergraduate and postgraduate applications for admission to the TAFE SA, Charles Darwin University and the three universities in South Australia.
- (ix) *Cooperative Research Centre for Advanced Automotive Technologies (Auto CRC)*

The Auto CRC was created in December 2005 as part of a national strategy to secure Australia's position in the global automotive industry. The Auto CRC aims to deliver outcomes that will directly enhance the viability and sustainability of the Australian automotive industry, its capability to export and its productivity. The Auto CRC will provide the incentive for industry to work with research providers in design, engineering and manufacturing research, which will also develop skilled professionals to utilise the outcomes generated.
- (x) *Cooperative Research Centre for Contamination Assessment and Remediation of the Environment (CRC CARE)*

The CRC CARE was established under the Federal Government's CRC program in 2005 to bring together Australia's foremost expertise in science, industry and government. The CRC CARE is a research and development organisation providing cutting edge technologies and knowledge in assessing, preventing and remediating contamination of soil, water and air.
- (xi) *Cooperative Research Centre for Polymers (CRC Polymers)*

The CRC for Polymers conducts leading edge polymer research to deliver the technically advanced polymeric materials and polymer engineering required to transform Australian industries and to establish and expand companies in emerging high growth areas of the economy. Its research activities are conducted in four programs: biomedical polymers; advanced polymeric materials; polymers for sustainable development; and engineering and design. The Centre is an incorporated joint venture between organisations that include companies, universities and government research laboratories.
- (xii) *Cooperative Research Centre for Rail Innovation (CRC for Rail Innovation)*

The CRC for Rail Innovation commenced 1 July 2007 and is a collaborative joint venture between leading organisations in the Australian rail industry and Australian Universities and is supported by the Commonwealth Government. It seeks to build on the successful collaborative arrangements and approaches from the former Rail CRC by meeting growing transport needs identified by both the rail industry and researchers.
- (xiii) *Australian Seafood Cooperative Research Centre (Australian Seafood CRC)*

The Australian Seafood CRC has a vision to assist the seafood industry to profitably deliver safe, high quality and nutritious Australian seafood products to premium domestic and overseas markets. It aims to stimulate and provide comprehensive seafood related research and development and industry leadership on a national basis to address institutional and market failure in many of the Australian seafood industry's value chains. The Australian Seafood CRC will undertake research programs covering value chain profitability and product quality and integrity.



(xiv) *Australian Synchrotron (via the SA/La Trobe consortium)*

The Australian Synchrotron is a joint venture entity funded by the Victorian State Government and various funding partners, one of which is the University of South Australia, a founding member as part of the South Australia/La Trobe University consortium. The Australian Synchrotron was established with an initial subscription of \$150 million and is an essential tool for new science providing world leading technical capability to serve universities, research organisations and industry. The facility promotes the international collaboration for important to leading edge R&D and is a hub for research that will greatly benefit Australia and our regional neighbours.

(xv) *Defence Systems Innovation Centre (DSIC)*

DSIC is an unincorporated joint venture between the University of South Australia and the University of Adelaide. Its purpose is to deliver joint projects, contractual based studies, consultancies, post graduate courses, and an in house research program focused on collaborative projects of direct relevance to the defence community.

(xvi) *The Cooperative Research Centre for Remote Economic Participation (CRC REP)*

The CRC REP is a research centre that delivers solutions to the economically disadvantaged in remote Australia. The CRC REP will systemically investigate and provide practical responses to the complex issues that drive economic participation in Australia's remote regions.

(xvii) *Australian Centre for Plant Functional Genomics (ACPGF)*

The ACPFG is a research centre that focuses on improving wheat and barley's tolerance to environmental stresses such as drought, heat, salinity and nutrient toxicities. ACPFG research is helping to ensure Australia maintains its competitive position in cereal production.

**35. Events occurring after the balance date**

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction, event of a material and unusual nature likely to affect significantly the operation of the Consolidated Entity, the results of operations, or the state of affairs of the Consolidated Entity in future periods.

**36. Reconciliation of operating result after income tax to net cash inflows from operating activities**

	Consolidated		University	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Operating result for the period	70 338	41 522	69 966	42 988
Items classified as investing activities:				
Net loss (gain) on sale of non-current assets	(440)	370	(509)	370
Non-cash items:				
Depreciation and amortisation	27 608	26 744	27 548	26 525
Non-cash donations	(306)	(400)	(306)	(400)
Capital assets accrual	(765)	(939)	(765)	(939)
Available-for-sale asset revaluation	-	-	-	-
Library collection revaluation	1 363	619	1 363	619
Net loss (gain) on sale of available-for-sale financial assets	(14 470)	48	(51)	48
Fair value gains on other financial assets at fair value through profit or loss	414	-	-	-
Change in operating assets and liabilities:				
Decrease (Increase) in receivables	(3 803)	(2 116)	(4 879)	(2 696)
Decrease (Increase) in other assets	(6 831)	2 330	(19 192)	1 574
Increase (Decrease) in payables	(2 366)	7 227	(2 175)	7 254
Increase (Decrease) in other liabilities	25 956	11 236	25 978	11 334
Increase (Decrease) in provisions	2 206	(118)	2 549	(160)
Net cash provided by (used in) operating activities	98 904	86 523	99 527	86 517

**37. Non-cash investing and financing activities**

Donations of works of art and library materials	306	400	306	400
Total non-cash investing and financing activities	306	400	306	400

**38. Assets and liabilities of trusts for which the University is custodian**

The University was custodian for the following Funds during the year:

- Donald Dyer Scholarship Fund
- Irene & David Davy Scholarship Fund.

### 39. Financial risk management

The University's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The University currently does not hold any derivative instruments.

The University uses different methods to measure different types of risk to which it is exposed. These methods include informal sensitivity analyses and seeking professional advice with respect to managing the market risk of its investments.

Risk management is coordinated by the University under policies approved by Council. The University identifies and evaluates financial risks in close cooperation with the University's operating units.

#### (a) Market risk

##### (i) Foreign exchange risk

The University assesses the likely foreign exchange risk for offshore activities and enters into hedging arrangements if appropriate. As at 31 December 2010 the University held US\$2.018 million (A\$1.986 million) (US\$1000 (A\$1000)) in an Australian bank account and RM486 000 (A\$155 000) Malaysian Ringgit (RM174 000 (A\$57 000)) in an offshore bank account.

During 2010 the University did not enter into any hedging contracts to mitigate foreign exchange risk as transactions in foreign currencies are partially offset by natural hedging arrangements. From time to time the University will purchase and hold foreign currency to assist with the purchase of goods and services and to help manage foreign exchange risk. Currency conversion gains and losses are included in the operating result for the year.

##### (ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The \$35 million bill facility (refer note 23) with the NAB is at a floating rate of interest.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Group intends to hold fixed rate assets and liabilities to maturity.

##### (iii) Risk associated with available-for-sale assets

Investments mainly comprise investments in listed entities. The University has a prudent investment strategy. It is acknowledged there may be short-term fluctuations in asset values from time to time; however historical trends for such a strategy indicate that, with reasonable probability, unrealised losses will be recovered in the medium to long term.

The nature of the University's activities are generally low risk. Investments tend to be largely held in term deposits with banking institutions and debtors are spread across a large number of customers. Derivative instruments are rarely used. Due to the nature and value of the financial instruments held by the University, sensitivity analysis has not been provided.

#### (b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets excluding investments of the University which have been recognised in the Statement of Financial Position is the carrying amount net of any provisions for impaired receivables.

The University is not materially exposed to any specific overseas country or individual customer.

#### (c) Liquidity risk

The University maintains a \$35 million bill facility with the NAB which has a drawdown facility, available to 31 October 2011. As at 31 December 2010 this facility has not been drawn down.



**40.1 Commonwealth Grants  
Scheme and other  
grants (continued)**

	Capital		Improving the Practical Component of Teacher		Transitional	
	Development Pool		Education Initiative		Cost program	
	2010	2009	2010	2009	2010	2009
Financial assistance received in cash during the reporting period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2 849	-	-	726	557	1 161
Net accrual adjustments	-	-	-	-	(96)	(78)
Revenue for the period	2 849	-	-	726	461	1 083
Movement in deferred income	-	-	-	-	-	-
Surplus (Deficit) from the previous year	19	92	-	-	-	-
Total revenue including accrued revenue	2 868	92	-	726	461	1 083
Expenses including accrued expenses	-	(73)	-	(726)	(461)	(1 083)
Surplus (Deficit) for reporting period	2 868	19	-	-	-	-

	Diversity & Structural Adjustment Fund		Chair in Child Protection <sup>(1)</sup>		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	575	6 235	1 129	1 106	157 538	145 284
Net accrual adjustments	2 020	(4 969)	(27)	(687)	(1 186)	(4 547)
Revenue for the period	2 595	1 266	1 102	419	156 352	140 737
Movement in deferred income	(2 020)	4 969	27	687	(1 993)	5 656
Surplus (Deficit) from the previous year	10 768	5 799	687	2 564	12 400	9 110
Total revenue including accrued revenue	11 343	12 034	1 816	3 670	166 759	155 503
Expenses including accrued expenses	(2 658)	(1 266)	(1 099)	(2 983)	(153 425)	(143 103)
Surplus (Deficit) for reporting period	8 685	10 768	717	687	13 334	12 400

(1) 2009 expenses include transfer of \$2 million which has been designated to establish a corpus to fund an endowed Chair in Child Protection.

**40.2 Higher Education  
Loan programs  
(excluding OS-HELP)**

	HECS-HELP (Aust. Govt payments only)		FEE-HELP		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	81 798	74 457	7 420	3 252	89 218	77 709
Net accrual adjustments	989	1 648	(1 895)	2 025	(906)	3 673
Revenue for the period	82 787	76 105	5 525	5 277	88 312	81 382
Surplus (Deficit) from the previous year	-	-	-	-	-	-
Total revenue including accrued revenue	82 787	76 105	5 525	5 277	88 312	81 382
Expenses including accrued expenses	(82 787)	(76 105)	(5 525)	(5 277)	(88 312)	(81 382)
Surplus (Deficit) for reporting period	-	-	-	-	-	-

**40.3 Scholarships**

	Australian Postgraduate Awards		International Postgraduate Research Scholarship		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	3 273	2 356	368	344	3 045	2 412	23	2 084
Net accrual adjustments	-	-	-	-	-	-	-	-
Revenue for the period	3 273	2 356	368	344	3 045	2 412	23	2 084
Surplus (Deficit) from the previous year	441	449	-	-	35	15	35	86
Total revenue including accrued revenue	3 714	2 805	368	344	3 080	2 427	58	2 170
Expenses including accrued expenses	(2 976)	(2 364)	(368)	(344)	(3 037)	(2 392)	271	(2 135)
Surplus (Deficit) for reporting period	738	441	-	-	43	35	329	35

	Indigenous Access Scholarships		Indigenous Staff Scholarships		Total	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in cash during the reporting period	81	-	-	35	6 790	7 231
Net accrual adjustments	-	-	-	-	-	-
Revenue for the period	81	-	-	35	6 790	7 231
Surplus (Deficit) from the previous year	12	79	16	-	539	629
Total revenue including accrued revenue	93	79	16	35	7 329	7 860
Expenses including accrued expenses	(64)	(67)	(4)	(19)	(6 178)	(7 321)
Surplus (Deficit) for reporting period	29	12	12	16	1 151	539

**40.4 DIISR Research**

	Joint Research Engagement Scheme		Research Training Scheme		Research Infrastructure Block Grants		Implementation Assistance program	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial assistance received in cash during the reporting period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	6 631	5 708	11 277	10 753	2 383	2 295	71	137
Net accrual adjustments	-	-	-	-	-	-	-	-
Revenue for the period	6 631	5 708	11 277	10 753	2 383	2 295	71	137
Surplus (Deficit) from the previous year	-	-	-	-	-	-	5	80
Total revenue including accrued revenue	6 631	5 708	11 277	10 753	2 383	2 295	76	217
Expenses including accrued expenses	(6 631)	(5 708)	(11 277)	(10 753)	(2 383)	(2 295)	(76)	(212)
Surplus (Deficit) for reporting period	-	-	-	-	-	-	-	5

	Aust. Scheme for Higher Education Repositories		Commercialisation Training Scheme		Sustainable Research Excellence in Universities		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial assistance received in cash during the reporting period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-	242	114	110	1 092	-	21 568	19 245
Net accrual adjustments	-	-	-	-	-	-	-	-
Revenue for the period	-	242	114	110	1 092	-	21 568	19 245
Surplus (Deficit) from the previous year	-	-	74	8	-	-	79	88
Total revenue including accrued revenue	-	242	188	118	1 092	-	21 647	19 333
Expenses including accrued expenses	-	(242)	(38)	(44)	(1 092)	-	(21 497)	(19 254)
Surplus (Deficit) for reporting period	-	-	150	74	-	-	150	79

**40.5 Other capital funding**

	Better Universities Renewal Funding		Teaching & Learning Capital Fund		Education Investment Fund		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial assistance received in cash during the reporting period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-	-	-	14 914	6 470	1 686	6 470	16 600
Net accrual adjustments	-	-	-	-	6 740	900	6 740	900
Revenue for the period	-	-	-	14 914	13 210	2 586	13 210	17 500
Surplus (Deficit) from the previous year	1 881	2 755	14 551	-	496	-	16 928	2 755
Total revenue including accrued revenue	1 881	2 755	14 551	14 914	13 706	2 586	30 138	20 255
Expenses including accrued expenses	(1 881)	(874)	(3 323)	(363)	(13 040)	(2 090)	(18 244)	(3 327)
Surplus (Deficit) for reporting period	-	1 881	11 228	14 551	666	496	11 894	16 928

**40.6 Australian Research Council grants**

(a) <i>Discovery</i>	Project		Fellowships		Indigenous Researchers Development		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial assistance received in cash during the reporting period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	3 516	3 125	309	263	-	-	3 825	3 388
Net accrual adjustments	33	189	(2)	(263)	-	5	31	(69)
Revenue for the period	3 549	3 314	307	-	-	5	3 856	3 319
Movement in deferred income	212	(7)	2	263	-	(5)	214	251
Surplus (Deficit) from the previous year	2 027	2 034	263	-	-	5	2 290	2 039
Total revenue including accrued revenue	5 788	5 341	572	263	-	5	6 360	5 609
Expenses including accrued expenses	(3 549)	(3 314)	(307)	-	-	(5)	(3 856)	(3 319)
Surplus (Deficit) for reporting period	2 239	2 027	265	263	-	-	2 504	2 290

**(b) Linkages**

	Infrastructure		International		Projects		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Financial assistance received in cash during the reporting period	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	500	-	18	16	5 160	5 586	5 678	5 602
Net accrual adjustments	(400)	(15)	(2)	27	(1 000)	(2 418)	(1 402)	(2 406)
Revenue for the period	100	(15)	16	43	4 160	3 168	4 276	3 196
Movement in deferred income	400	-	2	(27)	(80)	1 354	322	1 327
Surplus (Deficit) from the previous year	-	-	16	43	3 100	2 087	3 116	2 130
Total revenue including accrued revenue	500	(15)	34	59	7 180	6 609	7 714	6 653
Expenses including accrued expenses	(100)	15	(16)	(43)	(4 160)	(3 509)	(4 276)	(3 537)
Surplus (Deficit) for reporting period	400	-	18	16	3 020	3 100	3 438	3 116

(c) *Networks and Centres*

	Research Networks		Centres		Total	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Financial assistance received in cash during the reporting period	-	166	-	68	-	234
Net accrual adjustments	230	180	69	-	299	180
Revenue for the period	230	346	69	68	299	414
Movement in deferred income	(205)	(180)	-	-	(205)	(180)
Surplus (Deficit) from the previous year	214	394	-	-	214	394
Total revenue including accrued revenue	239	560	69	68	308	628
Expenses including accrued expenses	(230)	(346)	(69)	(68)	(299)	(414)
Surplus (Deficit) for reporting period	9	214	-	-	9	214

**40.7 OS-HELP**

	2010 \$'000	2009 \$'000
Cash received during the reporting period	365	185
Cash spent during the reporting period	(361)	(188)
Net cash received	4	(3)
Cash surplus (deficit) from the previous period	-	3
Cash surplus (deficit) for reporting period	4	-

**40.8 Superannuation supplementation**

	2010 \$'000	2009 \$'000
Cash received during the reporting period	23 845	28 924
Cash surplus (deficit) from the previous period	1 693	(2 541)
Cash available for current period	25 538	26 383
Contributions to specified defined benefit funds	(24 647)	(24 690)
Cash surplus (deficit) for this period	891	1 693

# Department for Water

## Functional responsibility

### Establishment

The Department for Water (the Department) came into operation on 1 July 2010 following the restructure of the former Department for Water, Land and Biodiversity Conservation that involved the transfer of a number of functions to other agencies.

### Functions

The Department's objective is to ensure that there are always sufficient and sustainable water resources in South Australia for our health, our economy, our environment and our lifestyle.

## Audit mandate and coverage

### Audit authority

#### *Audit of the financial report*

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

#### *Assessment of controls*

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

This assessment also considers whether 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 towards obtaining sufficient evidence to enable an opinion to be formed with respect to the financial report and internal controls.

During 2010-11, specific areas of audit attention included:

- expenditure including accounts payable, credit cards, grants and subsidies
- payroll
- revenue including fees and charges, water licensing and grant revenue
- fixed assets
- general ledger
- financial management compliance program.

In undertaking its operations for 2010-11, the Department is serviced by a number of financial systems of Shared Services SA (SSSA). The audit considered the effectiveness of the controls implemented by SSSA.

Internal audit activities were reviewed to assess the risk of material misstatement of the financial statements and to design and perform audit procedures. Use has been made of the work performed by internal audit in relation to:

- the water information licensing management information system (WILMA) and corporate accounts receivable system (CARS) finance transition project – post implementation
- asset management.

## **Audit findings and comments**

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

The following is an extract from the 2010-11 Independent Auditor's Report, which details the qualification to the Department's financial report.

#### ***Basis for Qualified Opinion***

*The Department for Water has deficiencies in its recording of groundwater monitoring assets resulting in the Department not identifying all assets that should be reported in this class of assets and including redundant and impaired assets in the reported value for the class of assets. Note 2(l) to the Department for Water financial statements records the Department's understanding of the deficiencies in the asset records.*

*The Department for Water was required to conduct an independent valuation appraisal of its groundwater monitoring assets for the year ended 30 June 2011 by Accounting Policy Framework III 'Asset Accounting Framework' issued pursuant to the Treasurer's Instructions. The groundwater monitoring assets form part of the Property, plant and equipment balance in the Statement of Financial Position.*

*Note 2(l) to the financial statements also records that the Department for Water has not completed the independent valuation appraisal of the groundwater monitoring assets as required by Accounting Policy Framework III 'Asset Accounting Framework' but has deferred the revaluation of these assets until the year ended 30 June 2012.*

*As a result the recorded value of groundwater monitoring assets forming part of the Property, plant and equipment balance in the Statement of Financial Position as at 30 June 2011 may not reflect fair value.*

*It is not practicable to quantify the financial effect of the deficiencies in the recording of the groundwater monitoring assets and the deferral of the revaluation on the reported balances in the financial report.*

#### ***Qualified Opinion***

*In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraphs, the financial report gives a true and fair view of the financial position of the Department for Water as at 30 June 2011, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.*



## Assessment of controls

In my opinion, the controls exercised by the Department for Water in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to water licensing and payroll as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Water have been conducted properly and in accordance with law.

## Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department. Responses to the management letters were considered to be satisfactory. Internal audit reviews have also identified certain matters of an internal control nature that required addressing. The main matters are described below.

### *Water information licensing management application and corporate accounts receivable systems*

Previous reviews have highlighted the limitations of the WILMA system on the Department's ability to:

- comply with aspects of the NRMA
- effectively manage outstanding debtors
- provide complete and accurate data for the Department's financial statements (revenue and receivables)
- provide accurate water levy data to the Natural Resources Management Boards (NRM Boards) for inclusion in the Boards' financial statements.

To address these issues the Department implemented in October 2010 a centralised accounts receivable system (CARS) which directly interfaces with WILMA.

Prior to implementation, internal audit performed a review and identified that:

- business process control specifications and operating procedures were not defined
- the proposed testing scope and timeframes were insufficient
- detailed specifications for data migration and quality assurance processes were not defined
- final cut-over planning and go-live approval criteria were not prepared
- insufficient information was available to reconcile WILMA to the general ledger.

Internal audit review of the operations of CARS in 2010-11 highlighted:

- data control activities were not performed as planned during system implementation which resulted in errors
- the customer relationship management system (CRM) did not provide reports which detail the balances of accounts receivable and payment receipt balances, and consequently the CRM and Masterpiece cannot be reconciled
- the system does not meet user requirements for debtor management, control of adjustments and reconciliations.

In response to the internal audit findings the Department has implemented a program to address the control weaknesses, including a CARS remediation project.

## **Payroll**

Previous external and internal audit reviews of compliance with the Department's requirement for the review and certification of bona fide and leave taken reports have highlighted:

- out-of-date policies and procedures
- reports not certified in a timely manner
- discrepancies not appropriately followed up
- leave forms not approved promptly.

In response to the findings the Department advised that documented policies, procedures and guidelines were authorised in July 2010 and a communication and training program was conducted in 2010 for administration officers and managers to reinforce the Department's policies and procedures. The Department advised all discrepancies identified by previous audits were corrected and a self-assessment review would be performed to review the progress of business units in implementing the learnings of the training program.

The self-assessment performed by business managers and human resources (HR) during 2010-11 highlighted that while divisions had implemented certain requirements of the December 2010 training program, none had fully implemented the processes or met the timeframes outlined in the Department's guidelines.

The 2010-11 external audit reviewed the results of the self-assessments. Audit noted the following matters:

- leave recorded in the attendance system and not recorded in the payroll system
- on-line leave forms not approved
- timesheets not always approved.

The HR review also identified similar issues.

The Department advised in response to the outcome of the self-assessments that it will reinforce existing policies and procedures and continue with training and a program of HR monitoring and remediating gaps in the implementation of policies.

## **Implementation of TIs 2 and 28**

The Department developed and implemented a financial management compliance program (FMCP) in 2008-09 which provided for department executives to review financial management arrangements in their areas of responsibility and provide documented assurance with respect to the adequacy of the arrangements.

Key issues arising from prior audits were the:

- lack of understanding by some executives of the accounting related questions included in the questionnaires
- inconsistent method of assessing controls across the Department.

In response the Department made a number of changes to the FMCP and provided training to business managers.

Our review of the FMCP process in 2010-11 confirmed previous audit findings:

- The questionnaires prepared by some Executives were incomplete.
- Self-assessment indicated a lack of understanding of internal controls.
- The assessment of controls reflected in the FMCP documentation across the Department was inconsistent with internal and external audit findings.

The Department in responding to the audit findings has indicated it will review the FMCP process and provide further training for staff to improve their understanding of the questionnaires and consistency of approach in their assessments of controls.

#### ***Credit cards***

The Department has implemented the use of purchase cards to efficiently process low value transactions. Prior to the issue of purchase cards cardholders are trained in the appropriate use of the purchase cards.

The external audit review incorporated testing of a sample of purchase card summary statements and identified instances of split purchase transactions that avoid transaction limits and other instances where cardholders did not provide supporting documentation for transactions.

Both the Department's credit card policy and procedures and TI 12 prohibit splitting transactions and require cardholders to provide documentation to substantiate purchasing transactions.

In response to the audit finding the Department advised it will reinforce to all purchase card holders the importance of complying with the Department's credit card policy and that it had cancelled those staff allocated credit cards associated with split purchase transactions.

#### ***Fixed assets register***

SSSA maintains the Department's asset registers and require the Department to provide an authorised asset management form before recording an asset acquisition on the register. The forms detail information about the assets including the assets' useful lives and residual values.

The external audit review identified asset additions that were not supported by the required documentation or were not recorded within reasonable timeframes. Consequently assets acquired during the year were not recorded in the asset register until July 2011 resulting in reconciling items between the general ledger and fixed assets register.

The Department acknowledged the audit finding and advised it will reinforce the importance of completing asset management forms accurately and ensuring they are forwarded to SSSA for processing in a timely manner.

#### ***Bank reconciliation***

As mentioned in October 2010 the new CARS/WILMA system was implemented resulting in increased financial transaction processing to the general ledger.

The external audit review noted that processes were not implemented to effectively match general ledger transactions from CARS/WILMA transactions to bank records and SSSA staff experienced difficulties in reconciling transactions from CARS/WILMA to the general ledger as at 30 June 2011.

In response to the audit finding the Department processed correcting adjustment journals at the time of the preparation of the Department's financial statements. It also advised the remediation project for CARS/WILMA will address this matter.

#### **Accounts receivable**

The external audit of the accounts receivable control environment noted:

- invoices raised not independently verified
- unclear responsibility for debt recovery while a debt recovery officer position was vacant
- the debtors' reconciliation was incomplete at the time of presentation of the financial statements to Audit
- debt recovery action was not documented as required by the Department's debt recovery policy.

The Department's response acknowledged these matters and advised action to address the control environment, including the filling of the debt recovery officer position.

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

#### **Highlights of the financial report**

	2011 \$'million	2010 \$'million
<b>Expenses</b>		
Employee benefit expenses	35	54
Supplies and services	39	59
Grants and subsidies	63	139
Water recovery/acquisition expenses	3	7
Depreciation and amortisation expense	7	4
Impairment loss	9	-
<b>Total expenses</b>	<b>156</b>	<b>263</b>
<b>Income</b>		
Fees and charges	7	12
Grants	49	153
Other	1	3
<b>Total income</b>	<b>57</b>	<b>168</b>
<b>Net cost of providing services</b>	<b>99</b>	<b>95</b>
<b>Revenues from SA Government</b>	<b>103</b>	<b>113</b>
<b>Payments to SA Government</b>	<b>11</b>	<b>14</b>
<b>Net result</b>	<b>(7)</b>	<b>4</b>
<b>Net cash provided by (used in) operating activities</b>	<b>5</b>	<b>20</b>
<b>Assets</b>		
Current assets	38	47
Non-current assets	100	111
<b>Total assets</b>	<b>138</b>	<b>158</b>

	2011 \$'million	2010 \$'million
<b>Liabilities</b>		
Current liabilities	15	25
Non-current liabilities	8	11
<b>Total liabilities</b>	<b>23</b>	<b>36</b>
<b>Total equity</b>	<b>115</b>	<b>122</b>

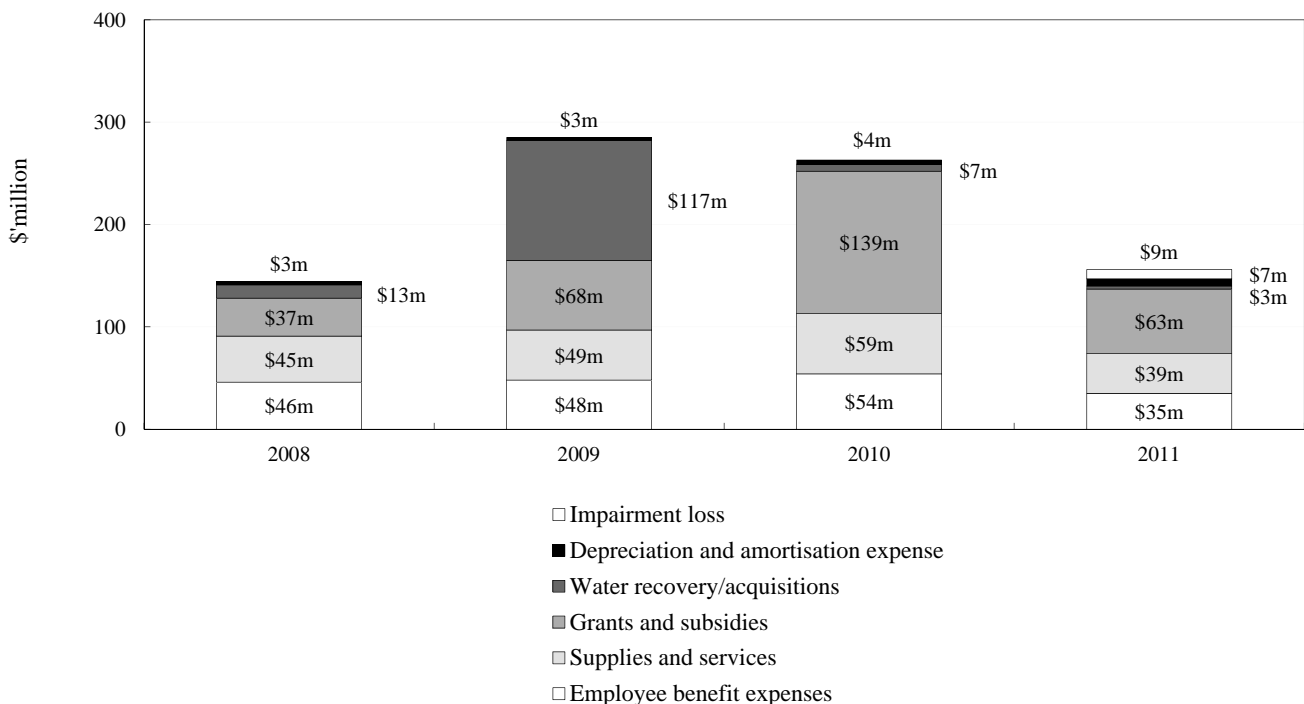
### Statement of Comprehensive Income

#### Expenses

Total expenses for the year decreased by \$107 million to \$156 million reflecting reduced grants and subsidies expenditure which decreased by \$76 million, employee benefit expense which decreased by \$19 million and supplies and services expenses which decreased by \$20 million.

The decrease in expenditure is principally due to the administrative activities previously undertaken by the Department in relation to natural resources management, State Flora and bio-security which were transferred to the Department of Environment and Natural Resources (DENR) and Department of Primary Industry and Resources South Australia (PIRSA) pursuant to the machinery of government changes announced on 1 July 2010.

For the four years to 2011, a structural analysis of the Department's expenses is shown in the following chart.



#### Income

Income decreased by \$111 million to \$57 million due to:

- a decrease in grant revenues of \$104 million following the completion of works associated with the Commonwealth Murray Futures project. The Department received Commonwealth revenues of \$32 million in 2010-11 compared to \$106 million in 2009-10

- a decrease in revenues from fees and charges of \$5 million due to the transfer of activities to DENR and PIRSA.

**Revenues from SA Government**

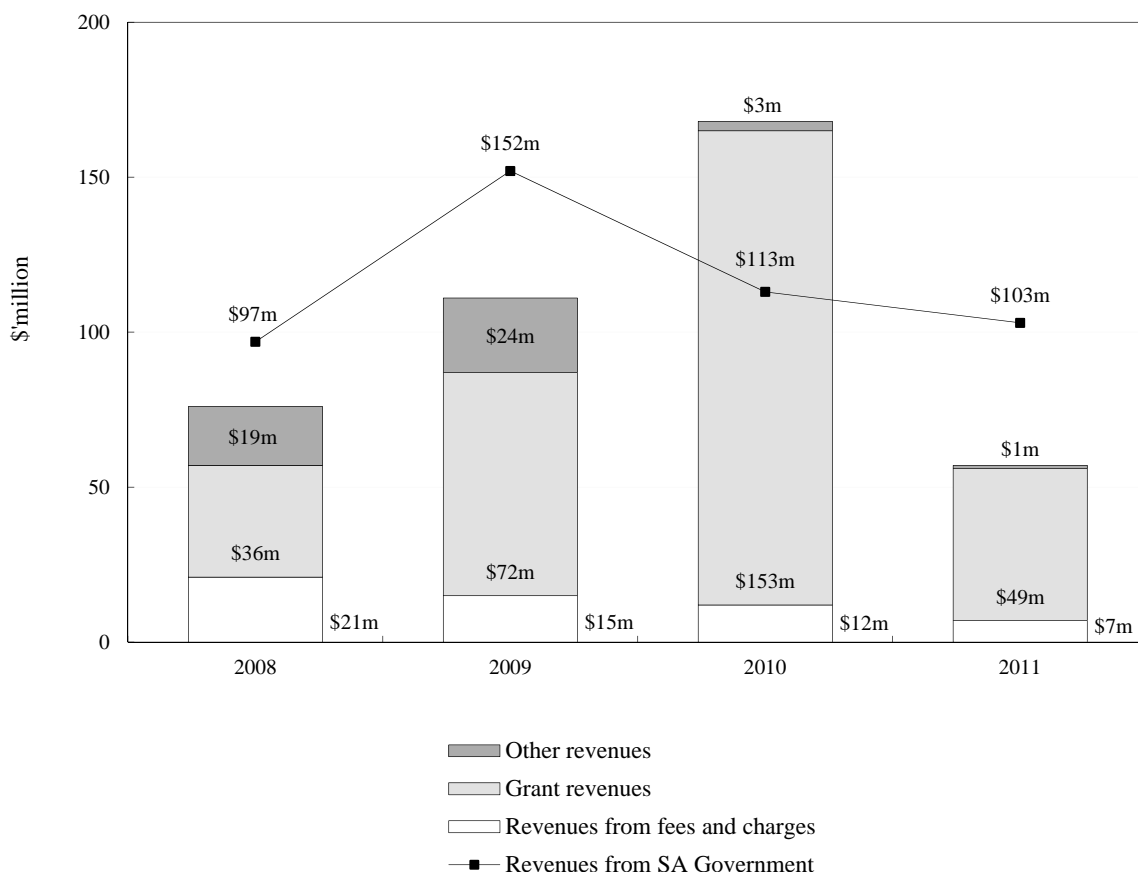
Revenues from SA Government decreased by \$10 million to \$103 million due to the transfer of activities to DENR and PIRSA.

Revenues from SA Government include an appropriation of \$25 million (\$22.1 million) to the Save the River Murray Fund. This appropriation was made under the *Waterworks Act 1932* and relates to the Save the River Murray levy which was collected and paid to the Consolidated Account by the South Australian Water Corporation.

**Payments to SA Government**

The payments to SA Government relate to the return of \$10.5 million from the Save the River Murray Fund to the Consolidated Account for funding received in 2008-09 for the purchase of 50 gigalitres of water.

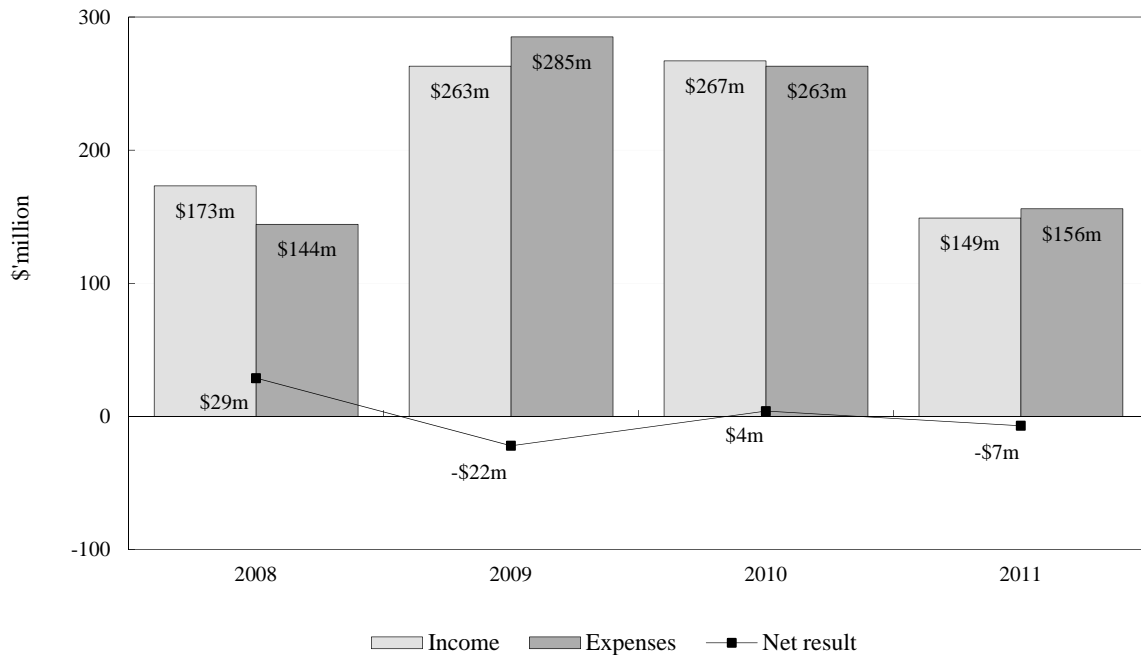
A structural analysis of income and revenues from SA Government in the four years to 2011 is presented in the following chart.



**Net result**

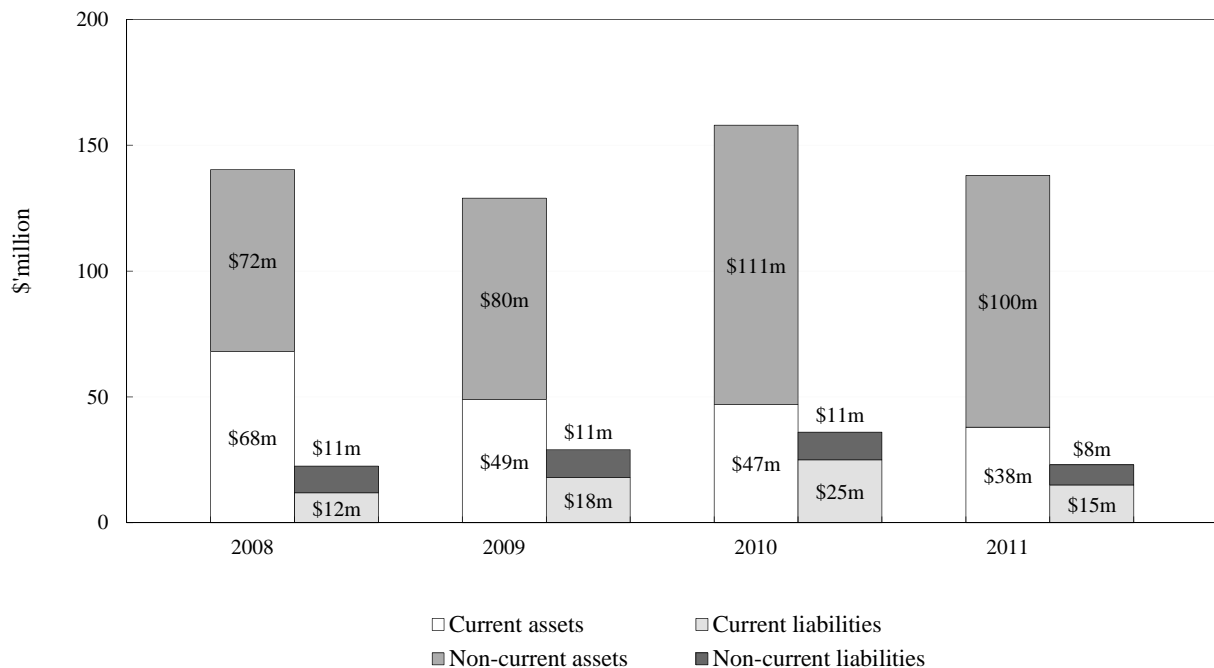
The net result for the year was a loss of \$7 million compared to a gain of \$4 million for the previous year. Expenditure and income decreased significantly primarily due to a reduction in Murray Futures funding of \$85 million following the completion of the Integrated Pipeline project.

The following chart shows the income, expenses and net result for the four years to 2011.



### Statement of Financial Position

For the four years to 2011, a structural analysis of assets and liabilities is shown in the following chart.



### Non-current assets

The Department's non-current assets which comprise property, plant and equipment \$88 million (\$97 million) and intangible assets \$12 million (\$14 million) decreased by \$12 million in 2010-11. The decrease is due mainly to:

- the impairment of regulators which were completed and recognised in 2009-10. Following the increased flows into the Lower Lakes the regulators at Goolwa Channel were partially submerged and no longer met their required function. The written down value as at 30 June 2011 of \$8.3 million was considered to be impaired and was reduced to zero

#### *Water*

- the transfer of \$2 million of land, buildings and property, plant and equipment due to the machinery of government change
- intangible assets decreasing by \$2 million as a result of amortisation of internally developed software.

#### ***Current liabilities***

Payables decreased by \$8 million to \$12 million due to a large number of invoices outstanding for works as at 30 June 2010 that were paid in 2011.

#### **Statement of Cash Flows**

The following table summarises the net cash flows for the four years to 2011.

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000
<b>Net cash flows</b>				
Operating	5	20	(27)	32
Investing	(7)	(20)	(5)	(2)
Financing	-	3	-	-
Change in cash	(2)	3	(32)	30
Cash at 30 June	27	29	26	58

The decrease in net cash flows from operating activities is due to the decrease in grant revenues received in 2010-11.

The decrease in net cash flows used in investing activities of \$13 million reflects the completed cash outflows relating to the construction of the water flow regulators at the Goolwa Channel.

#### **Administered items**

##### ***Water levies***

Water levies are collected by the Department for prescribed water resources within specific natural resource management regions under section 101 of the NRMA. The levies are subsequently paid to the regional NRM boards pursuant to subsection 116 (1)(a)(ii)(A).

Levies raised by the Department during 2010-11 were \$8 million (\$6.7 million). Unpaid levies at the end of the reporting period of \$1.6 million (\$2.3 million) have also been recognised in the administered financial statements.

##### ***Murray-Darling Basin Authority (MDBA)***

The MDBA is established under the *Water Act 2007* (Cwlth). It replaces the Murray-Darling Basin Commission (MDBC) (refer note A10). The MDBA assumed all functions of the former MDBC in December 2008.

The MDBA's functions are to:

- prepare, implement, monitor and enforce the Basin Plan
- implement the decisions of the Ministerial Council and Basin Officials Committee.



The memorandum of understanding requires the MDBA to provide a Basin Plan by 2011. The Commonwealth Minister is the final decision maker for the Basin Plan.

The Department has recognised the State's joint interest in the MDBA infrastructure assets and water rights as an interest in a joint venture in accordance with AASB 131 within the administered financial statements.

The recognition of MDBA infrastructure assets and water rights is in accordance with the following agreements which were signed by the Commonwealth, States of NSW, Vic and SA, ACT and the MDBA on 12 June 2009:

- asset agreement for River Murray operations assets
- further agreement on addressing water overallocation and achieving environmental objectives in the Murray-Darling Basin - control and management of living Murray assets.

The Department has recognised an equity interest of 26.67 percent in accordance with a determination by the former MDBC Finance Committee.

#### ***NRM Boards and NRM Fund***

The Department has had a significant role in the administration of the NRMA. The main purposes of the NRMA are to promote sustainable and integrated management of the State's natural resources and to make provision for the protection of the State's natural resources.

The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

The NRMA provides for a range of entities with specific responsibilities including eight regional NRM Boards.

The Department's administered financial statements include activities administered for the NRM Boards including:

- collecting fees and charges of \$8.9 million consisting of water levies and penalty charges
- payments to the NRM Funds of \$9.1 million of which \$8.9 million relates to water levies and penalties collected by the Department.

#### ***Administered grant programs***

Due to the machinery of government changes that came into effect on 1 July 2010 the following grant programs that were previously administered by the Department have been transferred to DENR.

- National Action Plan for Salinity and Water Quality (NAP)
- Natural Heritage Trust and Natural Heritage Trust Extension
- Caring for our Country
- State NRM program.

## **Further commentary on operations**

### ***Save the River Murray Fund***

The Department's financial statements incorporate the financial transactions of the Save the River Murray Fund (the Fund) established pursuant to the *Water Works Act 1932*. The *Water Works Act 1932* provides for the South Australian Water Corporation to collect the Save the River Murray levy and pay the proceeds into the Consolidated Account. These monies are then to be paid into the Fund and may be applied by the Minister toward programs and measures to improve and promote the environmental health of the River Murray or ensure the adequacy, security and quality of the State's water supply from the River Murray.

Receipts paid into the Fund in 2010-11 amounted to \$25 million, payments were \$26.5 million and the balance of the Fund as at 30 June 2011 was \$4.8 million.

The activities of the Fund are considered to be controlled activities of the Department and consequently the financial activities are included in the Department's general purpose financial statements.

### ***The Living Murray initiative***

In June 2004 the State entered into the 'Intergovernmental Agreement on Addressing Water Overallocation and Achieving Environmental Objectives of the Murray-Darling Basin'. This agreement establishes the arrangements for recovery and management of water to address the declining health of the River Murray system (The Living Murray) and to address other water over allocation issues in the Murray-Darling Basin.

The parties agreed to provide \$500 million to fund the recovery of up to 500 gigalitres of water for The Living Murray. South Australia's commitment under this agreement is to spend \$65 million over a period of five years and achieve a volumetric recovery target of 35 gigalitres of water.

The Department provided a final contribution of \$2.7 million pursuant to this agreement in 2010-11.

### ***Murray Futures***

The Murray Futures is a 10 year \$610 million program funded by the Commonwealth Government.

The key elements of the program include:

- the \$120 million Lower Lakes pipelines to secure a quality water supply from the Lower Lakes
- commitment of \$200 million to Lower Lakes and Coorong recovery to undertake a series of long term projects around the Lower Lakes
- \$110 million committed to river industry renewal to reinvigorate irrigation communities including the implementation of newer and smarter irrigation technology
- committing \$100 million to riverine recovery by improving the management of wetlands and floodplains from the South Australian border to Wellington
- an \$80 million water buy-back to purchase water entitlements from willing sellers.

Since the inception of the program in 2008-09, the Department has received \$156.2 million in revenue from the Commonwealth Government and a further \$4 million from the State Government/other sources. Expenditure on the various projects over the past two years has totalled \$146 million. The balance of the Murray Futures fund at 30 June 2011 is \$14.4 million.

### ***Stormwater Harvesting and Reuse projects***

In November 2009, the Commonwealth announced the outcome of the first funding round (\$86 million) for Stormwater Harvesting and Reuse projects. South Australia will receive a total of \$66 million of which the Department will receive \$63.3 million to coordinate delivery of a range of projects to improve reuse of stormwater across the Adelaide metropolitan area.

During the year the Department received grant revenues of \$10 million from the Commonwealth Government and Commonwealth and State related grant expenditure totalled \$13 million.

### ***Goolwa Channel Water Level Management project***

The Goolwa Channel project is funded by the Commonwealth Government and the MDBA. The funding was provided to establish regulators to protect the Goolwa Channel and associated wetlands from acidification resulting from falling water levels.

During 2009-10 the Department completed the construction of two regulators at a cost of \$10.2 million which were recognised as assets of the Department.

Due to increased water levels in 2010-11 the regulators as at 30 June 2011 were partially submerged and were no longer meeting their required function. The Department has written down the value of the regulators to zero. The Department is currently negotiating with the Commonwealth to secure funding for the removal of the regulators.

### ***Fixed assets – control and recognition***

#### *Constructed River Murray structures*

Over recent years, the Department has been involved in construction projects as part of the River Murray Salt Interception Infrastructure program. These constructed assets and associated work in progress have been funded through a combination of grant funding associated with the NAP and MDBA funding.

The Department has previously advised that, on completion, the infrastructure assets created through this construction will be controlled by the MDBA and, consequently, the assets have not been directly recognised as controlled assets in the Department's financial statements. Payments in relation to these programs are recognised as expenses in the Department's Statement of Comprehensive Income in the form of employee expenditure, operating costs and grant payments. As discussed under administered items, the Department has recognised an interest in the net assets of the MDBA.

#### *Constructed Upper South East drainage assets*

The Department is involved in the construction of the Upper South East Drainage Scheme. These constructed infrastructure assets and associated work in progress have been funded through the NAP. In accordance with the *Upper South East Dryland Salinity and Flood Management Act 2002* the resulting assets are maintained by the South Eastern Water Conservation and Drainage Board on completion.

As discussed further in note 21 of the Department's financial statements Scheme assets are not recognised by the Department and amounts expended in relation to the Scheme are recognised as expenses in the Department's Statement of Comprehensive Income.

## Statement of Comprehensive Income for the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses	5	35 060	53 725
Supplies and services	6	38 882	58 620
Depreciation and amortisation expense	7	6 715	3 772
Grants and subsidies	8	63 338	139 320
Water recovery/acquisition	9	2 650	7 124
Impairment loss	20,21	8 619	-
Other expenses	10	306	296
Net gain (loss) from disposal of non-current assets	12	157	7
<b>Total expenses</b>		155 727	262 864
<b>Income:</b>			
Revenues from fees and charges	13	6 694	11 581
Interest revenues	14	542	1 427
Grant revenues	15	49 119	152 950
Other revenues	16	75	1 680
<b>Total income</b>		56 430	167 638
<b>Net cost of providing services</b>		99 297	95 226
<b>Revenues from (Payments to) SA Government:</b>			
Revenues from SA Government	17	103 116	113 059
Payments to SA Government	17	10 536	14 141
<b>Total net revenues from SA Government</b>		92 580	98 918
<b>Net result</b>		(6 717)	3 692
<b>Other comprehensive income:</b>			
Changes in property, plant and equipment asset revaluation surplus	20	-	15 477
<b>Total other comprehensive income</b>		-	15 477
<b>Total comprehensive result</b>		(6 717)	19 169

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

**Statement of Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	18	27 341	28 899
Receivables	19	11 637	16 346
Inventories	20	-	1 708
<b>Total current assets</b>		38 978	46 953
<b>Non-current assets:</b>			
Property, plant and equipment	21	87 348	97 264
Intangible assets	22	12 295	14 357
<b>Total non-current assets</b>		99 643	111 621
<b>Total assets</b>		138 621	158 574
<b>Current liabilities:</b>			
Payables	23	12 015	20 017
Employee benefits	24	2 668	5 291
Provisions	25	113	146
<b>Total current liabilities</b>		14 796	25 454
<b>Non-current liabilities:</b>			
Payables	23	703	1 072
Employee benefits	24	7 322	9 364
Provisions	25	381	473
<b>Total non-current liabilities</b>		8 406	10 909
<b>Total liabilities</b>		23 202	36 363
<b>Net assets</b>		115 419	122 211
<b>Equity:</b>			
Contributed capital	26	10 893	10 893
Asset revaluation surplus	26	50 093	50 196
Retained earnings	26	54 433	61 122
<b>Total equity</b>		115 419	122 211
Total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	27		
Contingent assets and liabilities	28		

## Statement of Changes in Equity for the year ended 30 June 2011

		Contributed capital	Asset revaluation surplus	Retained earnings	Total
	Note	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2009		8 164	34 719	57 521	100 404
Net result for 2009-10		-	-	3 692	3 692
Gain on revaluation of property, plant and equipment during 2009-10	21	-	15 477	-	15 477
Total comprehensive result for 2009-10		-	15 477	3 692	19 169
Transactions with SA Government as owner:					
Equity contribution received		2 729	-	-	2 729
Balance at 30 June 2010		10 893	50 196	61 213	122 302
Change in accounting policy	21	-	-	(91)	(91)
Restated balance at 30 June 2010		10 893	50 196	61 122	122 211
Net result for 2010-11		-	-	(6 717)	(6 717)
Equity transfer on asset disposal		-	(103)	103	-
Total comprehensive result for 2010-11		-	(103)	(6 614)	(6 717)
Transactions with SA Government as owner:					
Net assets transferred as a result of an administrative restructure	29	-	-	(75)	(75)
<b>Balance at 30 June 2011</b>		<b>10 893</b>	<b>50 093</b>	<b>54 433</b>	<b>115 419</b>

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

## Statement of Cash Flows for the year ended 30 June 2011

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		(36 298)	(53 122)
Payments for supplies and services		(47 508)	(62 144)
Payments of grants and subsidies		(69 169)	(153 252)
Water recovery/acquisition expenses		(2 650)	(7 836)
GST paid to the ATO		-	(434)
Other payments		(279)	(321)
<b>Cash used in operations</b>		<u>(155 904)</u>	<u>(277 109)</u>
Cash inflows:			
Fees and charges		5 975	17 928
Grant receipts		55 745	157 487
Interest received		569	1 393
GST recovered from the ATO		6 069	18 151
Other receipts		83	1 848
<b>Cash generated from operations</b>		<u>68 441</u>	<u>196 807</u>
Cash flows from SA Government:			
Receipts from SA Government		103 116	113 059
Payments to SA Government		(10 536)	(13 000)
<b>Cash generated from SA Government</b>		<u>92 580</u>	<u>100 059</u>
<b>Net cash provided by (used in) operating activities</b>	31	<u>5 117</u>	<u>19 757</u>
<b>Cash flows from investing activities:</b>			
Cash outflows:			
Purchase of property, plant and equipment		(5 723)	(14 371)
Purchase of intangibles		(723)	(5 496)
<b>Cash used in investing activities</b>		<u>(6 446)</u>	<u>(19 867)</u>
Cash inflows:			
Proceeds from sale of property, plant and equipment		-	8
<b>Cash generated from investing activities</b>		<u>-</u>	<u>8</u>
<b>Net cash provided by (used in) investing activities</b>		<u>(6 446)</u>	<u>(19 859)</u>
<b>Cash flows from financing activities:</b>			
Cash outflows:			
Cash transferred as a result of restructuring activities		(229)	-
<b>Cash used in financing activities</b>		<u>(229)</u>	<u>-</u>
Cash inflows:			
Capital contributions from SA Government		-	2 729
<b>Cash generated from financing activities</b>		<u>-</u>	<u>2 729</u>
<b>Net cash provided by (used in) financing activities</b>		<u>(229)</u>	<u>2 729</u>
<b>Net increase (decrease) in cash and cash equivalents</b>		<u>(1 558)</u>	<u>2 627</u>
<b>Cash and cash equivalents at 1 July</b>		<u>28 899</u>	<u>26 272</u>
<b>Cash and cash equivalents at 30 June</b>	18,31	<u>27 341</u>	<u>28 899</u>

**Disaggregated Disclosures - Expenses and Income  
for the year ended 30 June 2011**

(Activities - refer note 4)	1		2		3	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	9 692	13 519	6 389	5 245	7 900	10 129
Supplies and services	4 562	5 752	11 555	11 868	12 140	16 412
Depreciation and amortisation	1 054	434	2 418	1 433	1 354	459
Grants and subsidies	10	1	29 830	28 089	27 943	104 587
Water recovery/acquisition expenses	-	-	2 650	7 124	-	-
Impairment loss	-	-	8 619	-	-	-
Other expenses	108	95	36	38	92	101
Net loss from disposal of non-current assets	-	-	157	-	-	7
<b>Total expenses</b>	<b>15 426</b>	<b>19 801</b>	<b>61 654</b>	<b>53 797</b>	<b>49 429</b>	<b>131 695</b>
<b>Income:</b>						
Revenues from fees and charges	1 186	1 038	129	1 914	2 206	1 972
Interest revenues	-	-	-	-	524	1 392
Grant revenues	1 091	573	9 113	10 680	34 897	124 829
Other revenues	32	-	17	1	11	633
<b>Total income</b>	<b>2 309</b>	<b>1 611</b>	<b>9 259</b>	<b>12 595</b>	<b>37 638</b>	<b>128 826</b>
<b>Net cost of providing services</b>	<b>13 117</b>	<b>18 190</b>	<b>52 395</b>	<b>41 202</b>	<b>11 791</b>	<b>2 869</b>
<b>Revenues from (Payments to)</b>						
<b>SA Government:</b>						
Revenues from SA Government	14 711	24 831	51 602	38 502	13 614	17 512
Payments to SA Government	-	-	10 536	14 141	-	-
<b>Net revenues from SA Government</b>	<b>14 711</b>	<b>24 831</b>	<b>41 066</b>	<b>24 361</b>	<b>13 614</b>	<b>17 512</b>
<b>Net result</b>	<b>1 594</b>	<b>6 641</b>	<b>(11 329)</b>	<b>(16 841)</b>	<b>1 823</b>	<b>14 643</b>
(Activities - refer note 4)	4		Transferred functions		Total	
	2011	2010	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Expenses:</b>						
Employee benefit expenses	11 079	11 928	-	12 904	35 060	53 725
Supplies and services	10 625	15 336	-	9 252	38 882	58 620
Depreciation and amortisation	1 889	1 396	-	50	6 715	3 772
Grants and subsidies	5 555	893	-	5 750	63 338	139 320
Water recovery/acquisition expenses	-	-	-	-	2 650	7 124
Impairment loss	-	-	-	-	8 619	-
Other expenses	70	58	-	4	306	296
Net loss from disposal of non-current assets	-	-	-	-	157	7
<b>Total expenses</b>	<b>29 218</b>	<b>29 611</b>	<b>-</b>	<b>27 960</b>	<b>155 727</b>	<b>262 864</b>
<b>Income:</b>						
Revenues from fees and charges	3 173	3 941	-	2 716	6 694	11 581
Interest revenues	18	34	-	1	542	1 427
Grant revenues	4 018	9 947	-	6 921	49 119	152 950
Other revenues	15	15	-	1 031	75	1 680
<b>Total income</b>	<b>7 224</b>	<b>13 937</b>	<b>-</b>	<b>10 669</b>	<b>56 430</b>	<b>167 638</b>
<b>Net cost of providing services</b>	<b>21 994</b>	<b>15 674</b>	<b>-</b>	<b>17 291</b>	<b>99 297</b>	<b>95 226</b>
<b>Revenues from (Payments to)</b>						
<b>SA Government:</b>						
Revenues from SA Government	23 189	29 318	-	2 896	103 116	113 059
Payments to SA Government	-	-	-	-	10 536	14 141
<b>Net revenues from SA Government</b>	<b>23 189</b>	<b>29 318</b>	<b>-</b>	<b>2 896</b>	<b>92 580</b>	<b>98 918</b>
<b>Net result</b>	<b>1 195</b>	<b>13 644</b>	<b>-</b>	<b>(14 395)</b>	<b>(6 717)</b>	<b>3 692</b>



## Disaggregated Disclosures – Assets and Liabilities as at 30 June 2011

	(Activities - refer note 4)		1		2		3	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2 242	1 871	6 299	10 149	16 236	14 133		
Receivables	1 671	2 162	1 102	1 102	6 956	7 574		
Inventories	-	-	-	-	-	-		
Property, plant and equipment	84	192	40 530	48 110	24 107	24 687		
Intangible assets	2 970	3 372	237	535	308	643		
<b>Total assets</b>	<b>6 967</b>	<b>7 597</b>	<b>48 168</b>	<b>59 896</b>	<b>47 607</b>	<b>47 037</b>		
<b>Liabilities:</b>								
Payables	2 198	3 260	1 449	2 149	6 545	11 512		
Employee benefits	2 766	3 225	1 904	1 683	2 089	2 765		
Provisions	132	161	87	106	125	147		
<b>Total liabilities</b>	<b>5 096</b>	<b>6 646</b>	<b>3 440</b>	<b>3 938</b>	<b>8 759</b>	<b>14 424</b>		
	(Activities - refer note 4)		4		Transferred functions		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2 564	2 517	-	229	27 341	28 899		
Receivables	1 908	5 122	-	386	11 637	16 346		
Inventories	-	-	-	1 708	-	1 708		
Property, plant and equipment	22 627	22 297	-	1 978	87 348	97 264		
Intangible assets	8 780	9 807	-	-	12 295	14 357		
<b>Total assets</b>	<b>35 879</b>	<b>39 743</b>	<b>-</b>	<b>4 301</b>	<b>138 621</b>	<b>158 574</b>		
<b>Liabilities:</b>								
Payables	2 526	3 720	-	448	12 718	21 089		
Employee benefits	3 231	3 613	-	3 369	9 990	14 655		
Provisions	150	184	-	21	494	619		
<b>Total liabilities</b>	<b>5 907</b>	<b>7 517</b>	<b>-</b>	<b>3 838</b>	<b>23 202</b>	<b>36 363</b>		

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

**1. Objectives of the Department for Water (the Department)**

The Department's objective is to ensure that there are always sufficient and sustainable water resources in South Australia for our health, our economy, our environment and our lifestyle.

**2. Summary of significant accounting policies**

**(a) Statement of compliance**

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

Except for AASB 2009-12, which the Department has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Department for the reporting period ending 30 June 2011. These are outlined in 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 Department's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with accounting policy statements issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the accounting policy statements 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 are classified according to their nature
  - (b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income)
  - (c) employee TVSP information
  - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
  - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

The Department's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the 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 2011 and the comparative information presented.

**(c) Reporting entity**

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

The financial statements and accompanying notes include all the controlled activities of the Department.

Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities.

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

Transactions in relation to the Murray-Darling Basin Authority (MDBA) are reflected in both the Department's controlled activities and also administered items.

**(d) Transferred functions**

The Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) declared that:

- administrative activities previously undertaken by the Department in relation to natural resources management activities and for State Flora were transferred to the Department of Environment and Natural Resources (DENR) effective from 1 July 2010 (refer note 29)
- administrative responsibilities previously undertaken by the Department in relation to bio-security activities were transferred to the Department of Primary Industries and Resources (PIRSA) effective from 1 July 2010 (refer note 29).

**(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 accounting policy statements 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 Department is not subject to income tax. The Department is liable for payroll tax, FBT, GST, Emergency Services levy, land tax equivalents and local government rate equivalents.

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

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

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

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

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

**(h) Events after the end of the reporting period**

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

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 Department will occur and can be reliably measured.

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

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

The Department has attempted to identify all relevant transactions with SA Government entities/non-SA Government entities.

The following are specific recognition criteria:

***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.

*Grants received*

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

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

- grants 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 grant (eg grant application) has been approved; agreement/contract is executed; and/or the grant is received
- grants 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 grants received or receivable under the agreement.

All grants received by the Department have been grants 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.

*Revenues from SA Government*

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

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

*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 is 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 deducting the cost of the asset from the proceeds at that time.

*Other revenues*

Other income includes revenues received from pastoral leases, donated assets and recouped operating expenses.

**(j) Expenses**

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

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

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

The Department has attempted to identify all relevant transactions with SA Government entities/non-SA Government entities.

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 Department to the superannuation plans in respect of current services of current departmental staff. DTF centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

*Depreciation and amortisation*

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

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

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

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

Land is not depreciated as the item is considered to have a non-diminishing unlimited useful life.

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

<i>Class of asset</i>	<i>Useful life (years)</i>
Buildings	10-60
Leasehold improvements	Life of lease
Groundwater monitoring wells	2-100
Patawalonga seawater circulation and Barcoo outlet	7-97
Surface water monitoring network	8-69
Waste disposal stations	22
Salinity disposal schemes	28-86
Lower Murray embankments	200
Plant and equipment	3-42
Intangibles	3-12

*Grants and subsidies*

For grants and subsidies payable, the grant/subsidy will be recognised as a liability and expense when the Department has a present obligation to pay the grant/subsidy and the expense recognition criteria are met.

All grants and subsidies paid by the Department have been grants/subsidies with unconditional stipulations attached.

*Resources provided free of charge*

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

*Payments to SA Government*

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

Payments of \$10.536 million were paid to the Consolidated Account in 2010-11 (\$14.141 million).

**(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 Department 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.

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

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

The Department has attempted to identify all relevant transactions with SA Government entities/non-SA Government entities.

*Cash and cash equivalents*

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

For the 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, and other accruals.

Receivables arise in the normal course of selling goods and services to other government agencies and to the public.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

*Inventories*

Inventories include goods and other property held either for sale or distribution at no or nominal cost in the ordinary course of business. It excludes depreciable assets.

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

The Department's inventories included plants and materials held by State Flora and the Branched Broomrape Eradication Program. Pursuant to machinery of government changes the administration of these activities were transferred to DENR (State Flora) and PIRSA (Branched Broomrape Eradication Program) as at 1 July 2010.

The amount of any inventory write-down to net realisable value or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised in the Statement of Comprehensive Income.

*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 cost, or minimal cost, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

- *Acquisition and recognition (continued)*

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

Minor assets with an individual value of less than \$10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of groundwater monitoring wells and the surface water monitoring network due to the significant number and long useful lives of the assets contained within these classes. All assets for these classes have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

- *Revaluation of non-current assets*

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

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value. Pursuant to APF III, issued pursuant to the PFAA and pursuant to the Department's own accounting policies, an independent valuation appraisal must be performed at least every five years.

A revaluation of the groundwater monitoring wells was scheduled for, and commenced in, 2010-11, however was not finalised as at reporting date. The revaluation process undertaken in 2010-11 highlighted limitations in the records of the recorded groundwater monitoring assets. The Department identified instances of previously unrecorded assets, potential redundant or impaired assets. These issues, along with an out-of-date independent valuation, led the Department to conclude that whilst the recorded balances of the assets currently disclosed in the statements may need to be varied, further investigation regarding the asset identification process and independent revaluation would need to be undertaken and completed in 2011-12 prior to any changes being reflected in the fair value of these assets. Impacts of the asset identification and revaluation work in respect of the groundwater monitoring wells will be reflected in the Department's financial statements to be presented in the financial year ending 30 June 2012.

Any revaluation increment is credited to the asset 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 asset revaluation surplus to the extent of the credit balance existing in the revaluation surplus for that asset class.

In relation to the groundwater monitoring wells and surface water monitoring wells, accumulated depreciation as at the revaluation date has been eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets. For other property, plant and equipment assets that have been subject to an independent revaluation both the replacement cost and the associated accumulated depreciation have been presented on a gross basis.

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 asset revaluation surplus.

Impairment was recognised for the Department's regulators. The accounting for this impairment is recognised in note 21. An impairment was also recognised for the Department's water licences. The accounting for this impairment is recognised in note 22.

*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 infinite. The Department has intangible assets with finite and infinite lives.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an infinite term of future economic benefits.

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.

**(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.

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

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

The Department has attempted to identify all relevant transactions with SA Government entities/ non-SA Government entities.

*Payables*

Payables include creditors, accrued expenses, GST payable, 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 Department.

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

The Paid Parental Leave Scheme payable represents amounts which the Department has received from the Commonwealth Government to forward onto eligible employees via the Department's standard payroll processes. That is, the Department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date of the invoice or the 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, long service leave and annual leave.

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



**(n) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Department has not entered into any finance leases, but has entered into non-cancellable operating lease arrangements for office accommodation where the lessor effectively retains all of the risks and benefits incidental to ownership of the items held under the operating lease.

*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.

**(o) Financial guarantees**

The Department has reviewed its financial guarantees and determined that there is no material liability to be recognised for financial guarantee contracts as at reporting date (there was no material liability recognised for financial guarantee contracts in the previous reporting period).

**(p) 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 salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date for 2009-10. In 2010-11 employees were paid on 30 June for the pay period ending 1 July 2011. This represents a prepayment of one day's salaries and wages, which has been recognised as an asset at 30 June 2011 at the remuneration rate for that day. Prepayments are included in note 19.

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

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

*Long service leave*

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

The unconditional portion of the long service leave provision is classified as current as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of the long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

*Provisions*

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

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

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

*Provisions (continued)*

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.

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

**(q) *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.

**(r) *Interests in joint ventures***

*Cooperative Research Centres*

The Department participates in a number of joint ventures through its interests in Cooperative Research Centres (CRCs).

While CRCs have the characteristics of joint ventures, they are not material to the Department and no separate disclosure for 2011 has been made in accordance with the AASB 131.

A CRC is a research initiative of the Commonwealth Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. There are usually a number of participants involved with CRCs, which also often have a significant research focus (eg Commonwealth Scientific and Industrial Research Organisation, universities and private sector bodies).

The funding of a CRC is usually coordinated through a centre agent who is appointed generally from one of the participating entities.

Transactions between the CRCs and the Department are accounted for in terms of general revenue and expenditure.

In 2010-11, the Department contributed \$659 000 in both cash and in-kind support to the CRC for e-Water.

In 2009-10, the Department contributed \$1.369 million in both cash and in-kind support for the following CRCs:

- CRC for Future Farm Industries
- CRC for Invasive Animals
- CRC for Desert Knowledge
- CRC for e-Water.

*MDBA*

The Department administers the State's interest in the MDBA. These transactions are reflected in the administered statements. Note A10 of the administered statements refers to changes in accounting for the MDBA, which came into being on 15 December 2008.

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

In accordance with amendments to APS 4.8 within APF II, effective 1 July 2010, the Department has disclosed all employees whose normal remuneration is equal to or greater than the base executive level remuneration. Previously APS 4.8 within APF II required the Department to disclose all employees whose normal remuneration was equal to or greater than \$100 000. This change is reflected in note 5.

In 2010-11 the Department voluntarily changed its accounting policies in relation to the non-current asset threshold, increasing the threshold for asset capitalisation from \$5000 to \$10 000. This threshold is now consistent with APF III. The decision to change the threshold has been treated as a voluntary change in accounting policy in accordance with AASB 108. The change has been retrospectively, with restated balances as at 30 June 2010. This change is reflected in the Statement of Changes in Equity and in note 21.

**3. New and revised accounting standards and policies (continued)**

Except for AASB 2009-12, which the Department has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Department for the period ending 30 June 2011. The Department has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies of the financial statements of the Department.

**4. Activities of the Department**

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

**Activity 1: Water Planning, Management and Compliance**

To manage the prescribed water resources in South Australia, including the provision of planning and management advice and regulatory support for the government, the natural resources management (NRM) boards and the community. To facilitate the allocation, trading and sustainable use of water resources in South Australia.

**Activity 2: Murray-Darling Basin**

To develop policy, plans and programs, and manage river operations for the purpose of achieving a healthy, functioning River Murray that will continue to support communities, industries and ecosystems.

**Activity 3: Policy and Programs**

To provide a state-wide water policy focus and lead the delivery of Water for Good to develop policies and strategies with a focus on the diversification of urban water supplies, including stormwater harvesting.

**Activity 4: Science and Monitoring**

To provide scientific expertise and the application of knowledge for effective management of the State's water resources. Leadership in science with a primary focus on analysing water resource data, supporting sustainable economic development, undertaking scientific investigations to expand the government's knowledge base, promoting collaborative research alliances, improving policy and providing input to strategies aimed at sustainable management and use of the State's water resources.

The disaggregated disclosures schedules present expenses and income as well as assets and liabilities information attributable to each of the activities for the years ended 30 June 2010 and 30 June 2011.

<b>5. Employee benefit expenses</b>	2011	2010
	\$'000	\$'000
Salaries and wages	26 839	37 114
Superannuation	3 091	4 504
Annual leave	2 409	3 172
Long service leave	998	2 186
Workers compensation	(38)	260
TVSPs (refer below)	-	3 859
Board and committee fees	114	217
Payroll tax	1 647	2 413
Total employee benefit expenses	35 060	53 725

**TVSPs**

Amount paid to these employees:

TVSPs	-	3 859
Annual leave and long service leave paid during the reporting period	-	1 144
	-	5 003
Recovery from DTF	-	3 635
Net cost to agency	-	1 368

The number of employees who received a TVSP during the reporting period was 0 (29).

**Remuneration of employees**

The table below 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, FBT and any other salary sacrifice benefits. The total remuneration received or receivable by these employees for the year was \$3.24 million (\$3.36 million).

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$130 700 - \$140 699	1	2
\$140 700 - \$150 699	4	-
\$150 700 - \$160 699	2	2
\$160 700 - \$170 699	3	3
\$170 700 - \$180 699	1	-
\$180 700 - \$190 699	-	2
\$190 700 - \$200 699	-	3
\$200 700 - \$210 699	2	-
\$220 700 - \$230 699	-	1
\$240 700 - \$250 699	1	1
\$250 700 - \$260 699	1	1
\$290 700 - \$300 699	1	-
\$300 700 - \$310 699	-	1
\$310 700 - \$320 699	-	1
\$330 700 - \$340 699	1	-
<b>Total</b>	<b>17</b>	<b>17</b>

**Accounting policy change**

In accordance with the revised APF II, the Department has changed its accounting policy and now discloses all employees who receive remuneration equal to or greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 70 (59).

6. <b>Supplies and services</b>	2011 \$'000	2010 \$'000
Contractors	23 314	34 455
Service level determination	2 112	2 735
Accommodation	4 043	4 527
Vehicles	1 554	2 272
Computing	1 774	1 044
Travel and accommodation	812	1 389
Printing, publishing and stationery	290	784
Telephones	483	669
Chemical analysis	66	645
Minor plant and equipment purchases	702	2 015
Consultancies	738	928
Materials and consumables	147	1 027
Equipment repairs and maintenance	316	365
Advertising, exhibition and promotion	170	2 430
Legal fees	473	419
Staff development	630	1 214
Other supplies and services	1 258	1 702
<b>Total supplies and services</b>	<b>38 882</b>	<b>58 620</b>

**Consultants**

The number and dollar amount of consultancies paid/payable (included in consultancies expense) that fell within the following bands:	2011		2010	
	Number	\$'000	Number	\$'000
Below \$10 000	7	15	65	220
Between \$10 000 and \$50 000	9	269	20	295
Above \$50 000	3	454	4	413
<b>Total</b>	<b>19</b>	<b>738</b>	<b>89</b>	<b>928</b>

**Supplies and services provided by entities within the SA Government**

	2011	2010
	\$'000	\$'000
The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:		
Contractors	3 396	9 925
Service level determination	2 090	2 724
Accommodation	3 443	3 553
Vehicles	1 279	1 840
Computing	229	36
Travel and accommodation	2	17
Printing, publishing and stationery	13	78
Telephones	313	436
Chemical analysis	6	48
Minor plant and equipment purchases	3	6
Materials and consumables	-	9
Equipment repairs and maintenance	9	5
Advertising, exhibition and promotion	24	44
Legal fees	449	413
Staff development	23	30
Other supplies and services	300	471
<b>Total supplies and services</b>	<b>11 579</b>	<b>19 635</b>

**7. Depreciation and amortisation expense**

Patawalonga seawater circulation and Barcoo outlet	495	355
Groundwater monitoring wells	595	584
Plant and equipment	363	508
Salinity disposal schemes	544	349
Surface water monitoring network	58	59
Waste disposal stations	130	108
Buildings	29	64
Lower Murray embankments	50	50
Regulators	1 017	813
Intangible assets	3 434	882
<b>Total depreciation and amortisation expense</b>	<b>6 715</b>	<b>3 772</b>

**8. Grants and subsidies**

Murray-Darling Basin Authority	27 667	24 388
Department of Primary Industries and Fisheries (Qld) - red imported fire ants	-	585
Irrigators - Lower Murray reclaimed irrigation areas	-	320
River Murray Improvement program	1 232	1 411
Dog Fence Board - transfer of subsidy	-	463
Transfer to NRM Fund in respect of appropriations allocated to the regional NRM Boards <sup>(1)</sup>	-	3 400
Murray Futures:		
Integrated pipelines	-	87 028
Lower Lakes, Coorong adaptive management	-	7 614
River industry renewal	-	348
Coorong, Lower Lakes and Murray Mouth Early Works	13 956	-
Branched broomrape eradication	-	420
Drought emergency measures	-	1 505
Stormwater projects	12 882	7 035
Goyder Institute	5 000	-
Other grants	2 601	4 803
<b>Total grants and subsidies</b>	<b>63 338</b>	<b>139 320</b>

(1) Excludes appropriations received by the Department under administered items (\$400 000) in respect of the South Australian Arid Lands Natural Resources Management Board.

<b>Grants and subsidies paid/payable to entities within the SA Government</b>	2011	2010
The following grants and subsidies (included in the grants and subsidies amounts shown above) were provided to entities within the SA Government:	\$'000	\$'000
River Murray Improvement program	1 232	1 411
Dog Fence Board - transfer of subsidy	-	463
Transfer to NRM Fund in respect of appropriations allocated to the regional NRM Boards <sup>(1)</sup>	-	3 400
Branched broomrape eradication	-	415
Murray Futures:		
Integrated pipelines	-	6 973
Lower Lakes, Coorong adaptive management	-	7 614
River industry renewal	-	348
Coorong, Lower Lakes and Murray Mouth early works	13 956	-
Drought emergency measures	-	1 505
Stormwater projects	3 253	1 654
Other grants	339	2 063
<b>Total grants and subsidies - SA Government entities</b>	<b>18 780</b>	<b>25 846</b>

### 9. Water recovery/acquisition expenses

Water recovery/acquisition expenses paid/payable to entities external to the SA Government:

The Living Murray water acquisition	2 650	-
Environmental water acquisitions - Lower Lakes	-	7 124
<b>Total water recovery/acquisition - non-SA Government entities</b>	<b>2 650</b>	<b>7 124</b>

All payments were to entities within SA Government.

### 10. Other expenses

Other expenses paid/payable to entities external to the SA Government:

Bad and doubtful debt	52	5
External auditors remuneration	192	241
Sundry	62	50
<b>Total other expenses</b>	<b>306</b>	<b>296</b>

### *Other expenses paid/payable to entities within the SA Government*

The following other expenses (included in the other expenses amount shown above) were paid/payable to entities within the SA Government:

Audit fees	154	196
Sundry	12	25
<b>Total other expenses - SA Government entities</b>	<b>166</b>	<b>221</b>

### 11. Auditors remuneration

Audit fees paid/payable to the Auditor-General's Department

Audit fees paid/payable to the Auditor-General's Department	154	196
<b>Total auditor's remuneration</b>	<b>154</b>	<b>196</b>

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

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

Waste disposal stations:

Proceeds from disposal	-	-
Net book value of assets disposed	157	11
<b>Net loss from disposal</b>	<b>(157)</b>	<b>(11)</b>

Plant and equipment:

Proceeds from disposal	-	8
Net book value of assets disposed	-	4
<b>Net gain from disposal</b>	<b>-</b>	<b>4</b>

Total assets:

Proceeds from disposal	-	8
Net book value of assets disposed	157	15
<b>Total net gain (loss) from disposal of non-current assets</b>	<b>(157)</b>	<b>(7)</b>

<b>13. Revenues from fees and charges</b>	2011	2010
	\$'000	\$'000
Sale of goods and services	4 709	9 532
Taxation revenue	734	759
Fees, levies and licences	1 144	1 168
Service recoveries	107	122
Total revenues from fees and charges	6 694	11 581
<b><i>Fees and charges received/receivable from entities within the SA Government</i></b>		
The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:		
Sale of goods and services	2 792	4 903
Fees, levies and licences	21	20
Service recoveries	101	112
Total fees and charges received/receivable from entities within the SA Government	2 914	5 035
<b>14. Interest revenues</b>		
Interest revenue from entities within the SA Government	530	1 426
Other interest	12	1
Total interest revenues	542	1 427
<b>15. Grant revenues</b>		
<b>(a) Grant revenues from the Commonwealth</b>		
Department of Agriculture Fisheries and Forestry - Branched Broomrape Eradication program	-	1 230
National Water Commission - National Water Initiative:		
Implementation	-	5 516
South East	30	904
Fractured Rock	30	247
Restoring flows to the wetlands in the Upper South East of SA	232	5 055
Bureau of Meteorology	-	2 763
Murray-Darling Basin Authority - Goolwa channel	-	5 803
Murray Futures:		
Lower Lakes, Coorong adaptive management	-	12 539
Riverine recovery	8 706	2 025
Integrated pipeline	-	91 438
River industry renewal	-	348
Coorong, Lower Lakes and Murray Mouth early works	12 560	-
Stormwater project administration	10 068	5 110
Environmental works and measures projects	-	612
National framework for compliance and enforcement systems	577	-
The Living Murray:		
Chowilla	1 646	-
Lower Lakes, Coorong and Murray Mouth	852	-
Other	3 728	670
Total grant revenues from the Commonwealth	38 429	134 260
<b>(b) Grant revenues from SA Government</b>		
Lower Murray and Murray Mouth	546	-
Coorong and Lower Lakes early works	453	-
South East Confined Aquifer Well Rehabilitation Scheme	278	-
Riverbank collapse hazard	200	-
State NRM program	-	5 893
Environmental Works and Measures project	153	106
Survival of Permanent Plantings	-	1 141
Lake Albert Water Level Management project	-	1 540
NWI GAB program	609	-
Other	529	871
Total grant revenues from SA Government	2 768	9 551

<b>(c) Grant revenues from National Action Plan</b>	2011	2010
Joint Commonwealth and State funding:	\$'000	\$'000
Salt Interception Scheme - Noora Basin	2 736	703
Salt Interception Scheme - Murtho	213	195
Salt Interception Scheme - Pike	2 075	-
Salt Interception Scheme - other	-	84
Upper South East Program	2 361	6 390
Other:	-	597
Total grant revenues from National Action Plan joint Commonwealth and State funding	7 385	7 969
<b>(d) Grant revenues from other entities</b>		
Branched Broomrape Eradication program (other SA Governments)	-	1 021
Sundry grants and contribution	537	149
Total grant revenues from other entities	537	1 170
Total grant revenues	49 119	152 950
<b>16. Other revenues</b>		
Operating expenses recouped	8	300
Pastoral leases	-	1 015
Other revenue	67	365
Total other revenue	75	1 680
<b><i>Other revenues received/receivable from entities within the SA Government</i></b>		
The following other revenues (included in the other revenues shown above) were received/receivable from entities within the SA Government:		
Operating expenses recouped	-	243
Other revenue	-	86
Total other revenue received/receivable from entities within the SA Government	-	329
<b>17. Revenues from (Payments to) SA Government</b>		
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	97 744	98 331
Appropriations under contingencies	5 372	14 728
Total revenues from SA Government	103 116	113 059
Payments to SA Government:		
Other payments to the Consolidated Account	10 536	14 141
Total payments to SA Government	10 536	14 141
The revenues from SA Government include \$25 million (\$22.1 million) which was paid into the Save The River Murray Fund (the Fund), from the proceeds of the Save the River Murray levy which was introduced in the second quarter of the 2003-04 financial year. The Fund was established under section 100 of the <i>Waterworks Act 1932</i> and monies credited to the Fund may only be applied to purposes set out in <i>Waterworks Act 1932</i> . The total monies applied from the Fund were \$26.458 million (\$17.622 million). A special purpose financial report is prepared for the Fund.		
<b>18. Cash and cash equivalents</b>	2011	2010
	\$'000	\$'000
Deposits with the Treasurer	27 312	28 860
Cash on hand and imprest accounts	26	31
Other	3	8
Total cash and cash equivalents	27 341	28 899

***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 and can only be used in accordance with the Treasurer's/Under Treasurer's approval.

***Interest rate risk***

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.



<b>19. Receivables</b>	2011	2010
Current:	\$'000	\$'000
Receivables	9 184	13 084
Allowance for doubtful debts	(95)	(43)
	<u>9 089</u>	<u>13 041</u>
Accrued interest	68	95
GST input tax recoverable	2 354	3 189
Workers compensation recoveries	21	21
Prepayments*	105	-
Total current receivables	<u>11 637</u>	<u>16 346</u>

\* This amount includes \$98 000 relating to a prepayment of one day's salaries and wages.

***Receivables from entities within the SA Government***

The following receivables (included in the receivables shown above) were received/receivable from entities within SA Government:

Receivables	2 497	465
Allowance for doubtful debts	-	-
	<u>2 497</u>	<u>465</u>
Accrued interest	68	95
Workers compensation recoveries	21	21
Total receivables from entities within the SA Government	<u>2 586</u>	<u>581</u>

***Movement in the allowance for doubtful debts***

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists. The allowance for doubtful debts was increased by \$52 000 in 2010-11.

***Interest rate risk 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.

<b>20. Inventories</b>	2011	2010
	\$'000	\$'000
Materials at cost	-	1 708
Total inventories	<u>-</u>	<u>1 708</u>

***Cost of inventories***

The cost of inventories recognised as an expense for raw materials and consumables was nil (\$1.389 million). All inventories held by the Department as at 30 June 2010 were transferred, pursuant to a machinery of government restructure, to DENR and to PIRSA (refer note 29 for further details).

<b>21. Property, plant and equipment</b>	2011	2010
Land:	\$'000	\$'000
Independent valuation <sup>(ii)</sup>	919	2 115
At cost <sup>(i)</sup>	1 504	166
Total land	<u>2 423</u>	<u>2 281</u>
Buildings and improvements:		
Independent valuation <sup>(ii)</sup>	1 022	3 079
At cost <sup>(i)</sup>	380	123
Accumulated depreciation	(389)	(1 782)
Total buildings and improvements	<u>1 013</u>	<u>1 420</u>

<b>21. Property, plant and equipment (continued)</b>	2011	2010
Groundwater monitoring wells:	\$'000	\$'000
Independent valuation <sup>(ii)</sup>	17 924	17 924
At cost <sup>(i)</sup>	1 241	221
Accumulated depreciation	(3 019)	(2 424)
Total groundwater monitoring wells	<u>16 146</u>	<u>15 721</u>
Surface water monitoring network:		
Independent valuation <sup>(ii)</sup>	2 474	2 474
Accumulated depreciation	(233)	(175)
Total surface water monitoring network	<u>2 241</u>	<u>2 299</u>
Waste disposal stations:		
Independent valuation <sup>(ii)</sup>	5 210	5 210
At cost (deemed fair value) <sup>(i)</sup>	884	511
Accumulated depreciation	(2 780)	(2 994)
Total waste disposal stations	<u>3 314</u>	<u>2 727</u>
Patawalonga seawater circulation and Barcoo outlet:		
Independent valuation <sup>(ii)</sup>	30 774	30 774
At cost (deemed fair value) <sup>(i)</sup>	546	528
Accumulated depreciation	(7 176)	(6 681)
Total Patawalonga seawater circulation and Barcoo outlet	<u>24 144</u>	<u>24 621</u>
Salinity disposal schemes:		
Independent valuation <sup>(ii)</sup>	44 972	44 972
Accumulated depreciation	(17 205)	(16 661)
Total salinity disposal schemes	<u>27 767</u>	<u>28 311</u>
Lower Murray embankments:		
Independent valuation <sup>(ii)</sup>	10 062	10 062
Accumulated depreciation	(4 779)	(4 729)
Total Lower Murray embankments	<u>5 283</u>	<u>5 333</u>
Regulators:		
At cost (deemed fair value) <sup>(i)</sup>	10 167	10 167
Accumulated depreciation	(1 830)	(813)
Impairment loss	(8 337)	-
Total regulators	<u>-</u>	<u>9 354</u>
Plant and equipment:		
At cost (deemed fair value) <sup>(i)</sup>	5 253	6 051
Accumulated depreciation	(3 798)	(4 596)
Total plant and equipment	<u>1 455</u>	<u>1 455</u>
Capital works in progress:		
Capital works in progress <sup>(i)</sup>	3 562	3 742
Total capital works in progress	<u>3 562</u>	<u>3 742</u>
Total property, plant and equipment	<u>87 348</u>	<u>97 264</u>

***Carrying amounts of property, plant and equipment***

Classes of property, plant and equipment are valued as follows:

(i) *At cost (acquisition cost)*

This class includes one or more items that have an acquisition cost. All assets within this class are temporarily held at cost pending revaluation that occurs no later than five years from acquisition date.

(ii) *Independent valuation*

These assets are valued separately by independent professional valuers.

*Asset revaluations*

The regulators were impaired as at 30 June 2011 as the assets were partially submerged and no longer meeting their required functions. The accounting and consultancy firm Deloitte provided an independent assessment and expert opinion on the accounting treatment of the impairment. As a result of this assessment the written down value as at 30 June 2011 (\$8.337 million) was considered to be impaired. The impairment is reflected in the Statement of Comprehensive Income.

<i>Asset class</i>	<i>Date of last independent valuation</i>	<i>Name of valuer</i>
Land and buildings	30 June 2009	Southwick Goodyear Pty Ltd
Groundwater monitoring wells*	30 June 2006	GHD Pty Ltd
Surface Water Monitoring Network	30 June 2007	Valcorp Pty Ltd
Waste disposal stations	30 June 2009	Valcorp Pty Ltd
Patawalonga seawater circulation and Barcoo outlet	30 June 2010	Currie and Brown Pty Ltd
Salinity disposal schemes	30 June 2010	Currie and Brown Pty Ltd
Lower Murray embankments	30 June 2009	Valcorp Pty Ltd
Plant and equipment**	-	-

\* A revaluation of the groundwater monitoring wells was scheduled for, and commenced in, 2010-11. The revaluation was not finalised as at reporting date, but will be completed in 2011-12. Impacts of the revaluation will be reflected in the Department's financial statements that will be presented for the period ending 30 June 2012.

\*\* Plant and equipment have been brought to account at cost or at officers' valuation for initial recognition purposes.

*Movement/reconciliation of property, plant and equipment*

	Land \$'000	Buildings \$'000	Ground- water monitoring wells \$'000	Surface water monitoring network \$'000	Waste disposal stations \$'000	Patawalonga seawater circulation \$'000
<b>2011</b>						
Carrying amount:						
Carrying amount at the start of the period	2 281	1 420	15 721	2 299	2 727	24 621
Change of accounting policy	-	-	-	-	-	-
Adjusted opening balance	2 281	1 420	15 721	2 299	2 727	24 621
Additions	1 338	258	783	-	656	-
Transfers to (from) capital work in progress	-	-	237	-	218	18
Transfers to intangible assets	-	-	-	-	-	-
Depreciation expense	-	(29)	(595)	(58)	(130)	(495)
Disposals	-	-	-	-	(157)	-
Disposals through administrative restructuring	(1 196)	(636)	-	-	-	-
Impairment loss	-	-	-	-	-	-
Carrying amount at 30 June	2 423	1 013	16 146	2 241	3 314	24 144
	Salinity disposal schemes \$'000	Lower Murray embankments \$'000	Regulators \$'000	Plant and equipment \$'000	Capital work in progress \$'000	2011 Total \$'000
Carrying amount:						
Carrying amount at the start of the period	28 311	5 333	9 354	1 546	3 742	97 355
Change of accounting policy	-	-	-	(91)	-	(91)
Adjusted opening balance	28 311	5 333	9 354	1 455	3 742	97 264
Additions	-	-	-	320	1 408	4 763
Transfers to (from) capital work in progress	-	-	-	189	(662)	-
Transfers to intangible assets	-	-	-	-	(926)	(926)
Depreciation expense	(544)	(50)	(1 017)	(363)	-	(3 281)
Disposals	-	-	-	-	-	(157)
Disposal through administrative restructuring	-	-	-	(146)	-	(1 978)
Impairment loss	-	-	(8 337)	-	-	(8 337)
Carrying amount at 30 June	27 767	5 283	-	1 455	3 562	87 348

**Movement/reconciliation of property, plant and equipment (continued)**

2010	Land	Buildings	Ground-water monitoring wells	Surface water monitoring network	Waste disposal stations	Patawalonga seawater circulation
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount:						
Balance as at 1 July	2 281	1 484	16 305	2 358	2 439	18 990
Additions	-	-	-	-	443	497
Transfers to (from) capital work in progress	-	-	-	-	-	-
Transfers to intangible assets	-	-	-	-	-	-
Depreciation expense	-	(64)	(584)	(59)	(108)	(355)
Net revaluation increment (decrement)	-	-	-	-	(36)	5 489
Disposals	-	-	-	-	(11)	-
Carrying amount at 30 June	2 281	1 420	15 721	2 299	2 727	24 621

Carrying amount:	Salinity disposal schemes	Lower Murray embankments	Regulators	Plant and equipment	Capital work in progress	2011 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	18 636	5 383	-	1 511	3 730	73 117
Additions	-	-	9 434	437	3 560	14 371
Transfers to (from) capital work in progress	-	-	733	110	(843)	-
Transfers to intangible assets	-	-	-	-	(2 705)	(2 705)
Depreciation expense	(349)	(50)	(813)	(508)	-	(2 890)
Net revaluation increment (decrement)	10 024	-	-	-	-	15 477
Disposals	-	-	-	(4)	-	(15)
Carrying amount at 30 June	28 311	5 333	9 354	1 546	3 742	97 355

**Asset threshold**

In 2010-11 the Department voluntarily changed its accounting policies in relation to the non-current asset threshold, increasing the threshold for asset capitalisation from \$5000 to \$10 000. The change in policy resulted in a net reduction in the asset carrying amount of \$91 000.

**Assets not recognised**

- Acquisition of water licences for environmental flows**

While the Department recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2010 (refer note 22), the acquisition and transfer of water licences for environmental purposes is generally expensed when such expenditure is incurred (refer previous comments here above).

The decision not to capitalise these expenditures is linked to the provisions of the Intergovernmental Agreement (the Agreement) signed in June 2004, to which the State of South Australia is a party.

The Agreement gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit \$500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.

The Living Murray business plan is provided for under clause 13 of the Agreement and describes how the actions and milestones in the Agreement are to be achieved.

The Department is acting to meet the agreed milestones and has acquired water licences for transfer to the eligible measures register and subsequently to the environmental measures register, consistent with this objective.

The transactions pertaining to the acquisition of water licences and subsequent application of these licences, together with other financial investments in eligible environmental measures, have been expensed on the basis that the future economic benefits attaching to these transactions are not expected to flow directly to the Department. This excludes water licences that have been subject to temporary trading during the reporting period.

- *Upper South East Drainage Scheme*  
The Department receives funding under the National Action Plan for Salinity and Water Quality to construct drainage assets for the Upper South Eastern Region of South Australia. On completion these assets are managed and maintained by the South Eastern Water Conservation and Drainage Board.

The future economic benefits that will be derived from these assets are expected to be received by the South Eastern Water Conservation and Drainage Board and not the Department. As a consequence the amounts expended on these assets are recognised in the Department's Statement of Comprehensive Income in the form of employee expenditures, operating costs and grant payments and are not capitalised.

#### *Salt Interception Scheme*

The Department receives funding from the National Action Plan for Salinity and Water Quality, and contributes to the construction of the salt interception assets for the Bookpurnong and Loxton Schemes. Upon completion these assets are managed and maintained by the Murray-Darling Basin Authority, and the Department funds its share of these costs.

The future economic benefits that will be derived from these assets are expected to be received by the Murray-Darling Basin Authority and not the Department. As a consequence the amounts expended on these assets are not capitalised, but are recognised in the Department's Statement of Comprehensive Income in the form of employee expenditures, operating costs and grant payments.

<b>22. Intangible assets</b>	2011	2010
Internally developed intangible assets:	\$'000	\$'000
Internally developed computer software - at cost (deemed fair value)	15 779	14 171
Accumulated amortisation	(6 103)	(2 815)
Total internally developed intangible assets	<u>9 676</u>	<u>11 356</u>
Externally acquired intangible assets:		
Computer and water licences	3 340	3 292
Accumulated amortisation	(439)	(291)
Impairment loss	(282)	-
Total externally acquired intangible assets	<u>2 619</u>	<u>3 001</u>
Total intangible assets	<u>12 295</u>	<u>14 357</u>

#### *Intangible assets*

The Department recognises the following intangible assets:

- *Water licences - acquired in the market*  
While the acquisition and transfer of water licenses for environmental purposes are generally expensed when such expenditure is incurred, there may be points during which the nature of such assets is transformed due to policy decisions. Ultimately these licenses will be applied for environmental purposes and the accounting treatment will be to expense the purchases.
- *Water licences - acquired at no cost*  
An intangible asset for water licenses has been recognised. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006.
- *Intangible assets (computer software)*  
The internal development of software is capitalised by the Department when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 and when the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III, APS 2.15. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 are expensed. Subsequent expenditure on intangible assets has not been capitalised. The Department has capitalised the internal development of software for the Water Information and Licensing and Management Application system. In addition, certain costs have been capitalised in respect of the Natural Resources Management Information system and other software specific to the Department's core activities. Some intangibles are currently included in work in progress.
- *Impairment*  
The water licenses (acquired at no cost) and originally recognised at fair value (\$2.610 million) as at 30 June 2006 were found to be partially impaired as at 30 June 2011. Based on current water prices an impairment of \$282 000 was recognised in the statements.

**Intangible asset movement/reconciliation schedule**

	Internally developed	Externally acquired	Total
	\$'000	\$'000	\$'000
<b>2011</b>			
Carrying amount at 1 July	11 356	3 001	14 357
Additions - acquisitions	681	47	728
Additions - transfers from capital work in progress	926	-	926
Amortisation expense	(3 287)	(147)	(3 434)
Impairment loss	-	(282)	(282)
Carrying amount as at 30 June	9 676	2 619	12 295
<b>2010</b>			
Carrying amount at 1 July	4 226	2 812	7 038
Additions - acquisitions	5 386	110	5 496
Additions - transfers from capital work in progress	2 555	150	2 705
Amortisation expense	(811)	(71)	(882)
Carrying amount as at 30 June	11 356	3 001	14 357

<b>23. Payables</b>	2011	2010
Current:	\$'000	\$'000
Creditors and accrued expenses	11 096	19 185
Employee benefit on-costs	919	832
Total current payables	12 015	20 017

**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:

Creditors and accrued expenses	7 581	6 915
Employee benefit on-costs	326	371
Total current payables to entities within the SA Government	7 907	7 286

Non-current:

Employee benefit on-costs	703	1 072
Total non-current payables	703	1 072

**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:

Employee benefit on-costs	379	504
Total non-current payables to entities within the SA Government	379	504

As a result of an actuarial assessment performed by DTF, the proportion of long service leave taken as leave has changed from the 2010 rate 45 percent to 35 percent. This rate is used in the employee benefit on-cost calculation. The net financial effect of the changes in the current financial year is a decrease in the employee benefit on-cost of \$105 000 and employee benefit expense of \$611 000.

**Interest rate and credit risk**

Creditors and accruals are raised for all amounts due but unpaid. Sundry creditors are normally settled within 30 days. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

<b>24. Employee benefits</b>	2011	2010
Current:	\$'000	\$'000
Accrued salaries and wages*	-	1 504
Annual leave	2 100	3 028
Long service leave	568	759
Total current employee benefits	2 668	5 291

\* In 2010-11 employees were paid on 30 June for the pay period ending 1 July 2011. This represents a prepayment of one day's salaries and wages, which has been recognised as an asset at 30 June 2011 at the remuneration rate for that day. Prepayments are included in note 19.

<b>24. Employee benefits (continued)</b>	2011	2010
Non-current:	\$'000	\$'000
Long service leave	7 322	9 364
Total non-current employee benefits	<u>7 322</u>	<u>9 364</u>

As a result of an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has changed from the 2010 benchmark of 5.5 years to five years. The net financial effect of the changes in the current financial year is an increase in the long service liability of \$56 000 and employee benefit expenses of \$56 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement.

<b>25. Provisions</b>	2011	2010
Current:	\$'000	\$'000
Provision for workers compensation	113	146
Total current provisions	<u>113</u>	<u>146</u>
Non-current:		
Provision for workers compensation	381	473
Total non-current provisions	<u>381</u>	<u>473</u>

**Provision movement**

Carrying amount at 1 July	619	540
Additional provisions recognised	(39)	236
Transfer due to administrative restructure	(21)	-
Amounts used	<u>(65)</u>	<u>(157)</u>
Carrying amount at 30 June	<u>494</u>	<u>619</u>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC.

<b>26. Equity</b>	2011	2010
	\$'000	\$'000
Contributed capital	10 893	10 893
Retained earnings	54 433	61 122
Asset revaluation surplus	50 093	50 196
Total equity	<u>115 419</u>	<u>122 211</u>

**27. Unrecognised contractual commitments**

**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	3 034	2 679
Later than one year but not later than five years	12 114	4 175
Later than five years	-	125
Total operating lease commitments	<u>15 148</u>	<u>6 979</u>

The Department's operating leases are non-cancellable and relate to office accommodation with penalty clauses equal to the amount of the residual payments remaining for the term of the lease. Options exist to renew the leases at the end of the term of the leases. Leases are payable one month in advance.

**Remuneration commitments**

	2011	2010
Commitments include those for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date, as well as for TVSP contracts signed as at reporting date, but not recognised as liabilities are payable as follows:	\$'000	\$'000
Within one year	8 551	7 395
Later than one year but not later than five years	7 464	7 397
Total remuneration commitments	<u>16 015</u>	<u>14 792</u>

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

<b>Other commitments</b>	2011	2010
Other expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:	\$'000	\$'000
Within one year	30 810	32 754
Later than one year but not later than five years	89 009	94 364
Total other commitments	<u>119 819</u>	<u>127 118</u>

The Department's other commitments are for agreements for projects under the Save the River Murray Fund where funds are payable to other agencies undertaking work on behalf of the Department, contributions to the Murray Darling Basin Authority, infrastructure costs associated with the Living Murray - Water Recovery Program under inter-government agreements and management of biodiversity assets under the *Upper South East Dryland Salinity and Flood Management Act 2002* and cash and in-kind contributions to Cooperative Research Centres.

## 28. Contingent assets and liabilities

The Department is not aware of the existence of any contingent assets or liabilities.

## 29. Transferred functions

### *Transferred out*

Under the Public Sector (Reorganisation of Public sector Operations) Notice 2010 (dated 1 July 2010) the administrative activities previously undertaken by the Department in relation to NRM activities including State Flora were transferred to DENR. This included 143 employees.

The administrative responsibilities previously undertaken by the Department in relation to bio-security activities were transferred to PIRSA. This included 72 employees.

The effective date of the above transfers is 1 July 2010.

	DENR	PIRSA
	\$'000	\$'000
Cash*	(388)	229
Receivables	386	-
Inventories	1 273	435
Property, plant and equipment	1 940	38
Total assets	<u>3 211</u>	<u>702</u>
Payables	354	94
Employee benefits	2 675	694
Provisions	21	-
Total liabilities	<u>3 050</u>	<u>788</u>
Total net assets transferred	<u>161</u>	<u>(86)</u>

Net assets transferred by the Department as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

\* As at balance date the cash transfer of (\$389 000 deficit) relating to DENR had yet to occur.

## 30. Remuneration of board and committee members

The following members served on the boards and committees as listed below during the 2010-11 financial year:

### ***Environmental Management Advisory Group - Upper South East***

Aldersey A (appointed 01/07/2010) <sup>#</sup>	Geddes MC <sup>*</sup>	Schilling J C <sup>#</sup>
Bachmann M R <sup>#</sup>	Hutson J L <sup>*</sup>	Milne T <sup>*</sup>
Breen R P	Herpich M <sup>#</sup>	Vears D (retired 30/07/2010) <sup>#</sup>
DeJong M C <sup>#</sup>	Merry R H <sup>*</sup>	White J W <sup>*</sup>
England C R	Meyer W S <sup>*</sup>	Wood G (retired 30/11/2010) <sup>#</sup>
Ganf G G <sup>*</sup>	Mustafa S A <sup>#</sup>	

### ***Water Security Council***

Ashby S W <sup>#</sup>	Holmes A N <sup>#</sup>	Nightingale I <sup>#</sup>
Caica P	Howe A D (retired 20/12/2010) <sup>#</sup>	Ringham J F (appointed 20/12/2010) <sup>#</sup>
Chessell C I (appointed 24/09/2010)	Knight G R <sup>#</sup>	Rowse B G (appointed 08/12/2010) <sup>#</sup>
Eccles C B (retired 31/03/2011)	O'Brien M F	Wright J S (retired 08/12/2010) <sup>#</sup>
Hallion J V <sup>#</sup>	McLeod R L (retired 31/03/2011) <sup>#</sup>	



**30. Remuneration of board and committee members (continued)****Upper South East Program Board**

Alexander P J (retired 01/02/2011) <sup>#</sup>	Johnson C C	Stopp G W
Bolster M C	Longstaff B <sup>#</sup>	Wickes R B
Collins T (appointed 01/02/2011) <sup>#</sup>	Power N <sup>#</sup>	Osborne J L
Hedges S	Rasenberg P L	

**Border Groundwater Review Committee**

Hopton H J <sup>#</sup>	Mensforth L J (appointed 01/07/2010) <sup>#</sup>
Johnson A W (appointed 01/07/2010) <sup>#</sup>	

**South East Water Conservation and Drainage Board Act Review Reference Group<sup>(1)</sup>**

Aslin F W (retired 21/12/2010)	Martin N K (retired 31/12/2010)	Ross J S (retired 31/12/2010)
Kidman S J (retired 31/12/2010)	McLaren B N (retired 31/12/2010)	Talanskas M E (retired 31/12/2010) <sup>#</sup>

**South Australian Murray Darling Basin Plan Steering Committee**

Ashby S W #	Hoey P J	Maywald K A
Eccles C B (retired 21/12/2010) <sup>#</sup>	Howe D A (retired 21/12/2010) <sup>#</sup>	

# Denotes government employees.

\* Denotes \$nil remuneration.

- (1) The reference Group disbanded 31 December 2010 as all work was completed. No meetings were held during the year and therefore no remuneration was paid to eligible members.

The number of members whose remuneration received falls within the following bands:	2011 Number	2010 Number
\$0 - \$9 999	25	37
\$10 000 - \$19 999	-	3
\$20 000 - \$29 999	1	-
\$30 000 - \$39 999	1	1
\$40 000 - \$49 999	-	1
\$50 000 - \$59 999	-	-
Total	<u>27</u>	<u>42</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$93 000 (\$189 000).

In accordance with the 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 Department are on conditions no more favourable than those that it is reasonable to expect the Department would have adopted if dealing with the related party at arm's length in the same circumstances.

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by the relevant members.

**31. Cash flow reconciliation**

	2011	2010
Reconciliation of cash and cash equivalents at 30 June as per:	\$'000	\$'000
Cash and cash equivalents disclosed in the Statement of Financial Position	27 341	28 899
Balance as per Statement of Cash Flows	<u>27 341</u>	<u>28 899</u>

**Reconciliation of net cash provided by (used in) operating activities to net cost of providing services**

Net cash provided by (used in) operating activities	5 117	19 757
Cash flows from SA Government	(103 116)	(113 059)
Cash flows to SA Government	10 536	14 141
Non-cash items:		
Depreciation and amortisation expense of non-current assets	(6 715)	(3 772)
Impairment of non-current assets	(8 619)	-
Bad debts expense	(52)	(5)
Gain (Loss) on disposal of non-current assets	(157)	(7)

<b>Reconciliation of net cash provided by (used in) operating activities to net cost of providing services (continued)</b>	2011	2010
	\$'000	\$'000
Movement in assets and liabilities:		
Increase (Decrease) in receivables	(4 659)	(5 153)
Increase (Decrease) in inventories	-	132
Decrease (Increase) in payables	6 968	(6 722)
Decrease (Increase) in employee benefits	1 296	(459)
Decrease (Increase) in provisions	104	(79)
Net cost of providing services	<u>(99 297)</u>	<u>(95 226)</u>

### 32. 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.

	Note	2011		2010	
		Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>					
Cash and cash equivalents:					
Cash and cash equivalents	18	27 341	27 341	28 899	28 899
Loans and receivables:					
Receivables	19	9 157	9 157	13 136	13 136
<b>Financial liabilities</b>					
Financial liabilities - at cost:					
Payables	23	11 096	11 096	19 185	19 185

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 requirement 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) employee for staff on-costs which are determined via reference to the employee liability to which they relate.

#### *Market risk*

The Department has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

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

#### *Ageing analysis of financial assets*

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

	Past due by			Total \$'000
	Overdue for less than 30 days \$'000	Overdue for 30-60 days \$'000	Overdue for more than 60 days \$'000	
<b>2011</b>				
Not impaired:				
Receivables	387	13	302	702
Impaired:				
Receivables	-	-	(95)	(95)
<b>2010</b>				
Not impaired:				
Receivables	574	120	357	1 051
Impaired:				
Receivables	-	-	(43)	(43)

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

All of the Department's contract for financial assets and financial liabilities mature within one year.

***Credit risk***

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

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

***Liquidity risk***

Liquidity risk arises where the Department is unable to meet its financial obligations as they fall due. The Department is funded principally from appropriations by the SA Government as well as from grant payments received principally from the Commonwealth Government. The Department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The Department settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

**33. Events after the reporting period**

The Department is not aware of any events occurring after balance date that would materially affect the financial statements.

**Statement of Administered Comprehensive Income  
for the year ended 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Expenses:</b>			
Employee benefit expenses		-	198
Supplies and services		6	43
Grants and subsidies	A2	7 183	47 212
Payments to Consolidated Account		265	423
Payments to Natural Resources Management Boards	A3	9 187	12 505
Payments to South Eastern Water Conservation Drainage Board		2 018	1 969
<b>Total expenses</b>		18 658	62 350
<b>Income:</b>			
Revenues from SA Government	A4	7 569	25 870
Revenues from fees and charges	A5	8 914	7 529
Grant revenues	A6	1 931	22 727
Other revenues	A7	-	619
<b>Total income</b>		18 414	56 745
<b>Net result</b>		(244)	(5 605)
<b>Other comprehensive income:</b>			
Gain (Loss) on revaluation of interest in joint venture	A10	(7 946)	51 554
<b>Total other comprehensive income</b>		(7 946)	51 554
<b>Total comprehensive result</b>		(8 190)	45 949

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

**Statement of Administered Financial Position  
as at 30 June 2011**

	Note	2011 \$'000	2010 \$'000
<b>Current assets:</b>			
Cash and cash equivalents	A8	5 245	16 582
Receivables	A9	5 078	5 439
<b>Total current assets</b>		<u>10 323</u>	<u>22 021</u>
<b>Non-current assets:</b>			
Interest in joint venture	A10	710 113	718 059
Land	A11	-	32 938
<b>Total non-current assets</b>		<u>720 113</u>	<u>750 997</u>
<b>Total assets</b>		<u>720 436</u>	<u>773 018</u>
<b>Current liabilities:</b>			
Payables	A12	3 872	4 397
<b>Total current liabilities</b>		<u>3 872</u>	<u>4 397</u>
<b>Total liabilities</b>		<u>3 872</u>	<u>4 397</u>
<b>Net assets</b>		<u>716 564</u>	<u>768 621</u>
<b>Equity:</b>			
Asset revaluation surplus		238 552	255 852
Retained earnings		478 012	512 769
<b>Total equity</b>		<u>716 564</u>	<u>768 621</u>

Total administered equity is attributable to the SA Government as owner

Contingent assets and liabilities A14

**Statement of Administered Changes in Equity  
for the year ended 30 June 2011**

	Note	Asset revaluation surplus \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2009		204 298	518 374	722 672
Net result for 2009-10		-	(5 605)	(5 605)
Revaluation adjustment - interest in joint venture	A10	51 554	-	51 554
Total comprehensive result for 2009-10		51 554	(5 605)	45 949
Balance at 30 June 2010		255 852	512 769	768 621
Net result for 2010-11		-	(244)	(244)
Revaluation adjustment - interest in joint venture	A10	(7 946)	-	(7 946)
Total comprehensive result for 2010-11		(7 946)	(244)	(8 190)
Transactions with SA Government as owner				
Net assets transferred as a result of an administrative restructure		(9 354)	(34 513)	(43 867)
<b>Balance at 30 June 2011</b>		<b>238 552</b>	<b>478 012</b>	<b>716 564</b>

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

**Statement of Administered Cash Flows  
for the year ended 30 June 2011**

		2011	2010
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Cash outflows:			
Employee benefit payments		-	(198)
Payments for supplies and services		(6)	(43)
Payments of grants and subsidies		(7 183)	(47 212)
Payments to Consolidated Account		(250)	(813)
Payments for Natural Resources Management Boards		(9 243)	(11 706)
Payments for South Eastern Water Conservation Drainage Board		(2 018)	(1 969)
<b>Cash used in operations</b>		<u>(18 700)</u>	<u>(61 941)</u>
Cash inflows:			
Receipts from Government		7 569	25 870
Fees and charges		9 153	7 236
Grant receipts		1 931	22 727
Other receipts		-	618
<b>Cash generated from operations</b>		<u>18 653</u>	<u>56 451</u>
<b>Net cash provided by (used in) operating activities</b>		<u>(47)</u>	<u>(5 490)</u>
<b>Cash flows from financing activities</b>			
Cash outflows:			
Cash transferred as a result of restructuring activities		(11 290)	-
Cash used in financing activities		(11 290)	-
<b>Net increase (decrease) in cash and cash equivalents</b>	A8	(11 337)	(5 490)
<b>Cash and cash equivalents at 1 July</b>		16 582	22 072
<b>Cash and cash equivalents at 30 June</b>	A8	<u>5 245</u>	<u>16 582</u>

All GST receipts and payments are recognised in the Department's Statement of Cash Flows.

**Schedule of Expenses and Income  
attributable to Administered Activities  
for the year ended 30 June 2011**

(Activities - refer below)	1	2	3	4	5	2011	2010
<b>Expenses:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit expenses	-	-	-	-	-	-	198
Supplies and services	-	-	-	6	-	6	43
Grants and subsidies	837	-	6 346	837	(837)	7 183	47 212
Payments to Consolidated Account	-	250	-	15	-	265	423
Natural resources management payments	9 186	-	-	-	-	9 186	12 505
Payments to South East Water							
Conservation Drainage Board	-	-	-	2 018	-	2 018	1 969
<b>Total expenses</b>	<b>10 023</b>	<b>250</b>	<b>6 346</b>	<b>2 876</b>	<b>(837)</b>	<b>18 658</b>	<b>62 350</b>
<b>Income:</b>							
Revenues from SA Government	-	250	4 415	2 904	-	7 569	25 870
Revenues from fees and charges	8 914	-	-	-	-	8 914	7 529
Grant revenues	837	-	1 931	-	(837)	1 931	22 727
Other revenues	-	-	-	-	-	-	619
<b>Total income</b>	<b>9 751</b>	<b>250</b>	<b>6 346</b>	<b>2 904</b>	<b>(837)</b>	<b>18 414</b>	<b>56 745</b>
<b>Net result</b>	<b>(272)</b>	<b>-</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>(244)</b>	<b>(5 605)</b>

1. Natural Resources Management
2. Qualco-Sunlands
3. Stormwater Management Authority
4. Department for Water corporate administered items
5. Eliminations

**Schedule of Assets and Liabilities  
attributable to Administered Activities  
as at 30 June 2011**

(Activities - refer below)	1	2	3	2011	2010
<b>Assets:</b>	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	2 986	250	2 009	5 245	16 582
Receivables	4 621	-	457	5 078	5 439
Interest in joint ventures	-	-	710 113	710 113	718 059
Land	-	-	-	-	32 938
<b>Total assets</b>	<b>7 607</b>	<b>250</b>	<b>712 579</b>	<b>720 436</b>	<b>773 018</b>
<b>Liabilities:</b>					
Payables	3 064	250	558	3 872	4 397
<b>Total liabilities</b>	<b>3 064</b>	<b>250</b>	<b>558</b>	<b>3 872</b>	<b>4 397</b>
<b>Net assets</b>	<b>4 543</b>	<b>-</b>	<b>712 021</b>	<b>716 564</b>	<b>768 621</b>

1. Natural Resources Management
2. Qualco-Sunlands
3. Department for Water corporate administered items



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

**A1. Summary of significant accounting policies**

The Department for Water (the Department) accounting policies are contained in note 2. The policies outlined in note 2 apply to both the Department's controlled and administered items, unless otherwise noted below.

The administered items reflect an accumulation of the balances of each activity, furthermore transactions between individual activities have been eliminated in the administered financial statements.

Some activities have been restructured to assist in the interpretation of the financial transactions relating to the Natural Resources Management (NRM) Fund.

Specific provisions of the NRMA require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRMA:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

Further commentary regarding these requirements under the NRMA is provided hereunder.

**(a) NRM Fund**

The NRM Fund was established pursuant to section 117(1) of the NRMA. The Minister for Environment and Conservation (the Minister) administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRMA. This may also include making any payment required, or authorised by or under the NRMA or any other law.

**(b) NRM Boards**

The NRM Boards were established pursuant to section 23(1) of the NRMA. The Department administers various revenues and expenses on account of the NRM Boards.

Transactions relating to the NRM Boards are separately shown against this program description, which reflects both revenues and expenses administered by the Department in respect of the NRM Boards. These are:

**(i) Grants**

Grants include monies that had been previously distributed under the Animal Plant Control Commission and the Soil Conservation Council, for which the Department received appropriations and paid to the regional NRM Boards in the form of grants were as follows:

<i>Regional NRM Board</i>	2011 \$'000	2010 \$'000
South Australian Murray-Darling Basin NRM Board	-	200
South East NRM Board	-	295
Northern and Yorke NRM Board	-	465
Kangaroo Island NRM Board	-	530
Alinytjara NRM Board	-	700
South Australian Arid Lands NRM Board*	-	600
Eyre Peninsula NRM Board	-	610
	<hr/>	<hr/>
	-	3 400

Note: pursuant to machinery of government changes effective 1 July 2010 the Department no longer makes payments to the regional NRM Boards. Payments are now recognised by the Department of Environment and Natural Resources (DENR).

- \* Total payments distributed to the NRM Boards included an additional \$400 000 received by the Department, included in 'Revenues from government'. This represented administered appropriations received by the Department in respect of the South Australian Arid Lands NRM Board.

(ii) *Water levies*

Water levies are collected by the Department for prescribed water resources in regional NRM Boards under section 101 of the NRMA. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRMA.

Levies raised by the Department during 2010-11 were \$8.038 million (\$6.757 million). Unpaid levies at the end of the reporting period of \$1.551 million (\$2.35 million) have been recognised as current receivables. Receivables factor in adjustments in respect of financial relief provided to River Murray licensees, to offset 38 percent of their liability to pay the NRM water levies.

Levies received, but not yet paid to DENR at the end of the reporting period were \$943 000 (\$450 000, to the regional NRM Boards). During the reporting period the following levies were raised in respect of the regions for which the levies were declared:

<i>Regional NRM Board*</i>	2011 \$'000	2010 \$'000
South Australian Murray-Darling Basin NRM Board	4 734	3 740
South East NRM Board	2 129	1 811
Adelaide and Mount Lofty Ranges NRM Board	305	350
Eyre Peninsula NRM Board	387	385
South Australian Arid Lands NRM Board	412	404
Northern and Yorke NRM Board	71	67
	8 038	6 757

\* Does not include penalties and other payments made or payable to regional NRM Boards (refer note A5).

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRMA.

In addition, to the penalties raised and received in respect of the NRMA, penalties were also received (though not raised) during 2010-11 under subsection 133(1)(a) of the *Water Resources Act 1997* (WR Act).

Subsection 115(5) of the NRMA and regulation 9(d) of the Natural Resources Management (Financial Provisions) Regulations 2005 provide that section 116 of the NRMA applies to, and in relation to, a penalty declared under section 115 as if it were a water levy. The effect is that the penalty (and including any interest) so declared must be paid to the regional NRM Board for the region in respect of which the penalty was declared.

The levies pursuant to subsection 115(5) were paid to the regional NRM Boards (via DENR in 2011), with the exception of unpaid penalty charges at the end of the reporting period of \$3.523 million (\$2.957 million). Of this amount, \$457 000 (\$462 000) related to penalties raised under the WR Act and \$3.066 million (\$2.495 million) under the NRMA.

Penalties received under the NRMA are payable to DENR (the regional NRM Boards in 2010) and at 30 June 2011 the amount payable was \$1.666 million (\$1.373 million).

Penalties declared under subsection 133(1)(a) of the WR Act continued to be received during 2010-11, although no new penalties were raised. Penalties received under the WR Act and payable to the Treasurer's Consolidated Account at 30 June 2011 were \$558 000 (\$543 000).

(iv) *Reimbursement of payroll tax*

NRM Boards are compensated for the anticipated payroll tax expense they incur, with provision having been made in the administered items of the Department's budget on an ongoing basis since 2004-05. An appropriation of \$1.002 million was received by the Department to fund the payroll tax expenses of the NRM Boards for 2009-10. The 2010-11 reimbursement is being administered by DENR.

(v) *Expiation fees and other penalties under the NRMA*

Expiation fees and penalties are recovered in respect of offences against the NRMA (eg for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRMA, they are not required to be paid to regional NRM Boards. No fees and/or penalties of this type were collected during 2010-11.

**(c) *Qualco-Sunlands***

The *Ground Water (Qualco-Sunlands) Control Act 2000* (GW(QS)C Act) established a scheme to be managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. The Department collects levies and pays instalments in accordance with the provisions of the GW(QS)C Act.

**(d) *National Action Plan for Salinity and Water Quality (NAP)***

The NAP is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia.

The Commonwealth and the SA Governments made progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties.

Pursuant to machinery of government changes the administration of this activity was transferred to DENR as at 1 July 2010.

**(e) *Natural Heritage Trust and Natural Heritage Trust Extension***

The Natural Heritage Trust (NHT) was established by the *Natural Heritage Trust of Australia Act 1997*. The Bilateral Agreement to deliver the Natural Heritage Trust Extension reflects the intention of the Commonwealth and SA Governments to work as joint investment partners, with the community and other stakeholders, in natural resource management activities including biodiversity conservation, sustainable use of natural resources and community capacity building and institutional change. Funding for NHT ceased on 30 June 2008 and all projects were completed by 31 December 2009.

Pursuant to machinery of government changes the administration of this activity was transferred to DENR as at 1 July 2010.

**(f) *Centre for Natural Resource Management***

The Centre for Natural Resource Management (Centre) with its Investment Advisory Board (Board) develops and maintains partnerships with regional NRM groups, scientists and researchers, business and industry, governments and agencies, so that integrated natural resource management across South Australia is based on world-class research and development. A primary role of the Centre and its Board is to create more sustainable environments through the development of new technologies and industries, which benefit the environment and are economically sustainable.

The Board makes decisions on the disbursement of NAP and other funds in relation to its portfolios of identified regional priority projects, and to the timeliness and quality of research provider delivery. The Board also oversees the stakeholder engagement process, brokers and builds relationships, alliances and partnerships, and seeks to leverage co-investment against NAP funding.

Pursuant to machinery of government changes the administration of this activity was transferred to DENR as at 1 July 2010.

**(g) *Pastoral Board***

Funds applied by the Minister, on the recommendation of the Board, for research and publication of techniques for pastoral land management, for prevention or minimisation of pastoral land degradation and for rehabilitation of degraded pastoral land.

Pursuant to machinery of government changes the administration of this activity was transferred to DENR as at 1 July 2010.

**(h) *State NRM Program***

The State NRM program is the SA Government's initiative to financially support the effective management of South Australia's natural resources. The program seeks to meet targets in both South Australia's Strategic Plan and the State NRM Plan.

Under the Caring for our Country program, the Commonwealth has removed the requirement for matching funding (as per NHT and NAP), however there is an expectation that South Australia will continue to contribute financial and in-kind support through a complementary State natural resources management program that is at least equivalent to the level of funding provided under previous programs. Therefore the State NRM program is complementary to the Commonwealth's 'Caring for our Country' initiative.

Pursuant to machinery of government changes the administration of this activity was transferred to DENR as at 1 July 2010.

**(i) Caring for our Country**

The Caring for our Country Program is between the Commonwealth of Australia (the Commonwealth) and the State of South Australia (the State) pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Cwlth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Cwlth).

In March 2008 the Commonwealth announced Caring for our Country as an ongoing and integrated program, bringing together the delivery of the NHT, National Landcare Program, Environmental Stewardship and Working on Country Programs. This program is fully Commonwealth funded and disbursed based on Commonwealth approval.

Pursuant to machinery of government changes the administration of this activity was transferred to DENR as at 1 July 2010.

**(j) NRM Alliance Fund**

The NRM Alliance Fund was established as a collaborative arrangement to facilitate the delivery of NRM science and research to a range of organisations including agencies of the Commonwealth of Australia, agencies of the SA Government, NRM Boards and private sector organisations, and for such NRM science and research to be provided to clients by one or more of the parties with the necessary expertise and capability. This fund was abolished as at 30 June 2010.

**(k) South Eastern Water Conservation and Drainage Board (SEWCDB)**

The SEWCDB was established pursuant to Division 1 of the *South Eastern Water Conservation and Drainage Act 1992*. The Department supplies funding to the SEWCDB on a quarterly basis; the funding is sourced from appropriations provided by DTF.

**A2. Grants and subsidies**

	2011 \$'000	2010 \$'000
Department for Water corporate administration items	837	3 921
National Action Plan for Salinity and Water Quality	-	7 540
NHT grants	-	88
Centre for Natural Resource Management	-	97
NRM	837	25
NRM Alliance Fund	-	773
Caring for our Country	-	19 178
State NRM Program	-	14 602
Transfer to Storm Water Management Authority	6 346	4 308
Pastoral Board	-	3
Elimination of intra-program transactions	(837)	(3 323)
<b>Total grants and subsidies</b>	<b>7 183</b>	<b>47 212</b>

**Grants and subsidies paid/payable to entities within the SA Government**

The following grants and subsidies (included in the grants and subsidies amounts shown above) were provided to entities within the SA Government:

Department for Water corporate administration items	-	3 921
National Action Plan for Salinity and Water Quality	-	7 390
NHT grants	-	34
Centre for Natural Resource Management	-	12
NRM	837	25
NRM Alliance Fund	-	607
Caring for our Country	-	18 828
State NRM Program	-	11 779
Elimination of intra-program transactions	(837)	(3 323)
<b>Total grants and subsidies paid/payable to entities within the SA Government</b>	<b>-</b>	<b>39 273</b>

**A3. Payments to NRM Boards**

Water levies	8 893	7 122
Grants to NRM Boards	-	3 800
Payroll tax	-	1 151
Penalties payable	293	432
<b>Total payments to NRM Board</b>	<b>9 186</b>	<b>12 505</b>

Note that the NRM Boards are all entities within the SA Government.

<b>A4. Revenues from SA Government</b>	2011	2010
	\$'000	\$'000
Recurrent appropriations	7 569	11 151
Appropriations received for the Minister's salary	-	219
Transfer from contingencies	-	14 500
Total revenues from SA Government	7 569	25 870
<b>A5. Revenues from fees and charges</b>		
Water levies	8 038	6 757
Penalties	876	760
Other	-	12
Total revenues from fees and charges	8 914	7 529
<b><i>Fees and charges received/receivable from entities within the SA Government</i></b>		
The following fees and charges (included in the fees and charges revenues shown above) were received/receivable from entities within the SA Government:		
Water levies	-	2 910
Total fees and charges received/receivable from entities within the SA Government	-	2 910
<b>A6. Grant revenues</b>		
NRM	837	6 403
Storm Water Management Authority	1 931	-
National Action Plan for Salinity and Water Quality	-	781
NHT grants	-	631
NRM Alliance Fund	-	574
Caring for our Country	-	17 522
State NRM Program	-	139
Elimination of intra-program transactions	(837)	(3 323)
Total grant revenues	1 931	22 727
<b><i>Grant revenues received/receivable from entities within the SA Government</i></b>		
The following grant revenues (included in the grant revenues shown above) were received/receivable from entities within the SA Government:		
NRM Fund	837	6 403
National Action Plan for Salinity and Water Quality	-	781
NHT grants	-	631
NRM Alliance Fund	-	454
Caring for our Country	-	176
State NRM Program	-	72
Elimination of intra-program transactions	(837)	(3 323)
Total grant revenues received/receivable from entities within the SA Government	-	5 194
<b>A7. Other revenues</b>		
NRM Fund	-	91
National Action Plan for Salinity and Water Quality	-	455
NHT grants	-	47
Caring for our Country	-	26
Total other revenues	-	619
<b><i>Other revenues received/receivable from entities within the SA Government</i></b>		
The following other revenues (included in the other revenues shown above) were received/receivable from entities within the SA Government:		
NRM Fund	-	91
National Action Plan for Salinity and Water Quality	-	455
NHT grants	-	47
Caring for our Country	-	26
Total other revenues received/receivable from entities within the SA Government	-	619

<b>A8. Administered cash flow reconciliation</b>	2011	2010
Reconciliation of cash and cash equivalents at the end of the reporting period:	\$'000	\$'000
NRM	2 986	3 375
Qualco-Sunlands	250	250
National Action Plan for Salinity and Water Quality	-	7 981
NHT grants	-	624
Natural Heritage Trust Extension	-	802
National Landcare Program	-	872
NRM Alliance Fund	-	255
Caring for our Country	-	321
State NRM Program	-	143
The Department's corporate administrative items	2 009	1 959
	<u>5 245</u>	<u>16 582</u>
Balance as per Statement of Administered Cash Flows	5 245	16 582

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

Net cash provided by (used in) operating activities	(47)	(5 490)
Movement in assets/liabilities:		
Increase (Decrease) in receivables	(240)	295
Decrease (Increase) in payables	43	(410)
Net result	<u>(244)</u>	<u>(5 605)</u>

**A9. Receivables**

Receivables reflected as current assets as at 30 June comprised the following:

Water levies	1 551	2 350
Penalties	3 523	2 957
Accrued interest	-	50
Other	24	102
Allowance for doubtful debts	(20)	(20)
Total receivables	<u>5 078</u>	<u>5 439</u>

***Receivables from entities within the SA Government***

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

Accrued interest	-	50
Other	-	102
Total receivables from entities within the SA Government	<u>-</u>	<u>152</u>

**A10. Interest in joint venture**

During the year ended 30 June 2009, the agreements for the management of the assets and resources (the water) within the Murray-Darling Basin Commission were restructured. The transition date to the new arrangements was 14 December 2008.

Following the restructure, under the revised arrangements, the venturers no longer have a joint interest in net assets, but instead, they have a joint interest specifically in the infrastructure assets and water rights (as opposed to an interest in an entity controlling/holding the assets). The share in the individually controlled assets was transferred at transition in the original proportions of the share of the entity held by the individual jurisdictions as follows: New South Wales 26.67 percent; South Australia 26.67 percent; Victoria 26.67 percent; the Commonwealth 20 percent.

For the year ended 30 June 2011 the Department recognised a decrease in its joint interest in Murray-Darling Basin Authority assets of \$7.946 million (2010: increase of \$51.554 million), bringing the Department's total recognition in the Murray-Darling Basin Authority assets to \$710 million (\$718 million)

**A11. Land**

The Pastoral Board is responsible for administering pastoral leases under the *Pastoral Land Management and Conservation Act 1989* (PLM&C Act). The unimproved value of land subject to these leases was valued at \$32.938 million as at 30 June 2010.

The revenue generated by the pastoral leases is recorded within the Department's controlled items (note 16) in accordance with the PLM&C Act, to cover the costs incurred by the Department in administering the pastoral leases.

Pursuant to machinery of government changes the administration of the Pastoral Board and associated land holdings was transferred to DENR as at 1 July 2010.

<b>A12. Payables</b>	2011	2010
Payables reflected as current liabilities as at 30 June comprised the following:	\$'000	\$'000
Penalties - Treasurer's Consolidated Account	558	543
Penalties - regional NRM Boards	1 666	1 373
Payroll tax - regional NRM Boards	-	371
Qualco - Treasurer's Consolidated Account	250	250
Water levies	1 372	1 355
State NRM Program	-	135
NRM Alliance Fund	-	255
Other	26	115
Total payables	<u>3 872</u>	<u>4 397</u>

***Payables to entities within the SA Government***

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Penalties - Treasurer's Consolidated Account	558	543
Penalties - regional NRM Boards	1 666	1 373
Payroll tax - regional NRM Boards	-	371
Qualco - Treasurer's Consolidated Account	250	250
Water levies	1 372	1 355
NRM Alliance Fund	-	205
Other	-	107
Total payables to entities within the SA Government	<u>3 846</u>	<u>4 204</u>

**A13 Transferred functions**

***Transferred out***

Under the Public Sector (Reorganisation of Public Sector Operations) Notice 2010 (dated 1 July 2010) the administrative activities previously undertaken by the Department in relation to NRM activities were transferred to DENR.

	DENR
	\$'000
Cash	11 290
Receivables	121
Property, plant and equipment	32 938
Total assets	<u>44 350</u>
Payables	<u>483</u>
Total liabilities	<u>483</u>
Total net assets transferred	<u>43 867</u>

**A14. Contingent assets and liabilities**

A contingent asset is acknowledged whereby the Minister for Water has an exclusive right to access 40 megalitres per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. The Department is not aware of the existence of any contingent liabilities.

# WorkCover Corporation of South Australia

## Functional responsibility

### Establishment

The WorkCover Corporation of South Australia (the Corporation) was established under the *WorkCover Corporation Act 1994* to administer the *Workers Rehabilitation and Compensation Act 1986* (WRCA).

### Functions

The main objectives of the Corporation are to reduce the incidence and severity of work related injuries and to fairly compensate and rehabilitate injured workers while keeping employer's costs to a minimum.

The Corporation administers four funds, the main fund being the Compensation Fund. Refer note 1(c) to the financial statements which describes the nature of operation of the funds.

Regarding the Compensation Fund employers must pay a levy to the Corporation based on remuneration provided to their workers. The Corporation invests the levy revenue until needed to compensate and rehabilitate injured workers. The levy revenue is also used to pay administration expenses and claim management fees. The claim management fees are paid to Employers Mutual Limited (EML) who was engaged in January 2006 to manage workers compensation claims and rehabilitation.

### Legislative changes

On 17 June 2008 the South Australian Parliament passed the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* which made some significant legislative amendments to the WorkCover Scheme. The amendments made changes to both the WRCA and the *WorkCover Corporation Act 1994*. Many of the changes to the WorkCover Scheme came into effect on 1 July 2008, with some of the more complex changes following later.

### WRCA

Amendments to this Act were aimed at significantly increasing worker return to work rates in South Australia, thereby minimising the negative impacts of injured workers remaining on the Scheme, and enabling a reduction in the cost of levies paid by employers and ensuring the achievement of full funding.

A notable change included work capacity reviews to strengthen the test that determines whether an injured worker is well enough to return to work or is entitled to ongoing compensation beyond 2.5 years.

### *WorkCover Corporation Act 1994*

Amendments to this Act made changes to the governance arrangements of the Corporation.

A notable change was that the Corporation is required to be audited by the Auditor-General, effective 1 July 2008.

### *Review of WorkCover Scheme in 2011*

In 2007 the Government commissioned an independent review of the WorkCover Scheme which led to certain aspects of the Scheme being changed by the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* (the Amendment Act).



The Amendment Act required the responsible Minister to initiate a further independent review in early 2011 to assess the impact of the amendments on:

- injured workers
- levies paid by employers
- the sufficiency of the Compensation Fund to meet the liabilities of the Corporation.

The review commenced in January 2011.

In June 2011 the Minister tabled a report in Parliament on the outcomes of the review.

The report made a number of observations, including:

- Over 90 percent of injured workers incur low medical costs or are not long away from the workplace. The amendments to the Act were not designed to impact on these injured workers and, by and large, have had no impact. Rather, the amendments dealt with more seriously injured workers.
- Legal challenges to the amendments (particularly the authority of medical panels) have created considerable uncertainty. Therefore, it would be unwise to conclude that implementation of the 2008 amendments is complete. As a result it is not possible to draw any firm conclusions on the long-term impact of the amendments.
- The uncertainty and complexity of the law and other factors seem to be impacting on the speed with which disputes are completed by the Workers Compensation Tribunal. There is a slight trend towards faster resolution of disputes at the conciliation stage but no overall trend towards earlier resolutions is yet apparent. Over time the WorkCover Ombudsman's influence in identifying systemic issues may lead to further reductions in dispute levels.
- About half of injured workers who had their income maintenance payments ceased because of a work capacity review at 130 weeks have either lodged an objection to the assessment and/or made application for weekly payments to continue.
- The provisional liability and rebates for employers lodging claims more quickly have laid the foundation for the system to operate with a sense of urgency in assisting injured workers to return to work. This had moderate success although it is not yet apparent that the sense of urgency has flowed beyond the initial notification stages.
- In respect of levies paid by employers, the Corporation's actuaries have assessed there is no material difference yet between the hindsight levy rates before and after the implementation of the amendments. The actuaries consider that not all amendments have been fully implemented and therefore their sustainability has not yet been clearly demonstrated.
- Regarding the overall impacts on the Compensation Fund, there has been a short-term positive impact on the financial health of the Compensation Fund. The longer term impact is difficult to forecast because:
  - redemptions are no longer available
  - continuing positive impacts on the Compensation Fund will largely depend on the extent that work capacity reviews at 130 weeks result in ceasing of weekly payments of income maintenance. The outcome of legal challenges to the authority of medical panels will be crucial in this regard.

In September 2011 the Minister made a ministerial statement in the House of Assembly that he is working on a response to the review. He stated that any response to the review and other matters will be contingent on actuarial assessment to uphold the Government's commitment to give support for injured workers to work while creating a more affordable and sustainable scheme for employers. The Minister further stated that this will be balanced against the potential impact of any changes in the average levy rate and the unfunded liability and any consequential impact on the State's financial position.

## **Audit mandate and coverage**

### **Audit authority**

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

Section 19 of the *WorkCover Corporation Act 1994* and subsection 31(1)(b) of the PFAA provide for the Auditor-General to audit the accounts of the Corporation for each financial year.

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

Subsection 36(1)(a)(iii) of the PFAA provides for the Auditor-General to assess the controls exercised by the Corporation 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 statements and internal controls.

During 2010-11, specific areas of audit attention included:

- levies
- investments
- workers compensation such as income maintenance, redemptions and medical costs
- claim management fees paid or payable to EML
- actuarial estimates of outstanding claim liabilities
- general operating expenses such as payroll and other administrative expenses
- ICT infrastructure and systems.

The Corporation has a comprehensive internal audit program. Planned and actual internal audit activities for 2010-11 were considered and reviewed to assist the planning, conduct and assessment reporting for specific areas of the Corporation's operations that were subject to Audit review and attention.

## **Audit findings and comments**

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

The Independent Auditor's Report on the 2009-10 financial statements of the Corporation was unmodified. The Report, however, included a comment on the inherent uncertainty regarding the outstanding claims provisions, and funding ratio implications.

The comment reflected acknowledgement of uncertainty about the financial impact of the 2008 legislative reforms to the WorkCover Scheme. The impact of reform will only become clearer as actual claims experience emerges under the reforms in upcoming periods.

As the legislative reform program only came into effect on 1 July 2008, with reforms progressively implemented in 2008-09 and 2009-10, the nature of the comment included in the unmodified 2009-10 Independent Auditor's Report remains relevant for the 2010-11 Independent Auditor's Report.

The following is an extract from the 2010-11 Independent Auditor's Report on the Corporation's 2010-11 financial statements, which is unmodified and includes a comment on the inherent uncertainty of the outstanding claims provisions, and funding ratio implications.

***Auditor's opinion***

*In my opinion, the financial report gives a true and fair view of the financial position of the WorkCover Corporation of South Australia as at 30 June 2011, 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.*

***Inherent uncertainty - outstanding claims liability and funding ratio***

*Without qualification to the opinion expressed above, attention is drawn to Notes 2, 18 and 19 to the financial statements.*

*There is significant uncertainty surrounding the financial impact of the WorkCover Scheme legislative reform program. As the reform program was progressively implemented in 2008-09 and 2009-10 its impact will only become clearer as outstanding claims experience emerges in future financial periods. If in future years the actual cost of claims described in Notes 18 and 19 are greater than the balances recorded in the financial statements, this will adversely impact the funding ratio described in Note 28 and the future average levy rate. The Board of Management will need to take this matter into account when setting the average levy rate in future years.*

**Assessment of controls**

In my opinion, the controls exercised by the WorkCover Corporation of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to levies and workers compensation as outlined under 'Communication of audit matters', are sufficient to provide reasonable assurance that the financial transactions of the Corporation have been conducted properly and in accordance with law.

**Communication of audit matters**

Matters arising during the course of the audit were detailed in management letters to the officers responsible for the governance of the Corporation. Responses to the management letters were generally considered to be satisfactory. The main matters raised with the Corporation and the related responses are provided below.

**Levies**

*Outstanding levy reconciliations*

Employers must submit to the Corporation an estimate of their remuneration payable to their workers in the next financial year. The estimate along with the employer's levy rate is used by the Corporation to determine each employer's levy payable during the year. At the end of the year the employers must submit a reconciliation of actual against estimated remuneration. The Corporation uses the reconciliation to recalculate the employers' levies based on the actual remuneration paid and recovers any underpaid levies or refunds any overpaid levies.

Audit considered there were weaknesses in the controls over the levy reconciliation process. These weaknesses could result in employers avoiding payment of their underpaid levies.

Audit based its view on the lack of reporting on outstanding reconciliations and no process for penalising employers for submitting late levy reconciliations.

The Corporation advised Audit that it is developing reports to monitor and measure the employers' reconciliation process more effectively and, in respect to penalising employers for submitting late levy reconciliations, is seeking changes to the WRCA.

#### *Levy audits*

Employers can understate their estimated or actual workers' remuneration to lower their levy or increase their refund. The Corporation audits employers perceived as high risk of misstating their remuneration. The Corporation does not audit a representative sample of all employers to evaluate whether employers are generally paying the correct levies.

Audit advised the Corporation in 2008-09 that the adoption of representative audit sampling of all employers would enable the audit results to be projected across all employers to determine the potential under or overpayment of levies. In response, the Corporation indicated a substantial number of employers were audited over the three year period ending 30 June 2008 but did not indicate whether the sample was representative of all employers. Therefore, in 2009-10, Audit analysed these old levy audits. The analysis indicated that they were a reasonable representation of all industries/employers. However a few instances were noted where employers in some industries with high remuneration were not audited because they had a low levy rate.

Audit noted that the levy audits in 2010-11 were still based on a targeted sampling approach rather than representative sampling of all employers. The Corporation's senior management are still not given quantitative data assuring them that employers are generally paying the correct levies.

The Corporation advised Audit that it intends to continue with targeted sampling rather than representative sampling.

#### *Fines*

The WRCA authorises the Corporation to fine late levy payers. The purpose of the fines is to ensure employers pay their levies on time. Before 2009-10, reminder notices followed by fines were issued to late levy payers.

Audit reported last year that:

- a decision was made to stop fining late levy payers for 2009-10
- not fining late levy payers caused fine and penalty revenue to drop from \$4.5 million in 2008-09 to \$1.2 million in 2009-10
- the Corporation advised Audit that upon introducing the new levy payment arrangements it was decided to adopt an 'educative' approach in the first instance to assist employers in transitioning to the new system. This approach included not fining late levy payers. The new system refers to the requirement that levies be paid in advance rather than arrears.

This year Audit noted that fining of late levy payers did not start until January 2011 enabling employers to have 18 months to transition to the new system. Actual fines were \$2.3 million in 2010-11.

Not fining late levy payers may result in some employers choosing to no longer pay their levies on time impacting on the Corporation's cash flow. It can also cause more work and expenses in following up debtors.

The Corporation advised Audit that fining employers did not commence until January 2011 due to operational issues which have now been resolved.

### **Workers Compensation**

#### *Determination of average weekly earnings*

The WRCA specifies how the average weekly earnings (AWE) of an injured worker must be determined. This determination forms the basis for calculating an injured worker's weekly income maintenance payments.

Audit reported last year that errors were found in a sample of audited AWE calculations and recommended that AWE calculations be checked on determination to stop errors. According to the Corporation an incorrectly determined AWE could cause ongoing under or over payments of income maintenance. This may only be avoided if the worker or their employer detects the errors when first notified of the AWE determination.

Audit noted there was insufficient evidence of AWE calculations being checked on determination during 2010-11.

The Corporation advised Audit that evidence will be kept in future of AWE calculation checks.

#### *Service plans*

Case managers use the Curam system to manage workers compensation claims. Case managers are overseen by team leaders.

Service plans tailored to the needs of each injured worker were introduced in 2009-10. One of the purposes of the service plan is to help case managers and team leaders control medical and rehabilitation costs as follows:

- Service plans containing estimated future medical and rehabilitation costs of the injured worker are established in Curam by case managers.
- Curam confirms that service plan cost estimates are approved by officers with the correct delegated authority. Case managers can approve amounts below a limit while team leaders can approve amounts above that limit but below other limits.
- Invoices from medical and rehabilitation providers are entered into Curam by officers who can not approve service plan amounts.
- Curam automatically pays invoices that pass system validation checks that include comparison to approved service plan amounts.
- Curam will not pay invoices above the approved service plan amounts until the amount is increased and approved by an officer with the correct delegated authority.
- Before authorising the increased amount the approving officer, who is usually the team leader, is expected to investigate why the actual cost of the claim is higher than initially anticipated. The costs could be higher due to many reasons including:
  - initial amounts may have been unrealistic for the type of injury

- medical or rehabilitation practitioners may be providing excessive services or potentially charging for services not provided
- the injured worker could be prolonging their rehabilitation to avoid returning to work. This may be detected later during formal or informal review of claim cases including work capacity reviews
- there may be other issues or complications with the claim that were not initially anticipated.

Audit noted that case managers can create the same service plan item multiple times. While there are circumstances where this is appropriate there is a potential for this feature to be misused by case managers to circumvent approval of amounts by their team leader. For example, a case manager could initiate extra service plan items to avoid their team leader being alerted by Curam that actual costs have reached their approval limit.

Audit was advised by the Corporation that it is developing reports as part of a monitoring framework to ensure costs are being effectively managed.

#### ***ICT infrastructure and systems***

The Corporation is a major user of information technology infrastructure, communication networks and systems to support its key financial and operational activities.

Its new Curam workers compensation system went live in April 2010 and the new Data warehouse system in May 2010. Since their go live dates there have been system releases to address certain defects and deferred system functionality.

In March 2011, the Corporation commenced the implementation of significant organisational change. Transition to the new organisational structure is anticipated to be significantly completed by the end of 2011.

As in the past, the Corporation had maintained a strong level of internal audit review of its systems and facilities. Internal Audit have undertaken specific reviews of various ICT matters during 2010-11, including key aspects of security control and operation of the new systems.

#### ***This Department's audit focus***

The 2010-11 review gave attention to the Corporation's high level management and reporting arrangements for ICT, and technical and security control matters relating to the new Curam and Data warehouse systems. A particular focus was given to the current status of the Curam system functionality and problems arising from the 2010 implementation.

#### ***Key review findings***

The Corporation has established formal governance and reporting arrangements for the management of ICT.

The review found high level reporting to executive management on outstanding Curam functionality together with details of key operational issues. However this reporting did not extend to describe specific items of functionality and their business impact. The review found that a May 2011 ICT Governance report referred to payment summary and levy end of year processing functionality that was also described in a list of deferred items of functionality as at April 2010.

As the reporting provided to the executive management team conveyed this functionality at a high level, it was not possible to conclude that all deferred functionality had been implemented. On enquiry, the Corporation's Chief Information Officer confirmed that all required deferred functionality had been implemented.

Further, the review found that high level management reporting of the status and impact on specific functionality of Curam defects, data fixes and proposed enhancements was not available in the executive reports. Similarly, the reporting of defects and their effect on specific system functionality and operation of the Data warehouse system was not consistent.

Before the April 2010 Curam system implementation there were 13 work-arounds in place for non-operational functionality to allow users to perform their functions. Audit found that a consolidated list of work-arounds had not been maintained since the implementation. As a result it was not possible to ascertain the number of work-arounds currently in place.

The Corporation had established security control and operational documentation for its systems and environments. Notwithstanding, in some instances these were found to be in need of improvement, including for currency and review, history of changes, document ownership and approval and communication. It was considered that some key documents last reviewed in 2009 needed to be revisited for relevant change in the context of the April 2010 newly implemented Curam and Data warehouse systems.

The Corporation had proactively established its information security classification for Curam information.

These matters were communicated to the Corporation in early September 2011.

#### *Corporation's response*

The Corporation responded in mid-September 2011 that it was taking action with regard to the matters raised. In particular, the Corporation advised that it would work towards improving reporting to executive on remediation issues for the Curam and Data warehouse systems as recommended. It would also review controls in place to manage the business impact of system issues in response to the audit finding concerning work-arounds.

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

<b>Highlights of the financial report (WorkCoverSA)</b>	2011	2010
	\$'million	\$'million
<b>Underwriting result</b>		
Registered employer levy revenue	590	610
Claims paid	(429)	(488)
Claim recoveries	11	22
(Increase) Decrease in net outstanding claims liability	(184)	(110)
Claim management fees	(31)	(44)
Other underwriting expenses	(11)	(8)
<b>Underwriting result</b>	<b>(54)</b>	<b>(18)</b>
<b>Net investment and other income</b>		
Investment profit (loss) and investment expenses	139	137
Other income	17	21
<b>Net investment profit (loss) and other income</b>	<b>156</b>	<b>158</b>

	2011 \$'million	2010 \$'million
<b>Operating expenses</b>		
Employee benefit expenses	(30)	(27)
Other expenses	(42)	(36)
<b>Total operating expenses</b>	(72)	(63)
<b>Total comprehensive result</b>	30	77
<b>Net cash provided by (used in) operating activities</b>	151	136
<b>Assets</b>		
Investments	1 618	1 389
Other assets	136	182
<b>Total assets</b>	1 754	1 571
<b>Liabilities</b>		
Outstanding claims	2 664	2 498
Other liabilities	42	55
<b>Total liabilities</b>	2 706	2 553
<b>Total equity</b>	(952)	(982)

**Statement of Comprehensive Income**

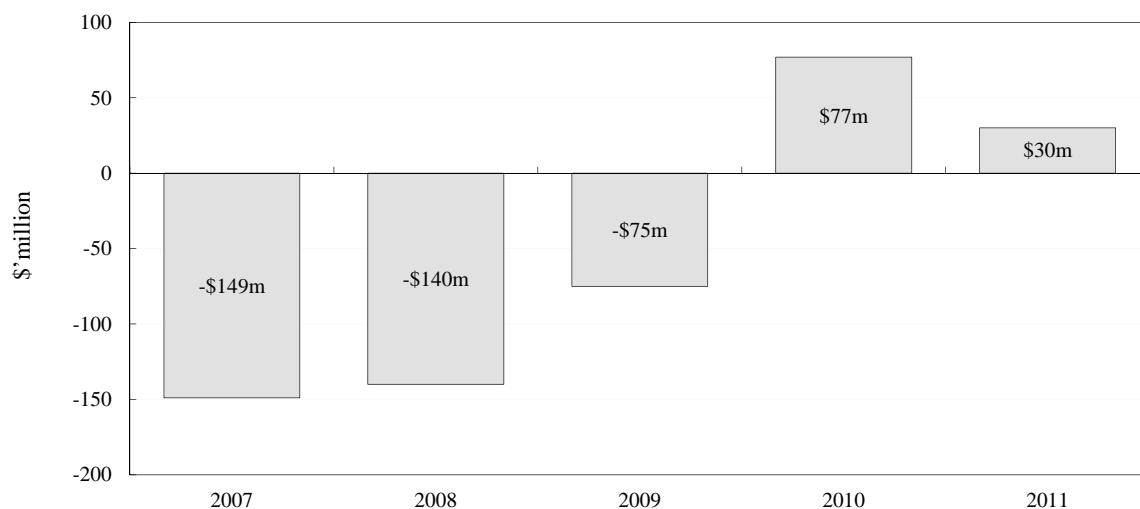
**Total comprehensive result**

The comprehensive result of the Corporation depends significantly on:

- levy rates being set before the start of the financial year with the aim of ensuring levy revenue and investment income will at least cover the cost of new claims received during the financial year and administrative costs. The levy setting process depends significantly on the actuarial estimate of the cost of new claims likely to be received during the forthcoming year
- actuarial estimate of the outstanding claims provision
- the market value of its investments.

The comprehensive result for the year was a profit of \$30 million (\$77 million). The \$47 million drop in profit was due mainly to a \$36 million deterioration in the underwriting result mainly from an increase in the net outstanding claims liability offset by lower claim payments.

The following chart shows the total comprehensive result of the Corporation for the five years to 2011.





### Underwriting result

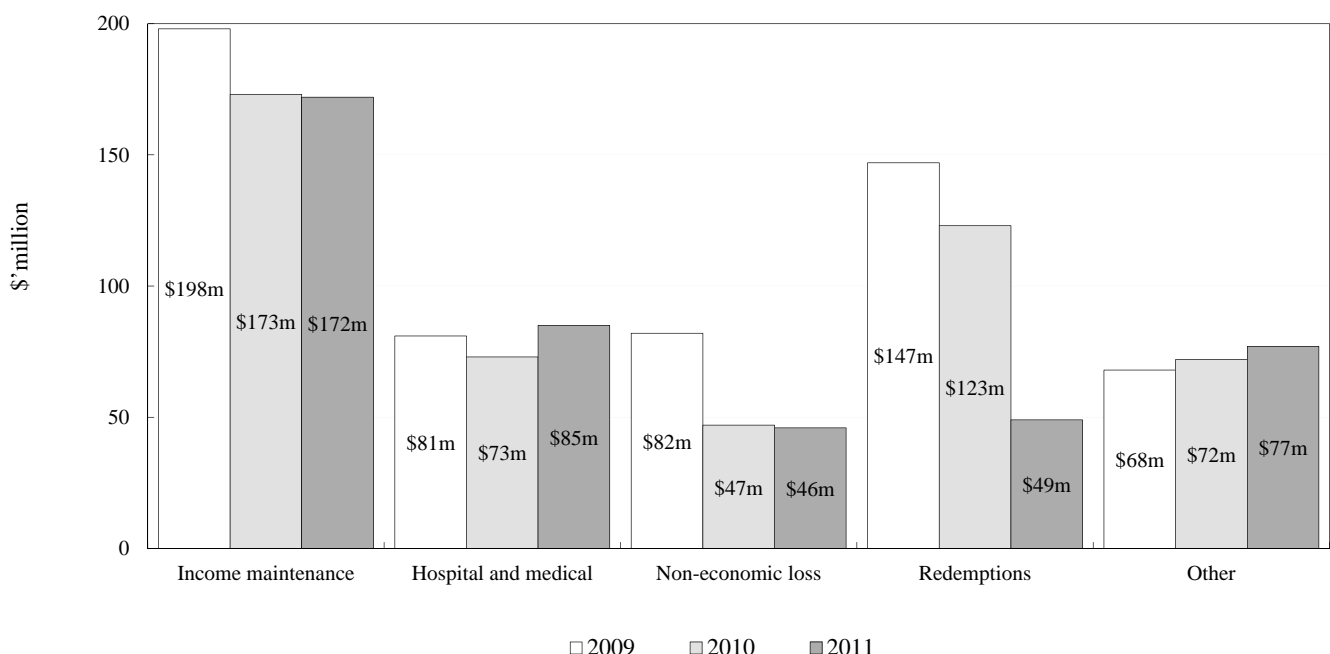
The underwriting result is essentially registered employer levy revenue less claims expense. Investment income does not form part of the underwriting result. AASB 1023 requires the underwriting result to be shown separately in the Statement of Comprehensive Income to help show the extent to which underwriting activities rely on investment income for the payment of claims.

There was a \$36 million deterioration in the underwriting result reflecting:

- \$67 million drop in the underwriting result of the Compensation Fund due mainly to the actuarial estimate of the net outstanding claims liability moving from a \$101 million increase in 2009-10 to a \$207 million increase in 2010-11. This means the increase grew by \$106 million. The increase in the actuarial estimate of this liability reflected: changes to inflation and discount rate assumptions; the high rate of injured workers disputing decisions arising from work capacity reviews; and the Corporation's lower than expected degree of success on matters disputed by injured workers. The \$106 million was offset by: \$59 million drop in claim payments due to less redemptions; \$13 million drop in claim management fees; and \$20 million drop in registered employer levy revenue due to the net effects of reduced levy rates, higher bad and doubtful debts and ceasing the bonus penalty scheme.
- \$31 million increase in the underwriting result of the other funds due mainly to the net outstanding claims liability moving from an increase of \$9 million in 2009-10 to a decrease of \$22 million in 2010-11. The actuarial estimate of this liability reflected a reduction in the assumed average size of asbestos claims incurred but not yet reported, and lower than expected exposure to insolvent and uninsured employers.

### Claim payments

The following chart analyses claim payments for the three years to 2011.

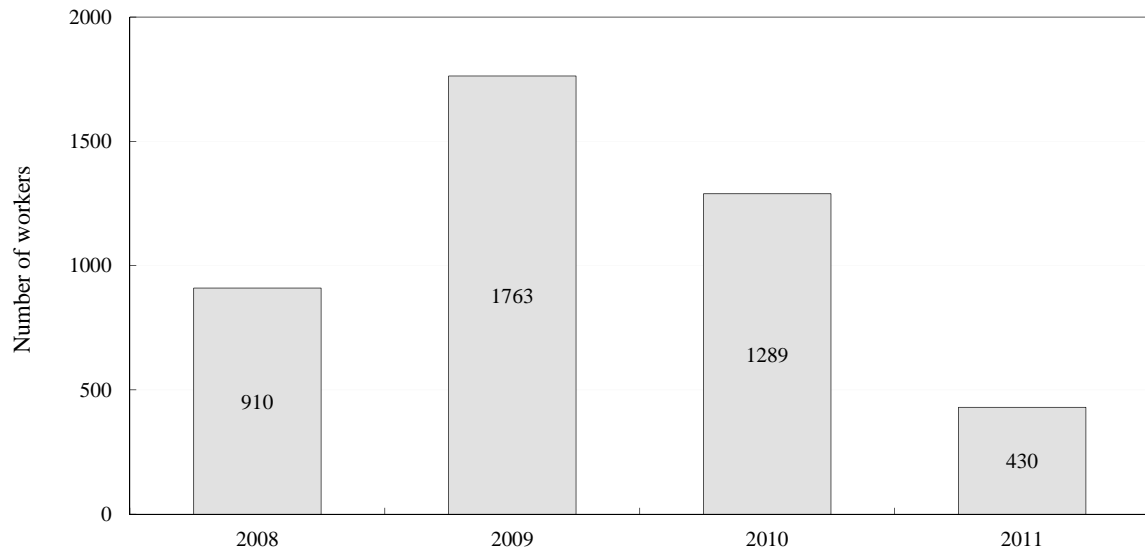


The above chart shows how redemptions in recent years have contributed to the decrease in income maintenance.

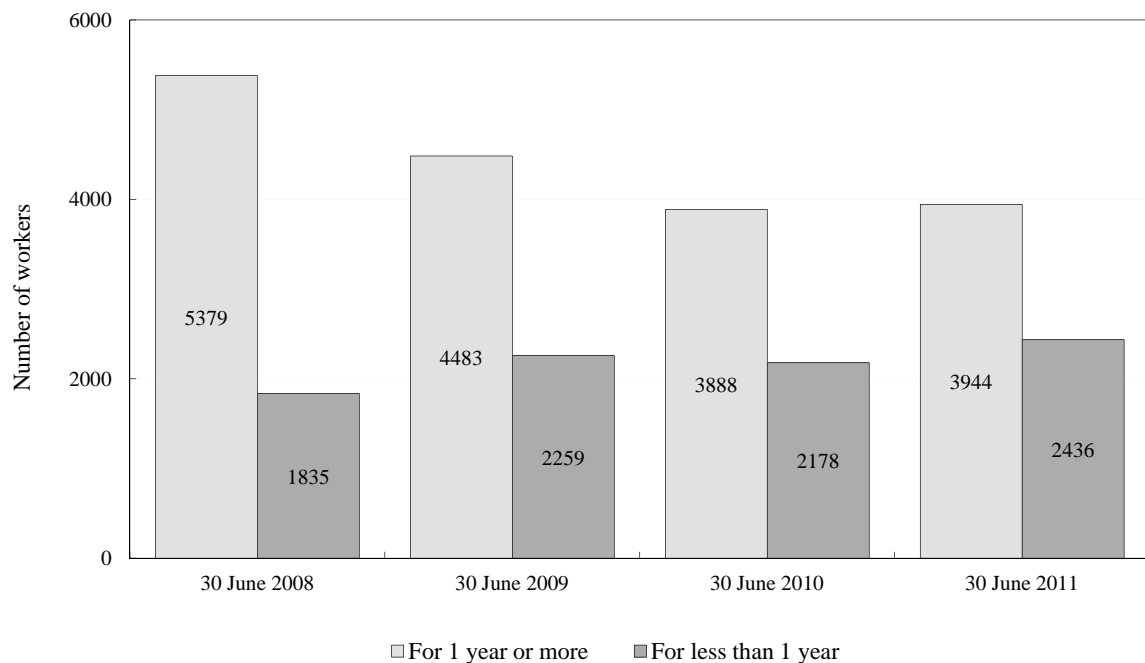
The decrease in hospital and medical expenses in 2010 was due to the temporary backlog of unprocessed invoices caused by the introduction of the new Curam workers compensation system.

Amended legislation that became effective on 1 July 2009 set more requirements to be met before redemptions could be paid. The transitional effect of the amended legislation ended in September 2010. As a result, most of the redemptions for 2011 were paid between July and September 2010.

The following chart shows the number of workers paid redemptions for the four years to 2011. The numbers shown in the chart were provided by the Corporation and are unaudited.



The above chart reflects a concerted effort over the last four years to facilitate the exit of long-term injured workers from the scheme. The drop in the number of workers receiving income maintenance as at 30 June 2011 as a result of the redemptions is reflected in the following chart.

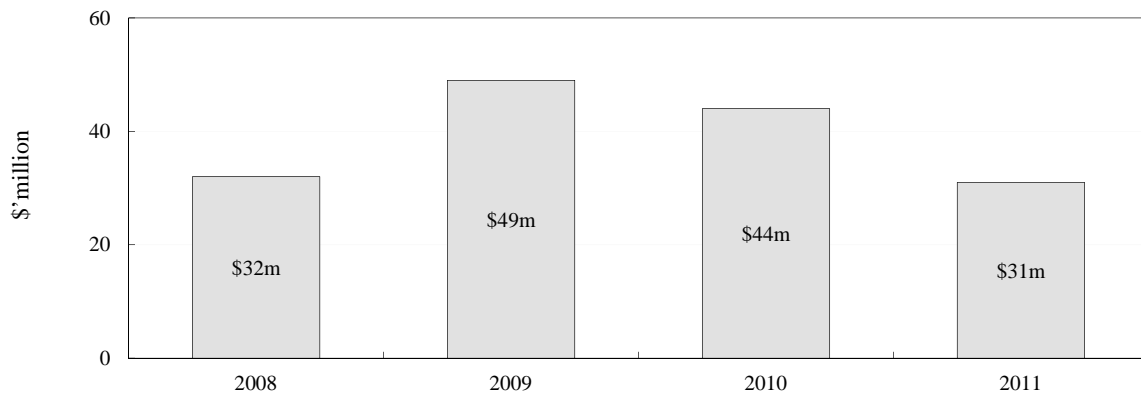


The numbers shown in the above chart were provided by the Corporation and are unaudited.

The above chart shows the number of workers receiving income maintenance as at 30 June was dropping up to 2010 but increased in 2011. The effect of redemptions is more pronounced for those workers receiving income maintenance for one year or more. Fewer redemptions after September 2010 caused an increase in workers receiving income maintenance for one year or more as at 30 June 2011.

*Claim management fees*

The following chart shows claim management fees for the five years to 2011.

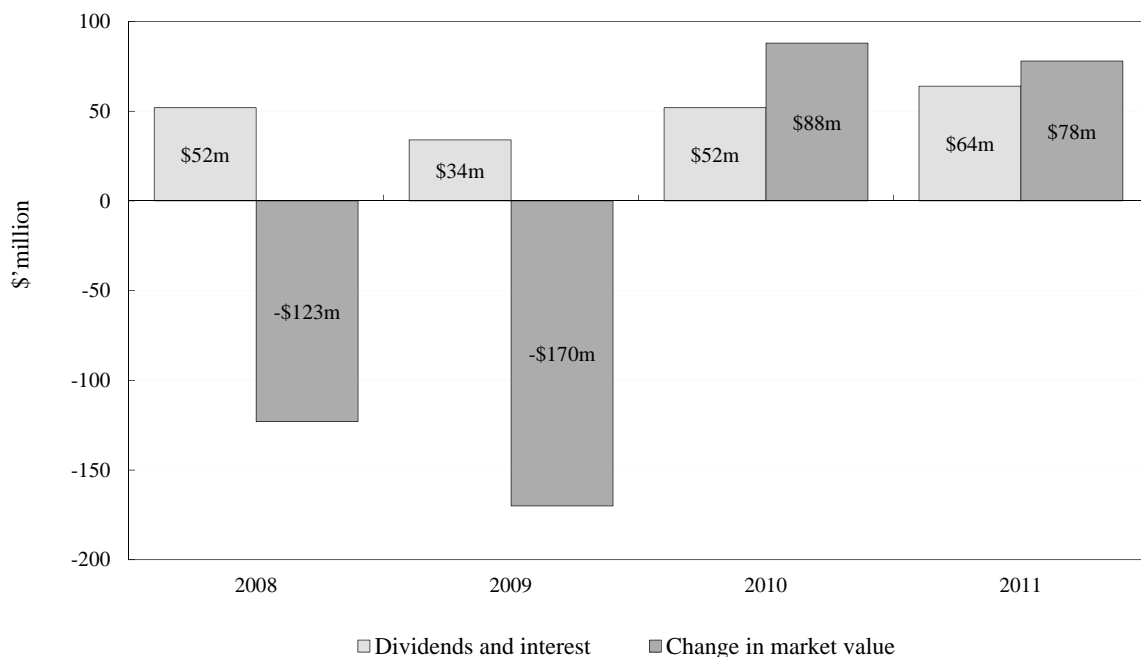


The Corporation has engaged EML since January 2006 to manage workers compensation claims and rehabilitation. The claim management fees payable to EML were higher in 2009 and 2010 mainly due to higher performance fees for reducing the number of long-term injured workers receiving income maintenance.

*Investment profit/losses*

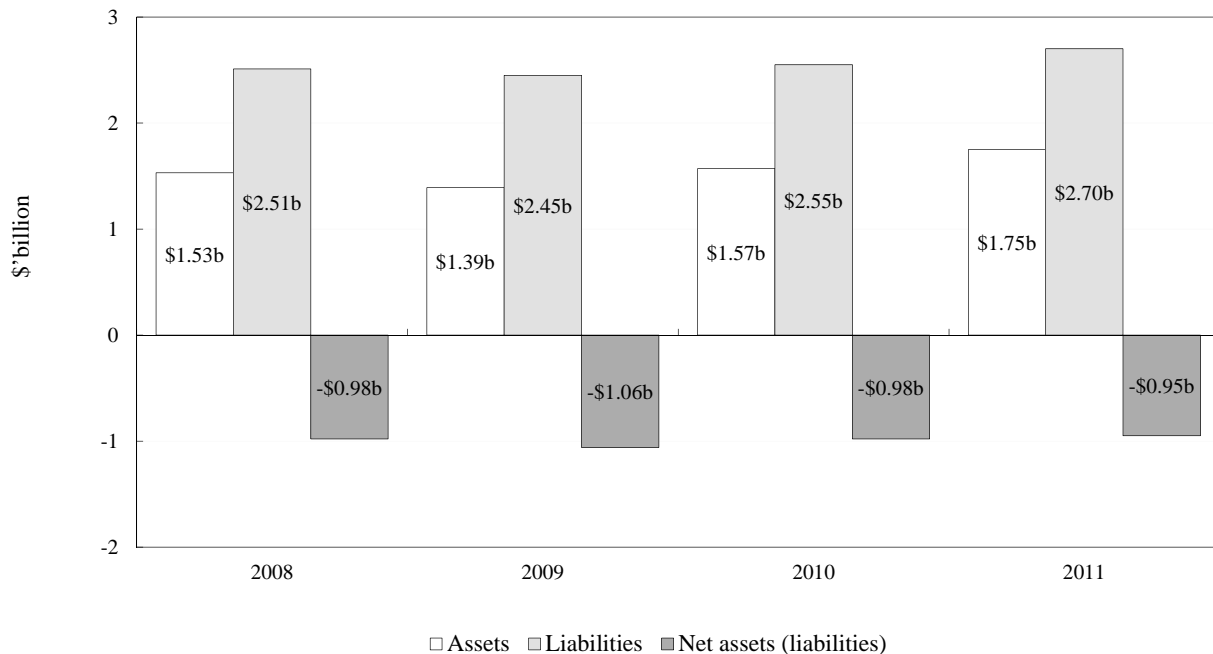
The Corporation's investment profits and losses have fluctuated significantly over recent years as result of changes in the market value of its investments which depend on financial market conditions. Financial markets were depressed in 2008 and 2009.

The following chart shows the main categories of investment income of the Corporation for the four years to 2011.

**Statement of Financial Position**

The net liabilities of the Corporation fell by \$30 million in 2011 due mainly to an increase of \$228 million in investments (which includes an increase of \$42 million in their market value at the end of the year) offset by an increase of \$166 million in the outstanding claims liability.

The following chart analyses the assets and liabilities of the Corporation for the four years to 2011.



**Outstanding claims**

Outstanding claims comprised 98 percent (98 percent) of the Corporation’s liabilities. The outstanding claims liability covers expected future payments including those related to claims reported but not yet paid, incurred but not yet reported and incurred but underreported.

The liability is determined on the basis of consideration and assessment by the management and Board of the Corporation of a comprehensive actuarial review of claims exposures by an independent actuary. Relevant information relating to the actuarial estimation of outstanding claims liabilities is provided in notes 1(k), 2, 18 and 19 to the financial statements.

In particular, note 18 indicates that the actuarial estimation has not made full allowance for the impact of the changes in legislation on the liability for outstanding claims at 30 June 2011. This acknowledges, as previously commented, that legislative reform came into effect from 2008 and its impact will only become clearer as actual claims experience emerges under the reforms in upcoming periods. Note 18 also specifies the nature of a number of key uncertainties associated with the actuarial estimation.

*Probability of sufficiency*

As disclosed in note 18 the estimate of outstanding claims liability is determined by reference to a 65 percent probability that the provision for outstanding claims will be adequate. The charter of the Corporation requires it to estimate its claims liabilities using an appropriate risk margin which is based on at least 65 percent probability of sufficiency. The Australian Prudential Regulation Authority sets a minimum of 75 percent in its Prudential Standard GPS 310. Public sector entities are not bound by this requirement. It is noted that the Motor Accident Commission uses 80 percent and other schemes in Australia, which are fully funded, currently use 75 percent to 80 percent.

The impact of using a 75 percent probability of sufficiency on the outstanding claims liability is shown in note 18(e) to the financial statements.

*Funding position*

Note 28 to the financial statements discusses the funding position of the WorkCover Scheme and other funds. There was an increase in the funding ratio from 61.5 percent as at 30 June 2010 to 64.8 percent as at 30 June 2011.

## **Investments**

The Corporation's investment portfolio of \$1.6 billion mainly comprises investments in pooled funds and discrete mandate funds.

### *Pooled funds*

The Corporation instructs investment management firms (fund managers) to trade unit holdings in pooled funds that have characteristics consistent with the Corporation's investment guidelines. Other organisations besides the Corporation also hold units in the pooled funds.

### *Discrete mandate funds*

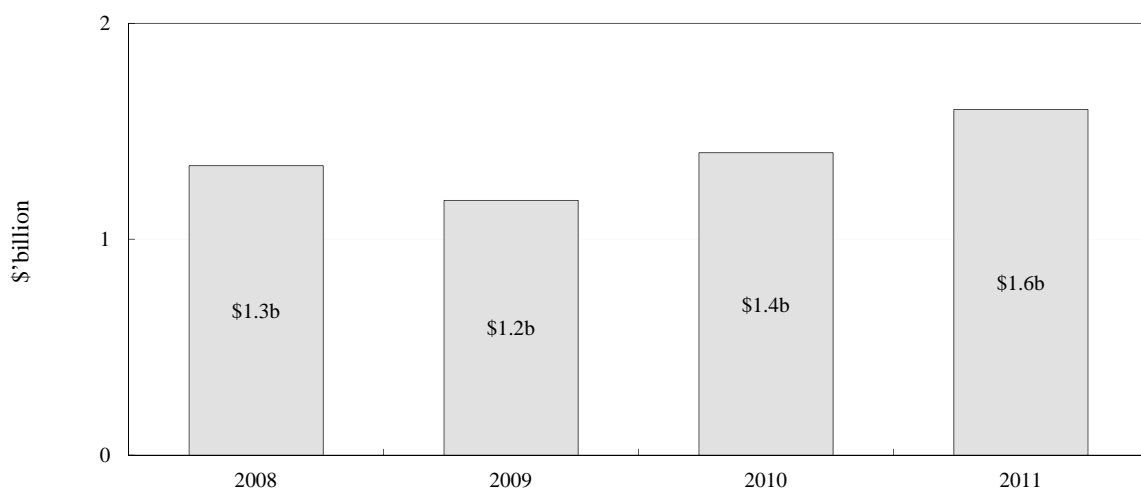
The Corporation has agreements with firms (fund managers) to manage investment portfolios according to rules that ensure compliance with the Corporation's investments guidelines.

The Corporation has appointed the National Australia Bank to be national custodian of the investment activities of the discrete mandate fund managers.

### *Investment decisions*

Investment officers of the Corporation implement the Corporation's investment strategy which involves moving funds between investments held in pooled funds and discrete mandate funds to minimise risk and achieve target returns. The investment officers also receive expert advice on investment matters from an external consultant.

The following chart shows the market value of the Corporation's investments for the four years to 2011.



**Statement of Comprehensive Income  
for the year ended 30 June 2011**

	Note	Compensation		WorkCoverSA	
		Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Registered employer levy revenue	5	590 622	-	590 622	610 194
Cost of claims	6	(622 627)	20 889	(601 738)	(576 278)
Claims management fees		(30 935)	-	(30 935)	(44 154)
Workers Compensation Tribunal		(4 456)	-	(4 456)	(3 682)
WorkCover Ombudsman		(664)	-	(664)	(625)
Medical Panels SA		(6 205)	-	(6 205)	(3 066)
<b>Underwriting result</b>		<b>(74 265)</b>	<b>20 889</b>	<b>(53 376)</b>	<b>(17 611)</b>
Investment profit (loss)	7	129 417	12 271	141 688	140 187
Investment expenses		(2 590)	(247)	(2 837)	(2 693)
Self-insured employer levy revenue	5	14 754	-	14 754	18 808
Net profit (loss) from disposal of non-current assets		(9)	-	(9)	4
Other income	8	2 153	-	2 153	2 058
<b>Net investment profit (loss) and other income</b>		<b>143 725</b>	<b>12 024</b>	<b>155 749</b>	<b>158 364</b>
Employee benefit expenses	9	(29 579)	(67)	(29 646)	(26 884)
Depreciation and amortisation expenses	10	(5 241)	-	(5 241)	(1 600)
SafeWork SA		(10 979)	-	(10 979)	(10 766)
Return to Work Fund		(976)	-	(976)	(955)
Other general operating expenses	10	(24 442)	(844)	(25 286)	(23 359)
<b>Total operating expenses</b>		<b>(71 217)</b>	<b>(911)</b>	<b>(72 128)</b>	<b>(63 564)</b>
<b>Total comprehensive result</b>		<b>(1 757)</b>	<b>32 002</b>	<b>30 245</b>	<b>77 189</b>

## Statement of Financial Position as at 30 June 2011

	Note	Compensation		WorkCoverSA	
		Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
<b>Assets:</b>					
Cash	12	3	-	3	3
Trade and other receivables	13	96 617	38	96 655	137 222
Investments	3,14	1 490 503	127 121	1 617 624	1 389 363
Property, plant and equipment	15	1 213	-	1 213	1 585
Intangible assets	16	38 711	-	38 711	43 149
<b>Total assets</b>		<b>1 627 047</b>	<b>127 159</b>	<b>1 754 206</b>	<b>1 571 322</b>
<b>Liabilities:</b>					
Unearned levies		1 970	-	1 970	1 721
Trade and other payables	17	25 132	103	25 235	38 791
Outstanding claims	18,19	2 583 828	79 693	2 663 521	2 497 741
Employee benefits	20	14 338	-	14 338	14 260
Provisions	21	870	-	870	782
<b>Total liabilities</b>		<b>2 626 138</b>	<b>79 796</b>	<b>2 705 934</b>	<b>2 553 295</b>
<b>Net assets (liabilities)</b>		<b>(999 091)</b>	<b>47 363</b>	<b>(951 728)</b>	<b>(981 973)</b>
<b>Equity:</b>					
Retained earnings		(999 091)	47 363	(951 728)	(981 973)
<b>Total equity</b>		<b>(999 091)</b>	<b>47 363</b>	<b>(951 728)</b>	<b>(981 973)</b>
Commitments	25				
Self-insured employer financial guarantees	26				
Contingent liabilities	27				

## Statement of Changes in Equity for the year ended 30 June 2011

	Compensation		WorkCoverSA	
	Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Total equity at 1 July	(997 334)	15 361	(981 973)	(1 059 162)
Total recognised income and expense for the year	(1 757)	32 002	30 245	77 189
<b>Total equity at 30 June 2011</b>	<b>(999 091)</b>	<b>47 363</b>	<b>(951 728)</b>	<b>(981 973)</b>

**Statement of Cash Flows**  
**for the year ended 30 June 2011**

	Note	Compensation		WorkCoverSA	
		Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
<b>Cash flows from operating activities:</b>					
Levy receipts		626 476	-	626 476	675 509
Claim recoveries		11 337	181	11 518	21 580
Other receipts		3 016	-	3 016	107
Claim and other related payments		(449 697)	(1 680)	(451 377)	(506 050)
Interest received		26 767	2 538	29 305	22 631
Dividends received		31 837	3 019	34 856	29 840
Other payments to suppliers and employees		(98 936)	(846)	(99 782)	(104 730)
Investment expenses		(2 590)	(247)	(2 837)	(2 693)
<b>Net cash provided by (used in)</b>					
<b>operating activities</b>	22	148 210	2 965	151 175	136 194
<b>Cash flows from investing activities:</b>					
Proceeds from sale of property, plant and equipment		4	-	4	7
Proceeds from the sale of investments		691 380	-	691 380	591 869
Acquisition of property, plant and equipment		(444)	-	(444)	(566)
Acquisition of intangible assets		-	-	-	(16 301)
Acquisition of investments		(845 001)	(2 965)	(847 966)	(668 808)
<b>Net cash provided by (used in)</b>					
<b>investing activities</b>		(154 061)	(2 965)	(157 026)	(93 799)
<b>Net increase (decrease) in cash and cash equivalents</b>		(5 851)	-	(5 851)	42 395
<b>Cash and cash equivalents at 1 July</b>	12	68 342	-	68 342	25 947
<b>Cash and cash equivalents at 30 June</b>	12	62 491	-	62 491	68 342

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

**1. 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 financial statements comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

Except for AASB 2009-12, which the WorkCover Corporation of South Australia (WorkCoverSA) has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by WorkCoverSA for the reporting period ending 30 June 2011. None of these are expected to have a significant effect on the financial statements of WorkCoverSA, except for AASB 9 'Financial Instruments', which becomes mandatory for WorkCoverSA's 2014 financial statements and could change the classification and measurement of financial assets. WorkCoverSA does not plan to adopt this standard early and the extent of the impact has not been determined.

**(b) Basis of preparation**

The financial statements are presented in Australian dollars and have been rounded to the nearest thousand dollars (\$'000).



**(b) Basis of preparation (continued)**

The preparation of financial statements in conformity with AASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. This experience forms the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of AASs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accruals basis and are in accordance with the historical cost basis except for financial assets that are stated at their fair value and outstanding claims and related recoveries that are discounted to present value using a risk-free rate.

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

The accounting policies set out below have been applied consistently to all periods presented in the financial statements.

**(c) Reporting entity**

WorkCoverSA is a statutory authority constituted under the *WorkCover Corporation Act 1994*. It is domiciled in Australia. For financial reporting purposes four separate funds are recognised as comprising WorkCoverSA:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund

*Compensation Fund*

The Compensation Fund refers to the fund which was established on 30 September 1987 under section 64 of the WRCA and excludes the Statutory Reserve Fund, the Insurance Assistance Fund and the Mining and Quarrying Industries Fund.

*Statutory Reserve Fund*

The Statutory Reserve Fund was established under the repealed *Workers Compensation Act 1971* (the repealed Act) and came into operation in 1980 against which claims relating to workers compensation could be made in the event of the insolvency of an insurance company or the insolvency of an uninsured employer. The fund was re-established under the First Schedule, clause 5 of the WRCA and forms a separate part of the Compensation Fund.

The Compensation Fund is required to meet any liability arising from a shortfall of the Statutory Reserve Fund.

*Insurance Assistance Fund*

The Insurance Assistance Fund was established under the First Schedule, clause 5A of the WRCA and forms a separate part of the Compensation Fund. The Insurance Assistance Fund exists to support policies issued under section 118g of the repealed Act. These policies provided assistance to employers who were unable to obtain satisfactory workers compensation insurance under the repealed Act at a determined premium.

The Statutory Reserve Fund is required to meet any liability arising from a shortfall of the Insurance Assistance Fund.

*Mining and Quarrying Industries Fund*

Amendments to the WRCA provided for the establishment of the Mining and Quarrying Industries Fund to replace the Silicosis Fund. Funds standing to the credit of the Silicosis Fund were transferred to WorkCoverSA and credited to a special account titled 'Mining and Quarrying Industries Fund' which is divided into two parts:

*Mining and Quarrying Industries Fund (continued)*

Part A - to satisfy liabilities under the Silicosis Scheme established under the repealed Act

Part B - to be available to the Mining and Quarrying Occupational Health and Safety Committee for the purposes referred to in the Fourth Schedule.

With effect from 1 January 2006 the *Occupational Health Safety and Welfare (SafeWork SA) Amendment Act 2005* transferred the responsibility for the administration of this fund to SafeWork SA.

**(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.

**(e) Foreign currency**

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Amounts payable to and by WorkCoverSA in foreign currencies have been translated to Australian currency at rates of exchange current at the reporting period with resulting exchange differences brought to account at 30 June 2011.

**(f) Cash and cash equivalents**

Cash and cash equivalents comprises cash balances, cash at call and short-term deposits and negotiable securities with a maturity of three months or less.

**(g) Trade and other receivables**

Trade and other receivables are stated at fair value less impairment losses with the exception of claims recoveries receivable. Fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. Claim recoveries receivables are stated at the amounts estimated in the actuarial valuation.

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

**(h) Investments**

Investments are measured at fair value. Changes in the fair values of investments at the reporting period from the end of the previous reporting period, or from cost of acquisition if acquired during the financial year, are recognised as gains or losses in the Statement of Comprehensive Income.

The fair value of investments represents their net fair value and is determined as follows:

- Cash assets are carried at the face value of the amounts deposited or drawn which approximates their fair value.
- Receivables are initially recognised at fair value and subsequently at amortised cost less impairment losses (refer note 1(n)).
- Listed securities and government securities are valued by reference to market quotations.
- Underlying property assets and investments in unlisted unit trusts are valued by reference to independent valuations.

All investments are classified as backing insurance liabilities (outstanding claims liabilities and unearned levies).

**(i) Insurance contracts**

Insurance contracts are contracts under which an entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified future event (the insured event) adversely affects the policy holder or other beneficiary. WorkCoverSA's liabilities for outstanding claims are similar in nature to general insurance contracts and accordingly are treated as general insurance contracts for the purpose of AASB 1023.

**(j) 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.

**(j) Events after the reporting period (continued)**

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.

**(k) Outstanding claims liability**

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date by WorkCoverSA, with an additional risk margin to allow for the inherent uncertainty in the central estimate. Under Actuarial Professional Standard 300 'Valuations of General Insurance Claims', the central estimate is the best estimate of the expected liabilities for outstanding claims based on information currently available and exhibits no bias either towards a pessimistic or an optimistic outcome. A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the net liability is adequately provided to approximately a 65 percent probability of sufficiency.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported, claims incurred but under reported and anticipated claims handling expenses including the run-off provision. The expected future payments are discounted to present value using an appropriate risk-free rate.

The claims expense or income in the Statement of Comprehensive Income comprise claims paid and the change in the liability for outstanding claims both reported and unreported, including the risk margin and claims handling expenses.

**(l) Assets backing insurance liabilities**

The assets backing insurance liabilities (outstanding claims) are those assets required to cover the insurance liabilities. Insurance liabilities are defined as outstanding claims and the liability for unearned levies recorded in the Statement of Financial Position. As WorkCoverSA operates solely in one industry and substantially all of its liabilities are insurance liabilities, WorkCoverSA considers that substantially all of its assets, excluding property, plant and equipment, exist to back these insurance liabilities. As part of its investment strategy WorkCoverSA seeks to manage its assets allocated to insurance activities having regard to the characteristics of the insurance liabilities.

**(m) Property, plant and equipment**

All assets acquired, including equipment, furniture and fittings and computers are stated at cost less accumulated depreciation and accumulated impairment losses (refer note 1(n)).

Depreciation is calculated on a straight-line basis so as to write off the net cost of each item over its expected useful life. The estimated useful life in years used for each class of asset is as follows:

Class of asset	Useful life (years)	
	2011	2010
General office equipment	4-5	4-5
Computer and communications	4	4
Office furniture and fittings (including leasehold improvements)	5-10	5-10

All non-current tangible assets with a value in excess of \$1000 are capitalised.

The cost of improvements to leasehold properties is amortised over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

**(n) 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. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(o) **Intangible assets - IT development and software**

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees' time spent on the project.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where WorkCoverSA has an intention and ability to use the asset.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the Statement of Comprehensive Income as incurred.

Amortisation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of the intangible assets, from the date that they are available for use. The estimated useful life is five to ten years.

(p) **Trade and other payables**

Trade and other payables are stated at cost. These amounts represent liabilities for goods and services provided to WorkCoverSA prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually paid within 30 days of recognition.

(q) **Provisions**

Provisions are recognised when WorkCoverSA 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.

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.

(r) **Revenue**

*Levy revenue*

Levies are payable by all registered South Australian employers under the WRCA.

Levies are calculated on the total remuneration paid by employers for the financial year and are recognised on an accruals basis in respect to the financial year for which the remuneration is paid. Estimates are included for levies relating to the current financial year which are payable following the reporting period.

Levies attributable to future years and received in the current financial year have been classified as unearned levies.

*Investment income*

Interest income is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method. Dividend income is recognised in the Statement of Comprehensive Income on the date WorkCoverSA's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

*Claims recoveries*

Claims recoveries are made from a range of parties in accordance with the WRCA.

Recoveries on paid claims, reported claims not yet paid and claims incurred but not yet reported, are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims in that they are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

*Net profit (loss) on non-current assets*

Any profit (loss) on disposal of property, plant and equipment is recognised at the date control of the asset is passed to the buyer and determined after deducting the proceeds from the carrying amount at the time of disposal.

**(s) Expenses**

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

The specific recognition criteria adopted are:

*Operating lease payments*

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

The present value of future payments for surplus leased space under non-cancellable operating leases is recognised as a provision, net of subleasing revenue, in the period in which it is determined that the leased space will be of no future benefit to WorkCoverSA.

*Claims management fees*

Claims management fees are determined on an accruals basis in accordance with the respective agreements between WorkCoverSA and its claims agents.

*Employee benefits - wages, salaries and annual leave*

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date are calculated at undiscounted amounts based on remuneration wage and salary rates expected to be paid as at reporting date including related on costs.

*Employee benefits - defined contribution superannuation plan*

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

*Employee benefits - defined benefits superannuation plan*

WorkCoverSA contributes to two defined benefit superannuation plans.

WorkCoverSA's net obligation is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is then discounted to determine its present value from which the fair value of any plan assets is deducted. The discount rate is the yield at the reporting period on government bonds that have maturity dates approximating to the terms of WorkCoverSA's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Comprehensive Income.

Where the calculation results in a benefit to WorkCoverSA, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

*Employee benefits - long service leave*

A liability for long service leave is recognised and is 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 expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on costs have been included in trade and other payables.

**(t) Taxation**

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

(t) **Taxation (continued)**

Income, expenses and assets are recognised net of GST, except where the amount of 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 are stated 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. 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.

(u) **Futures contracts**

Futures contracts are recorded in the financial statements at fair value. The fair value is the unrealised gain/loss on the outstanding contracts as at the reporting period. All open futures contracts mature within 12 months of the reporting period.

(v) **Segment reporting**

WorkCoverSA operates within the insurance industry predominantly providing for the rehabilitation and compensation of workers with respect to injuries and diseases arising from their employment. WorkCoverSA operates solely in the State of South Australia.

**2. Critical accounting judgments and estimates**

WorkCoverSA makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on WorkCoverSA and that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are those related to the valuation of outstanding claims liability and the estimate of the levies receivable balance.

**Outstanding claims liability**

WorkCoverSA takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The details of the valuation of the outstanding claims liability is set out in notes 18 and 19.

The outstanding claims liability has been established on the basis of independent actuarial assessments of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors and discounted to a present value at the reporting period. Risk-free rates are used when discounting liabilities to current values. WorkCoverSA has adopted a risk margin of 5.5 percent for the Compensation Fund (5.5 percent) and 5.5 percent for the Statutory Reserve Fund (5.2 percent) and the Insurance Assistance Fund (5.2 percent) to value all the outstanding claims liabilities (apart from the liabilities relating to asbestos related diseases where the applicable percentage adopted is 25 percent (20 percent)) at 65 percent (65 percent) probability of sufficiency. The risk margins were determined based on advice from Finity Consulting Pty Ltd.

The outstanding claims liability includes a liability in respect of the estimated cost of claims incurred but not settled at the reporting period, including the cost of claims incurred but not yet reported (IBNR) to WorkCoverSA. The IBNR relates principally to claims for asbestos related diseases and affects mainly the Statutory Reserve Fund and the Insurance Assistance Fund.

The estimated cost of claims includes estimates of the direct expenses to be incurred in settling claims net of the expected recoveries.

**Levies receivable**

The levies receivable balance is the balance of levy debtors as at 30 June plus an estimate of levies receivable based on end of year returns from employers, after allowing for the impairment of any of these amounts and for refunds issued after the end of the year.

### 3. Risk management

#### (a) *Overview*

WorkCoverSA's risk management framework is the principal means by which identified risks are managed. WorkCoverSA has developed a risk management strategy that supports the risk management framework. Each identified risk is analysed according to an established risk management process and appropriate treatment strategies are adopted in order to manage WorkCoverSA's exposure to risk. The key aspects of the process established in the risk management framework to mitigate risk include:

- the establishment of a Board Audit and Risk Committee, which is responsible for developing and monitoring risk management policies
- the establishment and regular review by the Board Audit and Risk Committee and management of a risk register
- the establishment of a system of internal controls to manage risk
- the maintenance and use of management information systems which provide up to date, reliable data relevant to the risks to which the business is exposed
- the identification of operational risks and the establishment and implementation of processes to address and mitigate those risks.

The Board Audit and Risk Committee reports regularly to the Board on its activities. The Committee oversees how management monitors compliance with WorkCoverSA's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by WorkCoverSA. A risk management policy is in place to ensure risks are identified, analysed and managed appropriately by WorkCoverSA. WorkCoverSA's risk management framework is part of its governance risk and compliance system which is reviewed regularly to reflect changes in market conditions and in WorkCoverSA's activities. WorkCoverSA, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations. The Committee is assisted in its oversight by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Board Audit and Risk Committee.

The broad categories of risk faced by WorkCoverSA are:

- insurance risk
- operational and other risk
- financial risk.

#### (b) *Insurance risk*

As set out in note 1, WorkCoverSA provides workers compensation coverage, in accordance with the WRCA, to workers employed in South Australia through the following funds:

- Compensation Fund
- Statutory Reserve Fund
- Insurance Assistance Fund
- Mining and Quarrying Industries Fund.

In accordance with the WRCA the Scheme is funded by charging levies to all employers covered by the WRCA that are calculated as a percentage of the remuneration paid or expected to be paid by each employer. The percentage or levy rate applicable to each employer is determined annually based on the industry in which the employer operates and the average levy rate.

The average levy rate is set annually by the Board in accordance with its funding policy based on an actuarial assessment of the overall funding requirement of the Scheme and an estimate of the likely overall remuneration for all the employers that are required to pay levies under the WRCA. The average levy rate is then used as a basis for determining an individual levy rate for individual industry groups according to their South Australian WorkCover Industrial Classification (SAWIC). Under the WRCA, WorkCoverSA has the power to set levy rates to recover any shortfalls in levy collections. The funding policy is for WorkCoverSA to become fully funded as soon as practicable. Full funding is defined by the Board as having a ratio of assets to liabilities of between 90 percent and 110 percent.

The risk of setting incorrect levy rates is controlled by taking external actuarial advice concerning the funding requirements of the Scheme and through the use of robust and historical models to translate the average levy rate into individual SAWIC levy rates. The number of registered (non-self-insured) employers for the financial year was approximately 50 000.

**(b) Insurance risk (continued)**

The entitlements payable to injured workers are determined by the WRCA.

WorkCoverSA's approach to determining the outstanding claims provisions and related sensitivities is set out in notes 2, 18 and 19. WorkCoverSA relies on the following key controls in seeking to ensure the adequacy of the claims provision:

- there are established processes for managing claims in accordance with the WRCA and other relevant legislation
- WorkCoverSA has developed internal models to assess the value of the outstanding claims provision for the Compensation Fund
- the claims provision is reviewed by an external actuary as follows:
  - Compensation Fund - every six months
  - Statutory Reserve Fund (excluding IBNR arising from asbestos related matters) - every 12 months
  - Insurance Assistance Fund (excluding IBNR arising from asbestos related matters) - every 12 months
  - IBNR arising from asbestos related matters - every 12 months with a more detailed review every two years
  - Mining and Quarrying Industries Fund - every three years.

In addition to these key controls the nature of workers compensation means that the liability associated with an individual claim, whilst being difficult to determine precisely on an individual basis, is relatively small in relation to the assessed value of all of the claims taken as a whole.

**(c) Operational risk**

Operational risk relates to the risk of loss arising from systems failure, human error or from other circumstances not related to insurance or financial risks. These risks are managed through the risk framework outlined above which includes a system of delegated authorities, effective segregation of duties, access controls and review processes.

**(d) Financial risk**

WorkCoverSA has exposure to the following financial risks:

- credit risk
- liquidity risk
- market risk.

WorkCoverSA's exposure to these risks arises primarily in relation to its investment portfolio but also in relation to its other financial assets. This note presents information about WorkCoverSA's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

*Investments - risk management framework*

WorkCoverSA's investment policy document defines the investment policies for the management and oversight of WorkCoverSA's investment portfolio. It overviews the broader context against which the WorkCoverSA investment program operates, sets forth the specific investment objectives for the portfolio and the Board's governance arrangements for the investment program. The investment policy objectives are to:

- assist in minimising employer levies by delivering investment returns that exceed the actuarial discount rate, achieved by adopting a moderate-risk, balanced-investment portfolio
- ensure maintenance of the purchasing power of money held to fund the Scheme's incurred, predominantly inflation indexed, liabilities by focusing on maximising real (ie in excess of SA wage inflation) investment returns, measured over rolling three year periods.

Achievement of these objectives will be subject to:

- the expected impact of the investment program on the volatility of the funding ratio being acceptable
- there being an acceptable risk that the nominal investment return in any one year will be negative
- assets being sufficiently liquid to meet any Scheme cash outflow requirements.



**(d) Financial risk (continued)**

The formal investment policy is reviewed annually by the Board to ensure it remains appropriate to the organisation's current circumstances. Other documents integral to WorkCoverSA's investment activities are:

- investment strategy - this Board approved document incorporates the asset allocation that has been adopted to achieve the Board's investment objectives. This document is reviewed at least annually
- investment guidelines and credit limits - this document outlines the detailed operating controls and limitations applying to each investment portfolio. This document is reviewed at least annually
- risk management statement and derivatives policy - this Board Investment, Levies and WorkCover Finance Committee approved document specifies WorkCoverSA's policies for the use of derivatives within the Compensation Fund. This document is reviewed annually.

The investment portfolio is managed internally by experienced professionals supported by an internationally recognised investment firm that provides advice on asset allocation, selection of external fund managers, and undertakes specialised investment research and performance measurement.

In meeting the investment objectives, WorkCoverSA's investment strategy currently maintains exposure to eight asset groups. The funds held in seven of these asset groups are conducted on a day-to-day basis through 20 (18) portfolios managed by external specialist fund managers. The cash portfolios are managed internally. Exposures within each asset class are maintained within the Board approved target ranges as determined by the investment strategy document. The allowable range of investments (and resulting risk exposure) for each fund manager is determined by the investment guidelines. Fund manager and each asset group performance are monitored monthly and comprehensively reviewed at least annually. The investment guidelines set out for each asset group and portfolio:

- the desired portfolio characteristics
- the required performance and variability in relation to a recognised benchmark appropriate to that portfolio
- the type of assets that can be held
- the extent and nature of trading and the types of financial instrument that can be utilised by the fund manager.

Management, in conjunction with specialist advisors, monitors each fund manager against risk and return criteria and their contractual obligations. The Board Investment, Levies and WorkCover Finance Committee reviews investment program risk and compliance activity for individual portfolios and the overall compensation fund.

Individual assets are held either directly by WorkCoverSA or through a variety of investment structures.

At any particular time the composition of the portfolio will vary from the Board approved investment strategy targets depending on the decisions of individual fund managers and market movements.

The composition of each asset group at 30 June 2011 and 30 June 2010 was:

	Deposits with financial institutions	Govt/ semi-govt securities	Non- govt debt instruments	Securities listed on Australian Stock Exchange	Securities listed on overseas stock exchanges	Unit trust - unlisted property and debt security assets	Derivatives	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>								
Cash	62 488	-	-	-	-	-	-	62 488
Fixed interest	6 608	124 777	58 968	-	-	-	42	190 395
Inflation linked securities	102 096	201 706	-	-	-	-	-	303 802
Australian equities	6 577	-	-	247 354	-	-	2 734	256 665
Overseas equities - hedged	-	-	-	-	145 167	-	-	145 167
Overseas equities - unhedged	-	-	-	-	153 413	-	-	153 413
Property	959	-	-	-	61 683	51 258	213	114 113
Real return growth assets	16 579	-	40 985	37 031	63 867	157 329	766	316 557
Alternative income	73 263	-	1 761	-	-	-	-	75 024
	<b>268 570</b>	<b>326 483</b>	<b>101 714</b>	<b>284 385</b>	<b>424 130</b>	<b>208 587</b>	<b>3 755</b>	<b>1 617 624</b>

**(d) Financial risk (continued)**

	Deposits with financial institutions	Govt/ semi-govt securities	Non- govt debt instruments	Securities listed on Australian Stock Exchange	Securities listed on overseas stock exchanges	Unit trust - unlisted property and debt security assets	Derivatives	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2010</b>								
Cash	68 339	-	-	-	-	-	-	68 339
Fixed interest	17 671	121 871	31 272	-	-	-	5 861	176 675
Inflation linked securities	65 176	201 806	-	-	-	-	(9)	266 973
Australian equities	38 451	-	-	211 742	-	-	(969)	249 224
Overseas equities - hedged	-	-	-	-	136 084	-	-	136 084
Overseas equities - unhedged	-	-	-	-	148 375	-	-	148 375
Property	1 306	-	-	-	56 271	45 348	(199)	102 726
Real return growth assets	6 579	-	54 637	19 526	-	160 225	-	240 967
Alternative income	-	-	-	-	-	-	-	-
	197 522	323 677	85 909	231 268	340 730	205 573	4 684	1 389 363

*Use of derivatives*

In the normal course of its investment activities WorkCoverSA is party to arrangements involving derivatives. Derivatives held within portfolios through WorkCoverSA's custodian have three main objectives:

- risk management - minimisation or reduction of specific risks within a given portfolio. For example forward exchange contracts are used to hedge currency movements to remove their impact on international investment portfolio returns
- transactional efficiency - derivatives provide effective exposure to markets or individual securities while incurring transaction costs lower than the cost of purchasing the underlying security or basket of securities. In many instances the derivative markets provide much more liquidity than the underlying physical market
- value added strategies - given their low cost and high liquidity, derivatives can be an efficient way of taking active portfolio positions. As there can also be pricing anomalies between derivatives and underlying physical securities there can be opportunities to take advantage of different pricing.

Derivative exposures are subject to the same restrictions as physical assets within each portfolio's investment guidelines. Derivatives also need to comply with the fund managers individual derivative risk statement Part B and WorkCoverSA's derivative risk statement and derivatives policy. Where there is inconsistency, the investment guidelines will take precedence. Additionally no gearing or leverage is allowed from derivative positions with all net long derivative exposures covered by cash or cash equivalent securities.

The use of derivatives is restricted to appropriately credentialed counterparties. Unit trusts in which WorkCoverSA invests may use derivative instruments appropriate to the investment markets in which they invest. The use of derivatives within the unit trusts in which WorkCoverSA invests is approved and monitored by the responsible entity or trustee for the respective unit trust.

No single instrument is individually material to the future cash flows of WorkCoverSA. WorkCoverSA does not consider that the nature and extent of the use of derivatives warrants separate disclosure of individual contracts. WorkCoverSA, through its separate account investment portfolios, uses derivative instruments as follows:

*Forward exchange contracts*

- WorkCoverSA invests in global markets to access the risk reduction benefits of diversification. In order to protect against exchange rate movements for a portion of overseas exposures, WorkCoverSA has entered into forward exchange contracts, which require settlement of the net gain or loss at maturity. For diversification purposes WorkCoverSA intentionally maintains some unhedged currency exposures
- the gain or loss on open contracts as at the reporting period has been taken up in the financial statements as an unrealised gain or loss based on the exchange rate current as at the end of the reporting period
- the use of forward exchange contracts for speculative purposes is prohibited.

*Credit risk - investments*

Credit risk is the risk of financial loss to WorkCoverSA if a levy payer, other debtor or counterparty to a financial instrument fails to meet their contractual obligations.

WorkCoverSA manages its exposure to credit risk related to fixed interest and cash investments through its investment strategy and investment guidelines and investment credit limits documents. Credit exposures are monitored against approved limits with breaches notified to the Board Investment, Levies and WorkCover Finance Committee. These documents impose the following restrictions:

- Credit limits are placed on all categories of debt investments on an individual and cumulative basis.
- For each individual investment and on a cumulative investment category basis minimum credit ratings requirements are imposed based on Standard & Poor's (or equivalent Moody's) ratings.
- Maturity restraints are imposed on non-government guaranteed debt instruments.

The following tables outline WorkCoverSA's credit risk exposure within the major debt securities asset classes as at balance date.

The 2010 figures have been reconstructed to provide additional detail on the assessed credit rating of individual exposures.

	Short-term issue ratings*			Long-term issue ratings**			Derivatives	
	A1+	A1	A2	AAA	AA	Less than AA-	Not rated	Total
<b>2011</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	30 489	31 999	-	-	-	-	-	62 488
Fixed interest	6 608	-	-	140 167	33 968	9 610	42	190 395
Inflation linked securities	102 096	-	-	201 706	-	-	-	303 802
	139 193	31 999	-	341 873	33 968	9 610	42	556 685

	Short-term issue ratings*			Long-term issue ratings**			Derivatives	
	A1+	A1	A2	AAA	AA	Less than AA-	Rated***	Total
<b>2010</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	54 403	13 936	-	-	-	-	-	68 339
Fixed interest	17 671	-	-	116 986	33 587	2 570	5 861	176 675
Inflation linked securities	-	-	-	266 973	-	-	-	266 973
	72 074	13 936	-	383 959	33 587	2 570	5 861	511 987

\* Standard & Poor's short-term financial strength ratings apply for cash portfolio and short-term investments. A1+ is the highest short-term strength rating.

\*\* Standard & Poor's long-term credit ratings. AAA is the highest possible long-term credit rating.

\*\*\* Not rated assets for this table are non-defensive assets and consist of cash or investments in a pooled fund which is benchmarked against the UBS Composite Index.

*Credit risk - other financial assets*

The only significant exposure to credit risk in relation to assets, other than investments, relates to levies due and payable from registered and self-insured employers and sundry debtors. WorkCoverSA is able to enforce the collection of any debt due under the WRCA through a court of competent jurisdiction. WorkCoverSA has processes in place to monitor all material credit exposures and has an established policy to manage debt recovery.

15 percent of WorkCoverSA's levy receivables and sundry debtors were past due greater than 30 days (6.1 percent). The ageing of WorkCoverSA's levy receivables and sundry debtors at the reporting date was:

	2011 \$'000	2010 \$'000
Not past due	8 730	26 911
Past due 1 to 30 days	68	3 134
Past due 31 to 60 days	96	9
Past due 61 days to 1 year	1 355	1 045
More than 1 year	102	884
	10 351	31 983

*Credit risk - other financial assets (continued)*

There were no significant concentrations of credit risk. None of the above amounts are considered impaired.

*Liquidity risk*

Liquidity risk is the risk that WorkCoverSA will not be able to meet its financial obligations as they fall due. WorkCoverSA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to WorkCoverSA's reputation. At least 50 percent of WorkCoverSA's investments could be liquidated within seven business days if required.

Both the asset and liability liquidity risks are managed through management risk strategies. 83.9 percent (80.4 percent) of WorkCoverSA's liabilities are non-current and consist predominately of estimates of payments of entitlements to workers compensation made over the long-term to individual claimants. WorkCoverSA's asset allocation is such that if required it could be realisable as cash within a few months. Accordingly WorkCoverSA considers that its short-term liquidity risks are minimal.

The table below outlines the maturity profile of certain financial liabilities based on the remaining undiscounted obligations. Outstanding claims are covered in notes 18 and 19.

	2011 \$'000	2010 \$'000
1 year or less	24 907	38 370
1-3 years	328	421
3-5 years	-	-
Over 5 years	-	-
No term	-	-
Total trade and other payables	<u>25 235</u>	<u>38 791</u>

*Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect WorkCoverSA'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.

WorkCoverSA is exposed to market risk primarily through:

- currency risk
- interest rate risk
- market price risk.

*Currency risk*

WorkCoverSA is directly exposed to currency risk on purchases and financial instruments that are denominated in a currency other than Australian dollars. WorkCoverSA uses forward exchange contracts for a portion of its international investments to hedge its exposure to foreign currency fluctuations. All overseas bond securities, overseas listed property, overseas infrastructure, and approximately one half of the international equity securities are covered by forward exchange contracts whilst remaining equities are left intentionally exposed to exchange rate movements. The changes in the valuations of these open contracts are disclosed in the financial statements as unrealised gains or losses as at the reporting period.

The analysis below demonstrates the impact on profit and equity of a movement in foreign exchange rates against the Australian dollar on our unhedged major currency exposures. A 5 percent strengthening/weakening of the Australian dollar against the following currencies at 30 June would have (decreased) increased international equity holdings and profit (loss) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2010.

The 2010 figures have been reconstructed to include the currency exposure within a partially-hedged international equity portfolio.

Currency risk (continued)	Residual exposure		Movement in variable against A\$ Percent	Profit (Loss)		Equity	
	2011	2010		2011	2010	2011	2010
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
US dollar	57 828	55 107	+5	(2 891)	(2 755)	(2 891)	(2 755)
			-5	2 891	2 755	2 891	2 755
Euro	14 603	14 130	+5	(730)	(707)	(730)	(707)
			-5	730	707	730	707
Sterling	11 339	11 116	+5	(567)	(556)	(567)	(556)
			-5	567	556	567	556

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest securities are exposed to changes in fair value due to fluctuating interest rates whilst floating rate securities are exposed to future cash flow variations as a result of changes to interest rates. The risk management approach adopted by WorkCoverSA to manage such risks is through its asset allocation whereby a mixture of high credit rated and readily liquidated fixed interest securities are held in conjunction with short-term deposits and cash to achieve the desired level of interest rate risk exposure.

WorkCoverSA's fixed interest investments are held predominately in domestic markets. Such holdings form part of WorkCoverSA's defensive or low risk exposure to provide capital stability and secure income. WorkCoverSA's investments in interest bearing securities consist of marketable securities which are not held for trading.

WorkCoverSA's sensitivity to movements in interest rates in relation to the value of interest bearing investments is shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis as for 2010.

	Movement in interest rate Percent	Financial impact			
		Profit (Loss)		Equity	
		2011	2010	2011	2010
Interest rate movement -	+1	(22 915)	(18 955)	(22 915)	(18 955)
interest bearing investments	-1	22 915	18 955	22 915	18 955

#### Market price risk

Market price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market pricing (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual instrument or its issuer (idiosyncratic risk), or factors affecting all similar financial instruments traded in the market (systematic risk).

WorkCoverSA is exposed to market price risk in all asset groups with the highest systematic risk in its domestic and international equity investments. WorkCoverSA's equity investments consist of investments listed on the Australian Stock Exchange and other major international exchanges. The market price risk in all other asset groups is considered less significant.

WorkCoverSA manages its exposure to market risk through the adoption of a longer-term investment strategy based on extensive modelling of the expected return, volatility and correlation of each asset category included in the investment program to maximise returns for a given level of risk. By diversifying investments across a number of lowly correlated markets the volatility of the aggregate investment return is moderated over time.

The potential impact of movements in the market value of Australian and international listed equities on WorkCoverSA's Statement of Comprehensive Income and Statement of Financial Position is shown in the sensitivity analysis below. The calculation assumes that exposures are unhedged. Industry standard categorisations have been adopted for WorkCoverSA's equity exposures in 2011. The 2010 figures have been reconstructed to reflect the wider universe of domestic and international equities that WorkCoverSA invests in. \$19.5 million of listed interest rate securities included under domestic equities in 2010 have been removed.

	Exposure		Movement in variable Percent	Profit (Loss)		Equity	
	2011	2010		2011	2010	2011	2010
	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Domestic equities	247 354	211 742	+5	12 368	10 587	12 368	10 587
			-5	(12 368)	(10 587)	(12 368)	(10 587)
International equities	298 580	284 459	+5	14 929	14 223	14 929	14 223
			-5	(14 929)	(14 223)	(14 929)	(14 223)

*Fair value measurements*

The fair value of financial assets must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset that are not based on observable market data (unobservable inputs).

The following table presents WorkCoverSA's investments measured and recognised at fair value at 30 June 2011 and 30 June 2010:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2011</b>				
Deposits with financial institutions	268 570	-	-	268 570
Government/Semi-government securities	326 483	-	-	326 483
Non-government debt instruments	101 714	-	-	101 714
Securities listed on the Australian Stock Exchange	284 385	-	-	284 385
Securities listed on overseas stock exchanges	424 130	-	-	424 130
Unit trusts - unlisted property and debt security assets	-	158 784	49 803	208 587
Derivatives	-	3 755	-	3 755
Total investments at fair value through profit and loss	1 405 282	162 539	49 803	1 617 624
<b>2010</b>				
Deposits with financial institutions	197 522	-	-	197 522
Government/Semi-government securities	323 677	-	-	323 677
Non-government debt instruments	85 909	-	-	85 909
Securities listed on the Australian Stock Exchange	231 268	-	-	231 268
Securities listed on overseas stock exchanges	340 730	-	-	340 730
Unit trusts - unlisted property and debt security assets	-	144 252	61 321	205 573
Derivatives	-	4 684	-	4 684
Total investments at fair value through profit and loss	1 179 106	148 936	61 321	1 389 363

The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by WorkCoverSA is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting value discounted back to present value
- other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

*Fair value measurements (continued)*

All of the resulting fair value estimates are included in Level 2 except for unlisted equity securities, a contingent consideration receivable and certain forward exchange contracts explained below.

The following table presents the changes in Level 3 instruments for the years ended 30 June 2011 and 30 June 2010:

	Unit trusts - unlisted property and debt security \$'000
Opening balance at 1 July 2009	69 803
Transfers into Level 3	-
Contributions	22
Withdrawals	(12 959)
Gain (Losses) recognised in investment profit	4 455
Closing balance at 30 June 2010	61 321
Opening balance at 1 July 2010	61 321
Transfers into Level 3	-
Contributions	1 195
Withdrawals	(9 868)
Gain (Losses) recognised in investment profit	(2 845)
Closing balance at 30 June 2011	49 803
Total gains (losses) for the period included in investment profit that relate to assets held at the end of the reporting period:	
2011	(2 845)
2010	4 455

The fair value of Level 3 instruments is valued by an independent third party with the appropriate skills, experience and resources.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

#### 4. Other funds

##### *Statement of Comprehensive Income for the year ended 30 June 2011*

		Statutory Reserve Fund	Insurance Assistance Fund	Mining & Quarrying Industries Fund		Total other funds	
	Note	\$'000	\$'000	Part A \$'000	Part B \$'000	2011 \$'000	2010 \$'000
Claims paid	6	(1 680)	-	-	-	(1 680)	(1 399)
Claim recoveries	6	181	-	-	-	181	458
Decrease (Increase) in outstanding claims liability	19	22 225	163	-	-	22 388	(9 072)
Underwriting result		20 726	163	-	-	20 889	(10 013)
Investment profit	7	9 470	1 466	16	1 319	12 271	12 842
Investment expense		(190)	(30)	-	(27)	(247)	(202)
Net investment profit		9 280	1 436	16	1 292	12 024	12 640
Total operating expenses		(193)	(7)	-	(711)	(911)	(794)
Total comprehensive result		29 813	1 592	16	581	32 002	1 833

## 4. Other funds (continued)

**Statement of Financial Position  
for the year ended 30 June 2011**

	Note	Statutory	Insurance	Mining & Quarrying		Total other funds	
		Reserve Fund	Assistance Fund	Part A	Part B	2011	2010
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets:</b>							
Trade and other receivables		-	-	-	38	38	-
Investments		98 320	15 390	178	13 233	127 121	117 442
<b>Total assets</b>		<b>98 320</b>	<b>15 390</b>	<b>178</b>	<b>13 271</b>	<b>127 159</b>	<b>117 442</b>
<b>Liabilities:</b>							
Payables		88	-	-	15	103	-
Outstanding claims	19	79 144	449	100	-	79 693	102 081
<b>Total liabilities</b>		<b>79 232</b>	<b>449</b>	<b>100</b>	<b>15</b>	<b>79 796</b>	<b>102 081</b>
<b>Net assets (liabilities)</b>		<b>19 088</b>	<b>14 941</b>	<b>78</b>	<b>13 256</b>	<b>47 363</b>	<b>15 361</b>
<b>Equity:</b>							
Retained earnings		19 088	14 941	78	13 256	47 363	15 361
<b>Total equity</b>		<b>19 088</b>	<b>14 941</b>	<b>78</b>	<b>13 256</b>	<b>47 363</b>	<b>15 361</b>

## 5. Total income

	Note	Compensation		WorkCoverSA	
		Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Registered employer levy		588 302	-	588 302	609 021
Fines and penalties		2 320	-	2 320	1 173
<b>Registered employer levy revenue</b>		<b>590 622</b>	<b>-</b>	<b>590 622</b>	<b>610 194</b>
Self-insured employer levy - SA Government		7 011	-	7 011	9 380
Self-insured employer levy - non-SA Government		7 743	-	7 743	9 428
<b>Self-insured levy revenue</b>		<b>14 754</b>	<b>-</b>	<b>14 754</b>	<b>18 808</b>
<b>Total levy revenue</b>		<b>605 376</b>	<b>-</b>	<b>605 376</b>	<b>629 002</b>
Claim recoveries	6	11 337	181	11 518	21 580
Investment profit (loss)	7	129 417	12 271	141 688	140 187
Other income	8	2 153	-	2 153	2 058
<b>Total income</b>		<b>748 283</b>	<b>12 452</b>	<b>760 735</b>	<b>792 827</b>

## 6. Cost of claims

## (a) Cost of claims

Claims paid		427 228	1 680	428 908	488 201
Claim recoveries	5	(11 337)	(181)	(11 518)	(21 580)
<b>Net claims paid</b>		<b>415 891</b>	<b>1 499</b>	<b>417 390</b>	<b>466 621</b>
Increase (Decrease) in net outstanding claims liability	18,19	206 572	(22 388)	184 184	109 948
Net self-insurer settlements		164	-	164	(291)
<b>Cost of claims</b>		<b>622 627</b>	<b>(20 889)</b>	<b>601 738</b>	<b>576 278</b>

## (b) Net claims paid

Income maintenance		171 828	-	171 828	173 487
Redemption payments under Division 4A of the WRCA		48 547	-	48 547	123 174
Non-economic loss - payments under Division 5 and Division 6 of the WRCA		45 865	-	45 865	46 623
Hospital treatment		13 527	-	13 527	11 469
Medical treatment		71 071	-	71 071	61 125
Vocational rehabilitation		30 198	-	30 198	26 529
Physiotherapy		13 357	-	13 357	10 532
Legal costs		15 101	272	15 373	16 063
Other		17 734	1 408	19 142	19 199
<b>Claims paid</b>		<b>427 228</b>	<b>1 680</b>	<b>428 908</b>	<b>488 201</b>
Recoveries from other parties	5	(11 337)	(181)	(11 518)	(21 580)
<b>Net claims paid</b>		<b>415 891</b>	<b>1 499</b>	<b>417 390</b>	<b>466 621</b>



7. <b>Investment profit (loss)</b>	Note	Compensation		WorkCoverSA	
		Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Dividends		31 837	3 019	34 856	29 840
Interest received		26 767	2 538	29 305	22 631
Change in net market values:					
Investments held at 30 June		38 190	3 621	41 811	24 740
Investments realised during the financial year		32 623	3 093	35 716	62 976
Investment profit		129 417	12 271	141 688	140 187
<b>8. Other income</b>					
Defined benefit fund	20(d)	886	-	886	840
Sundry income		1 267	-	1 267	1 218
Total other income		2 153	-	2 153	2 058
<b>9. Employee benefit expenses</b>					
Salaries and wages		23 167	55	23 222	20 902
Long service leave		732	2	734	529
Annual leave		2 057	5	2 062	1 751
Expenses relating to defined benefit plans	20(d)	1 629	-	1 629	1 951
Contributions to defined contribution plans		1 994	5	1 999	1 751
Total employee benefit expenses		29 579	67	29 646	26 884

The number of employees whose remuneration received or receivable falls within the following bands:	2011 Number	2010 Number
\$127 500 - \$130 699*	-	2
\$130 700 - \$140 699	8	7
\$140 700 - \$150 699	6	4
\$150 700 - \$160 699	4	3
\$160 700 - \$170 699	-	2
\$170 700 - \$180 699	1	-
\$200 700 - \$210 699	1	-
\$210 700 - \$220 699	1	1
\$220 700 - \$230 699	1	-
\$230 700 - \$240 699	-	1
\$240 700 - \$250 699	2	1
\$270 700 - \$280 699	-	2
\$280 700 - \$290 699	1	1
\$300 700 - \$310 699	1	-
\$410 700 - \$420 699	1	1
\$430 700 - \$440 699**	1	-
\$520 700 - \$530 699**	-	1
\$670 700 - \$680 699**	1	-
Total	29	26

\* This band has been included for the purposes of reporting comparative figures for 2009-10.

\*\* These relate to payments made to executives whose employment terminated in the financial year. These payments include all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments.

The table includes all employees who received remuneration of \$130 700 or more during the year. The base level has been raised from \$100 000 (2009-10) in line with the SA Government's 2010-11 base executive level remuneration of \$130 700. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and other salary sacrifice benefits and payments of accumulated annual leave, long service leave, superannuation and eligible termination payments, in respect of certain employees whose employment terminated in the financial year. The total remuneration received by these employees for the year was \$6 million (\$5.1 million).

#### **Accounting policy change**

In accordance with revised APF II, WorkCoverSA has changed its accounting policy and now discloses all employees who receive remuneration equal to greater than the base executive remuneration level rather than all employees who receive remuneration equal to or greater than \$100 000. The impact of this change in accounting policy is the number of employees disclosed has reduced by 63 (36).

**10. Depreciation, amortisation and other general operating expenses**

	Compensation		WorkCoverSA	
	Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Depreciation - property, plant and equipment	803	-	803	869
Amortisation - intangible assets	4 438	-	4 438	731
Depreciation and amortisation expenses	5 241	-	5 241	1 600
Net rental expenses relating to operating leases	3 409	-	3 409	3 252
Motor vehicle expenses relating to operating leases	256	-	256	238
Consultants	3 093	-	3 093	3 008
Other operating costs	17 684	844	18 528	16 861
Other general operating expenses	24 442	844	25 286	23 359
The number and dollar amount of consultancies paid/payable (included in general operating expenses) that fell within the following bands:				
	2011		2010	
	Number	\$'000	Number	\$'000
Below \$10 000	8	37	10	48
\$10 000 - \$50 000	11	347	11	194
Above \$50 000	14	2 709	12	2 766
Total paid/payable to the consultants engaged	33	3 093	33	3 008

Expenditure on consultants capitalised in intangible assets amounted to \$nil (\$109 000).

**11. Auditor's remuneration**

	WorkCoverSA	
	2011 \$'000	2010 \$'000
Audit fees paid/payable to the Auditor-General's Department	522	555

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

**12. Cash and cash equivalents**

	Note	Compensation		WorkCoverSA	
		Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Cash		3	-	3	3
Cash equivalents	3	62 488	-	62 488	68 339
Cash and cash equivalents in the Statement of Cash Flows		62 491	-	62 491	68 342

**13. Trade and other receivables**

Current receivables:					
Levies, fines and penalty interest		10 249	-	10 249	31 099
Recoverable claim payments	18	17 579	-	17 579	20 386
Trade debtors		1 163	38	1 201	2 026
Sundry debtors and prepayments		1 960	-	1 960	2 448
Total current receivables		30 951	38	30 989	55 959
Non-current receivables:					
Recoverable claim payments	18	65 666	-	65 666	81 263
Total non-current receivables		65 666	-	65 666	81 263
Total trade and other receivables		96 617	38	96 655	137 222

**14. Investments**

	WorkCoverSA	
	2011 \$'000	2010 \$'000
Deposits with financial institutions	268 570	197 522
Government/Semi-Government securities	326 483	323 677
Non-government debt instruments	101 714	85 909
Securities listed on the Australian Stock Exchange	284 385	231 268
Securities listed on overseas stock exchanges	424 130	340 730
Unit trusts - unlisted property and debt security assets	208 587	205 573
Derivatives	3 755	4 684
Total investments at fair value through profit and loss	1 617 624	1 389 363

**14. Investments (continued)**

	WorkCoverSA	
	2011	2010
	\$'000	\$'000
Current	272 329	210 755
Non-current	1 345 295	1 178 608
Total	<u>1 617 624</u>	<u>1 389 363</u>

**15. Property, plant and equipment**

	Computer and communications equipment	Office furniture and fittings including leasehold improvements	General office equipment	Total
Cost:	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2009	7 063	14 935	1 207	23 205
Additions	490	14	62	566
Disposals	(1 106)	-	-	(1 106)
Balance at 30 June 2010	<u>6 447</u>	<u>14 949</u>	<u>1 269</u>	<u>22 665</u>
Balance at 1 July 2010	6 447	14 949	1 269	22 665
Additions	329	114	1	444
Disposals	(3 178)	-	-	(3 178)
Balance at 30 June 2011	<u>3 598</u>	<u>15 063</u>	<u>1 270</u>	<u>19 931</u>
Depreciation:				
Balance at 1 July 2009	(5 349)	(14 927)	(1 038)	(21 314)
Depreciation charge	(770)	(4)	(95)	(869)
Disposals	1 103	-	-	1 103
Balance at 30 June 2010	<u>(5 016)</u>	<u>(14 931)</u>	<u>(1 133)</u>	<u>(21 080)</u>
Balance at 1 July 2010	(5 016)	(14 931)	(1 133)	(21 080)
Depreciation charge	(727)	(6)	(70)	(803)
Disposals	3 165	-	-	3 165
Balance at 30 June 2011	<u>(2 578)</u>	<u>(14 937)</u>	<u>(1 203)</u>	<u>(18 718)</u>
Carrying amounts:				
At 1 July 2009	1 714	8	169	1 891
At 30 June 2010	<u>1 431</u>	<u>18</u>	<u>136</u>	<u>1 585</u>
At 1 July 2010	1 431	18	136	1 585
At 30 June 2011	<u>1 020</u>	<u>126</u>	<u>67</u>	<u>1 213</u>

**16. Intangible assets**

	IT development and software
Cost:	\$'000
Balance at 1 July 2009	27 579
Additions - internal development	4 180
Additions - external costs	12 121
Balance at 30 June 2010	<u>43 880</u>
Balance at 1 July 2010	43 880
Additions - internal development	-
Additions - external costs	-
Balance at 30 June 2011	<u>43 880</u>
Amortisation:	
Balance at 1 July 2009	-
Amortisation charge	(731)
Balance at 30 June 2010	<u>(731)</u>
Balance at 1 July 2010	(731)
Amortisation charge	(4 438)
Balance at 30 June 2011	<u>(5 169)</u>

**16. Intangible assets (continued)**

	IT development and software \$'000
Carrying amounts:	
At 1 July 2009	27 579
At 30 June 2010	<u>43 149</u>
At 1 July 2010	43 149
At 30 June 2011	<u>38 711</u>

**17. Trade and other payables**

	Compensation Fund	Other funds	WorkCoverSA	
	\$'000	\$'000	2011 \$'000	2010 \$'000
Current:				
Creditors	24 457	103	24 560	37 962
Employment on-costs	347	-	347	367
Non-current:				
Creditors	288	-	288	421
Employment on-costs	40	-	40	41
Total trade and other payables	<u>25 132</u>	<u>103</u>	<u>25 235</u>	<u>38 791</u>

**18. Outstanding claims liability - Compensation Fund**

	Note	2011 \$'000	2010 \$'000
(a) <b>Outstanding claims</b>			
Expected future gross claims payments (undiscounted)		4 122 708	3 712 398
Discount to present value		(1 673 582)	(1 441 630)
Central estimate		<u>2 449 126</u>	<u>2 270 768</u>
Risk margin		134 702	124 892
Liability for outstanding claims		<u>2 583 828</u>	<u>2 395 660</u>
Recoveries	13	(83 245)	(101 649)
Net liability for outstanding claims		<u>2 500 583</u>	<u>2 294 011</u>
Current liability for outstanding claims		402 851	451 269
Non-current liability for outstanding claims		<u>2 180 977</u>	<u>1 944 391</u>
Total liability for outstanding claims		<u>2 583 828</u>	<u>2 395 660</u>
Change in liability for outstanding claims		188 168	103 670
Change in claim recoveries receivable		18 404	(2 794)
Movement in net outstanding claims liability		<u>206 572</u>	<u>100 876</u>
Weighted average expected term to settlement		2011 Years 7.8	2010 Years 7.5

The value of the claims liability is determined by WorkCoverSA following an independent actuarial valuation by Finity Consulting Pty Ltd. The value of the outstanding claims liability is based on a central estimate and includes a risk margin of 5.5 percent (5.5 percent) to bring the estimated net liability to a 65 percent probability of sufficiency.

The split of the outstanding claims liability between current and non-current liabilities is based on actuarial advice from Finity Consulting Pty Ltd. Should the timing of cash flows vary from that projected by Finity Consulting Pty Ltd then the proportions of the overall claims liability that are shown as current and non-current may vary.

The WorkCoverSA Scheme is a scheme designed in part to provide long-term financial support for those injured at work. In some cases this long-term financial support can be provided over many years. Assumptions adopted in relation to the projected future payments made to claims are detailed below in note 18(d).

With effect from 1 July 2008 the provisions of the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* have progressively come into force. The estimate of the value of the claims liability takes into account the changes to the WRCA, however the claims liability does not project the full expected impacts of some parts of the reforms, reflecting the uncertainty around effective implementation and legal interpretation. The principal changes which impact on the estimate of the claims liability for existing claims are those relating to the amendments to the non-economic loss provisions, the changes to the dispute resolution process, the introduction of work capacity reviews, the introduction of medical panels and the restrictions on the use of redemptions. Future reductions in the claims liability could occur if the legislative changes achieve the outcomes anticipated at the time of the changes to the WRCA.

**(a) Outstanding claims (continued)**

The key uncertainties specific to the estimation of the liability for outstanding claims include:

- the extent and timing of the impact of work capacity reviews and in particular how the introduction of these provisions acts as an offset to the restrictions on the availability of redemptions
- the effect of medical panels
- the impact of changes to the dispute resolution framework on claim outcomes
- the impact of changes in drivers of scheme culture and the implications these have for front end claim trends and return to work outcomes
- the impact of the changes to the legislation as they relate to the calculation of entitlements for non-economic loss
- the effectiveness with which the new legislation is implemented and the impact of new legal precedents
- the overall effectiveness of claims management
- the impact of any changes in the overall economic environment.

The increase in the outstanding claims liability includes the net impact of the increase in the average discount rate from 5.39 percent at 30 June 2010 to 5.5 percent at 30 June 2011.

Note 18(e) sets out the impact of changes in the key assumptions on which the valuation of the outstanding claims liability is based.

<b>(b) Net claims incurred</b>	Current year \$'000	Prior years \$'000	2011 Total \$'000	Current year \$'000	Prior years \$'000	2010 Total \$'000
Undiscounted:						
Gross incurred	991 649	(92 792)	898 857	940 290	(7 555)	932 735
Recoveries	(18 116)	25 558	7 442	(22 577)	(284)	(22 861)
Net incurred - undiscounted	973 533	(67 234)	906 299	917 713	(7 839)	909 874
Discounted:						
Gross incurred	642 383	11 765	654 148	616 683	15 524	632 207
Recoveries	(14 193)	18 803	4 610	(17 733)	(5 259)	(22 992)
Net incurred - discounted	628 190	30 568	658 758	598 950	10 265	609 215
Discounted and discount movement:						
Gross incurred - discounted	(349 266)	104 557	(244 709)	(323 607)	23 079	(300 528)
Recoveries - discounted	3 923	(6 755)	(2 832)	4 844	(4 975)	(131)
Net incurred - undiscounted	(345 343)	97 802	(247 541)	(318 763)	18 104	(300 659)

The figures for current period claims relate to the risks borne in the current reporting period. The figures for prior period claims relate to the reassessment of the risks borne in all previous reporting periods.

**(c) Claims development**

Estimate of ultimate claims cost**	Prior years*	2002 \$'000	2003 \$'000	2004 \$'000	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000	2011 \$'000
At end of year		238 867	325 617	332 168	395 377	396 059	422 794	445 035	471 917	506 902	527 850
One year later	573 536	307 822	314 439	368 048	382 259	419 758	435 848	447 935	480 472	487 196	
Two years later	737 743	303 688	333 644	375 409	408 008	452 514	460 605	461 964	489 652		
Three years later	801 335	316 880	343 547	387 244	406 101	437 354	475 519	457 878			
Four years later	845 969	325 279	354 287	375 531	368 271	417 646	484 162				
Five years later	905 348	326 954	339 116	361 281	383 879	417 524					
Six years later	968 055	317 367	329 228	357 003	368 005						
Seven years later	968 711	323 710	328 029	354 917							
Eight years later	961 616	317 739	325 554								
Nine years later	921 246	316 679									
10 years later	919 203										
Current estimate of cumulative claims costs**	919 203	316 679	325 554	354 917	368 005	417 524	484 162	457 878	489 652	487 196	527 850
Cumulative payments**	807 110	299 901	307 388	329 842	333 124	321 615	283 425	241 170	194 793	135 120	61 544
Outstanding payments**	112 093	16 778	18 166	25 075	34 881	95 909	200 737	216 708	294 859	352 076	466 306
Discount adjustment***	64 649	10 870	10 477	12 669	15 095	34 550	57 979	46 436	40 326	29 963	21 752
Net outstanding claims	176 742	27 648	28 643	37 744	49 976	130 459	258 716	263 144	335 185	382 039	488 058

\* Development of outstanding claim estimate as at 30 June 2002 for accidents prior to 30 June 2001.

\*\* Discounted to the beginning of the accident year using actual historical discount rates and the discount rates applied in the estimation.

\*\*\* Discount adjustment from beginning of accident year to current valuation date.

<b>(c) Claims development (continued)</b>	2011	2010
	\$'000	\$'000
Prior years	176 742	208 273
Year ended 30 June 2002	27 648	35 501
Year ended 30 June 2003	28 643	35 579
Year ended 30 June 2004	37 744	46 408
Year ended 30 June 2005	49 976	80 957
Year ended 30 June 2006	130 459	144 999
Year ended 30 June 2007	258 716	278 366
Year ended 30 June 2008	263 144	311 602
Year ended 30 June 2009	335 185	381 348
Year ended 30 June 2010	382 039	473 491
Year ended 30 June 2011	488 058	-
Net outstanding claims	2 178 354	1 996 524
Claims handling expenses	191 867	177 894
Risk margin	130 362	119 593
Net liability for outstanding claims	2 500 583	2 294 011

**(d) Key assumptions**

The key assumptions used by Finity Consulting Pty Ltd in developing the valuation of the claims liability are the economic assumptions relating to inflation and discount rates and the assumptions relating to the duration and severity of claims. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors. The following key assumptions were used in the measurement of the outstanding claims liability:

	2011	2010
	Percent	Percent
Economic assumptions:		
Inflation rate - income maintenance	3.75	3.60
Inflation - medical, legal and other costs	4.00	3.85
Superimposed inflation rate - medical payments	2.00-6.00	2.00-6.00
Superimposed inflation rate - other	Refer below	
Discount rate	5.50	5.39
Duration and severity of claims	Refer below	
Claims handling expenses	8.50	8.50
Risk margin	5.50	5.50

Superimposed inflation of between 1 percent and 6 percent per annum has been included in relation to hospital, vocational rehabilitation expenditure, travel, recoveries, and some other minor payment types.

Finity Consulting Pty Ltd has made a range of assumptions relating to the projected duration that claimants will remain in receipt of payments and the quantum of those payments having had regard to the particular characteristics of groups of claims including:

- the length of time that a group of claims has been in receipt of payments
- the analysis of past claims experience including the cost of claims.

The valuation of the outstanding claims liability is strongly dependent on the assumptions adopted in relation to the duration of claims and in particular long-term claims.

**(e) Sensitivity to changes in key assumptions**

The sensitivity of the discounted net outstanding claims estimate and profit (loss) impact at the 65th percentile (ie after allowing for the risk margin) to changes in key assumptions is shown in the following table:

(e) <i>Sensitivity to changes in key assumptions (continued)</i>	Increase (Decrease) in net assets \$'million	Percentage of net liability
Economic and modelling assumptions:		
Increase in inflation rates by 1 percent	194	7.8
(Increase) in discount rate by 1 percent	(172)	(6.9)
Duration and severity of claims:		
Increase in assumed average lump sum payment for claimants entitled to such payments by 10 percent	19	0.8
Increase in assumed lifetime income maintenance payments by 10 percent for claims less than three years old	80	3.5
Increase in assumed other payments by 10 percent for claims less than three years old	39	1.7
Increase in assumed income maintenance payments by 10 percent for claims more than three years old	64	2.8
Increase in assumed other payments by 10 percent for claims more than three years old	35	1.5

In conducting its valuation, Finity Consulting Pty Ltd modelled a number of scenarios under which the assumptions related to the long-term exit rates or the impact of the introduction of the provisions of the *Workers Rehabilitation and Compensation (Scheme Review) Amendment Act 2008* differed from those used in the valuation. Under those scenarios the total value of the liability differed from the central estimate by the order of up to plus or minus \$115 million. These scenarios do not reflect either the maximum or minimum increase in the liability but reflect a range of likely scenarios.

The selection of the probability of sufficiency has a material impact on the valuation of the outstanding claims liability. The impact on the outstanding claims liability of adopting a 75 percent probability is shown in the following table:

	2011 \$'million	2010 \$'million
Increase in net outstanding claims liability at 75 percent probability of sufficiency	113.8	104.4

#### 19. Outstanding claims liability - other funds

(a) <i>Outstanding claims - SRF and IAF</i>	SRF	IAF	Combined	
	\$'000	\$'000	2011 \$'000	2010 \$'000
Open claims	1 169	-	1 169	1 823
Total incurred but not yet reported (IBNR)	57 638	332	57 970	77 827
Claims handling expenses	4 705	27	4 732	5 575
Central estimate	63 512	359	63 871	85 225
Risk margin	15 632	90	15 722	16 756
Total outstanding claims liability	79 144	449	79 593	101 981

The value of the claims liability is determined by WorkCoverSA following an independent actuarial valuation by Finity Consulting Pty Ltd. The claims liability estimate is based on a central estimate and includes a risk margin to bring the estimate of claims to a 65 percent probability of sufficiency.

The IBNR component is primarily made up of the estimated liability of the funds for asbestos related disease claims that will be made after 30 June 2011 due to exposure prior to 30 June 2011. Due to the latent nature of the disease there is a significant delay between the time of injury and reporting of the claim. Relatively few claims have been notified at the date of adopting these financial statements. The generally accepted opinion is that this delay is in the order of 40 years on average.

The asbestos related disease IBNR component was estimated by Finity Consulting Pty Ltd based on:

- forecast total future claim numbers derived by fitting projection models to the SRF/IAF claims data by disease recognising the varying nature of the exposure for different claims
- forecasts of average claim costs derived from analysis of SRF/IAF claims data, external data and information obtained from discussion with key parties. This analysis was based on disease type, size of claim and legal costs, adjusted to allow for the timing of claim payments and for future claims inflation, discounted to their present value.

**(b) Movement in liability - SRF and IAF**

	2011	SRF	Change	2011	IAF	Change
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Asbestos related:						
Reported	543	1 123	(580)	-	-	-
IBNR/Re-opened claims	57 218	76 847	(19 629)	332	477	(145)
	57 761	77 970	(20 209)	332	477	(145)
Non-asbestos related:						
Reported	626	700	(74)	-	-	-
IBNR/Re-opened claims	420	503	(83)	-	-	-
	1 046	1 203	(157)	-	-	-
Central estimate	58 807	79 173	(20 366)	332	477	(145)
Claims handling expenses	4 705	5 542	(837)	27	33	(6)
Risk margin	15 632	16 654	(1 022)	90	102	(12)
Total outstanding claims liability	79 144	101 369	(22 225)	449	612	(163)

**(c) Key assumptions**

The key assumptions used in developing the estimate of the outstanding claims liability include economic assumptions relating to inflation and discount rates, the assumptions relating to severity of claims and the assumptions used to estimate the level of claims incurred but not reported. The key assumptions have been developed through the actuarial analysis of historic trends in conjunction with analysis of current and likely future economic factors.

The following key assumptions were used in this valuation of the outstanding claims liability as at 30 June 2011 shown together with those used at 30 June 2010 for comparison:

	2011	2010
	Percent	Percent
Inflation rate:		
Asbestos claims	6.0	5.9
Non-asbestos claims	4.0	3.9
Discount rate:		
Asbestos IBNR	5.6	5.6
Other	5.6	5.6
Claims handling expenses	8.0	7.0
Risk margin:		
Reported claims	5.5	5.2
IBNR claims	25.0	20.0

The significant assumptions underpinning the asbestos related disease IBNR are that the propensity to claim and the basis for compensating claims remain similar to the current situation, specifically:

- the number of diagnosed incidents of asbestos related disease continues to develop in line with past trends
- the proportion of incidents compensated by the funds remains similar to current levels but with an allowance for an increase in the proportion of claims which revert to the SRF from uninsured and insolvent employers
- there are no additional failures of insurance companies.

**(d) Sensitivity to changes in key assumptions - SRF and IAF**

The key sensitivity for the SRF and the IAF is in relation to the ultimate value of the IBNR for asbestos related claims.

**(e) Mining and Quarrying Industries Fund - silicosis liability**

As at 30 June 1989 the balance of the Silicosis Fund established under the repealed Act was transferred to WorkCoverSA under the Mining and Quarrying Industries Fund established for that purpose. At 30 June 2010 Finity Consulting Pty Ltd estimated the extent of the existing and prospective liabilities for the Silicosis Scheme under the repealed Act as being \$100 000.



<i>(f) Summary of other funds</i>	2011	2010
	\$'000	\$'000
Statutory Reserve Fund	79 144	101 369
Insurance Assistance Fund	449	612
Mining and Quarrying Industries Fund	100	100
Liability for outstanding claims	<u>79 693</u>	<u>102 081</u>
Current	1 895	3 072
Non-current	77 798	99 009
Liability for outstanding claims	<u>79 693</u>	<u>102 081</u>
Change in liability for outstanding claims	<u>(22 388)</u>	<u>9 072</u>

20. Employee benefits	Compensation		WorkCoverSA	
<i>(a) Liability for employee benefits</i>	Fund	Other funds	2011	2010
Current:	\$'000	\$'000	\$'000	\$'000
Annual leave	1 994	-	1 994	2 101
Long service leave	2 525	-	2 525	2 381
	<u>4 519</u>	<u>-</u>	<u>4 519</u>	<u>4 482</u>
Non-current:				
Recognised liability for defined benefit obligations	9 099	-	9 099	9 069
Long service leave	720	-	720	709
	<u>9 819</u>	<u>-</u>	<u>9 819</u>	<u>9 778</u>
Total employee benefits	<u>14 338</u>	<u>-</u>	<u>14 338</u>	<u>14 260</u>

The total current and non-current employee benefits including related on-costs for 2011 is \$4.866 million and \$9.859 million respectively.

<i>(b) Liability for defined benefit obligations</i>				
Net liability for defined benefit obligations at 1 July	(9 069)	-	(9 069)	(8 688)
Contributions received	713	-	713	730
Expenses recognised in the Statement of Comprehensive Income	(743)	-	(743)	(1 111)
Net liability for defined benefit obligations at 30 June	<u>(9 099)</u>	<u>-</u>	<u>(9 099)</u>	<u>(9 069)</u>
Amounts reflected in the Statement of Financial Position				
Assets	13 462	-	13 462	13 343
Liabilities	(22 561)	-	(22 561)	(22 412)
Net liability	<u>(9 099)</u>	<u>-</u>	<u>(9 099)</u>	<u>(9 069)</u>

*(c)* Changes in the present value of the defined benefit obligation are as follows:

Opening fair value of fund assets	13 343	-	13 343	12 157
Expected return	886	-	886	840
Actuarial gains (losses)	592	-	592	655
Contribution by employer	713	-	713	730
Benefits paid	(2 072)	-	(2 072)	(1 039)
Closing fair value of fund assets	<u>13 462</u>	<u>-</u>	<u>13 462</u>	<u>13 343</u>
Opening liabilities	22 412	-	22 412	20 845
Service cost	255	-	255	265
Interest cost	1 152	-	1 152	1 156
Actuarial gains (losses)	814	-	814	1 185
Expected benefits	(2 072)	-	(2 072)	(1 039)
Closing liabilities	<u>22 561</u>	<u>-</u>	<u>22 561</u>	<u>22 412</u>

Employees who participate in the Defined Benefit Superannuation Fund are deemed to be members of the defined benefit categories of the State Superannuation Scheme. The defined benefit superannuation fund has been closed to new members since May 1994.

(c) Changes in the present value of the defined benefit obligation (continued)

The State Superannuation Scheme's assets are under the Funds SA's management and invested in its Growth Sector Fund. The Growth Sector Fund was created on 1 April 2005. The net market value of individual assets or portfolios that comprise the Growth Sector Fund may vary from time to time due to movements in financial markets and/or capital placements and redemptions made in accordance with investment strategy. Funds SA's uses external fund managers to manage its growth portfolio. The investments are in wholesale pooled unit trusts or managed funds offered by each manager.

(d) Expenses recognised in the Statement of Comprehensive Income

	Note	WorkCoverSA	
		2011 \$'000	2010 \$'000
Current service costs		255	265
Interest cost		1 152	1 156
Expected return on plan assets		(886)	(840)
Actuarial losses		222	530
		<u>743</u>	<u>1 111</u>
The expense is recognised in the following lines of the Statement of Comprehensive Income:			
Employee benefit expenses	9	1 629	1 951
Other income	8	(886)	(840)
		<u>743</u>	<u>1 111</u>

WorkCoverSA expects to contribute \$704 240 to the Defined Benefit Superannuation Fund in the 2011-12 financial year.

(e) Defined contributions plans

WorkCoverSA makes contributions to the various superannuation schemes as defined contributions. The amount recognised as an expense was \$2 million (\$1.8 million).

(f) Actuarial assumptions

	2011 Percent	2010 Percent
Discount rate at 30 June	5.3	5.3
Expected return on plan assets at 1 July	7.0	7.0
Salary increases	4.0	4.0
Inflation	2.5	2.5

Assumptions regarding future mortality are based on published statistics and mortality tables.

(g) Historical information

	2011 \$'000	2010 \$'000	2009 \$'000	2008 \$'000	2007 \$'000
Present value of defined benefit obligation	(22 561)	(22 412)	(20 845)	(20 037)	(19 750)
Fair value of plan assets	13 462	13 343	12 157	15 567	18 824
Deficit in the plan	<u>(9 099)</u>	<u>(9 069)</u>	<u>(8 688)</u>	<u>(4 470)</u>	<u>(926)</u>

21. Provisions

	Surplus		WorkCoverSA	
	Redundancies \$'000	leased space \$'000	2011 \$'000	2010 \$'000
Balance at 1 July	641	141	782	638
Provisions made during the year	807	-	807	641
Provisions used during the year	(354)	(78)	(432)	(497)
Provisions reversed during the year	(287)	-	(287)	-
Balance at 30 June	<u>807</u>	<u>63</u>	<u>870</u>	<u>782</u>

(a) Redundancies

The provision relates to redundancies arising from internal restructuring activities decided upon prior to 30 June 2011. The redundancy provision is calculated in accordance with the WorkCoverSA Award and Certified Agreement. WorkCoverSA expects to extinguish the liability within the next 12 months.

(b) Surplus leased space

The provision relates to the present value of future payments for surplus leased space under a non-cancellable operating lease.

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

	Compensation		WorkCoverSA	
	Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Comprehensive result	(1 757)	32 002	30 245	77 189
Depreciation	803	-	803	869
Amortisation	4 438	-	4 438	731
Net loss (profit) on disposal of non-current assets	9	-	9	(4)
Investment loss (profit)	(129 417)	(12 271)	(141 688)	(140 187)
Interest received	26 767	3 019	29 786	22 631
Dividends received	31 838	2 538	34 376	29 840
Increase (Decrease) in creditors	(13 659)	103	(13 556)	(9 967)
Decrease (Increase) in receivables	40 605	(38)	40 567	40 633
Increase (Decrease) in unearned levies	249	-	249	829
Increase (Decrease) in outstanding claims liability	188 168	(22 388)	165 780	112 742
Increase (Decrease) in provisions	88	-	88	144
Increase (Decrease) in employee benefits	78	-	78	744
Net cash provided by (used in) operating activities	148 210	2 965	151 175	136 194

**23. Related parties transactions**

In relation to Ms S De Poi, a company in which she has an interest, De Poi Consulting Pty Ltd, has a current contract with WorkCoverSA for the provision of rehabilitation services and medical expert services as directed by WorkCoverSA's claims agents. The value of the payments during the year ended 30 June 2011 was \$8.4 million including GST (\$5.9 million). Of the \$8.4 million paid to De Poi Consulting Pty Ltd, \$6 million was for rehabilitation services and \$2.4 million was for medical expert services. The terms and conditions of the transactions were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-board member related entities on an arm's length basis.

In relation to Mr P Vaughan, the Chief Executive of Business SA, WorkCoverSA has a current contract with Business SA for the provision of representative services. WorkCoverSA employees also attend Business SA training courses. The value of the payments for services during the year ended 30 June 2011 was \$415 893 including GST (\$167 620). Business SA provides sponsorship of WorkCoverSA's Return to Work Awards and Annual Conference. The value of payments received during the year ended 30 June 2011 was \$5500 including GST (\$4400). Mr Vaughan is also a state councillor on the Council for Economic Development of Australia of which WorkCoverSA is a member. The value of the payments for WorkCoverSA's membership during the year ended 30 June 2011 was \$4400 including GST (n/a). The terms and conditions of the transactions were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-board member related entities on an arm's length basis.

In relation to Mr P Malinauskas, an employee of the Shop Distributive and Allied Employees Association, WorkCoverSA has a current contract with Shop Distributive and Allied Employees Association for the provision of services. The value of the payments for services during the year ended 30 June 2011 was \$450 including GST (n/a). Shop Distributive and Allied Employees Association provides sponsorship of the WorkCoverSA Return to Work Awards. The value of payments received during the year ended 30 June 2011 was \$2750 including GST (\$2750). The terms and conditions of the transactions were no more favourable than those available or which might reasonably be expected to be available, on similar transactions to non-board member related entities on an arm's length basis.

Board member related entities pay levies in accordance with the WRCA. Apart from the details disclosed in this note, no board member has entered into a material contract with WorkCoverSA since the end of the previous financial year and there were no material contracts involving Board Members' interests existing at year end.

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

Members that were entitled to receive remuneration for membership during the 2011 financial year were:

Member	Appointed/ Resigned	Board	Workplace Injury & Scheme Performance Committee	Investments, Levies and WorkCover Finance Committee	Audit and Risk Committee	Human Resources Committee
Mr P Bentley		Chair	Chair	Member	-	-
Ms S De Poi		Member	Member	Member	-	-
Mr P Malinauskas		Member	-	Member	-	Member
Mr T Phillips	Resigned 7 August 2010	Member	-	-	-	-

**24. Remuneration of board and committee members (continued)**

<i>Member</i>	<i>Appointed/ Resigned</i>	<i>Board</i>	<i>Workplace Injury &amp; Scheme Performance Committee</i>	<i>Investments, Levies and WorkCover Finance Committee</i>	<i>Audit and Risk Committee</i>	<i>Human Resources Committee</i>
Ms B Rajkowska	Resigned 6 August 2010	Member	-	-	-	-
Ms T Scheer	Resigned 21 October 2010	Member	-	-	-	-
Mr P Vaughan		Member	Member	-	-	Chair
Mr J Watson		Member	Member	-	Member	-
Ms J Yuile		Member	-	-	Chair	-
Ms N Buddle	Appointed 7 August 2010	Member	-	Chair	-	Member
Ms J Denley	Appointed 7 August 2010	Member	Member	-	Member	Member
Mr D White	Appointed 25 November 2010	Member	-	Member	Member	-

The Board agreed to form the Investments, Levies and WorkCover Finance Committee on 23 September 2010.

The Board agreed to discontinue the Regulations Review Committee (Ms B Rajkowska (Chair), Mr P Bentley, Ms S De Poi, Ms T Scheer and Mr J Watson) as at 30 June 2010 and transfer their responsibilities to the full board.

The number of members whose remuneration received and receivable falls within the following bands:	2011 Number	2010 Number
\$1 - \$9 999	2	-
\$10 000 - \$19 999	1	-
\$20 000 - \$29 999	1	-
\$40 000 - \$49 999	4	1
\$50 000 - \$59 999	3	5
\$70 000 - \$79 999	-	1
\$80 000 - \$89 999	-	1
\$90 000 - \$99 999	1	-
\$100 000 - \$109 999	-	1

The total remuneration received and receivable by board members was \$488 659 (\$564 636) which includes superannuation contributions.

The Workers Rehabilitation and Advisory Committee is established under the WRCA and gives advice direct to the Minister and not the Board. The members remuneration paid/payable was \$26 872 (\$28 153) in total for the year ending 30 June 2011. Current members are J Watson, D Black, A Costa, T Earls, D Frith, V Lecky, N Morris, S Myatt and J Szakacs. Remuneration for this Committee is not included in the member remuneration table above.

**25. Commitments**

WorkCoverSA has entered into agreements to lease office accommodation and motor vehicles for terms in excess of one year. The aggregate non-cancellable lease commitments not provided for in the financial statements, were as follows:

	Other	Office	Motor	2011	Other	Office	Motor	2010
	\$'000	leases	vehicles	Total	\$'000	leases	vehicles	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within one year	964	3 832	305	5 101	1 207	3 511	279	4 997
Later than one year but not longer than five years	-	7 735	465	8 200	205	3 634	183	4 022
Later than five years	-	14 135	-	14 135	-	-	-	-
	964	25 702	770	27 436	1 412	7 145	462	9 019

WorkCoverSA leases property under non-cancellable operating leases expiring from one to 10 years. Leases provide WorkCoverSA with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the CPI.

WorkCoverSA leases motor vehicles under non-cancellable operating leases expiring from between one to three years.

Other commitments relate to expenditure on the Return to Work Fund initiative. WorkCoverSA established the \$15 million Return to Work Fund initiative to implement initiatives that contribute to the improved return of injured workers to work. The amounts above represent known future funding commitments.

**26. Self-insured employer financial guarantees**

Under section 60 of the WRCA, WorkCoverSA administers financial guarantees lodged by self-insured employers. As at 30 June 2011, WorkCoverSA held security to the value of \$341 million in financial guarantees for self-insured employers. These guarantees are held in trust for the purpose of extinguishing the claim liabilities under the WRCA of the self-insured employer in the event of that employer no longer being able to meet these liabilities.

**27. Contingent liabilities**

The SRF and the IAF have exposure to claims in failed insurance companies and uninsured insolvent employers. No specific allowance is made in the claims provision for future new insolvencies. The SRF and the IAF have exposures to claims for asbestos related injuries incurred until 30 September 1987. The outstanding claims liabilities for the SRF and IAF Funds were estimated, including an IBNR component, on the basis of claims reported to date. There are inherent uncertainties associated with estimating the outstanding claims liability for asbestos related diseases as set out in note 19. If at any time the SRF and IAF are unable to meet their liabilities, the Compensation Fund is obliged to provide financial support to enable them to do so.

WorkCoverSA has a number of legal cases pending with the Workers Compensation Tribunal. At the time of this report the outcome of these cases is not known and the effects are not quantifiable.

**28. Funding ratio**

The Board approved policy requires a funding range of 90 percent to 110 percent with any shortfall in funding to be recovered over a Board approved time frame. The unfunded position at June 2011 with prior year comparative figures is provided below:

	Compensation		WorkCoverSA	
	Fund \$'000	Other funds \$'000	2011 \$'000	2010 \$'000
Funded (unfunded) position	(999 091)	47 363	(951 728)	(981 973)
Funding percentage	62.0	159.4	64.8	61.5

The mechanism for managing the funding position is the average levy rate. Each year the average levy rate is reviewed and future projections of scheme liability and cost are analysed to determine the most appropriate average levy rate to achieve WorkCoverSA's desired long-term funding policy. A component of average levy rate is an allowance to recoup the unfunded position.

The Board has considered the following matters in preparing the financial statements on a going concern basis:

- the long-term view of the funding position
- WorkCoverSA retains sufficient funds to meet current expenditure for both claim payments and operating costs
- WorkCoverSA continues to manage its funding position through the average levy rate by setting that rate at a level which includes a contribution to the recovery of the unfunded position and this rate is assessed each year.

**29. Transactions with SA Government**

The table below details the transactions with SA Government departments and agencies for the financial years ending 30 June 2011 and 2010.

	Revenue \$'000	Expenses \$'000	Assets \$'000	Liabilities \$'000
<b>2011</b>				
Government	7 701	33 178	31	15 708
Non-government	753 034	697 312	1 754 175	2 690 226
	<u>760 735</u>	<u>730 490</u>	<u>1 754 206</u>	<u>2 705 934</u>
<b>2010</b>				
Government	10 104	30 011	222	12 521
Non-government	782 723	685 627	1 571 100	2 540 774
	<u>792 827</u>	<u>715 638</u>	<u>1 571 322</u>	<u>2 553 295</u>

**30. Events after the reporting period****Investment portfolio**

There have been no events after the reporting period which would have a material effect on WorkCoverSA's financial statements at 30 June 2011.



**APPENDIX TO**  
**AUDITOR-GENERAL'S**  
**ANNUAL REPORT**

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**TREASURER'S**  
**FINANCIAL STATEMENTS**

**(Pursuant to section 22 of the Public Finance and Audit Act 1987)**

**2010-11**

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**STATEMENT A**

SUMMARY OF THE CONSOLIDATED  
ACCOUNT FOR THE YEAR ENDED 30 JUNE 2011  
(Section 22 (a) (i) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	Budget \$	Actual \$
<b>RECEIPTS</b>		
Taxation	3 584 616 000	3 515 760 729
Commonwealth general purpose grants	4 411 925 000	4 251 511 765
Commonwealth specific purpose grants	1 590 453 000	1 523 285 263
Commonwealth National Partnership payments	35 485 000	39 159 836
Contributions from state undertakings	385 443 000	439 059 475
Fees and charges	360 351 000	352 296 322
Recoveries	60 014 000	133 528 250
Royalties	160 934 000	155 971 904
Other receipts	372 016 000	240 563 220
<b>Total Receipts</b>	<b>10 961 237 000</b>	<b>10 651 136 764</b>
<b>PAYMENTS</b>		
Appropriation Act	12 482 308 000	12 320 509 756
Specific appropriation authorised in various Acts	131 998 000	110 045 966
<b>Total Payments</b>	<b>12 614 306 000</b>	<b>12 430 555 722</b>
<b>CONSOLIDATED ACCOUNT FINANCING REQUIREMENT</b>	<b>1 653 069 000</b>	<b>1 779 418 958</b>

The deficit for 2010-11 has been funded by borrowings from the SA Government Financing Authority, pursuant to section 16(2) of the *Public Finance and Audit Act 1987*, increasing the level of debt serviced from the Consolidated Account.

J. J. SNELLING, Treasurer



## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS  
TO THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA  
FOR THE YEAR ENDED 30 JUNE 2011  
(Section 22 (a) (i) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	Budget 2010-11	Actual 2010-11
RECEIPTS	\$	\$
TAXATION		
Payroll Tax	1 133 500 000	1 145 677 634
Commonwealth Places Mirror Payroll Tax <sup>(a)</sup>	19 800 000	20 042 900
Stamp Duties	1 421 635 000	1 321 102 658
Commonwealth Places Mirror Stamp Duties <sup>(a)</sup>	300 000	362 652
Land Tax	570 723 000	595 885 059
Commonwealth Places Mirror Land Tax <sup>(a)</sup>	1 600 000	1 396 565
Other Taxes on Property	10 000	67 329
Save the River Murray Levy	24 600 000	25 035 831
Gaming Machines Tax	305 300 000	291 558 717
Contribution from Lotteries Commission of South Australia	75 929 000	85 230 820
Contribution from Casino Operations	23 000 000	21 218 807
Contribution from South Australian Totalizator Agency Board	5 200 000	5 216 054
Contribution from On-course Totalizators, Bookmakers and Small Lotteries	2 819 000	2 965 703
Recoup from Recreation and Sport Fund	200 000	—
Total Taxation Receipts	<u>3 584 616 000</u>	<u>3 515 760 729</u>
COMMONWEALTH GENERAL PURPOSE GRANTS		
GST Revenue Grants	4 411 925 000	4 251 511 765
Total Commonwealth General Purpose Payments	<u>4 411 925 000</u>	<u>4 251 511 765</u>
COMMONWEALTH SPECIFIC PURPOSE GRANTS <sup>(b)</sup>		
Council of Australian Governments funding arrangements	1 590 453 000	1 523 285 263
Total Commonwealth Specific Purpose Payments	<u>1 590 453 000</u>	<u>1 523 285 263</u>

(a) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the state.

(b) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.

## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS  
TO THE CONSOLIDATED ACCOUNT, 2010-11 — *continued*

	Budget 2010-11	Actual 2010-11
RECEIPTS — <i>continued</i>	\$	\$
COMMONWEALTH NATIONAL PARTNERSHIP PAYMENTS <sup>(c)</sup>		
Concessions to Pensioners and Others	24 573 000	24 186 000
First Home Owners Boost	10 912 000	13 975 500
Digital Regions Initiative	—	506 693
National Reciprocal Transport Concession	—	387 043
SA Ambulance Mobile Connect Project	—	104 600
Total Commonwealth National Partnership Payments	35 485 000	39 159 836
CONTRIBUTIONS FROM STATE UNDERTAKINGS		
Arrangements with private electricity entities —		
Local Government Rate Equivalent	214 000	213 941
Austraining Pty Ltd —		
Dividend	—	285 429
Income Tax Equivalent	—	280 905
Defence SA —		
Local Government Rate Equivalent	213 000	2 778
Department for Transport, Energy and Infrastructure —		
Income Tax Equivalent	3 002 000	3 453 806
Local Government Rate Equivalent	824 000	1 164 745
Flinders Ports —		
Payment in Lieu	—	2 169 902
ForestrySA —		
Dividend	29 237 000	26 516 000
Income Tax Equivalent	13 503 000	13 154 607
Funds SA —		
Local Government Rate Equivalent	179 000	186 043
HomeStart Finance —		
Dividend	9 173 000	7 329 108
Income Tax Equivalent	4 372 000	4 664 516
Land Management Corporation —		
Dividend	49 602 000	12 757 000
Income Tax Equivalent	16 643 000	11 261 000
Local Government Rate Equivalent	570 000	743 787
Lotteries Commission of South Australia —		
Income Tax Equivalent	6 399 000	8 899 081
Local Government Rate Equivalent	5 000	5 660

(c) Refers only to National Partnership payments that are paid to the Consolidated Account. The remainder of National Partnership payments are paid into the Intergovernmental Agreement on Federal Financial Relations special deposit account for subsequent disbursement to the relevant line agencies.

## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS  
TO THE CONSOLIDATED ACCOUNT, 2010-11 — *continued*

	Budget 2010-11	Actual 2010-11
RECEIPTS - <i>continued</i>	\$	\$
CONTRIBUTIONS FROM STATE UNDERTAKINGS - <i>continued</i>		
Public Trustee Office —		
Dividend	1 808 000	—
Income Tax Equivalent	507 000	774 740
South Australian Water Corporation —		
Dividend	104 456 000	169 006 000
Income Tax Equivalent	73 728 000	78 691 321
Local Government Rate Equivalent	1 373 000	1 372 374
South Australian Asset Management Corporation —		
Dividend	4 000 000	4 000 000
South Australian Government Employee Residential Properties —		
Dividend	1 706 000	1 706 000
Income Tax Equivalent	1 462 000	1 718
South Australian Government Financing Authority —		
Dividend	53 449 000	50 000 000
Income Tax Equivalent	8 488 000	18 100 000
South Australian Housing Trust —		
Income Tax Equivalent	—	21 414 000
TransAdelaide —		
Income Tax Equivalent	—	558 000
West Beach Trust —		
Income Tax Equivalent	530 000	347 014
Total Contributions from State Undertakings	385 443 000	439 059 475

## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS  
TO THE CONSOLIDATED ACCOUNT, 2010-11 — *continued*

	Budget 2010-11	Actual 2010-11
RECEIPTS - <i>continued</i>	\$	\$
FEES AND CHARGES <sup>(d)</sup>		
Auditor-General's Department — Fees for audit and other sundry receipts	12 529 000	11 680 210
Court fines	31 179 000	21 042 557
Court regulatory fees	27 136 000	27 907 950
Land and business regulations	2 894 000	6 458 000
Land Services regulatory fees	148 396 000	134 921 662
Department for Water — Natural Resource Management Penalties	—	19 728
Guarantee fees	54 832 000	63 600 943
Infringement Notice Schemes — Expiation fees	81 873 000	86 655 822
Small lotteries	1 412 000	—
Sundry fees	100 000	9 450
Total fees and charges	<u>360 351 000</u>	<u>352 296 322</u>
RECOVERIES		
Automotive Assistance Package	1 150 000	950 000
Child Abuse Protection program — Intrasector grants received	200 000	200 000
Contribution to the cost of private plated vehicles	10 000	625
Essential Services Commission of South Australia	5 468 000	5 526 000
Department for Transport, Energy and Infrastructure — Indentured Ports	4 071 000	552 335
Department for Water — Qualco Sunlands	250 000	250 000
Helicopter service — Recovery of costs and sponsorships	1 020 000	2 254 441
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	2 000 000	2 000 000
Metropolitan Drainage Fund	7 000	—
National Tax Equivalent Program	50 000	9 339
Return of cash to Consolidated Account — Cash Alignment Policy	—	96 556 495
Return of deposit account balances	12 919 000	12 805 868
Return of deposit account balances — Superannuation	30 000 000	9 500 000
Sale of Government Gazette	170 000	115 121
Sundry recoupments	137 000	397 002
Unclaimed monies and personal property	2 562 000	2 411 024
Total recoveries	<u>60 014 000</u>	<u>133 528 250</u>

(d) Refers to only those fees and charges paid to the Consolidated Account.

## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL RECEIPTS  
TO THE CONSOLIDATED ACCOUNT, 2010-11 — *continued*

	Budget 2010-11	Actual 2010-11
RECEIPTS - <i>continued</i>	\$	\$
ROYALTIES		
Department of Primary Industries and Resources	160 934 000	155 971 904
Total Royalties	<u>160 934 000</u>	<u>155 971 904</u>
OTHER RECEIPTS		
Interest —		
Interest on investments	103 713 000	113 348 875
Interest recoveries from general government entities	2 571 000	2 451 664
Interest recoveries from non-commercial public trading enterprises	27 542 000	27 456 205
Interest recoveries from the private sector	54 000	55 250
Repayment of advances —		
Administered items for the Department for Transport, Energy and Infrastructure	209 000	—
Department of Health	872 000	660 883
Department of Primary Industries and Resources	1 000 000	700 000
Minister for Education and Children's Services	—	1 500 000
Renmark Irrigation Trust	116 000	115 531
SA Country Arts Trust	20 000	—
South Australia Housing Trust	193 270 000	65 211 686
South Australia Tourism Commission	50 000	50 258
West Beach Trust	—	2 716 020
Other repayments	—	5 754
Repayment of equity capital contributions —		
Defence SA	7 427 000	1 954 761
Department for Transport, Energy and Infrastructure	—	15 770 000
Other —		
Other recoveries	550 000	420 200
Sale of land and buildings	34 622 000	8 146 133
Total other receipts	<u>372 016 000</u>	<u>240 563 220</u>
TOTAL CONSOLIDATED ACCOUNT RECEIPTS	<u>10 961 237 000</u>	<u>10 651 136 764</u>

## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS  
FROM THE CONSOLIDATED ACCOUNT OF THE GOVERNMENT OF SOUTH AUSTRALIA  
FOR THE YEAR ENDED 30 JUNE 2011  
(Section 22 (a) (i) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)

	Budget 2010-11	Actual 2010-11
PAYMENTS - AUTHORISED BY VARIOUS ACTS	\$	\$
<b>SALARIES AND ALLOWANCES</b>		
Agent-General - Pursuant to Agent-General Act 1901	319 000	120 213
Auditor-General - Pursuant to Public Finance and Audit Act 1987	286 000	291 841
Commissioners of Environment, Resource and Development Court - Pursuant to Remuneration Act 1990	992 000	1 011 165
Commissioner of Police - Pursuant to Police Act 1988	276 000	255 296
State Coroner and Deputy Coroner - Pursuant to Remuneration Act 1990	763 000	798 465
Electoral Commissioner and Deputy Electoral Commissioner - Pursuant to Electoral Act 1985	321 000	361 050
Employee Ombudsman - Pursuant to Fair Work Act 1994	134 000	137 638
Governor - Pursuant to Constitution Act 1934	276 000	286 972
Judges - Pursuant to Remuneration Act 1990 —		
Chief Justice	605 000	601 300
Judges and Masters	21 274 000	22 200 411
Magistrates - Pursuant to Remuneration Act 1990	13 072 000	13 040 592
Members of various standing committees - Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991	687 000	773 521
Ombudsman - Pursuant to Ombudsman Act 1972	315 000	326 726
Parliamentary salaries and electorate other allowances - Pursuant to Parliamentary Remuneration Act 1990		
Ministers, officers and members of parliament	13 111 000	13 355 969
Senior Judge and Judges of the Industrial Relations Court and Commission - Pursuant to Remuneration Act 1990	2 638 000	2 819 827
Solicitor-General - Pursuant to Solicitor-General Act 1972	570 000	529 183
Valuer-General - Pursuant to Valuation of Land Act 1971	121 000	30 482
Total Salaries and Allowances	<u>55 760 000</u>	<u>56 940 651</u>
<b>OTHER</b>		
Compensation for injuries resulting from criminal acts - Pursuant to Victims of Crime Act 2001	7 244 000	7 244 000
Electoral Districts Boundaries Commission - Pursuant to Constitution Act 1934	520 000	—
First Home Owner Grant - Pursuant to First Home Owner Grant Act 2000	68 474 000	45 861 315
Total Other	<u>76 238 000</u>	<u>53 105 315</u>
TOTAL PAYMENTS FOR WHICH SPECIFIC APPROPRIATION IS AUTHORISED IN VARIOUS ACTS	<u><u>131 998 000</u></u>	<u><u>110 045 966</u></u>

## STATEMENT A

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS  
FROM THE CONSOLIDATED ACCOUNT, 2010-11—*continued*

	Budget (Appropriation Act 2010)			Actual <sup>(a)</sup>
	Initial Section 4(1)	Transfers Section 5	Balance	2010-11
	\$	\$	\$	\$
PAYMENTS				
Arts SA	139 101 000	—	139 101 000	134 198 000
Attorney-General's Department	146 381 000	- 436 000	145 945 000	142 713 000
Administered items for the Attorney-General's Department	51 292 000	- 371 000	50 921 000	47 039 000
Auditor-General's Department	13 565 000	—	13 565 000	13 561 000
Courts Administration Authority	86 494 000	30 000	86 524 000	86 882 000
Defence SA	63 550 000	—	63 550 000	47 165 000
Department for Correctional Services	214 234 000	—	214 234 000	210 335 000
Department for Families and Communities	1 218 540 000	305 000	1 218 845 000	1 200 961 000
Administered items for the Department for Families and Communities	157 492 000	—	157 492 000	151 492 000
Department for Transport, Energy and Infrastructure	687 904 000	- 175 000	687 729 000	665 350 000
Administered items for the Department for Transport, Energy and Infrastructure	13 412 000	—	13 412 000	13 146 941
Department for Water	97 793 000	- 49 000	97 744 000	97 744 000
Administered items for the Department for Water	8 469 000	—	8 469 000	7 569 000
Department of Education and Children's Services	2 196 172 000	—	2 196 172 000	2 178 605 000
Administered items for the Department of Education and Children's Services	200 674 000	—	200 674 000	200 461 000
Department of Environment and Natural Resources	136 273 000	8 980 000	145 253 000	144 763 000
Administered items for the Department of Environment and Natural Resources	21 821 000	-9 049 000	12 772 000	14 769 000
Department of Further Education, Employment, Science and Technology	442 078 000	—	442 078 000	391 216 000
Department of Health	3 673 497 000	—	3 673 497 000	3 673 497 000
Department of Planning and Local Government	17 703 000	—	17 703 000	18 604 000
Administered items for the Department of Planning and Local Government	2 510 000	—	2 510 000	2 393 000
Department of Primary Industries and Resources	133 259 000	118 000	133 377 000	130 427 875
Administered items for the Department of Primary Industries and Resources	3 349 000	—	3 349 000	3 349 000
Department of the Premier and Cabinet	132 619 000	647 000	133 266 000	123 792 000
Administered items for the Department of the Premier and Cabinet	11 541 000	—	11 541 000	11 541 000
Department of Trade and Economic Development	61 378 000	—	61 378 000	56 291 000
Department of Treasury and Finance	75 500 000	—	75 500 000	74 622 000
Administered items for the Department of Treasury and Finance	1 703 759 000	—	1 703 759 000	1 732 289 000
Electoral Commission of South Australia	3 221 000	—	3 221 000	3 221 000
Environment Protection Authority	3 686 000	—	3 686 000	2 506 000

(a) Actual payments includes those authorised under other provisions of the *Public Finance Audit Act 1987* (refer to Statement K)

**STATEMENT A**

COMPARATIVE STATEMENT OF THE ESTIMATED AND ACTUAL PAYMENTS  
FROM THE CONSOLIDATED ACCOUNT, 2010-11—*continued*

	Budget (Appropriation Act 2010)			Actual
	Initial Section 4(1)	Transfers Section 5	Balance	2010-11
	\$	\$	\$	\$
<i>PAYMENTS - continued</i>				
House of Assembly	8 034 000	—	8 034 000	6 770 971
Independent Gambling Authority	1 592 000	—	1 592 000	1 592 000
Joint Parliamentary Services	14 402 000	—	14 402 000	10 180 857
Legislative Council	5 134 000	—	5 134 000	4 406 112
Minister for Tourism	4 454 000	—	4 454 000	4 454 000
South Australia Police	673 863 000	—	673 863 000	654 916 000
Administered items for South Australia Police	165 000	—	165 000	165 000
South Australian Tourism Commission	54 515 000	—	54 515 000	54 640 000
State Governor's Establishment	2 882 000	—	2 882 000	2 882 000
Total Payments Appropriated for Public Authorities and Ministers	12 482 308 000	—	12 482 308 000	12 320 509 756
<b>TOTAL CONSOLIDATED ACCOUNT PAYMENTS</b>	<b>12 614 306 000</b>	<b>—</b>	<b>12 614 306 000</b>	<b>12 430 555 722</b>

J. J. SNELLING, Treasurer



**STATEMENT B**

**SUMMARY OF MOVEMENTS OF FUNDS OF THE TREASURER  
DURING THE YEAR ENDED 30 JUNE 2011  
(Section 22 (a) (ii) Public Finance and Audit Act 1987)  
(Prepared on a Cash Basis)**

	2010-11 \$'000	2009-10 \$'000
<b>SOURCE OF FUNDS</b>		
Consolidated Account Receipts —		
Taxation	3 515 761	3 412 000
Commonwealth General Purpose Grants	4 251 512	4 107 162
Commonwealth Specific Purpose Grants	1 523 285	1 461 110
Commonwealth National Partnership Payments	39 160	114 938
Contributions from State Undertakings	439 059	439 196
Fees and Charges	352 296	313 695
Recoveries	133 528	230 656
Royalties	155 972	124 990
Other Receipts	240 563	286 226
<b>Total Receipts</b>	<b>10 651 136</b>	<b>10 489 973</b>
Increase in balance of Special Deposit Accounts	173 203	135 224
Increase in balance of Deposits lodged with the Treasurer	—	67 459
Increase in borrowings from the South Australian Government Financing Authority <sup>(a)</sup>	1 779 419	1 252 314
Decrease in cash at bank	88 641	—
Decrease in deposits by the Treasurer with LGFA	1 600	—
Increase in the value of cheques drawn but not presented / Deposits not credited	9 828	10 102
Decrease in Treasurer's loans to SAFA — payments to be settled <sup>(b)</sup>	45 157	—
	<b>12 748 984</b>	<b>11 955 072</b>
<b>APPLICATION OF FUNDS</b>		
Consolidated Account Payments	12 430 556	11 742 287
Decrease in balance of Deposits lodged with the Treasurer	21 009	—
Increase in cash at bank	—	62 805
Increase in deposits by the Treasurer with SAFA	297 419	125 517
Increase in deposits by the Treasurer with LGFA	—	600
Increase in Treasurer's loans to SAFA — payments to be settled <sup>(b)</sup>	—	23 863
	<b>12 748 984</b>	<b>11 955 072</b>

(a) As reported in Statement A and Statement J, the Consolidated Account deficit for 2010-11 was funded by the Treasurer's borrowings from the South Australian Government Financing Authority.

(b) Payments processed in respect of June transactions for the Treasurer's loans to the South Australian Government Financing Authority were not settled in that month but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

J. J. SNELLING, Treasurer

**STATEMENT C**

FUNDS OF THE TREASURER AS AT 30 JUNE 2011  
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

	2010-11 \$'000	2009-10 \$'000
<b>BALANCE OF FUNDS</b>		
CONSOLIDATED ACCOUNT — see Statement A	—	—
SPECIAL DEPOSIT ACCOUNT BALANCES — see Statement F	2 324 582	2 151 380
DEPOSITS LODGED WITH THE TREASURER — see Statement G	593 831	614 839
CHEQUES DRAWN BUT NOT PRESENTED/ DEPOSITS NOT CREDITED	28 375	18 547
TREASURER'S LOANS TO BE SETTLED <sup>(a)</sup>	- 10 149	- 55 305
	<u>2 936 639</u>	<u>2 729 461</u>
<b>REPRESENTED BY</b>		
CASH AT BANK	127 636	216 276
DEPOSITS WITH SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY — see Statement J	2 768 047	2 470 629
DEPOSITS WITH LOCAL GOVERNMENT FINANCING AUTHORITY OF SA — see Statement E	40 500	42 100
DEPARTMENTAL IMPREST ACCOUNTS — see Statement H	456	456
	<u>2 936 639</u>	<u>2 729 461</u>

(a) Payments processed in respect of June transactions for the Treasurer's Loans to the South Australian Government Financing Authority were not settled in June but recorded as a payable in the Department of Treasury and Finance Administered Items special deposit account.

J. J. SNELLING, Treasurer

**STATEMENT D**

**ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES  
FOR THE YEAR ENDED 30 JUNE 2011 <sup>(a)</sup>  
(Section 22 (a) (iii) Public Finance and Audit Act 1987)**

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PAYMENTS FOR OPERATING ACTIVITIES MADE, AND RECOVERIES IN THE NATURE OF EARNINGS, FEES AND RECOVERIES, IN CARRYING OUT THE VARIOUS STATE FUNCTIONS WERE AS UNDER—

	\$'000	\$'000	\$'000	\$'000
	Payments	Recoveries	Cost	
Department of the Premier and Cabinet	135 333	535	134 798	
State Governor's Establishment	2 882	—	2 882	
Arts SA	114 876	—	114 876	
South Australian Tourism Commission	54 640	—	54 640	
Minister for Tourism	4 454	—	4 454	
Auditor-General's Department	13 561	11 680	1 881	
Department of Treasury and Finance	1 754 280	2 339 912	- 585 632	
Independent Gambling Authority	1 592	—	1 592	
Department of Trade and Economic Development	56 291	—	56 291	
Defence SA	31 874	303	31 571	
Department of Primary Industries and Resources	133 777	—	133 777	
Attorney-General's Department	189 752	2 470	187 282	
Courts Administration Authority	86 882	59 813	27 069	
Department for Correctional Services	197 202	—	197 202	
South Australia Police	596 614	75 587	521 027	
Electoral Commission of South Australia	3 221	29	3 192	
Department of Health	3 420 865	—	3 420 865	
Department for Families and Communities	1 321 927	396	1 321 531	
Department of Education and Children's Services	2 379 066	—	2 379 066	
Department of Further Education, Employment, Science & Technology	391 216	1 137	390 079	
Department of Environment and Natural Resources	159 532	5 137	154 395	
Department for Planning and Local Government	20 997	—	20 997	
Department for Water	105 313	270	105 043	
Environmental Protection Authority	2 398	—	2 398	
Department for Transport, Energy and Infrastructure	247 010	141 542	105 468	
Legislature	21 358	397	20 961	
Payments authorised under various acts	110 046	—	110 046	
<b>Total</b>	<b>11 556 959</b>	<b>2 639 208</b>	<b>8 917 751</b>	

TOTAL NET COST TO CONSOLIDATED ACCOUNT FOR OPERATING ACTIVITIES

8 917 751

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**STATEMENT D - continued**

ABSTRACT OF CONSOLIDATED ACCOUNT RECEIPTS AND PAYMENTS FOR OPERATING ACTIVITIES  
FOR THE YEAR ENDED 30 JUNE 2011 <sup>(a)</sup> —continued  
(Section 22 (a) (iii) Public Finance and Audit Act 1987)

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RECEIPTS FROM THE FOLLOWING SOURCES WERE APPLIED TOWARDS MEETING THE ABOVE NET COST —

	\$'000	\$'000	\$'000
State Taxation —			
Payroll tax	1 145 677		
Stamp duties	1 321 103		
Land tax	595 885		
Commonwealth places mirror tax	21 802		
Save the River Murray Levy	25 036		
Other taxes on property	67		
Gaming machines tax	291 559		
Contribution from Lotteries Commission	85 231		
Contribution from casino operations	21 219		
Contribution from Totalizator Agency Board	5 216		
Contribution from on-course totalizators, bookmakers and small lotteries	2 965		
Total Receipts from State Taxation		3 515 760	
Commonwealth government general purpose grants		4 251 512	
Royalties		155 972	
Total Direct Receipts			7 923 244
LEAVING A DEFICIT ON ACCOUNT OF OPERATING ACTIVITIES FOR THE YEAR OF			- 994 507
THIS WAS INCREASED BY THE NET OF —			
Payments for investing activities		- 865 280	
Payments for financing activities		- 8 317	
Receipts from investing activities		88 685	
			- 784 912
RESULTING IN A CONSOLIDATED ACCOUNT DEFICIT FOR THE YEAR OF			-1 779 419

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(a) This statement meets the requirements of section 22 (a) (iii) of the *Public Finance and Audit Act 1987*, which specifies a statement showing the 'net recurrent cost to the Consolidated Account'. The categorisation of Consolidated Account transactions as recurrent or capital has been replaced with classifications contained in the Generally Accepted Accounting Principles. Consequently amounts described in this statement as operating activities correspond to transactions of a 'recurrent' nature and similarly investing and financing activities correspond to the transactions of a 'capital' nature.

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J. J. SNELLING, Treasurer

## STATEMENT E

### ORGANISATIONS (OTHER THAN THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY) WITH WHICH THE TREASURER HAS INVESTED FUNDS DURING THE YEAR ENDED 30 JUNE 2011

(Section 22 (a) (iv) Public Finance and Audit Act 1987)

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#### Local Government Finance Authority of South Australia

As a result of an agreement between the Local Government Association and the Government, the Local Government Disaster Fund was established in August 1990 to fund assistance to the Stirling Council and to help meet the cost of providing assistance to local authorities which face unusually high expenditures as a result of natural disasters. As part of the arrangements agreed between the Treasurer, the Minister for Local Government Relations and the Local Government Association the majority of the balance in the Fund is invested with the Local Government Finance Authority of South Australia.

At 30 June 2011 the amount invested with the Local Government Finance Authority of South Australia under these arrangements was \$40.5 million.

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J. J. SNELLING, Treasurer

## STATEMENT F

SPECIAL DEPOSIT ACCOUNTS — BALANCES AT 30 JUNE 2011  
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
<b>Interest bearing—</b>	
Adelaide Convention Centre Future Asset Replacement Account	15 712 714
Adelaide Convention Centre Operating Account	17 445 091
Adelaide Dolphin Sanctuary Fund	1 215
Adelaide Stormwater Project	393 098
ANZAC Day Commemoration Fund	31 164
AusLink Advance for Specific Projects Account	2 300 380
Barossa Wine Industry Fund	632 497
Building the Education Revolution	59 078 195
Caring for our Country	706 653
Citrus Growers Fund	21 585
Clare Valley Wine Industry Fund	91 902
Community Emergency Services Fund	2 508 487
Community Road Safety Fund	12 545 410
Country Equalisation Scheme	15 677 472
Dog Fence Fund	192 204
Electricity Sale/Lease Proceeds Account	—
Eyre Peninsula Grain Growers Rail Fund	445 619
Gamblers Rehabilitation Fund	1 452 579
Governors' Pensions Account	14 231
Health, Community and Disability Services Ministerial Council	14 628 147
HHH Builders' Indemnity Assistance Account	1 992 381
Homes for Incurables Trust	441 059
HomeStart Finance Account	3 350 258
Housing Loans Redemption Fund	9 708 729
Indigenous Program for Specific Projects	21 326 843
Judges' Pensions Account	511 883
Local Government Disaster Fund	3 389 497
Murray Futures Fund	14 356 284
National Rail Safety Reform Account	436 749
National Water Initiative Fund	5 221
Olive Industry Fund	14 189
Parliamentary Superannuation Scheme Account	628 440
Playford Centre Operating Account	3 930 443
Police Superannuation Scheme Contribution Account	767 843
Public Trustee Office Operating Account	2 511 214
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	238 809
Rock Lobster Fishing Industry Fund	255 410
Rural Finance Account	32 650 973
Rural Industry Adjustment and Development Fund	21 017 309
SA Grape Growers Industry Fund	230 764
School Loans Scheme	3 114
Shared Services SA	22 931 707
South Australian Aboriginal Heritage Fund	773 313
South Australian Ambulance Superannuation Scheme	1 003 998
South Australian Local Government Grants Commission Account	1 688 718
South Australian Lower Lakes Bioremediation and Revegetation	314 977
South Australian Superannuation Fund Account	8 426 726
Southern State Superannuation Fund Account	14 321 715
Supported Residential Facilities Indemnity Fund	33 615
Victims of Crime Fund	71 473 954
Sub-Total	<u>382 614 778</u>

**STATEMENT F - continued**SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2011 —*continued*  
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
<b>Non-interest bearing—</b>	
Accrual Appropriation Excess Funds	478 518 641
Administrative and Information Services Administered Items Account	—
Administrative and Information Services Operating Account	—
Attorney-General's Administered Items Account	30 020 756
Attorney-General's Operating Account	10 064 281
Auditor-General's Administered Items Account	533 600
Auditor-General's Operating Account	1 255 549
Charitable and Social Welfare Fund	191 093
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	—
Community Development Fund	—
Complementary State Natural Resource Management Program	210 233
Correctional Services Operating Account	9 117 096
Defence SA	17 795 248
Education and Children's Services Administered Items Account	15 692 190
Education and Children's Services Operating Account	55 374 960
Egg Industry Deregulation Account	464 710
Electoral Commission of South Australia Operating Account	2 004 441
Environment and Natural Resources Administered Items Account	1 343 400
Environment and Natural Resources Operating Account	15 077 019
Environment Protection Authority Operating Account	2 996 880
Essential Services Commission of SA	9 476 607
Families and Communities Administered Items Account	32 660 369
Families and Communities Operating Account	42 516 984
Further Education, Employment, Science and Technology Operating Account	5 114 268
Government Workers Rehabilitation and Compensation Fund	3 747 678
Health Administered Items Account	—
Health and Medical Research Fund	10 292 644
Health Operating Account	36 761 620
Highways Fund	313 877 471
Hospitals Fund	—
Industry Financial Assistance Account	30 465 826
Living Murray Fund, The	—
Local Government Concessions – Seniors Cardholders	1 488 132
Local Government Disaster Fund	40 500 000
Minister for Gambling's Responsible Gambling Working Party	320 964
Motor Vehicles – Clearing Account	59 457 318
NRAH Operating Account	—
NRM Alliance Fund	—
Office of Public Employment Operating Account	—
Office of the Venture Capital Board Operating Account	—
Planning and Local Government Operating Account	3 049 622
Planning and Local Government Administered Items Account	778 267
Police and Emergency Services Administered Items Account	9 297 754
Police Operating Account	37 104 725
Premier and Cabinet Administered Items Account	20 200 366
Premier and Cabinet Operating Account	30 339 677
Primary Industries and Resources Administered Items Account	131 968
Primary Industries and Resources Operating Account	25 411 998
Professional Standards Council Fund	—
Sale of Government Land and Property	1 150 338
Save the River Murray Fund	4 816 333
Save the River Murray Voluntary Contributions Fund	4 415

**STATEMENT F - *continued***SPECIAL DEPOSIT ACCOUNTS—BALANCES AT 30 JUNE 2011 —*continued*  
(Section 22 (a) (v) (C) Public Finance and Audit Act 1987)

Account	Balance
	\$
<b>Non-interest bearing—<i>continued</i></b>	
South Australian Electricity Supply Industry Planning Council Operating Account	—
South Australian Film Corporation Unclaimed Investor Returns Account	56 841
Sport and Recreation Fund	3 321 998
State Governor's Establishment Operating Account	161 282
State Procurement Board Account	919 113
Support Services to Parliamentarians	5 472 852
Surplus Cash Working Account	—
Sustainable Budget Commission	484 742
Targeted/Voluntary Separation Package Schemes	3 456
Trade and Economic Development Operating Account	7 099 520
Transport, Energy and Infrastructure Administered Items Account	5 580 345
Transport, Energy and Infrastructure Operating Account	54 636 702
Treasurer's Interest in the National Wine Centre	757 380
Treasury and Finance Administered Items – Intergovernmental Agreement on Federal Financial Relations	209 986 961
Treasury and Finance Administered Items Account	255 073 363
Treasury and Finance Operating Account	27 545 690
Treasury – Working Account	945 315
Water Administered Items Account	4 550 128
Water Operating Account	5 746 413
Sub-Total	<u>1 941 967 542</u>
TOTAL SPECIAL DEPOSIT ACCOUNTS	<u><u>2 324 582 320</u></u>

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 J. J. SNELLING, Treasurer



**STATEMENT F (1)**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Accrual Appropriation Excess Funds	To record all receipts and payments associated with surplus cash balances generated in agencies by the shift to accrual appropriations.
Adelaide Convention Centre Future Asset Replacement Account	To record all receipts and payments associated with surplus cash balances generated by the Adelaide Convention Centre for future asset replacement.
Adelaide Convention Centre Operating Account	To record receipts and disbursements relating to the operation of the Adelaide Convention Centre and borrowings by the Minister of Tourism.
Adelaide Dolphin Sanctuary Fund	To record receipts and payments related to the Adelaide Dolphin Sanctuary Fund in accordance with the <i>Adelaide Dolphin Sanctuary Act 2005</i> .
Adelaide Stormwater Projects Fund	To record the financial activities in relation to the stormwater projects funded jointly by South Australia and the Commonwealth Government's <i>Water for the Future initiative</i> .
Administrative and Information Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Administrative and Information Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
ANZAC Day Commemoration Fund	To record the receipts and payments relating to the ANZAC Day Commemoration Fund in accordance with the <i>ANZAC Day Commemoration Act</i>
Attorney-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Attorney-General's Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auditor-General's Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Auditor-General's Operating Account	To record all activities of the Department (excluding those administered by the Auditor-General's Department) including recurrent expenditure, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Auslink Advance for Specific Projects Account	To record all activities associated with advance funding provided for specific projects by the Commonwealth under the Auslink program.
Barossa Wine Industry Fund	To record receipts and payments relating to the Barossa wine industry in accordance with the <i>Primary Industries Funding Schemes (Barossa Wine Industry Fund) Regulations</i> .
Building the Education Revolution	To record the activities in relation to the Bilateral Agreement on the Nation Building and Jobs Plan (Building the Education Revolution Program) for government school's.

**STATEMENT F (1)—continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Caring for our Country	To receive funds from the Commonwealth, State and other sources for application towards the Caring for our Country Program.
Charitable and Social Welfare Fund	To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to supporting the work of not-for-profit charities and community based social welfare organisations.
Citrus Growers Fund	To receive funds and to make payments as prescribed by the <i>Primary Industries Funding Schemes (Citrus Growers Fund) Regulations 2005</i> .
Clare Valley Wine Industry Fund	To record the receipts and payments relating to the Clare Valley wine industry in accordance with the <i>Primary Industries Funding Schemes (Clare Valley Wine Industry Fund) Regulations</i> .
Commonwealth Mirror Taxes on Commonwealth Places Revenue Account	To receive amounts that are levied pursuant to the <i>Commonwealth Places (Mirror Taxes) Act 1998</i> of the Commonwealth as contemplated by the arrangements entered into by the State and the Commonwealth pursuant to that Act and to the <i>Commonwealth Places (Mirror Taxes Administration) Act 1999</i> of the State, and to deal with those amounts as contemplated by those Acts and arrangements.
Community Development Fund	To record the receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of government health, welfare or education services and financial assistance for non government welfare agencies and community development.
Community Emergency Services Fund	To record all of the activities of the Community Emergency Services Fund as outlined in Parts 3 and 4 of the <i>Emergency Services Funding Act 1998</i> and any amendments as approved by Parliament.
Community Road Safety Fund	To receive revenue derived from anti-speeding devices and other monies approved by both the Minister and the Treasurer and to make payments for road safety programs and policing.
Complementary State Natural Resource Management Program	To receive funds from the Commonwealth, State and other sources for application towards the Complementary State Natural Resources Management Program.
Correctional Services Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Country Equalisation Scheme	To record injections of funds provided from the Consolidated Account, and to make 'refund' payments to electricity retailers in accordance with the Country Equalisation Scheme.
Defence SA	To record all activities of Defence SA including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and borrowings.
Dog Fence Fund	To record receipts and disbursements relating to the operation of the Dog Fence Board.

**STATEMENT F (1)—continued**SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Education and Children's Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments and to receive various Commonwealth grants and to disburse the associated payments.
Education and Children's Services Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.
Egg Industry Deregulation Account	To facilitate all transactions associated with or resulting from deregulation of the Egg Industry and the winding up of the SA Egg Board.
Electoral Commission of South Australia Operating Account	To record all of the activities of the Office and those formerly carried on by the Electoral Department including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Electricity Sale/Lease Proceeds Account	To receive proceeds of sale/lease agreement, sale or lease under the <i>Electricity Corporations (Restructuring and Disposal) Act 1999</i> and other funds as approved by the Treasurer, and to receive interest payments from other interest bearing accounts in which sale/lease agreement proceeds are placed, and to invest those monies and to apply those monies, and income from their investment, towards the retirement of the State debt.
Environment and Natural Resources Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Environment and Natural Resources Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Environment Protection Authority Operating Account	To record all of the activities of the Authority including recurrent and capital expenditures, revenue from various activities, injection of funds provided from Consolidated Account and borrowings.
Essential Services Commission of SA	To record the financial transactions of the Essential Services Commission of South Australia.
Eyre Peninsula Grain Growers Rail Fund	To record all receipts and expenditures related to the Eyre Peninsula Grain Growers Rail Fund as established by the <i>Primary Industry Funding Schemes (Eyre Peninsula Grain Growers Rail Fund) Regulations 2006</i> .
Families and Communities Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Families and Communities Operating Account	To record all activities of the Department including recurrent and capital expenditure, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Further Education, Employment, Science and Technology Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from the Consolidated Account, revenue from various activities, receipt of borrowings and receipt of various Commonwealth grants and associated payments.

**STATEMENT F (1)—continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Gamblers Rehabilitation Fund	To record receipts and disbursements relating to programs for the rehabilitation of addicted gamblers, for counselling such gamblers and their families and for the development of early intervention strategies.
Government Workers Rehabilitation and Compensation Fund	To provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury or disease suffered as a result of work.
Governors' Pensions Account	To record receipts and payments for the Governors' Pensions Scheme.
Health Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Health and Medical Research Fund	To record a portion of receipts from the commercialisation of intellectual property by the Health portfolio and the payments of these funds to support health and medical research activities in South Australia.
Health, Community and Disability Services Ministerial Council	To record receipts and disbursements relating to programs and projects of the Health, Community and Disability Services Ministerial Council.
Health Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Highways Fund	To record all transactions associated with the <i>Highways Act 1926</i> including the receipt of State and Commonwealth funds and expenditure on the construction and maintenance of roads and bridges.
HIH Builders' Indemnity Assistance Account	To account for the expenditure of funds made available from the Budget and from an increase in building work contractor licence fees to assist consumers relying on builders' warranty indemnity insurance with the HIH Group and to cover administrative costs of the assistance scheme.
Homes for Incurables Trust	To record receipts and payments incurred within the terms of the Home for Incurables Trust
HomeStart Finance Account	To provide for the administration of loans under the Home Ownership Made Easy and HomeStart schemes, including the administration of borrowings required to fund the scheme.
Hospitals Fund	To record receipts from the State Lotteries Commission, Totalizator Agency Board and from Stamp Duty on Third Party Insurance policies to be used for the purpose of maintenance, development and improvement of public hospitals, to refund unclaimed dividends from unauthorised Racing Clubs and to make payments to the Racing Clubs and Trotting Clubs for a share of tax on winning bets made with book-makers.
Housing Loans Redemption Fund	Established under the <i>Housing Loans Redemption Fund Act 1962</i> to control amounts received in respect of a low cost insurance scheme established by the South Australian Government, which is administered through various lending authorities.

**STATEMENT F (1)—continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Industry Financial Assistance Account	To record the financial transactions of industry financial assistance administered on behalf of the Treasurer, including operating and financing expenditures, revenues from various activities and injection of funds provided by the Consolidated Account.
Indigenous Program for Specific Projects	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) related to the operation of projects under the <i>Terms and Conditions of Funding Agreement with State/Territory/Local Government Agencies Relating to Indigenous Programs</i> .
Judges' Pensions Account	To record receipts and payments for the Judges' Pensions Scheme.
Living Murray Fund, The	To receive funds and make payments in relation to water recovery measures under the Living Murray initiative, including investments in, and/or received from, other Australian jurisdictions, together with proceeds generated through the temporary trade of water entitlements.
Local Government Concessions – Seniors Cardholders	To administer receipts and payments for Local Government Concessions — Seniors Cardholders.
Local Government Disaster Fund	To record transactions related to the administration of a local government disaster fund in a manner agreed between the Treasurer, the Minister of Local Government and the Local Government Association of South Australia.
Minister for Gambling's Responsible Gambling Working Party	To record the financial transactions related to the operation of the Minister for Gambling's Responsible Gambling Working Party.
Motor Vehicles – Clearing Account	To record the majority of Motor Registration Division receipts pending clearance at the end of each month.
Murray Futures Fund	To record the activities in relation to the projects funded from the Commonwealth Government's Water for the Future initiative.
National Rail Safety Reform Account	To receive revenue associated with the National Rail Safety Reform initiative and to disburse associated payments.
National Water Initiative Fund	To record receipts and expenditure of Commonwealth funds (and associated interest earnings) provided for projects funded from the Australian Government Water Fund, consistent with the funding agreement(s) entered into with the National Water Commission.
NRAH Operating Account	To record financial transactions of the Minister for Health and the Department of Health in respect of the NRAH PPP and financial arrangements associated with the securitisation structure set out in the NRAH PPP Project Documents.
NRM Alliance Fund	To receive funds and make payments in relation to initiatives relating to NRM science, technology and innovation, including investments in, and/or received from the NRM Alliance member organisations, together with proceeds generated through ancillary revenues.
Office of Public Employment Operating Account	To record all of the activities of the Office including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Office of the Venture Capital Board Operating Account	To record all the activities of the Office including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

**STATEMENT F (1)—continued**SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Olive Industry Fund	To record the receipts and payments relating to the Olive Industry in accordance with the <i>Primary Industry Funding Schemes (Olive Industry Fund) Regulations 2009</i> .
Parliamentary Superannuation Scheme Account	To record receipts and payments for the Parliamentary Superannuation Scheme.
Planning and Local Government Operating Account	To record all activities of the Department including operating and investing expenditures, revenue from various activities, injection of funds provided from the Consolidated Account and Borrowings.
Planning and Local Government Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Playford Centre Operating Account	To reflect all financial transactions of the Playford Centre in its objective to encourage development of the information industry in South Australia.
Police and Emergency Services Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Police Operating Account	To record all the activities of the Police Department including operating and investing expenditures, revenues from various activities, injections of funds provided from the Consolidated Account and borrowings.
Police Superannuation Scheme Contribution Account	To record receipts and payments for the Police Superannuation Scheme.
Premier and Cabinet Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Premier and Cabinet Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings and the receipt of Commonwealth funding for the APY Lands and associated payments.
Primary Industries and Resources Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Primary Industries and Resources Operating Account	To record all of the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Professional Standards Council Fund	Record receipts and payments related to the Professional Standards Council as set out in the <i>Professional Standards Act 2004</i> .
Public Trustee Office Operating Account	To record all the business and other activities of the Public Trustee Office including recurrent and capital expenditures, revenue raised from commercial activities, injections of funds provided from the Consolidated Account and borrowings.
Regional Investment Funds (Eyre Peninsula Natural Resources Management Board)	To record the receipt and expenditure of funds received by the Eyre Peninsula Natural Resources Management Board in accordance with the Regional Partnership Agreement.

**STATEMENT F (1)—continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Rock Lobster Fishing Industry Fund	To record the receipts and payments relating to the Rock Lobster industry in accordance with the <i>Primary Industries Funding Schemes (Rock Lobster Fishing Industry Fund) Regulations 2008</i> .
Rural Finance Account	<p>To provide for the administration of separate funds covering -</p> <ul style="list-style-type: none"> <li>· the agreement between the Commonwealth and the States relating to: <ul style="list-style-type: none"> <li>- rural reconstruction entered into on 4 June 1971</li> <li>- rural assistance entered into on 1 January 1977</li> <li>- rural assistance entered into on 1 July 1985</li> <li>- rural assistance entered into on 1 January 1989</li> <li>- rural assistance entered into on 1 January 1993</li> <li>- Marginal Dairy Farms and Dairy Adjustment;</li> </ul> </li> <li>· loans under the Commercial Rural Loans Scheme;</li> <li>· loans made to producer Co-operatives and borrowings required to fund the scheme;</li> </ul> <p>To facilitate the Minister for Primary Industries becoming a unit holder in rural property trusts set up by the State Bank of South Australia to assist farmers on Eyre Peninsula and to make payments to the Rural Industry Adjustment and Development Fund and to make payments from profits on the Commercial Rural Loans Scheme to the Primary Industries Operating Account.</p>
Rural Industry Adjustment and Development Fund	To record receipts and payments authorised by the <i>Rural Industry Adjustment and Development Act 1985</i> .
SA Grape Growers Industry Fund	To record receipts and payments relating to SA grape growers in accordance with the <i>Primary Industries Funding Schemes (SA Grape Growers Industry Fund) Regulations</i> .
SA Lower Lakes Bioremediation and Revegetation	To record the activities in relation to SA's Lower Lakes bioremediation and revegetation projects in accordance with the Commonwealth Government Funding Deed — Bioremediation & Revegetation at South Australia's Lower Lakes.
Sale of Government Land and Property	To record all receipts and payments associated with the sale of Crown lands and other Government land and property.
Save the River Murray Fund	To receive the proceeds of the Save the River Murray Levy via Consolidated Account and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> .
Save the River Murray Voluntary Contributions Fund	To receive voluntary payments and donations in relation to the Save the River Murray Fund and make payments as prescribed by the <i>Waterworks (Save the River Murray Levy) Amendment Act 2003</i> .
School Loans Scheme	To administer loans to schools.
Shared Services SA	To record all of the activities of Shared Services SA including operating and investing expenditure, revenue from various activities, and injections of funds provided from the Consolidated Account and borrowings.
South Australian Aboriginal Heritage Fund	To receive funds from the Commonwealth, State and other sources for application towards the protection and preservation of Aboriginal heritage.
South Australian Ambulance Superannuation Scheme	To record receipts and payments for the South Australian Ambulance Service Superannuation Scheme.

**STATEMENT F (1)—continued**SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
South Australian Electricity Supply Industry Planning Council Operating Account	To record all financial transactions for the South Australian Electricity Supply Industry Planning Council.
South Australian Film Corporation Unclaimed Investor Returns Account	To record all of the activities related to unclaimed investor returns managed by the South Australian Film Corporation.
South Australian Local Government Grants Commission Account	To record all transactions associated with the <i>South Australian Local Government Grants Commission Act 1992</i> including the receipt and payment of Commonwealth funds and expenditure on the administration of the Act.
South Australian Superannuation Fund Account	To record receipts and payments in respect of the South Australian Superannuation Fund.
Southern State Superannuation Fund Account	To record receipts and payments in respect of the Southern State Superannuation Fund.
Sport and Recreation Fund	To record receipts and disbursements associated with the <i>Gaming Machines (Miscellaneous) Amendment Bill 1996</i> relating to the provision of financial assistance to sporting and recreational organisations.
State Governor's Establishment Operating Account.	To record all the activities of the Establishment including recurrent and capital expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
State Procurement Board Account	To record all of the financial transactions associated with the State Procurement Board in accordance with the <i>State Procurement Act 2004</i> .
Supported Residential Facilities Indemnity Fund	To record the revenues and expenses of the Supported Residential Facilities Indemnity Fund.
Support Services to Parliamentarians	To record the financial transactions related to the administration of Support Services to Parliamentarians.
Surplus Cash Working Account	To record the movement of surplus cash to and from agencies' operating accounts, and to the Consolidated Account, in accordance with the requirements of the Cash Alignment Policy.
Sustainable Budget Commission	To record the financial transactions related to the operation of the Sustainable Budget Commission.
Targeted/Voluntary Separation Package Schemes	To administer the costs associated with the Targeted/Voluntary Separation Package Schemes.
Trade and Economic Development Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Transport, Energy and Infrastructure Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Transport, Energy and Infrastructure Operating Account	To record the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings other than those activities recorded in other specific deposit accounts.



**STATEMENT F (1)—continued**

SPECIAL DEPOSIT ACCOUNTS IN OPERATION AT 30 JUNE 2011—continued  
(Section 22 (a) (v) (B) Public Finance and Audit Act 1987)

Account	Purpose
Treasurer's Interest in the National Wine Centre	To record all of the financial transactions associated with the management of the <i>National Wine Centre (Restructuring and Leasing Arrangements) Act 2002</i> including injections of funds from the Consolidated Account.
Treasury and Finance Administered Items – Intergovernmental Agreement on Federal Financial Relations	To receive and disburse money paid to the State pursuant to the Intergovernmental Agreement on Federal Financial Relations for the National SPP purposes listed in Schedule F of that agreement and for the NPP payments for the purposes listed in Schedule G of that agreement.
Treasury and Finance Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Treasury and Finance Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.
Treasury – Working Account	To hold charges incurred by the Agent-General in London for semi-Government and non-Government bodies, to record receipts and payments for small lotteries, to record certain receipts and payments arising from various superannuation arrangements, to record certain interest receipts and payments, to effect accounting adjustments and transfers and to hold amounts in suspense pending determination of appropriate treatment.
Victims of Crime Fund	To provide for the receipt of fines, levies and recoveries from offenders and for payment of compensation/costs to victims of crime and any other payments approved by the Attorney-General as being in the interests of victims of crime.
Water Administered Items Account	To receive administered items appropriation for the Department pursuant to the annual <i>Appropriation Act</i> and to disburse the associated payments.
Water Operating Account	To record all the activities of the Department including operating and investing expenditures, revenue from various activities, injections of funds provided from the Consolidated Account and borrowings.

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J. J. SNELLING, Treasurer

**STATEMENT F (2)**

SPECIAL DEPOSIT ACCOUNTS OPENED DURING THE YEAR ENDED 30 JUNE 2011  
(Section 22 (a) (v) (A) Public Finance and Audit Act 1987)

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Account	Purpose
National Rail Safety Reform Account	To receive revenue associated with the National Rail Safety Reform initiative and to disburse associated payments.
NRAH Operating Account	To record financial transactions of the Minister for Health and the Department of Health in respect of the NRAH PPP and financial arrangements associated with the securitisation structure set out in the NRAH PPP Project Documents.

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J. J. SNELLING, Treasurer

**STATEMENT G**

DEPOSITS LODGED WITH THE TREASURER — BALANCES AT 30 JUNE 2011  
(Section 22 (a) (vi) Public Finance and Audit Act 1987)

The balances listed below represent amounts held by the Treasurer (pursuant to Section 21 of the *Public Finance and Audit Act 1987*) on behalf of various bodies.

Account	Balance
	\$
<b>Interest bearing—</b>	
Adelaide and Mt Lofty Ranges Natural Resources Management Board	9 191 208
Adelaide Festival Centre Trust	7 136 212
Adelaide Hills Wine Industry Fund	171 706
Agents Indemnity Fund	45 246 692
Alinytjara Wilurara Natural Resources Management Board	1 318 088
Aquaculture Resource Management Fund	567 630
Art Gallery Board Bequests Account	2 386 707
Bank of Tokyo-Mitsubishi Account	75 967
Bio Innovation SA	331 573
Boating Administration — Working Account	5 019 095
Botanic Gardens Board Endowment and Commercial Fund	2 933 143
Carrick Hill Trust	529 697
Cattle Compensation Fund	1 422 788
Cooperative Research Centre for Sustainable Aquaculture of Finfish	—
Crown Solicitor's Trust Account	4 536 564
Daniel Livingston Scholarship	34 096
Deer Keepers' Compensation Fund	141 964
Distribution Lessor Corporation Account	26 725
District Court Suitors' Fund	2 701 272
Dog and Cat Management Fund	830 819
Education Department — Scholarships and Prizes	171 039
Employment and Technical and Further Education — College Council Funds	1 414 819
Environment Protection Fund	5 616 375
Eyre Peninsula Natural Resources Management Board	1 148 693
Generation Lessor Corporation Account	34 850
Grains Industry Levy Fund	574 946
History Trust of South Australia	1 638 920
Independent Gambling Authority	2 781 939
Industrial Court Commission	47
Institute of Medical and Veterinary Science	4 035 381
Land Management Corporation	11 658 764
Land Management Corporation — Cheltenham Trust Account	2 771 150
Langhorne Creek Wine Industry Fund	54 555
Legal Practitioners Act	267 371
Libraries Board of South Australia	6 739 920
Local Government Taxation Equivalents Fund	1 792 099
McLaren Vale Wine Industry Fund	235 058
Motor Accident Commission Account	898 113
Museum Board — Bequests Account	1 133 166

**STATEMENT G - continued**DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2011 —*continued*  
(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
<b>Interest bearing—continued</b>	
National Action Plan for Salinity and Water Quality	2 912 075
National Parks General Reserves Account	1 902 401
National Sirex Fund	—
Native Vegetation Fund	7 364 584
Natural Heritage Trust Extension (NHT2)	1 007 279
Natural Resources Management Fund	267 629
Outback Areas Community Development Fund	803 504
Passenger Transport Research and Development Fund	10 802
Phylloxera and Grape Industry Fund	1 411 576
Planning and Development Fund	19 041 259
Pleuro Pneumonia Fund	85 801
Police Superannuation Fund	218 317
Rail Transport Facilitation Fund	41 142 184
Real Property Act Assurance Fund	6 996 032
Real Property Act Trust Account	62 686
Recreational Boating Facilities Fund	9 043 557
RESI Corporation Account	222 853
Residential Tenancies Fund	3 488 167
Retail Shop Leases Fund	321 634
Returned and Services League of Australia - Poppy Day Trust Inc — Enfield Project Account	173 766
Returned and Services League of Australia (South Australian Branch) Incorporated	1 073 536
Riverland Wine Industry Fund	240 189
SA BITS Funds Pty Ltd — Playford Centre Capital	1 197 397
SAFECOM Operating Account	42 316 768
Second-Hand Vehicles Compensation Fund	2 258 942
South Australian Apiary Industry Fund	196 550
South Australian Arid Lands Natural Resources Management Board	4 673 466
South Australian Country Arts Trust	3 801 212
South Australian Forestry Corporation	9 571 772
South Australian Government Financing Authority	16 635 319
South Australian Housing Trust	113 859 544
South Australian Murray Darling Basin Natural Resources Management Board	4 704 513
South Australian Pig Industry Fund	3 107 127
South Australian Sheep Industry Fund	8 263 259
South East Natural Resources Management Board	4 389 518
State Emergency Relief Fund	65 041
State Procurement Board — Gaming Machine Operations	1 324 547
Superannuation Funds Management Corporation Operating Account	7 825 926
Super SA Board	8 845 720
Super SA Retirement Fund	13 044 128
Supreme Court Sutors Fund	35 007 697

**STATEMENT G - continued**

DEPOSITS LODGED WITH THE TREASURER—BALANCES AT 30 JUNE 2011 —*continued*  
(Section 22 (a) (vi) Public Finance and Audit Act 1987)

Account	Balance \$
<b>Interest bearing—continued</b>	
Teachers' Registration Board	5 074 229
TransAdelaide	1 268 877
Transmission Lessor Corporation Account	28 096
Upper South East Dryland Salinity Project	—
Waste to Resources Fund	23 513 495
Wildlife Conservation Fund	213 479
Woods, Bagot, Jory and Laybourne-Smith — National War Memorial Account	1 900
Sub-Total	<u>536 547 504</u>
<b>Non-interest bearing—</b>	
Adelaide Children's Court	3 514
Agriculture — Research and Services Grants	13 142 019
Children's Services Office — Capital Assistance Fund	192 235
Coast Protection Fund	326 921
Companies Liquidation Account	94 244
Contractors' Deposits	75 065
Co-operatives Liquidation Account	64 993
Correctional Services — Prisoners' Monies	480 091
Courts Administration Authority	15 939 355
Extractive Areas Rehabilitation Fund	14 612 828
Fisheries — Research and Development Fund	4 796 637
Metropolitan Drainage Maintenance Fund	37 046
Natural Gas Authority of South Australia	—
Recreation and Sport Fund	1 738 067
Sheriff's Office Account	2 948
South Australian Film Corporation Investors Returns Account	144 215
South Australian Tourism Commission	4 351 953
South Eastern Water Conservation and Drainage Board	80 636
State Heritage Fund	343 262
Unclaimed Salaries and Wages Account	505 097
Workmen's Liens	352 148
Sub-Total	<u>57 283 274</u>
TOTAL DEPOSITS LODGED WITH THE TREASURER	<u><u>593 830 778</u></u>

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J. J. SNELLING, Treasurer

**STATEMENT H****IMPREST ACCOUNTS**

(Section 22 (a) (vii) Public Finance and Audit Act 1987)

These amounts represent monies advanced by the Treasurer to Chief Executive Officers pursuant to Section 9 of the *Public Finance and Audit Act 1987*. Imprest accounts provide funds to meet payments at short notice and are subsequently recovered from departmental monies.

By Whom Held	Agency	Unappropriated Funds Allocated
		\$
Chief Executive	Attorney-General's Department	44 020
Auditor-General	Auditor-General's Department	3 100
Chief Executive	Department of Education and Children's Services	121 000
Electoral Commissioner	Electoral Commission of South Australia	200
Chief Executive	Department for Families and Communities	285 000
Chief Executive	Department of Trade and Economic Development	<u>3 000</u>
TOTAL		<u><u>456 320</u></u>

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J. J. SNELLING, Treasurer

## STATEMENT I

### INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2011 (Section 22 (a) (viii) Public Finance and Audit Act 1987)

As prescribed in Section 22 (a) (viii) of the *Public Finance and Audit Act 1987*, this statement provides details on the total indebtedness of the Treasurer.

Lending arrangements within the South Australian public sector give rise to a direct debt relationship between the South Australian Government Financing Authority (SAFA) and certain public non-financial corporations and the consolidation of general government sector debt with the Treasurer.

As the State's central financing authority, SAFA's main function is to develop and provide a range of borrowing, investment, and other financial services for South Australian public sector entities. The Treasurer has appointed SAFA to manage the portfolio forming the general government sector debt and is in turn indebted to SAFA.

As a result of these arrangements all of the Treasurer's indebtedness is to SAFA and the balance as at 30 June 2011 was \$6 811 million. Details on the management of the Treasurer's debt portfolio can be found in SAFA's Annual Report.

The Consolidated Account is the Treasurer's main operating account and it is through this Account that public monies are received and expended pursuant to the requirements of the *Public Finance and Audit Act 1987*. Each year the Treasurer borrows from SAFA an amount equal to the Consolidated Account financing requirement. If there is a negative Consolidated Account financing requirement then an equivalent amount of the Treasurer's debt to SAFA is repaid.

In 2010-11 the Consolidated Account deficit was \$1 779.4 million and was funded by borrowings of that amount from SAFA.

The indebtedness of the Treasurer to SAFA is serviced from the Consolidated Account and is recovered, in part, from loans provided by the Treasurer to public sector agencies and other bodies as described below. In addition, the Treasurer has provided equity contributions to certain agencies some of which pay dividends to Consolidated Account as shown in Statement A.

The Treasurer's indebtedness to SAFA has been applied in the public accounts as follows:

	2010-11	2009-10
	\$'000	\$'000
<b>Loans to State Government Departments</b>		
Department of Primary Industries and Resources—Rural Loans	4 494	1 380
Department for Transport, Energy and Infrastructure	-	47 761
	4 494	49 141
<b>Loans to Statutory Authorities and Other Bodies</b>		
Flinders Medical Centre	22 572	23 233
Flinders Medical Centre Foundation	5 000	-
Lyrup Village Association	19	25
Minister for Education and Children's Services	-	1 500
Renmark Irrigation Trust	965	1 080
South Australian Cricket Association	30 000	-
South Australian Country Arts Trust	-	15 637
South Australian Housing Trust	556 333	621 545
South Western Suburbs Drainage	1 956	1 956
South Australian Tourism Commission	-	50
West Beach Trust	-	2 716
Woodville, Henley and Grange Drainage	201	201
	617 046	667 943

**STATEMENT I - continued**

INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2011—*continued*  
(Section 22 (a) (viii) Public Finance and Audit Act 1987)

	2010-11	2009-10
	\$'000	\$'000
<b>Equity Contributions</b>		
Adelaide Convention Centre	83 294	77 795
Adelaide Entertainments Corporation	55 536	55 536
Arts SA	45 221	25 899
Department for Correctional Services	13 133	-
Courts Administration Authority	3 140	3 140
Defence SA	376 632	363 296
Distribution Lessor Corporation	28 273	28 273
Electoral Commission of South Australia	1 363	1 363
Environment Protection Authority	3 195	3 087
Forestry SA	4 984	4 984
Generation Lessor Corporation	24 539	24 539
Department for Families and Communities	74 325	43 799
Department of Health	831 445	578 813
Land Management Corporation	35 000	35 000
National Electricity Administrator	93	93
National Electricity Market Management Company	490	490
Department for Planning and Local Government	2 983	2 983
Department of Primary Industries and Resources	1 059	1 059
SA Water Corporation	173 610	173 610
South Australian Asset Management Corporation	716	716
South Australian Film Corporation	8 460	8 460
South Australia Police	73 484	15 017
South Australian Tourism Commission	64	64
State Governor's Establishment	160	160
Department of Treasury and Finance	547	547
Department for Transport, Energy and Infrastructure	998 535	582 818
Department for Water	10 893	10 893
	<u>2 851 174</u>	<u>2 042 434</u>
<b>Other Indebtedness</b>		
Debt associated with prior operations of the Consolidated Account	3 338 112	2 276 379
	<u>6 810 826</u>	<u>5 035 897</u>
<b>TOTAL TREASURER'S INDEBTEDNESS TO SAFA</b>	<u><u>6 810 826</u></u>	<u><u>5 035 897</u></u>

Further information on the Treasurer's indebtedness to SAFA can be found in Statement J – Financial Relationships and Transactions between the Treasurer and the South Australian Government Financing Authority.



**STATEMENT I—continued**INDEBTEDNESS OF THE TREASURER AS AT 30 JUNE 2011—*continued*  
(Section 22 (a) (viii) Public Finance and Audit Act 1987)

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The Treasurer is authorised or required under a number of Acts to guarantee credit arrangements (eg repayment of borrowings) of various bodies. In the event of default, payment is made from the Consolidated Account. There is, therefore, a contingent liability of the Treasurer.

These fall into two main categories:

- general guarantees in respect of the operations of certain statutory bodies; and
- guarantees to assist the development of an industry or service (eg in respect of the indebtedness of companies and individuals pursuant to the *Industries Development Act 1941*).

In addition, the Treasurer may incur contingent liabilities under the *Government Financing Authority Act 1982* arising from SAFA's role in financing the South Australian Public Sector. These liabilities arise as a result of guarantees and indemnities provided, together with swap contracts and forward foreign currency transactions.

The Treasurer has residual liabilities arising from the sale/lease of the State's electricity assets. These liabilities represent prepaid lease rental payments received by the Treasurer on behalf of the Transmission Lessor Corporation, Distribution Lessor Corporation and Generation Lessor Corporation. The Treasurer's liability to the corporations at 30 June 2011 was \$486.8 million. This amount will reduce over the terms of the leases, (up to 200 years), as lease rental revenue is brought to account. No cash payments are anticipated.

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J. J. SNELLING, Treasurer

## STATEMENT J

### FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH AUSTRALIAN GOVERNMENT FINANCING AUTHORITY (Section 22 (a) (ix) Public Finance and Audit Act 1987)

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The South Australian Government Financing Authority (SAFA) is an integral part of the management of the Government's finances. Transactions between SAFA and the Public Accounts are described below —

The indebtedness of the Government to SAFA largely stems from ongoing operations of Government including —

- direct loans from SAFA to the Government;
- indebtedness resulting from the assumption by SAFA of the obligations of the State to the Commonwealth Government under the Financial Agreement, Housing and other Specific Purpose Agreements;
- indebtedness resulting from debt rearrangements within the South Australian Public Sector whereby SAFA is assigned loan assets in return for assuming the associated debt servicing obligations of the South Australian Government; and
- the Government's assumption of obligations of semi-government authorities and Public Sector Financial Institutions for past loans from SAFA.

The overall movement in the Government's indebtedness to SAFA during 2010-11 is summarised as follows—

	\$million
Balance at 30 June 2010	5 036
Add — Consolidated Account borrowings in 2010-11	1 779
Add — Realised loss (net)	4
Less — Repayment of borrowings	8
Balance at 30 June 2011	6 811
Market value at 30 June 2011 <sup>(a)</sup>	6 921

(a) SAFA manages its financial assets and liabilities on a market value basis (net fair value).

Arrangements for the management of cash require that virtually all funds under the control of the Treasurer which are not immediately required, are deposited with SAFA each day on an at call basis. During 2010-11 SAFA paid interest at the Common Public Sector Interest Rate (CPSIR) to the Treasurer in respect of Treasurer's deposits, that earn interest at the CPSIR. In respect of the remaining funds deposited with SAFA, the Treasurer received interest at a rate determined by reference to SAFA's overnight borrowing rate.

At 30 June 2011 the Treasurer's deposit with SAFA was \$2 768 million (SAFA's market valuation \$2 778 million).

Statement C shows details of the Treasurer's cash balances at 30 June 2011 and the form in which those balances were held.

SAFA's 2010-11 operating profit before income tax was \$59.5 million. SAFA operates within the Tax Equivalent Regime (TER) and under this arrangement the amount paid to Consolidated Account in 2010-11, as reported in Statement A, was \$18.1 million.

After taking account of the retained surplus carried forward from previous years and the net loss after tax in 2010-11, the amount of SAFA's surplus potentially available for distribution at 30 June 2011 was \$299.1 million. The Treasurer determined that the distribution for 2010-11 would be \$50 million.

Similar to many other semi-government authorities, SAFA operates a Deposit Account — see Statement G. Any surplus funds otherwise standing to the credit of the account are invested by SAFA each day.

The State unconditionally guarantees all the liabilities of SAFA pursuant to Section 15 of the *Government Financing Authority Act 1982*. The Government does not foresee any circumstances in which the guarantee is likely to be called upon.

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**STATEMENT J - *continued***

FINANCIAL RELATIONSHIPS AND TRANSACTIONS BETWEEN THE TREASURER AND THE SOUTH  
AUSTRALIAN GOVERNMENT FINANCING AUTHORITY —*continued*  
(Section 22 (a) (ix) Public Finance and Audit Act 1987)

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On 1 July 2006 the South Australian Government Insurance Corporation (SAICORP) was amalgamated with SAFA.

As part of the amalgamation arrangements, SAFA assumed the assets and liabilities of the South Australian Government Insurance and Risk Management (SAGIRM) Fund sections 1 and 2. The insurance function of SAFA will operate through two funds, (SAICORP Insurance Fund 1 and 2), specifically established in SAFA's financial accounts to quarantine insurance activities from SAFA's financing and investing activities. SAICORP Insurance Funds 1 and 2 correspond with and reflect the transactions of the former SAGIRM Fund sections 1 and 2 respectively.

With respect to SAICORP Insurance Fund 2, the Treasurer has agreed to indemnify SAFA for the financial outcomes of the Fund to reflect the risks SAFA has assumed on the Treasurer's behalf. At 30 June each year the financial position of Fund 2 will be calculated and the Treasurer will be liable for any deficiency in the Fund. Conversely, SAFA will be liable to pay to the Treasurer any surplus in the Fund. Unless otherwise agreed, either the Treasurer or SAFA will settle their liabilities under this arrangement within 12 months of the relevant financial year.

SAICORP Insurance Fund 2 recorded an operating loss of \$9.5 million in 2010-11. The Treasurer has a net liability to the Fund of \$16.3 million representing the Treasurer's payable of \$9.5 million for 2010-11 in addition to an outstanding liability of \$6.8 million for 2009-10

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J. J. SNELLING, Treasurer

**STATEMENT K**

## STATEMENT OF APPROPRIATION AUTHORITIES

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GOVERNOR'S APPROPRIATION FUND  
(Section 22 (a) (xi) (A) and (B) Public Finance and Audit Act 1987)

---

\$

Maximum amount that could have been appropriated from the Fund in 2010–11 347 000 000

---

Purpose of Appropriation Amounts Issued and Applied

\$

South Australian Tourism Commission 125 000

Department of Planning and Local Government 901 000

Courts Administration Authority 358 000

Administered Items for the Department of Environment and Natural Resources 1 997 000

Joint Parliamentary Services 180 000

TOTAL 3 561 000

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**STATEMENT K - *continued***STATEMENT OF APPROPRIATION AUTHORITIES —*continued*


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**TRANSFERS AUTHORISED PURSUANT TO SECTION 13 OF THE PUBLIC FINANCE AND AUDIT ACT 1987**  
 (Section 22 (a) (xii) Public Finance and Audit Act 1987)
 

---

No transfers were made during 2010-11.

---

**REDUCTIONS AUTHORISED PURSUANT TO SECTION 14 OF THE PUBLIC FINANCE AND AUDIT ACT 1987**  
 (Section 22 (a) (xiv) Public Finance and Audit Act 1987)
 

---

No reductions were made during 2010-11.

---

**APPROPRIATION AUTHORISED PURSUANT TO SECTION 15 OF THE PUBLIC FINANCE AND AUDIT ACT 1987**  
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)
 

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\$

Administered Items for the Department of Treasury and Finance 28 530 000

TOTAL 28 530 000

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**APPROPRIATION AUTHORITIES FOR ACTUAL PAYMENTS FROM THE CONSOLIDATED ACCOUNT, 2010-11**  
 (Section 22 (a) (xiii) Public Finance and Audit Act 1987)
 

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	Appropriation Authority	Actual Payments
	\$	\$
<i>Appropriation Act 2010, Section 4</i>	12 482 308 000	12 288 418 756
<i>Public Finance and Audit Act 1987, Section 15</i>	<u>28 530 000</u>	<u>28 530 000</u>
	12 510 838 000	12 316 948 756
The Governor's Appropriation Fund —		
<i>Public Finance and Audit Act 1987, Section 12</i>	<u>347 000 000</u>	<u>3 561 000</u>
	12 857 838 000	12 320 509 756
Specific appropriation authorised by various Acts	<u>110 045 966</u>	<u>110 045 966</u>
TOTAL	<u>12 967 883 966</u>	<u>12 430 555 722</u>

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 J. J. SNELLING, Treasurer

**STATEMENT L**

STATEMENT OF OTHER TRANSFERS FROM THE ADMINISTERED ITEMS FOR THE DEPARTMENT OF  
TREASURY AND FINANCE FOR THE YEAR ENDED 30 JUNE 2011  
(Section 22 (a) (xiv) Public Finance and Audit Act 1987)

---

Transfers were made to the following agencies:	\$
Department of the Premier and Cabinet	2 817 959
State Governor's Establishment	38 000
Department of Trade and Economic Development	4 464 769
Defence SA	16 000
Department of Treasury and Finance	2 700 490
Administered Items for Department of Treasury and Finance	1 450 500
Department of Planning and Local Government	11 000
Department of Primary Industries and Resources	3 118 457
Department for Transport, Energy and Infrastructure	11 694 630
Attorney-Generals Department	2 412 592
Administered Items for Attorney-Generals Department	16 231 000
Courts Administration Authority	9 000
Department for Correctional Services	1 972 075
South Australia Police	13 419 201
Department of Health	109 981 178
Department of Education and Children's Services	19 876 659
Administered Items for Department of Education and Children's Services	3 624 367
South Australian Tourism Commission	1 247 815
Department of Environment and Natural Resources	3 792 179
Department for Water	5 372 000
Environment Protection Authority	6 000
Department for Families and Communities	10 736 094
Department of Further Education, Employment, Science and Technology	3 472 177
Auditor-General's Department	7 000
Bio Innovation SA	4 000
South Australian Fire and Emergency Services Commission	3 802 370
SACE Board of South Australia	4 000
House of Assembly	58 000
Joint Parliamentary Services	120 000
Legislative Council	39 000
TOTAL	222 498 512

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J. J. SNELLING, Treasurer

# Part B

## Glossary of terms

### Australian Accounting Standards - AASB

Reference	Title
AASB 1	First-time Adoption of Australian Accounting Standards
AASB 2	Share-based Payment
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 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 133	Earnings per Share
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
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 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
TI 14	Ex Gratia Payments
TI 15	Grant Funding
TI 17	Evaluation of and Approvals to Proceed with Public Sector Initiatives
TI 19	Financial Reporting
TI 20	Guarantees and Indemnities
TI 22	Tax Equivalent Payments
TI 23	Management of Foreign Currency Exposures
TI 25	Taxation Policies
TI 28	Financial Management Compliance Program



## Accounting Policy Framework - APF

Reference	Title
APF I	Purpose and Scope
APF II	General Purpose Financial Statements Framework
APF III	Asset Accounting Framework
APF IV	Financial Asset and Liability Framework
APF V	Income Framework
APF VI	Definitions

## Legislation

Reference	Title
ITAA	<i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i>
NRMA	<i>Natural Resources Management Act 2004</i>
PCA	<i>Public Corporations Act 1993</i>
PFAA	<i>Public Finance and Audit Act 1987</i>
PSA	<i>Public Sector Act 2009</i>
WRCA	<i>Workers Rehabilitation and Compensation Act 1986</i>

## Acronyms

Reference	Title
AASs	Australian Accounting Standards <sup>1</sup>
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer processing environment
CPI	Consumer Price Index
DPC	Department of the Premier and Cabinet
DTF	Department of Treasury and Finance
EFT	Electronic funds transfer
FBT	Fringe benefits tax
GST	Goods and services tax
ICT	Information and communications technology
SAFA	South Australian Government Financing Authority
TI	Treasurer's Instruction
TVSP	Targeted voluntary separation package

<sup>1</sup> 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial report relates.



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