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S O U T H   A U S T R A L I A

Report

of the

Auditor-General

Supplementary Report

for the

year ended 30 June 2008

Tabled in the House of Assembly and ordered to be published, 2 June 2009

Third Session, Fifty-First Parliament

Agency Audit Reports and a Matter of Specific Audit Comment

June 2009

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1 June 2009

The Hon R K Sneath, MLC
President
Legislative Council
Parliament House
ADELAIDE SA 5000

The Hon J J Snelling, MP
Speaker
House of Assembly
Parliament House
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Gentlemen

REPORT OF THE AUDITOR-GENERAL: SUPPLEMENTARY REPORT: AGENCY AUDIT REPORTS AND A MATTER OF SEPCIFIC AUDIT COMMENT

Pursuant to section 36(3) of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my Supplementary Report 'Agency Audit Reports and a Matter of Specific Audit Comment June 2009'.

Agency Audit Reports

At the time of submission of my Supplementary Report 'Agency Audit Report November 2008', I indicated I would present the 2007-08 audited financial statements of the Legislature and the Department for Transport, Energy and Infrastructure (DTEI) with related audit commentary, in a further Supplementary Report to Parliament in 2009.

For those agencies that I am required to audit, I issue an Independent Auditor's Report on the financial statements in accordance with professional requirements and standards. The opinion expressed in that report is usually unmodified but where, in my opinion, circumstances so warrant, a modified opinion is expressed.

For the financial year ended 30 June 2008 modified opinions were expressed on the financial statements of the Legislature - Joint Parliamentary Service and DTEI. The Independent Auditor's Reports include explanatory paragraphs clearly describing the reason for issuing a modified opinion. Further, the reason for issuing a modified opinion is described in the commentary on each of these entities in this Report.

A Matter of Specific Audit Comment

Previous Reports to Parliament have included specific comment on matters of concern relating to the implementation of major Information and Communications Technology (ICT) initiatives and systems within this State.

In my Annual Report tabled in Parliament on 14 October 2008, I reported on the failures that resulted in the abandonment of the Maintenance Works System project of the South Australian Housing Trust and the consequences that have resulted from that abandonment. I also advised in that Report that I will continue, where appropriate, to report on matters arising from significant ICT reviews being undertaken by Audit.

During 2007-08, DTEI fully implemented a major and technically complex system called TRUMPS. It provides for the processing and recording of revenue transactions of approximately $1 billion annually, relating to licence and registration fees. The system was subject to Audit review.

In my opinion, the implementation of the TRUMPS system did not adequately address the critical component of financial control, accountability and reconciliation. This component of the system was not fully functional and effective when the system went live. This significant deficiency meant that DTEI did not exercise effective control over the completeness and accuracy of financial transactions processed and recorded by the system during the year. It also led to the modified opinion on the 2007-08 financial report of the Department.

Yours sincerely,

S O'NEILL
AUDITOR-GENERAL

Report of the Auditor-General

Supplementary Report for the year ended 30 June 2008

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NRMA	*Natural Resources Management Act 2004*
PCA	*Public Corporations Act 1993*
PFAA	*Public Finance and Audit Act 1987*
PSM Act	*Public Sector Management Act 1995*
WRCA	*Workers Rehabilitation and Compensation Act 1986*

ACRONYMS

Reference	Title
AASs	Australian Accounting Standards[1]
AGAAP	Australian Generally Accepted Accounting Principles
AIFRS	Australian equivalents to International Financial Reporting Standards
APF	Accounting Policy Framework
APS	Accounting Policy Statement
ATO	Australian Taxation Office
CHRIS	Complete Human Resource Information System
CPE	Computer Processing Environment
FBT	Fringe Benefits Tax
FMF	Financial Management Framework
GST	Goods and Services Tax
ICT	Information and Communications Technology
TI	Treasurer's Instruction
TVSP	Targeted Voluntary Separation Package

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

THE LEGISLATURE

FUNCTIONAL RESPONSIBILITY

Establishment

The Legislature for the purposes of this Report comprises the:

- House of Assembly established under the *Constitution Act 1934*
- Legislative Council established under the *Constitution Act 1934*
- Joint Parliamentary Service established under the *Parliament (Joint Services) Act 1985.*

Functions

The House of Assembly and the Legislative Council constitute the Parliament of South Australia. The main purpose of Parliament is to legislate for peace, order and responsible governance of South Australia.

The House of Assembly consists of 47 Members. The Legislative Council consists of 22 Members. The Members are elected by the inhabitants of the State legally qualified to vote.

The Joint Parliamentary Service provides services to Parliament including Hansard reporting, library facilities, catering, financial administration and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of the Financial Report

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

Scope of Audit

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

During 2007-08, specific areas of audit attention included:

- general purpose financial reports (financial statements)
- budgetary control and management reporting
- salaries of employees of the Legislature
- Members salaries
- Members allowances
- accounts payable and procurement
- general ledger.

AUDIT FINDINGS AND COMMENTS

Financial Reports

The 2007-08 Financial Reports for the House of Assembly, Legislative Council and the Joint Parliamentary Service represent the second set of general purpose financial reports produced by these bodies.

As I indicated in my Annual Report for the year ended 30 June 2008, I would as a matter of practice going forward, include the audited financial reports of the Legislature in future Reports to Parliament.

The general purpose financial reports have been audited and unmodified Independent Auditor's Reports were issued for the House of Assembly and the Legislative Council.

In the case of the Joint Parliamentary Service, a modified Independent Auditor's Report was issued. This modification was also given for the 2006-07 general purpose financial report. It results from a limitation of scope of audit (granting of audit assess to Service records, including catering records) and the limitation in the completeness of disclosures in the financial report relating to the dining and refreshment services of Parliament House.

The inability to perform a complete audit of the functions and financial activity of the Joint Parliamentary Service was again raised with the Joint Parliamentary Service Committee. Audit was advised subsequently that there had been no change in the Committee's position of not providing audit access to the Committee's minutes of meetings and to the records and accounts relating to the catering division trading account activities.

As a consequence of the Committee's position, in my opinion, the financial accountability and auditability of the Joint Parliamentary Service falls short of that adopted and applied to the public accounts and the financial operations and accounts of public authorities.

Auditor's Report on the Financial Report of the Joint Parliamentary Service

The following is an extract from the 2007-08 Independent Auditor's Report, which details the qualification to the Joint Parliamentary Service's financial report.

> ***Basis for Disclaimer of Auditor's Opinion***
>
> *The Joint Parliamentary Service Committee is responsible for the management of the Joint Parliamentary Service. The Committee has not provided unrestricted access to the minutes of their meetings. As a result, I can not assess whether matters deliberated and decided by the Committee that have financial consequences have been recognised or disclosed in the financial report.*
>
> *The Joint Parliamentary Service Committee is responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and certain associated expenditure has been omitted from the financial report. The Committee has not provided access to this financial information to enable the affect of the omission on the financial report to be quantified.*
>
> ***Disclaimer of Auditor's Opinion***
>
> *In my opinion, because of the existence of the limitations on the scope of the audit and the completeness of the financial report, as described in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitations not existed, I am unable to and do not express an opinion as to whether the financial report presents fairly, in all material respects, the financial position of the Joint Parliamentary Service as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the* Public Finance and Audit Act 1987 *and Australian Accounting Standards (including the Australian Accounting Interpretations).*

Communication of Audit Matters

The main audit activity involved the provision of some support to the preparation of the financial statements of the Legislature, and the audit verification of those financial statements.

Certain matters that it is considered will facilitate the further improvement of the financial statement preparation and audit process, together with some recommended improvements in financial accounting and record control processes, are to be forwarded shortly in audit management letters to the Legislature.

Income Statement
for the year ended 30 June 2008

	Note	**2008**	2007
EXPENSES:		**$'000**	$'000
Employee benefit costs	2	**2 083**	2 125
Supplies and services	3	**2 297**	2 427
Members salaries and allowances	4	**7 344**	6 924
Loss on disposal of non-current assets	9	**24**	-
Depreciation	5	**50**	39
Contribution of assets to Joint Parliamentary Service	9	**29**	1 437
Total Expenses		**11 827**	12 952
INCOME:			
Other income		**144**	-
Total Income		**144**	-
NET COST OF PROVIDING SERVICES		**11 683**	12 952
REVENUES FROM SA GOVERNMENT	6	**14 237**	11 866
NET RESULT		**2 554**	(1 086)

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7	**320**	160
Trade and other receivables	8	**124**	51
Total Current Assets		**444**	211
NON-CURRENT ASSETS:			
Plant and equipment	9	**3 471**	1 115
Total Non-Current Assets		**3 471**	1 115
Total Assets		**3 915**	1 326
CURRENT LIABILITIES:			
Trade and other payables	10	**207**	191
Employee benefits	11	**360**	289
Provisions	12	**6**	5
Total Current Liabilities		**573**	485
NON-CURRENT LIABILITIES:			
Trade and other payables	10	**91**	87
Employee benefits	11	**570**	629
Provisions	12	**15**	13
Total Non-Current Liabilities		**676**	729
Total Liabilities		**1 249**	1 214
NET ASSETS		**2 666**	112
EQUITY:			
Retained earnings	13	**2 666**	112
TOTAL EQUITY		**2 666**	112
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2008

	Retained Earnings $'000
Balance at 30 June 2006	1 198
Net result for 2006-07	(1 086)
Balance at 30 June 2007	112
Net result for 2007-08	2 554
Balance at 30 June 2008	**2 666**

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		**(2 069)**	(2 058)
Members superannuation		**(1 360)**	(1 277)
Supplies and services		**(2 755)**	(2 497)
Cash used in Operations		**(6 184)**	(5 832)
CASH INFLOWS:			
GST recovered from ATO		**337**	244
Other income		**152**	-
Cash generated from Operations		**489**	244
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from State Government		**8 253**	6 219
Cash generated from SA Government		**8 253**	6 219
Net Cash provided by Operating Activities	15	**2 558**	631
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(2 398)**	(471)
Net Cash used in Investing Activities		**(2 398)**	(471)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**160**	160
CASH AND CASH EQUIVALENTS AT 1 JULY		**160**	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**320**	160

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The House of Assembly consists of 47 Members elected by the inhabitants of the State legally qualified to vote. The House of Assembly also employs clerical and administrative officers.

Certain support services provided to the House of Assembly are not reflected in this financial report but in the financial report of the Joint Parliamentary Service.

(a) Statement of Compliance

The financial report of the House of Assembly is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, including Australian Interpretations, other mandatory professional reporting requirements in Australia and TIs and APFs promulgated under the provision of the PFAA.

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

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

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial report are rounded to the nearest thousand dollars ($'000).

AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the reporting period ended 30 June 2008. The House of Assembly has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the Accounting Policies or financial report of the House of Assembly.

(b) Basis of Preparation

The preparation of a financial report in conformity with AASs as discussed in the Notes below, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the House of Assembly.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AASs as discussed in the Notes below, that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Notes below.

(c) Comparative Information

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

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

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

(d) Plant and Equipment

(i) Owned Assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy g).

In accordance with APF III APSs 2.15 and 7.2:

— all non-current tangible assets with a value of $5000 or greater are capitalised;

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

Buildings within which the House of Assembly operate are recognised in the financial report for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'. Assets under construction contributed by the House of Assembly to the Joint Parliamentary Service once completed are recognised in the Income Statement as an expense in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial report.

(ii) Subsequent Costs

The House of Assembly recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the House of Assembly and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

(iii) Depreciation
Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Works of art controlled by the House of Assembly are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and Other Receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy g).

(f) Cash and Cash Equivalents
Cash and cash equivalents comprises cash balances and call deposits for the purpose of the Cash Flow Statement.

(g) Impairment
The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(h) Valuation of Non-Current Assets
In accordance with APF III:

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

Every three years, the House of Assembly revalues its non-current assets. 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. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Works of Art
An independent valuation of the works of art was conducted by Mr Stephen Sinclair at 30 June 2006, a recognised collection industry expert for Paintings. The valuation at 30 June 2006 was a desk top valuation that updated a previous valuation at 30 June 1997. The valuation was determined at Net Market Value.

(i) Employee Benefits
(i) Defined Contribution Plans
The House of Assembly makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) Long-term Service Benefits
The House of Assembly's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 6.5 years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the House of Assembly's experience of employee retention and leave taken.

The current/non-current classification of the House of Assembly's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV APS 5.15.

(iii) *Wages, Salaries, Annual Leave and Sick Leave*
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the House of Assembly expects to pay as at reporting date including related on-costs.

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.

(iv) *Employee Benefit On-costs*
Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

(j) Provisions
A provision is recognised in the Balance Sheet when the House of Assembly has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and Other Payables
Trade and other payables are stated at cost.

(l) Revenues from Government
Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation
The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, FBT, GST and emergency services levy.

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

Receivables and payables 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 Balance Sheet.

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

(n) Insurance
The House of Assembly has insured for risks through the South Australian Government Finance Authority SAICORP Division. Under these insurance arrangements the House of Assembly will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Officers' liability).

(o) Members Allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in this financial report apart from Ministers salaries and allowances disclosed in Note 4.

2. Employee Benefit Costs

	2008	2007
	$'000	$'000
Wages and salaries	**1 681**	1 619
Employment on-costs - Superannuation	**207**	207
- Other	**191**	294
Workers compensation	**4**	5
Total Employee Benefit Costs	**2 083**	2 125

Targeted Voluntary Separation Expenses (TVSPs)
There were no TVSPs paid in 2008.

3. Supplies and Services

Supplies and services provided by entities within the SA Government:		
Printing	**456**	634
Information technology	**225**	109
Security	**50**	45
Vehicle hire	**16**	18
Total Supplies and Services - SA Government Entities	**747**	806

3. Supplies and Services (continued)

Supplies and services provided by entities external to the SA Government:	**2008 $'000**	2007 $'000
Members travel, accommodation, stationery and related expenses	**904**	997
Travelling expenses	**61**	107
FBT	**194**	91
Stationery	**24**	35
Publications	**21**	98
Printing	**35**	50
Staff training and development	**25**	23
Other	**286**	220
Total Supplies and Services - Non-SA Government Entities	**1 550**	1 621
Total Supplies and Services	**2 297**	2 427

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	**2008 Number**	**2008 $'000**	2007 Number	2007 $'000
Below $10 000	**1**	**2**	1	2
	1	**2**	1	2

Not included in the above table are consultancies for $57 000, which were capitalized. Costs of the capitalized consultancies were shared equally between the House of Assembly and Legislative Council.

4. Members Salaries and Allowances

	2008 $'000	2007 $'000
Members salaries and allowances	**5 984**	5 648
Superannuation	**1 360**	1 276
Total Members Salaries and Allowances	**7 344**	6 924

Members salaries, electorate allowances and additional salaries of $5 984 000 ($5 648 000) reflected in these financial statements are paid from Appropriations administered by the Joint Parliamentary Service. The Appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers salaries and allowances totalling $2 965 000 ($2 828 000) and superannuation of $844 000 ($795 000) are not reported in these financial statements but in the financial reports of each Minister's respective Department.

5. Depreciation

	2008 $'000	2007 $'000
Equipment, fixtures and fittings	**36**	36
Computer equipment	**14**	3
Total Depreciation	**50**	39

6. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**8 253**	6 218
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	**5 984**	5 648
Total Revenues from SA Government	**14 237**	11 866

7. Cash and Cash Equivalents

Cash on hand	**-**	-
Special deposit account	**320**	160
Total Cash and Cash Equivalents	**320**	160

The special deposit account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and Other Receivables

	2008 $'000	2007 $'000
Receivables	**49**	-
Prepayments	**72**	29
Other	**3**	22
Total Trade and Other Receivables	**124**	51

9. Plant and Equipment

Cost:	Under Construction $'000	Equipment Fixtures & Fittings $'000	Computer Equipment $'000	Artwork $'000	**2008 Total $'000**
Balance at 1 July	144	307	74	629	**1 154**
Purchases	2 280	106	12	-	**2 398**
Disposals	-	(78)	-	-	**(78)**
Transfers in (out)	(93)	93	-	-	**-**
Contribution to Joint Parliamentary Service	-	(29)	-	-	**(29)**
Other	-	111	1	-	**112**
Balance at 30 June	2 331	510	87	629	**3 557**

9. Plant and Equipment (continued)

Depreciation:	Under Construction $'000	Equipment Fixtures & Fittings $'000	Computer Equipment $'000	Artwork $'000	**2008 Total $'000**
Balance at 1 July	-	36	3	-	**39**
Depreciation charge	-	36	14	-	**50**
Disposals	-	(54)	-	-	**(54)**
Other	-	48	3	-	**51**
Balance at 30 June	-	66	20	-	**86**
Carrying Amount:					
At 1 July	144	271	71	629	1 115
At 30 June	**2 331**	**444**	**67**	**629**	**3 471**

10. Trade and Other Payables

	2008	2007
Current:	**$'000**	$'000
Accrued expense	**139**	142
Accrued employee on-costs	**52**	43
Accrued payroll tax	**2**	2
Accrued superannuation	**5**	4
Sundry creditors	**9**	-
	207	191
Non-Current:		
Accrued employee on-costs	**91**	87
	91	87

11. Employee Benefits

Current:		
Accrued salaries and wages	**37**	29
Annual leave	**173**	160
Long service leave	**150**	100
	360	289
Non-Current:		
Long service leave	**570**	629
	570	629

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2008 is $419 000 and $661 000 respectively.

12. Provisions

Current:		
Provision for workers compensation	**6**	5
Non-Current:		
Provision for workers compensation	**15**	13
Total Provisions for Workers Compensation	**21**	18

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

13. Equity

	2008	2007
	$'000	$'000
Retained earnings	**2 666**	112
Total Equity	**2 666**	112

14. Commitments

The House of Assembly has not entered into any non-cancellable lease commitments as at the reporting date. As at the reporting date, the House of Assembly has not entered into any capital commitments.

15. Reconciliation of Cash Flows from Operating Activities to Net Cost of Providing Services

	2008 $'000	2007 $'000
Cash Flows from Operating Activities:		
Net cash provided by operating activities	**2 558**	631
Less: Revenues under *Appropriations Act*	**(8 253)**	(6 218)
Add (Less): Non-cash Items:		
Depreciation	**(50)**	(39)
Loss on disposal of non-current assets	**(24)**	-
Contribution of assets to Joint Parliamentary Service for nil consideration	**(29)**	(1 437)
Members salary and allowances	**(5 984)**	(5 648)
Adjustments to plant and equipment	**61**	-

15. Reconciliation of Cash Flows from Operating Activities to Net Cost of Providing Services (continued)

	2008 $'000	2007 $'000
Changes in Assets/Liabilities:		
Increase (Decrease) in trade and other receivables	**73**	(33)
Increase in trade and other payables	**(20)**	(140)
Increase in employee benefits	**(12)**	(67)
Increase in provisions	**(3)**	(1)
Net Cost of Providing Services	**(11 683)**	(12 952)

16. Key Management Personnel

The number of staff whose remuneration received or receivable falls within the following bands:	2008 Number	2007 Number
$100 000 - 109 999	**-**	2
$110 000 -119 999	**3**	-
$150 000 - 159 999	**1**	1
$180 000 - 189 999	**-**	1
$200 000 - 209 999	**1**	-
	5	4

The table includes all staff who received remuneration of $100 000 or more during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $689 476 ($539 381).

17. Economic Dependency

The House of Assembly is dependent upon funding via the *Appropriation Act*.

18. Subsequent Events

There have been no events subsequent to reporting date.

19. Contingent Assets and Liabilities

The House of Assembly had no contingent assets or liabilities as at reporting date.

20. Auditors' Remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Assets

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.

Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

	2008		2007	
Financial Instrument	**Non-Interest Bearing $'000**	**Total Carrying Amount $'000**	Non-Interest Bearing $'000	Total Carrying Amount $'000
Financial Assets:				
Cash and cash equivalents	**320**	**320**	160	160
Receivables	**124**	**124**	51	51
	444	**444**	211	211
Financial Liabilities:				
Payables	**207**	**207**	191	191
	207	**207**	191	191

(c) Net Fair Values

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

(d) Foreign Exchange Risk

The House of Assembly does not enter into any forward foreign exchange contracts.

(e) Commodity Price Risk

The House of Assembly does not enter into any contracts to hedge commodity purchase prices.

(f) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the House of Assembly which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

The House of Assembly does not have significant exposure to any concentration of credit risk.

(g) Financial Risk Management

The House of Assembly has non-interest bearing assets (cash on hand, special deposit account and receivables) and liabilities (payables). The House of Assembly's exposure to market risk and cash flows interest risk is minimal and there is no significant concentration of credit risk. The House of Assembly has policies and procedures in place to appropriately manage these risks.

Income Statement
for the year ended 30 June 2008

		2008	2007
EXPENSES:	Note	**$'000**	$'000
Employee benefit costs	2	**1 870**	1 638
Supplies and services	3	**1 626**	1 390
Members salaries and allowances	4	**3 934**	3 745
Depreciation	5	**15**	16
Loss on disposal of non-current assets	9	**3**	-
Contribution of assets to Joint Parliamentary Service	9	**15**	739
Total Expenses		**7 463**	7 528
NET COST OF PROVIDING SERVICES		**7 463**	7 528
REVENUES FROM SA GOVERNMENT	6	**8 959**	6 871
NET RESULT		**1 496**	(657)

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7	**190**	95
Trade and other receivables	8	**77**	30
Total Current Assets		**267**	125
NON-CURRENT ASSETS:			
Plant and equipment	9	**2 511**	970
Total Non-Current Assets		**2 511**	970
Total Assets		**2 778**	1 095
CURRENT LIABILITIES:			
Trade and other payables	10	**185**	144
Employee benefits	11	**493**	347
Provisions	12	**7**	6
Total Current Liabilities		**685**	497
NON-CURRENT LIABILITIES:			
Trade and other payables	10	**102**	98
Employee benefits	11	**637**	644
Provisions	12	**19**	17
Total Non-Current Liabilities		**758**	759
Total Liabilities		**1 443**	1 256
NET ASSETS		**1 335**	(161)
EQUITY:			
Retained earnings	13	**1 335**	(161)
TOTAL EQUITY		**1 335**	(161)
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2008

	Retained Earnings $'000
Balance at 30 June 2006	496
Net result for 2006-07	(657)
Balance at 30 June 2007	(161)
Net result for 2007-08	1 496
Balance at 30 June 2008	**1 335**

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		**(1 727)**	(1 559)
Members superannuation		**(670)**	(650)
Supplies and services		**(1 854)**	(1 381)
Cash used in Operations		**(4 251)**	(3 590)
CASH INFLOWS:			
GST recovered from ATO		**226**	142
Cash generated from Operations		**226**	142
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from State Government		**5 695**	3 777
Cash generated from SA Government		**5 695**	3 777
Net Cash provided by Operating Activities	15	**1 670**	329
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(1 575)**	(234)
Net Cash used in Investing Activities		**(1 575)**	(234)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**95**	95
CASH AND CASH EQUIVALENTS AT 1 JULY		**95**	-
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**190**	95

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia. The principal purpose of Parliament is to legislate for peace, order and responsible governance of South Australia. The Legislative Council consists of 22 Members elected by the inhabitants of the State legally qualified to vote. The Legislative Council also employs clerical and administrative officers.

Certain support services provided to the Legislative Council are not reflected in this financial report but in the financial report of the Joint Parliamentary Service.

(a) Statement of Compliance

The financial report of the Legislative Council is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, including Australian Interpretations, other mandatory professional reporting requirements in Australia and TIs and APFs promulgated under the provision of the PFAA.

(a) Statement of Compliance (continued)

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

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

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial report are rounded to the nearest thousand dollars ($'000).

AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Legislative Council for the reporting period ended 30 June 2008. The Legislative Council has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the Accounting Policies or financial report of the Legislative Council.

(b) Basis of Preparation

The preparation of a financial report in conformity with AASs as discussed in the Notes below, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Legislative Council.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of AAS as discussed in the Notes below, that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Notes below.

(c) Comparative Information

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

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

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

(d) Plant and Equipment

(i) Owned Assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy g).

In accordance with APF III APSs 2.15 and 7.2:

— all non-current tangible assets with a value of $5000 or greater are capitalised;

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

Buildings within which the Legislative Council operate are recognised in the financial report for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'. Assets under construction contributed by the Legislative Council to the Joint Parliamentary Service once completed are recognised in the Income Statement as an expense in the period contributed.

Art work on loan from the Art Gallery of South Australia is not recognised in the financial report.

(ii) Subsequent Costs

The Legislative Council recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Legislative Council and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

(iii) *Depreciation*
Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Equipment, fixtures and fittings	5-10 years
Computer equipment	3 years

The residual value, if not insignificant, is reassessed annually.

Works of art controlled by the Legislative Council are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during this period for this class of asset.

(e) Trade and Other Receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy g).

(f) Cash and Cash Equivalents
Cash and cash equivalents comprises cash balances and call deposits for the purpose of the Cash Flow Statement.

(g) Impairment
The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(h) Valuation of Non-Current Assets
In accordance with APF III:

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

Every three years, the Legislative Council revalues its non-current assets. 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. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Works of Art
An independent valuation of the works of art was conducted by Mr Stephen Sinclair at 30 June 2006, a recognised collection industry expert for Paintings. The valuation at 30 June 2006 was a desk top valuation that updated a previous valuation at 30 June 1997. The valuation was determined at Net Market Value.

(i) Employee Benefits
(i) *Defined Contribution Plans*
The Legislative Council makes contributions to several State Government superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

(ii) *Long-term Service Benefits*
The Legislative Council's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 6.5 years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Legislative Council's experience of employee retention and leave taken.

The current/non-current classification of the Legislative Council's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV APS 5.15.

(iii) *Wages, Salaries, Annual Leave and Sick Leave*
Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the Legislative Council expects to pay as at reporting date including related on-costs.

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.

(iv) *Employee benefit on-costs*
Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

(j) Provisions
A provision is recognised in the Balance Sheet when the Legislative Council has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and Other Payables
Trade and other payables are stated at cost.

(l) Revenues From Government
Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation
The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, FBT, GST and emergency services levy.

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

Receivables and payables 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 Balance Sheet.

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

(n) Insurance
The Legislative Council has insured for risks through the South Australian Government Finance Authority SAICORP Division. Under these insurance arrangements the Legislative Council will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Officers' liability).

(o) Members Allowances
Allowances and benefits provided to Members by other State Government agencies and included in their financial statements are not recognised or disclosed in this financial report apart from Ministers salaries and allowances disclosed in Note 4.

2. Employee Benefit Costs

	2008	2007
	$'000	$'000
Wages and salaries	**1 575**	1 248
Employment on-costs - Superannuation	**148**	132
- Other	**143**	257
Workers compensation	**4**	1
Total Employee Benefit Costs	**1 870**	1 638

Targeted Voluntary Separation Expenses (TVSPs)
There were no TVSPs paid in 2008.

3. Supplies and Services

	2008	2007
Supplies and services provided by entities within the SA Government:	**$'000**	$'000
Printing	**260**	359
Information technology	**102**	46
Security	**45**	45
Vehicle hire	**17**	13
Total Supplies and Services - SA Government Entities	**424**	463

3. Supplies and Services (continued)

	2008	2007
Supplies and services provided by entities external to the SA Government:	**$'000**	$'000
Members travel, accommodation and related expenses	**343**	273
Members global allowances	**271**	201
Travelling expenses	**17**	66
FBT	**85**	58
Stationery	**27**	7
Publications	**15**	15
Printing	**33**	44
Telephone	**4**	7
Agency staff hire	**26**	37
Consultant fees	**51**	24
Commonwealth Parliamentary Association	**68**	-
Vehicle hire	**-**	5
Other	**262**	190
Total Supplies and Services - Non-SA Government Entities	**1 202**	927
Total Supplies and Services	**1 626**	1 390

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	**2008 Number**	**2008 $'000**	2007 Number	2007 $'000
Below $10 000	**4**	**20**	2	8
Between $10 000 and $50 000	**1**	**31**	1	16
Total Paid / Payable to Consultants Engaged	**5**	**51**	3	24

Not included in the above table are consultancies for $57 000, which were capitalized. Costs of the capitalized consultancies were shared equally between Legislative Council and House of Assembly.

4. Members Salaries and Allowances

	2008	2007
	$'000	$'000
Members salaries and allowances	**3 264**	3 095
Superannuation	**670**	650
Total Members Salaries and Allowances	**3 934**	3 745

Members salaries, electorate allowances and additional salaries of $3 264 000 ($3 095 000) reflected in these financial statements are paid from Appropriations administered by the Joint Parliamentary Service. The Appropriations are provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers salaries and allowances totalling $743 000 ($736 000) and superannuation of $212 000 ($198 000) are not reported in these financial statements but in the financial reports of each Minister's respective Department.

5. Depreciation

	2008	2007
	$'000	$'000
Equipment, fixtures and fittings	**14**	14
Computer equipment	**1**	2
Total Depreciation	**15**	16

6. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**5 695**	3 777
Appropriations received under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*	**3 264**	3 094
Total Revenues from SA Government	**8 959**	6 871

7. Cash and Cash Equivalents

Cash	**-**	-
Special deposit account	**190**	95
Total Cash and Cash Equivalents	**190**	95

The special deposit account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and Other Receivables

	2008	2007
	$'000	$'000
Receivables	**21**	-
Prepayments	**47**	19
Other	**9**	11
Total Trade and Other Receivables	**77**	30

9. Plant and Equipment

	Under Construction	Equipment Fixtures & Fittings	Computer Equipment	Artwork	**2008 Total**
Cost:	$'000	$'000	$'000	$'000	**$'000**
Balance at 1 July	126	468	5	387	**986**
Purchases	1 546	29	-	-	**1 575**
Disposals	-	(13)	-	-	**(13)**
Transfers in (out)	(39)	39	-	-	**-**
Contribution to Joint Parliamentary Service	-	(15)	-	-	**(15)**
Other	-	14	-	-	**14**
Balance at 30 June	1 633	522	5	387	**2 547**
Depreciation:					
Balance at 1 July	-	14	2	-	**16**
Depreciation	-	14	1	-	**15**
Disposals	-	(10)	-	-	**(10)**
Other	-	15	-	-	**15**
Balance at 30 June	-	33	3	-	**36**
Carrying Amount:					
At 1 July	126	454	3	387	970
At 30 June	**1 633**	**489**	**2**	**387**	**2 511**

10. Trade and Other Payables

	2008	2007
Current:	**$'000**	$'000
Accrued expense	**102**	87
Accrued employee on-costs	**68**	53
Accrued payroll tax	**4**	1
Accrued superannuation	**3**	3
Sundry creditors	**8**	-
	185	144
Non-Current:		
Accrued employee on-costs	**102**	98
	102	98

11. Employee Benefits

Current:		
Accrued salaries and wages	**71**	24
Annual leave	**322**	273
Long service leave	**100**	50
	493	347
Non-Current:		
Long service leave	**637**	644
	637	644

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2008 is $568 000 and $739 000 respectively.

12. Provisions

Current:		
Provision for workers compensation	**7**	6
Non-Current:		
Provision for workers compensation	**19**	17
Total Provisions for Workers Compensation	**26**	23

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

13. Equity

	2008	2007
	$'000	$'000
Retained earnings	**1 335**	(161)
Total Equity	**1 335**	(161)

14. Commitments

The Legislative Council has not entered into any non-cancellable lease commitments as at the reporting date. As at the reporting date, the Legislative Council has not entered into any capital commitments.

15.	**Reconciliation of Cash Flows from Operating Activities to Net Cost of Providing Services**	**2008 $'000**	2007 $'000
	Cash Flows from Operating Activities:		
	Net cash provided by operating activities	**1 670**	329
	Less: Revenues under *Appropriation Act*	**(5 695)**	(3 777)
	Add (Less): Non-cash Items:		
	Depreciation	**(15)**	(16)
	Loss on disposal of non-current assets	**(3)**	-
	Contribution of assets to Joint Parliamentary Service for nil consideration	**(15)**	(739)
	Members salary and allowances	**(3 264)**	(3 094)
	Adjustments to plant and equipment	**(1)**	-
	Changes in Assets/Liabilities:		
	Increase in trade and other receivables	**47**	5
	Increase in trade and other payables	**(45)**	(157)
	Increase in employee benefits	**(139)**	(78)
	Increase in provisions	**(3)**	(1)
	Net Cost of Providing Services	**(7 463)**	(7 528)

16.	**Key Management Personnel**	**2008**	2007
	The number of staff whose remuneration received or receivable falls within the following bands:	**Number**	Number
	$110 000 - 119 999	**1**	-
	$130 000 -139 999	**1**	1
	$140 000 - 149 999	**-**	-
	$180 000 - 189 999	**-**	1
	$190 000 - 190 999	**1**	-
		3	2

The table includes all staff who received remuneration of $100 000 or more during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $447 932 ($312 386).

17. Economic Dependency

The Legislative Council is dependent upon funding via the *Appropriation Act*.

18. Subsequent Events

There have been no events subsequent to reporting date.

19. Contingent Assets and Liabilities

The Legislative Council had no contingent assets or liabilities as at reporting date.

20. Auditors' Remuneration

Audit fees paid/payable to the Auditor-General's Department are the responsibility of the Joint Parliamentary Service.

21. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Assets

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.

Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Financial Liabilities

Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

Financial Instrument	**2008 Non-Interest Bearing $'000**	**2008 Total Carrying Amount $'000**	2007 Non-Interest Bearing $'000	2007 Total Carrying Amount $'000
Financial Assets:				
Cash and cash equivalents	**190**	**190**	95	95
Receivables	**77**	**77**	30	30
	267	**267**	125	125
Financial Liabilities:				
Payables	**185**	**185**	144	144
	185	**185**	144	144

(c) Net Fair Values

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

(d) Foreign Exchange Risk

The Legislative Council does not enter into any forward foreign exchange contracts.

(e) Commodity Price Risk

The Legislative Council does not enter into any contracts to hedge commodity purchase prices.

(f) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the Legislative Council which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

The Legislative Council does not have significant exposure to any concentration of credit risk.

(g) Financial Risk Management

The Legislative Council has non-interest bearing assets (cash on hand, special deposit account and receivables) and liabilities (payables). The Legislative Council exposure to market risk and cash flows interest risk is minimal and there is no significant concentration of credit risk. The Legislative Council has policies and procedures in place to appropriately manage these risks.

Income Statement
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
EXPENSES:			
Employee benefit costs	2	**5 355**	4 862
Supplies and services	3	**3 164**	2 548
Depreciation	5	**1 176**	869
Loss on disposal of non-current assets	9	**7**	-
Total Expenses		**9 702**	8 279
INCOME:			
Contribution of assets from House of Assembly	9	**29**	1 437
Contribution of assets from Legislative Council	9	**15**	739
Other income		**45**	17
Total Income		**89**	2 193
NET COST OF PROVIDING SERVICES		**9 613**	6 086
REVENUES FROM SA GOVERNMENT	6	**9 939**	9 593
NET RESULT		**326**	3 507

Balance Sheet
as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	7	**1 313**	711
Trade and other receivables	8	**274**	199
Total Current Assets		**1 587**	910
NON-CURRENT ASSETS:			
Property, plant and equipment	9	**66 465**	67 091
Total Non-Current Assets		**66 465**	67 091
Total Assets		**68 052**	68 001
CURRENT LIABILITIES:			
Trade and other payables	10	**262**	766
Employee benefits	11	**642**	566
Provisions	12	**112**	95
Total Current Liabilities		**1 016**	1 427
NON-CURRENT LIABILITIES:			
Trade and other payables	10	**175**	144
Employee benefits	11	**1 096**	1 022
Provisions	12	**293**	262
Total Non-Current Liabilities		**1 564**	1 428
Total Liabilities		**2 580**	2 855
NET ASSETS		**65 472**	65 146
EQUITY:			
Retained earnings	13	**65 472**	65 146
TOTAL EQUITY		**65 472**	65 146
Commitments	14		
Contingent assets and liabilities	19		

Statement of Changes in Equity
for the year ended 30 June 2008

	Retained Earnings $'000
Balance at 30 June 2006	61 639
Net result for 2006-07	3 507
Balance at 30 June 2007	65 146
Net result for 2007-08	326
Balance at 30 June 2008	**65 472**

Cash Flow Statement
for the year ended 30 June 2008

	Note	**2008 Inflows (Outflows) $'000**	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee expenses		**(5 158)**	(4 953)
Supplies and services		**(3 881)**	(2 853)
Cash used in Operations		**(9 039)**	(7 806)
CASH INFLOWS:			
GST recovered from ATO		**299**	284
Other income		**47**	17
Cash generated from Operations		**346**	301
CASH FLOWS FROM SA GOVERNMENT:			
Receipts under the *Appropriation Act*		**9 939**	9 593
Cash generated from SA Government		**9 939**	9 593
Net Cash provided by Operating Activities	15	**1 246**	2 088
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of plant and equipment		**(644)**	(1 342)
Net Cash used in Investing Activities		**(644)**	(1 342)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**602**	746
CASH AND CASH EQUIVALENTS AT 1 JULY		**711**	(35)
CASH AND CASH EQUIVALENTS AT 30 JUNE	7	**1 313**	711

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Significant Accounting Policies

The Joint Parliamentary Service is established under the *Parliament (Joint Services) Act 1985*.

The Joint Parliamentary Service provides services to both Houses of Parliament including Hansard reporting, library facilities, catering, financial administration, and building accommodation. The Joint Parliamentary Service is administered by the Joint Parliamentary Service Committee which comprises the Speaker and two Members of the House of Assembly and the President and two Members of the Legislative Council. The Joint Parliamentary Service also administers the payment of Members salaries. These payments are disclosed as Administered Items in Note 21.

(a) Statement of Compliance

The financial report of the Joint Parliamentary Service is a general purpose financial report. The accounts have been prepared in accordance with applicable AASs, including Australian Interpretations, other mandatory professional reporting requirements in Australia and TIs and APFs promulgated under the provision of the PFAA.

(a) Statement of Compliance (continued)

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

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

The financial report has been prepared based on a 12 month operating cycle and presented in Australian currency. All amounts in the financial report are rounded to the nearest thousand dollars ($'000).

AASs and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Joint Parliamentary Service for the reporting period ended 30 June 2008. The Joint Parliamentary Service has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the Accounting Policies or financial report of the Joint Parliamentary Service.

(b) Basis of Preparation

The preparation of a financial report in conformity with AASs as discussed in the Notes below, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Joint Parliamentary Service.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of AASs as discussed in the Notes below, that have significant effect on the financial report and estimates with a significant risk of material adjustment in the next year are discussed in Notes below.

(c) Comparative Information

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

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

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

(d) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy g).

In accordance with APF III APSs 2.15 and 7.2:

— all non-current tangible assets with a value of $5 000 or greater are capitalised;

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

Buildings within which the Legislative Council and House of Assembly operate are recognised in this financial report for the Joint Parliamentary Service.

Expenditure on assets not fully constructed at 30 June is disclosed separately as assets 'under construction'.

Assets contributed by the Legislative Council and House of Assembly to the Joint Parliamentary Service are recognised in the Income Statement as income in the period contributed.

Art work on Loan from the Art Gallery of South Australia is not recognised in the financial report.

(ii) Subsequent Costs

The Joint Parliamentary Service recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred, it is probable that the future economic benefits embodied with the item will flow to the Joint Parliamentary Service and the cost of the item can be measured reliably. All other costs are recognised in the Income Statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current period are as follows:

Buildings	100 years
Plant and equipment	5-10 years
Furniture and fittings	3-10 years
Computer equipment	3-7 years

The residual value, if not insignificant, is reassessed annually.

Joint Parliamentary Service estimate the remaining useful life of Parliament House to be 100 years ending in 2096.

The library collection controlled by the Joint Parliamentary Service is mainly a research and heritage collection. The collection is anticipated to have a very long and indeterminate useful life. The service potential of the collection has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised during the reporting period for this class of asset.

(e) Trade and Other Receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy g).

(f) Cash and Cash Equivalents

Cash and cash equivalents comprises cash balances, bank overdrafts and call deposits for the purpose of the Cash Flow Statement.

(g) Impairment

The carrying amounts of assets are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. For revalued assets, an impairment loss is offset against the asset revaluation reserve.

(h) Valuation of Non-Current Assets

In accordance with APF III:

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

Every three years, the Joint Parliamentary Service revalues its non-current assets. 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. Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Land and Buildings

An independent valuation of the land and buildings was conducted as at 30 June 2006 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd. The valuation at 30 June 2006 was prepared on a fair value basis. The Valuer has determined that the value of the land where Old Parliament House is situated, is greater than the value with the building. Therefore, only the value of the land is recognised in the financial report.

Library Collection

An independent valuation of the library collection was conducted at 30 June 2006 by Mr Stephen Sinclair, a recognised collection industry expert for Library Collections. The valuation at 30 June 2006 was a desk top valuation that updated a previous valuation determined at 30 June 1997. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at Net Market Value. The remainder of the categories were determined at Written Down Replacement Cost.

(i) Employee Benefits

(i) Defined Contribution Plans

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

(ii) Long-term Service Benefits

The Joint Parliamentary Service's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The liability for long service leave is recognised after an employee has completed 6.5 years of service as advised in APF IV. An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Joint Parliamentary Service's experience of employee retention and leave taken.

The current/non-current classification of the Joint Parliamentary Service's long service leave obligation has been calculated based on the historical usage patterns consistent with APF IV APS 5.15.

(iii) Wages, Salaries, Annual Leave and Sick Leave

Liabilities for wages, salaries and annual leave that are expected to be settled within 12 months of reporting date, represent present obligations resulting from employee's services provided to reporting date, are measured as the undiscounted amounts based on remuneration wage and salary rates that the Joint Parliamentary Service expects to pay as at reporting date including related on-costs.

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.

(iv) Employee Benefit On-costs

Employee benefit on-costs (payroll tax, WorkCover and superannuation) are recognised separately under payables.

(j) Provisions

A provision is recognised in the Balance Sheet when the Joint Parliamentary Service has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Trade and Other Payables

Trade and other payables are stated at cost.

(l) Revenues from Government

Appropriations are recognised as revenues when the Joint Parliamentary Service obtains control over the funding. Control over appropriations is normally obtained upon receipt.

(m) Taxation

The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, FBT, GST and emergency services levy.

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

Receivables and payables 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 Balance Sheet.

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

(n) Insurance

The Joint Parliamentary Service has insured for risks through the South Australian Government Finance Authority SAICORP Division. Under these insurance arrangements the Joint Parliamentary Service will meet the first $5000 deductible of a loss or claim arising from property damage or civil liability (including public liability, products liability, professional indemnity and Officers' liability).

2. Employee Benefit Costs

		2008	2007
		$'000	$'000
Wages and salaries		**4 502**	3 920
Employment on-costs	- Superannuation	**518**	456
	- Other	**296**	470
Workers compensation		**39**	16
Total Employee Benefit Costs		**5 355**	4 862

Targeted Voluntary Separation Expenses (TVSPs)
There were no TVSPs paid in 2008.

3. Supplies and Services

	2008	2007
Supplies and services provided by entities within the SA Government:	**$'000**	$'000
Building maintenance	**427**	393
Utilities	**57**	43
Printing and publishing	**294**	186
Insurance	**53**	71
Information technology	**382**	66
Lease	**34**	51
Audit Fees	**62**	29
Shared Services fees	**51**	45
Other	**75**	32
Total Supplies and Services - SA Government Entities	**1 435**	916
Supplies and services provided by entities external to the SA Government:		
Building maintenance	**387**	374
Utilities	**255**	234
Cleaning	**224**	181
Minor works and equipment	**88**	166
Telephone	**148**	150
Information technology	**129**	79
Agency staff hire	**111**	64
FBT	**7**	45
Consultant fees	**25**	28
Other	**355**	311
Total Supplies and Services - Non-SA Government Entities	**1 729**	1 632
Total Supplies and Services	**3 164**	2 548

The number and dollar amount of Consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	**2008 Number**	**2008 $'000**	2007 Number	2007 $'000
Below $10 000	**2**	**5**	5	28
Between $10 000 and $50 000	**1**	**20**	-	-
Total Paid / Payable to Consultants Engaged	**3**	**25**	5	28

4. Auditor's Remuneration

	2008 $'000	2007 $'000
Audit fees	**62**	29
Total Auditor's Remuneration	**62**	29

Audit fees paid/payable to the Auditor-General's Department. The audit fees for 2008 include $46 000 for the 2008 audit and $16 000 additional fees for the 2007 audit.

5. Depreciation

Buildings	**464**	472
Plant and equipment	**119**	97
Furniture and fittings	**24**	24
Computer equipment	**569**	276
Total Depreciation	**1 176**	869

6. Revenues from SA Government

Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**9 939**	9 593
Total Revenues from SA Government	**9 939**	9 593

7. Cash and Cash Equivalents

Cash	**-**	-
Special deposit account	**1 430**	722
Bank overdraft	**(117)**	(11)
Total Cash and Cash Equivalents	**1 313**	711

The bank overdraft reflects the value of unpresented cheques at 30 June 2008.

The special deposit account is the Accrual Appropriation Excess Funds Account. These funds are not available for general use, ie the funds can only be used in accordance with the Treasurer's/Under Treasurer's approval.

8. Trade and Other Receivables

	2008 $'000	2007 $'000
GST receivable	**263**	123
Prepayments	**8**	74
Other	**3**	2
Total Trade and Other Receivables	**274**	199

9. Property Plant and Equipment

	Under Constructn	Land	Buildings	Plant & Equipment	Fixtures & Fittings	Computer Equipment	Library	**2008 Total**
Cost:	$'000	$'000	$'000	$'000	$'000	$'000	$'000	**$'000**
Balance at 1 July	2 861	12 840	45 906	1 745	786	2 662	1 531	**68 331**
Purchases	547	-	-	-	-	97	-	**644**
Disposals	-	-	-	(29)	-	-	-	**(29)**
Transfers in (out)	(2 972)	-	-	44	-	2 928	-	**-**
Contributed assets	-	-	44	-	-	-	-	**44**
Other	(156)	-	451	41	24	(560)	-	**(200)**
Balance at 30 June	280	12 840	46 401	1 801	810	5 127	1 531	**68 790**
Depreciation:								
Balance at 1 July	-	-	472	108	24	636	-	**1 240**
Depreciation charge	-	-	464	119	24	569	-	**1 176**
Disposals	-	-	-	(22)	-	-	-	**(22)**
Other	-	-	449	60	24	(602)	-	**(69)**
Balance at 30 June	-	-	1 385	265	72	603	-	**2 325**
Carrying Amount:								
At 1 July	2 861	12 840	45 434	1 637	762	2 026	1 531	67 091
At 30 June	**280**	**12 840**	**45 016**	**1 536**	**738**	**4 524**	**1 531**	**66 465**

10. Trade and Other Payables

	2008	2007
Current:	**$'000**	$'000
Trade payables	**12**	551
Accrued expense	**115**	100
Accrued employee on-costs	**85**	77
Accrued payroll tax	**6**	28
Accrued superannuation	**13**	10
Sundry creditors	**31**	-
	262	766
Non-Current:		
Accrued employee on-costs	**175**	144
	175	144

11. Employee Benefits

Current:		
Accrued salaries and wages	**113**	96
Annual leave	**379**	320
Long service leave	**150**	150
	642	566
Non-Current:		
Long service leave	**1 096**	1 022
	1 096	1 022

The total current and non-current employee expense (ie aggregated employee benefit plus related on-costs) for 2008 is $746 000 and $1 271 000 respectively.

12. Provisions

Current:		
Provision for workers compensation	**112**	95
Non-Current:		
Provision for workers compensation	**293**	262
Total Provisions for Workers Compensation	**405**	357

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

13. Equity

	2008	2007
	$'000	$'000
Retained earnings	**65 472**	65 146
Total Equity	**65 472**	65 146

14. Commitments

Commitments are inclusive of GST.

Operating Lease Commitments

Joint Parliamentary Service leases computer software, office premises and photocopiers under non-cancellable operating leases with periods up to six years. Lease payments are increased annually in accordance with movements in the Consumer Price Index. Lease commitments not recognised as liabilities are payable as follows:

Operating Lease Commitments (continued)	**2008**	2007
	$'000	$'000
Less than one year	**75**	83
Between one and five years	**49**	154
More than five years	**-**	9
	124	246

Other Commitments

Joint Parliamentary Service has entered into a service level agreement with the Department of Treasury and Finance in 2007-08 to provide payroll services:

Less than one year	**81**	-
Between one and five years	**343**	-
More than five years	**-**	-
	424	-

Capital Commitments

Capital expenditure commitments contracted but not recognised as liabilities are payable as follows:

Less than one year	**68**	17
Between one and five years	**32**	175
More than five years	**-**	27
	100	219

15. Reconciliation of Cash Flows from Operating Activities to Net Cost of Providing Services

Cash Flows from Operating Activities:		
Net cash provided by operating activities	**1 246**	2 088
Less: Revenues under *Appropriation Act*	**(9 939)**	(9 593)
Add (Less): Non-cash Items:		
Depreciation	**(1 176)**	(869)
Loss on disposal of non-current assets	**(7)**	-
Contribution of assets from Legislative Council for nil consideration	**15**	739
Contribution of assets from House of Assembly for nil consideration	**29**	1 437
Adjustments to plant and equipment	**(131)**	-
Changes in Assets/Liabilities:		
Increase in trade and other receivables	**75**	37
Decrease (Increase) in trade and other payables	**473**	(3)
(Increase) Decrease in employee benefits	**(150)**	90
Increase in provisions	**(48)**	(12)
Net Cost of Providing Services	**(9 613)**	(6 086)

16. Key Management Personnel

The number of staff whose remuneration received or receivable falls within the following bands:	**2008 Number**	2007 Number
$100 000 - 109 999	**4**	2
$110 000 -119 999	**3**	1
$130 000 - 139 999	**1**	-
$150 000 - 159 999	**-**	1
	8	4

The table includes all staff who received remuneration of $100 000 or more during the year.

Remuneration of staff reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees was $883 830 ($489 253).

17. Economic Dependency

The Joint Parliamentary Service is dependent upon funding via the *Appropriation Act*.

18. Subsequent Events

There have been no events subsequent to reporting date.

19. Contingent Assets and Liabilities

The Joint Parliamentary Service had no contingent assets or liabilities as at reporting date.

20. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Assets

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.

Financial Assets (continued)
Trade receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. In addition, there is no concentration of credit risk.

Financial Liabilities
Creditors and accruals are raised for all amounts billed but unpaid. Sundry creditors are normally settled within 30 days.

(b) Interest Rate Risk

Financial Instrument	2008 Non-Interest Bearing	2008 Total Carrying Amount	2007 Non-Interest Bearing	2007 Total Carrying Amount
Financial Assets:	**$'000**	**$'000**	$'000	$'000
Cash and cash equivalents	**1 313**	**1 313**	711	711
Receivables	**274**	**274**	199	199
	1 587	**1 587**	910	910
Financial Liabilities:				
Payables	**262**	**262**	766	766
	262	**262**	766	766

(c) Net Fair Values
Financial instruments are valued at the carrying amount as per the Balance Sheet which approximates the net fair value. The carrying amount of financial assets approximates net fair value due to their short-term to maturity or being receivable on demand. The carrying amount of financial liabilities is considered to be a reasonable estimate of net fair value.

(d) Foreign Exchange Risk
The Joint Parliamentary Service does not enter into any forward foreign exchange contracts.

(e) Commodity Price Risk
The Joint Parliamentary Service does not enter into any contracts to hedge commodity purchase prices.

(f) Credit Risk Exposures
Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the Joint Parliamentary Service which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

The Joint Parliamentary Service does not have significant exposure to any concentration of credit risk.

(g) Financial Management
The Joint Parliamentary Service has non-interest bearing assets (cash on hand and receivables) and liabilities (payables). The Joint Parliamentary Service exposure to market risk and cash flow interest risk is minimal and there is no significant concentration of credit risk. The Joint Parliamentary Service has policies and procedures in place to appropriately manage these risks.

21. Administered Items
The Joint Parliamentary Service administers the payment of Members salaries funded by appropriations under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991.*

Schedule of Administered Income and Expenses

	2008	2007
Administered Income:	**$'000**	$'000
Recurrent appropriations	**9 248**	8 742
Total Administered Income	**9 248**	8 742
Administered Expenses:		
Members salaries	**9 248**	8 742
Total Administered Expenses	**9 248**	8 742

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 PSM Act.

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 to Note 1 of the 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 those controls are consistent with the prescribed elements of the FMF as required by TI 2.

Scope of Audit

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

Specific areas of audit attention included:

- Accounts payable
- Bus contracts payments
- Grants and subsidies
- Payroll
- Registration and licensing revenue
- Metroticket sales
- Fixed assets including:
  - network assets
  - land, buildings and facilities
  - plant and equipment
  - capital work in progress
  - office and residential rental properties
  - Government Radio Network
  - phone and data communication.

In addition an understanding of internal audit activities was obtained in order to identify and assess the risks of material misstatement of the financial report 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 2007-08 Independent Auditor's Report, which details the qualifications to the Department's financial report.

> ***Basis for Qualified Auditor's Opinion***
>
> *Commonwealth Grants*
>
> *In each of the three years ended 30 June 2008 the Department has recognised grants from the Commonwealth Government as liabilities representing income received in advance. The amounts are reported as Other Current and Non-Current liabilities-Deferred Income and in each year were:*
>
> - *for the year ended 30 June 2006* — *$100 million*
> - *for the year ended 30 June 2007* — *$11.2 million*
> - *for the year ended 30 June 2008* — *$1.2 million*
>
> *In my opinion, the grants meet the recognition criteria of income as specified in AASB 1004 and APF V. The grants represent contributions with unconditional stipulations and as such should be recognised as income upon receipt.*
>
> *The balances of the Deferred Income liabilities are reduced by recognising amounts as income to match the expenditure of the grant funds.*
>
> *As a result, the following financial statement lines have been misstated:*
>
> - *Total Income and Net Result After Restructure have been overstated by $14.2 million (understated by $11.2 million in the year ended 30 June 2007) reflecting the recognition as income of amounts previously recognised as Deferred Income less amounts received during the year and recognised as Deferred Income.*
>
> - *Other Current Liabilities have been overstated by $46.6 million ($25.4 million as at 30 June 2007).*
>
> - *Other Non-Current Liabilities have been overstated by $50.3 million ($85.8 million as at 30 June 2007).*
>
> - *Accumulated Surplus as at 30 June 2008 has been understated by $96.9 million.*

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

Cash at Bank

The audit of the Department identified deficiencies in controls over the Department's TRUMPS system on implementation of the registration and finance components of the system and throughout the reporting period. The TRUMPS system administers and records registration and licensing transactions on behalf of the Department and other parties.

The deficiencies in controls did not provide for effective reconciliation of TRUMPS system data to general ledger bank account balances and to the bank accounts used to hold registration and licence receipts before disbursement of these funds to third parties.

As a result, Audit was unable to obtain assurance that all transactions processed by the Department through the TRUMPS system during the year were accurately reflected in the Financial Statements. Transactions processed through the TRUMPS system are recognised in the Financial Statements as:

- *cash and cash equivalents*
- *fees and charges from Drivers' Licence and Motor Registrations fees*
- *Administered Income - Collections on behalf of third parties*
- *Administered Expenses - Disbursements on behalf of third parties.*

Qualified Auditor's Opinion

In my opinion, except for the effects of the matters referred to in the preceding paragraphs, the financial report presents fairly, in all material respects, the financial position of the Department of Transport, Energy and Infrastructure as at 30 June 2008, and its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 *and Australian Accounting Standards (including the Australian Accounting Interpretations).*

Financial Statements

My Annual Report to Parliament for the year ended 30 June 2008 noted that the Department had submitted its financial report to the Auditor-General within the statutory timeframes for presentation. It also advised that the audit of the financial statements had progressed satisfactorily except for the audit of a bank account associated with the Department's revenue function. This account was not reconciled and the Department had delayed finalising the financial statements until it had satisfactorily addressed this matter.

For the reasons discussed below the Independent Auditor's Report with respect to the Department's financial report is qualified for the matter of the accounting treatment of certain Commonwealth Grants received by the Department and also for the matter of the reconciliation of cash at bank and TRUMPS financial information.

Accounting for Commonwealth Grants

In each of the past three 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 which 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 results in understatement of the Department's operating income by the amount of the unrecognised grants (ie deferred income).

In 2007-08 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 - TRUMPS

The TRUMPS system supports the Department's administration and accounting for revenue received with respect to motor vehicle and other licence and registration fees. The system became fully operational in September 2007 to replace the legacy DRIVERS system.

System Functionality and Audit

In addition to administering funds received by the Department or by agents on behalf of the Department, TRUMPS supports the administration of revenue collection on behalf of third parties including the Motor Accident Commission with respect to Compulsory Third Party insurance premiums and the Commonwealth Government with respect to federal vehicle registrations. The functions of the system include:

- determining fees due with respect to specific licensing and registration transactions
- recording licences and registration fees collected and processed
- calculating amounts and processing payments with respect to monies collected by the Department on behalf of the third parties.

The system processes high volumes of payments from the public to the Department which, in aggregate, are of high value and are processed through a number of methods including Service SA customer service centres, third party agents and internet based bill paying processes.

The audit of the TRUMPS system, and the previous DRIVERS system, incorporated focus on system controls, including system reports and associated operating procedures that provide both the Department and Audit with assurance that:

- all payments received by the Department from the public are recognised in the TRUMPS system and in the General Ledger
- funds are received and banked for all transactions recognised in the TRUMPS system and the General Ledger
- payments to third parties are correctly calculated and reflect all monies due from the Department.

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. The importance of this reconciliation in the context of the DRIVERS system was recognised in prior years' Annual Reports of the Auditor-General which discussed identified weakness in the reconciliation of the bank account used with the DRIVERS system. The Department intended for the TRUMPS system to enhance financial transaction processing, reporting and reconciliation.

TRUMPS Reconciliation Problems and DTEI Response

The effectiveness of the system of controls over the TRUMPS system was considered by both the Department and Audit following the full implementation of the system in September 2007.

In response to reconciliation difficulties experienced by the Department upon implementation of TRUMPS, the Department engaged an external accounting firm to review the Service SA, Financial Control Function. The scope of this work included reviewing and providing advice on process control weaknesses, process documentation and procedures and assisting management with the backlog of reconciliation processes and investigation of discrepancies.

In April 2008 the external accounting firm reported to the Department the results its review. The report noted that staff working with the new system did not have the knowledge and skills required to operate the system and that this was impacting on revenue collection and disbursement processes. It also noted that discrepancies arising from the system's implementation, variations in bankings and clearing accounts were not followed up or effectively controlled. Other specific findings included:

- TRUMPS systems issues/errors resulting in discrepancies and unders/overs
- TRUMPS journal processing was not effectively controlled resulting in duplication and omission of journals
- staff did not understand the correct accounting treatment for certain system transactions and did not apply business rules consistently
- the TRUMPS system as implemented did not provide all reports required to reconcile the bank account and the Department relied on spreadsheets to support the reconciliation process
- business rules were not appropriately documented.

The findings from this review evidence that the system was implemented in September 2007 with defects which caused errors in processing and also with limitations in procedural documentation and training for staff. It also highlighted that the system did not, on implementation, support effective reconciliation of the system and bank records.

External Audit Review

Audit review of the Department's registration and licensing function confirmed many of the external accounting firm's findings. The significant control weaknesses noted by Audit and raised with the Department are outlined under the heading 'Registration and Licence Revenue' further on in this section of this Report.

The audit of the Department's financial statements as at 30 June 2008 included procedures to verify the balance of the TRUMPS bank accounts . This review noted that the cash at bank reconciliation as at 30 June 2008 included a reconciling item described as 'discrepancies' which amounted to a net value of $744 000. The discrepancies represented differences between bank deposits and amounts processed though the TRUMPS system and included items identified by the Department which arose in September 2007. Audit review of the reconciliation also found that the audit trail and documentation to support and explain the discrepancies/reconciling items was not available in all instances.

In response to Audit's concerns with the reconciliation the Department committed significant resources, including internal audit, to examine, explain and resolve the discrepancies and implement a control framework over reconciliation processes.

Work performed by the Department found that many of the discrepancies could not be explained and resolved after investigation, including due to the absence of an adequate system audit trail. As a consequence, the Department determined the appropriate course of action was to formally document and seek authorisation for the write-off of certain transactions in accordance with relevant TI.

Internal Audit Review and Outcome

As mentioned, Internal Audit reviewed the integrity and accuracy of the bank reconciliation as at 30 June 2008. The work performed by Internal Audit identified areas of weakness in internal controls, confirmed many of the findings from the previous reviews and identified areas for further review which have been included in their audit program for 2008-09.

Some of the more significant matters reported by Internal Audit were:

- the effectiveness of reconciliation processes was reduced by limited TRUMPS system functionality, system deficiencies and inadequate system reporting
- reconciliation processes relied on spreadsheets which lacked appropriate security and user access controls
- TRUMPS system audit trail features did not support the identification and resolution of exceptions and discrepancies
- exceptions and discrepancies were not resolved in a timely manner resulting in a number of transactions which remained unresolved at year end
- there was a significant volume of under and over banks processed by the Department
- the Department had not established business rules/procedures for processing of certain transactions resulting in the adoption of incorrect/inconsistent treatment (ie government vehicle registrations, bank interest and dishonoured cheques)
- departmental officers responsible for the reconciliation did not understand the reconciliation processes within TRUMPS due to a lack of training and documented procedures
- cash collection procedures and point of sale terminal reconciliation processes within customer service centres were inadequate
- errors and delays in uploading transaction batches from third party agents had caused discrepancies.

Concluding Comment

The findings arising from each of the reviews of the TRUMPS system evidenced weaknesses in the system of internal controls, including those specifically associated with the reconciliation of the TRUMPS system to the General Ledger and bank records. When considered together the weakness in the system of internal controls prevent Audit from gaining assurance that transactions processed through the TRUMPS system were completely and accurately reflected in the Department's financial statements.

The Department advised it had implemented a process to consolidate the findings arising from the reviews of the TRUMPS system, to identify planned responses and to monitor progress in implementing actions.

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 TRUMPS cash at bank and revenue processing and reconciliation, Network Assets and Capital Work in Progress, Other Fixed Assets, Payroll, Accounts Payable, Revenue and Accounts Receivable, were sufficient to provide assurance that the financial transactions of the Department for Transport, Energy and Infrastructure have been conducted properly and in accordance with law.

Financial Management and Control

Matters arising during the course of the audit were detailed in management letters to the Chief Executive of the Department and were responded to by the Department. The main matters raised with the Department and the related responses are considered herein.

Registration and Licence Revenue – TRUMPS

As discussed earlier, Audit undertook a review of aspects of the Department's registration and licence revenue activity following the full implementation of TRUMPS in September 2007. Audit review found that there were control weaknesses associated with the processing of transactions within TRUMPS. Some of the more significant weaknesses noted by Audit included:

Inadequate Reconciliation Processes

Audit review found that the Department experienced significant difficulties in reconciling systems data to bank records following the implementation of the system. In particular, Audit noted that monthly Bank/General Ledger reconciliations were not performed until February 2008, notwithstanding that TRUMPS had been in operation for five months. Other specific matters identified by Audit included:

- discrepancies between bank records and TRUMPS were not followed up and corrected on a timely basis
- processing errors occurred (ie duplicate postings/missing postings/reversals) requiring correcting journals
- system reporting did not support amounts recorded in the reconciliation
- the Department relied on manual spreadsheets to control discrepancies and errors and manual review processes rather than system reports and automated processes
- there was scope to improve the format of reconciliations.

It is Audit's view that the breakdown in controls over reconciliation procedures and other areas exposed the Department to the risk of:

- loss or misappropriation of funds
- inaccurate processing and reporting of transactions
- not processing transactions in accordance with Department policy.

In response the Department provided details of the actions taken to address the matters raised by Audit. The Department advised that it has conducted an organisational review of the Financial Control function to improve reconciliation processes and had commenced a process to improve reporting and implement systems improvements to reduce reliance on manual processes.

Lack of Documented Policies and Procedures

Audit review found that at the time of the full implementation of TRUMPS the Department had not established documented policies and procedures for key financial accounting processes including:

- bank and system reconciliation processes
- follow up and investigation of discrepancies
- review of overrides (ie non-standard pricing)

- review of system access
- system back up procedures.

Documenting policies and procedures for key financial processes is a significant element of control and the absence of documentation has, in Audit's view, contributed to the difficulties experienced by the Department.

The Department advised that it has reviewed and updated a number of procedures within the Financial Control function.

Inadequate System Reporting

Audit review found that the Department did not finalise all system reporting requirements at the time the system was fully implemented. At the time of the audit the Department was still in the process of developing a number of key system reports required by users.

In response the Department advised that it will continue to review and prioritise user report requests.

Ineffective Controls over the Processing of Journals

Audit review found that there was a lack of control to ensure TRUMPS system journals are processed completely and accurately. Audit noted that during the period of review there were numerous instances of journals which were omitted, duplicated or processed incorrectly which caused a number of discrepancies and, in turn, complicated reconciliation processes.

The Department advised that it had implemented additional journal control procedures to minimise future processing errors and that enhancements were made to TRUMPS to assist checking procedures.

Refund Cheques processed through TRUMPS were not Authorised

TRUMPS generates licensing and registration refund cheques. Audit review found, however, that the payments were not authorised by an officer with delegated authority.

The Department advised that it will undertake a review of the current process and implement appropriate delegations.

Network Assets and Capital Work in Progress

Over a number of years my Annual Report to Parliament has included comment on a number of control weaknesses associated with the recognition and valuation of Network Assets and accounting for capital work in progress.

Audit review for 2007-08 found many of the issues raised in prior years have not been appropriately addressed. Some of the more important observations included:

- the Asset Cap system and the Department's Masterpiece fixed asset register were not effectively reconciled

- project expenditure recorded in the Department's job cost system was not reviewed on a timely basis to identify costs which should be allocated to other accounts (ie capitalised or expensed)

- assets replaced as part of the Department's capital works program were not removed from the Masterpiece fixed asset register

- instances where assets were not recorded in the Asset Cap system

- instances where assets were incorrectly recorded in the Masterpiece Fixed Asset system

- information contained in the Asset Cap system and the Masterpiece Fixed Asset register was not checked for integrity or completeness

- information entered into the Asset Cap system was not independently reviewed.

In response the Department advised of action taken to address the issues raised by Audit including:

- review of procedures to improve comparability of data between the systems used to record asset information

- reminding staff of the need to comply with procedures for project completion and asset capitalisation

- developing a systematic mechanism to identify information needed to be updated to asset recording systems
- implementing improvements to record keeping procedures
- implementing quality assurance review procedures of information provided by project managers
- updating documented policies and procedures.

Other Fixed Assets

Audit review found that controls over the Department's property, plant and equipment assets could be improved. The more significant observations included:

- details of land and building recorded in the general ledger and subsidiary ledgers systems was not reconciled on a timely basis
- land and building acquisitions and disposals were not updated to the Masterpiece Fixed Asset system on a timely basis
- results of stocktakes undertaken to verify plant and equipment items were not updated to the Masterpiece Fixed Asset system
- the Masterpiece Fixed Asset system was not able to generate acquisition and disposal reports
- the Department had not updated the Masterpiece Fixed Asset System with assets (totalling $527 million) transferred to the Department from TransAdelaide on a timely basis.

In response the Department advised that a number of issues impacted the Asset Accounting group, including the revaluation of assets and the transfer of asset data between property registers. In addition, the Department provided details of the actions taken to address the matters raised by Audit.

Payroll

The audit of the Department's payroll function found a number of control weaknesses associated with the processing of payroll. These are detailed below:

Bona Fide Review Processes

The audit of the Department's processes for reviewing bona fide certificates concluded the review was ineffective. Specifically, Audit found:

- many bona fide reports were not returned within the required timeframe or, in a number of instances, were not returned at all
- details of bona fide reports returned late or not returned were not reported to management
- arrangements implemented by the Department did not ensure all queries identified by cost centre managers were followed up and appropriately actioned
- documented policies and procedures did not appropriately describe the checking procedures to be performed by cost centre managers to ensure all leave taken is completely and accurately recorded. Audit found that checking procedures performed by cost centre managers varied.

The bona fide review process represents a key element of the Department's internal control environment and is relied on to provide the Department with assurance that payroll payments are made to bona fide employees, for work actually performed and at the correct rates and leave is correctly updated to the system.

It is considered that for this control to be effective the Department needs to achieve full compliance with the Department's bona fide policy on a consistent and ongoing basis.

In response the Department provided details of the specific actions to be taken to address the issues raised by Audit.

Excessive Recreation Leave Balances

In line with the requirements of the PSM Act, the Department's current policy requires the deferral of recreation leave to be approved by the Chief Executive or a delegate for balances in excess of one service year's entitlement.

In 2006-07 Audit found a significant number of employees had leave balances in excess of 150 hours. Follow up in 2007-08 found that as at 30 June 2008 there remained a significant number of leave balances in excess of 150 hours.

In response the Department advised that six monthly notification is forwarded to relevant executives detailing employees with excessive leave balances. The notification will be updated to ensure:

- plans to reduce excessive leave balances are implemented
- leave deferral forms are approved by the Chief Executive or delegate.

Accounts Payable

The audit of the Department's arrangements for processing accounts payable transactions identified a number of areas where it was considered controls could be improved including:

- controls to ensure manual payment vouchers were authorised in accordance with the delegations of authority
- monitoring and reporting on use of eProcurement versus the use of manual payment vouchers to authorise payments
- controls over eProcurement user access
- enhanced security over the EFT payment files
- controls to prevent duplicate payments
- there was scope to improve segregation of duties
- strict annual review of the Department's delegations as required by Treasurer's Instructions
- timely performance and review of reconciliations
- there was scope to improve documented policies and procedures.

In response the Department provided details of actions to address the matters raised by Audit. In addition, the Department noted that the Accounts Payable function has been transferred to Shared Services SA and it is anticipated that the Accounts Payable function will be reviewed from a whole of government perspective.

Revenue and Accounts Receivable

Collections Bank Account Reconciliation

Bank reconciliations represent a key control in ensuring transactions are appropriately accounted for and recorded in the General Ledger and are required by TI 6 to be performed each month for all bank accounts.

Audit review found that, reconciliations between the Collections Bank Account and the General Ledger for the majority of the year were not completed until July 2008.

It is Audit's view that the non-performance of bank reconciliations for the majority of the financial year represents a significant breakdown in control.

Debtor Follow-up Procedures

Audit review found that a significant proportion of the Department's outstanding debtors were overdue for more than 90 days and that debtor follow up procedures for non-accident debtors were ineffective. Specifically, the audit revealed that:

- month end statements and follow up letters were not issued to customers for the majority of the year
- customer/debt history files were not established and maintained by the Department
- debtor reports were not reviewed on a monthly basis with appropriate follow up action
- documentation evidencing disputes, investigations and follow up action were not maintained
- there was scope to improve documented policies and procedures.

Accounts Receivable System Reconciliations

Audit review found that reconciliations between the Masterpiece Accounts Receivable system and the General Ledger were not performed on a timely basis.

In response the Department provided details of issues impacting the reconciliation procedures, including the implementation of TRUMPS and the high turnover of staff. In addition, the Department advised actions taken to address the issues raised by Audit.

Metroticket Revenue

The Passenger Transport division collects revenue from the sale of tickets for use on metropolitan trains, trams and buses. The review of arrangements for collecting Metroticket revenue found that there was scope to improve internal controls including:

- the Department's policies and procedures require Department staff to perform audits of bus depots. Audit review found that since December 2006 minimal audit procedures have been performed
- shortages in Metroticket revenue collected by depots were not reported to the Contracts Section on a timely basis
- there was scope to improve policies and procedures
- reconciliations between the MYOB Metroticket Revenue Subsidiary system and the General Ledger were not always prepared on a timely basis.

In response the Department provided details of actions take to address the issues raised.

Reconciliations

Past audits of the Department have identified significant delays in the preparation and independent review of a number of key reconciliations including the bank reconciliation. Audit recommended that the Department implement processes to ensure that bank reconciliations and other reconciliations of key financial systems to the General Ledger are undertaken at the end of each month and in a timely manner.

Audit review for 2007-08 found that key reconciliations were not always prepared on a timely basis. Refer to commentary under Registration and Licensing Revenue, Other Fixed Assets, Revenue and Accounts Receivable and Accounts Payable for further details.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL REPORT

During 2007-08 the Department recognised net revenue from an administrative restructure of $525 million following the transfer of rail assets from TransAdelaide to the Department. Refer Note 2 to the financial statements.

It is also important to note that the interpretation and analysis of the Income Statement for 2007 includes the activity for the six month period 1 January 2007 to 30 June 2007 of the former Department for Administrative and Information Services (DAIS) functions which transferred to the Department on 1 January 2007.

Highlights of the Financial Report

	2008 $'million	2007 $'million	Percentage Change
EXPENSES			
Employee benefits expenses	**193**	154	25
Supplies and services	**696**	547	27
Depreciation and amortisation	**189**	160	18
Other expenses	**120**	100	20
Total Expenses	**1 198**	961	25
INCOME			
Fees and charges	**398**	359	11
Commonwealth revenues	**151**	112	35
Sale of goods and services	**173**	92	88
Rental income	**163**	75	117
Other income	**106**	79	34
Total Income	**991**	717	38
Net Cost of Providing Services	**(207)**	(244)	15

	2008 $'million	2007 $'million	Percentage Change
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT			
Revenues from SA Government	**375**	378	(1)
Payments to SA Government	**26**	4	-
Total Revenues from (payments to) SA Government	**349**	374	(7)
Net Result before Restructure	**142**	130	9
Net Revenue from Restructure	**525**	577	-
Net Result after Restructure	**667**	707	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	**305**	338	(10)
ASSETS			
Current assets	**501**	511	(2)
Non-current assets	**7 453**	6 349	17
Total Assets	**7 954**	6 860	16
LIABILITIES			
Current liabilities	**242**	188	29
Non-current liabilities	**190**	223	(15)
Total Liabilities	**432**	411	5
EQUITY	**7 522**	6 449	17

Income Statement

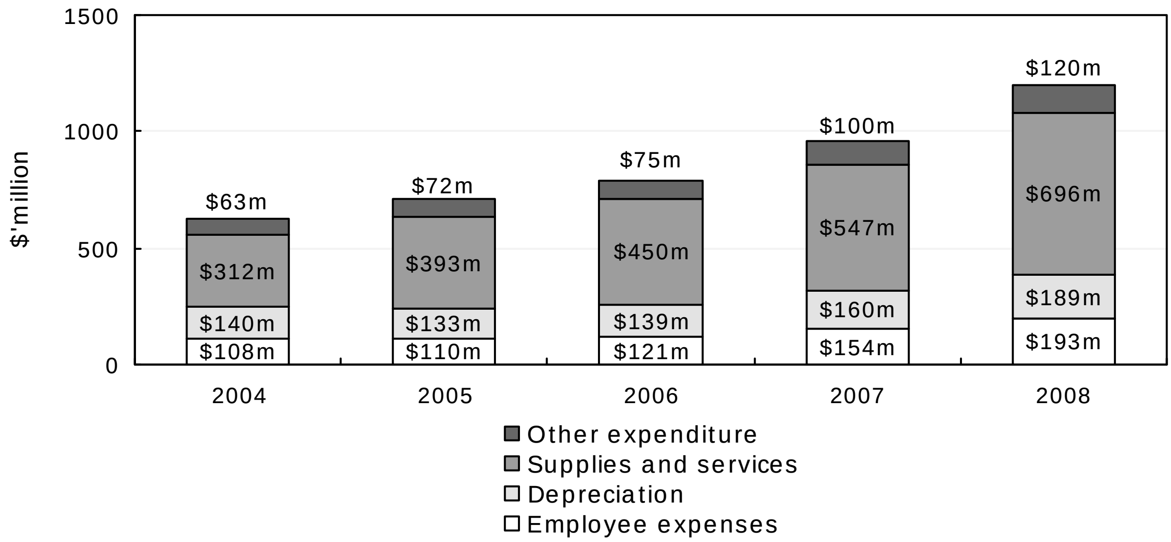
Expenses

Total expenses for the year increased by $237 million (25 percent). The increase mainly reflects the full year effect of functions transferred effective 1 January 2007 to the Department from the former DAIS.

Expenses for the year totalled $1 198 million ($961 million) and are mainly attributable to:

- employee benefit expenses of $193 million (17 percent)
- supplies and services expenses of $696 million (56 percent) of which $216 million (31 percent) relates to the bus and rail service contract payments and $123 million (18 percent) to the cost of major infrastructure and other service contracts
- depreciation and amortisation expense of $189 million (16 percent) of which $116 million (61 percent) relates to network asset depreciation.

For the five years to 2008, a structural analysis of the major expense items for the Department is shown in the following chart.



Income

Total income (excluding revenues from SA Government) for the year increased by $274 million (38 percent). Similar as for total expenses, the increase mainly reflects the full year effect of the transfer of functions effective 1 January 2007 to the Department from the former DAIS.

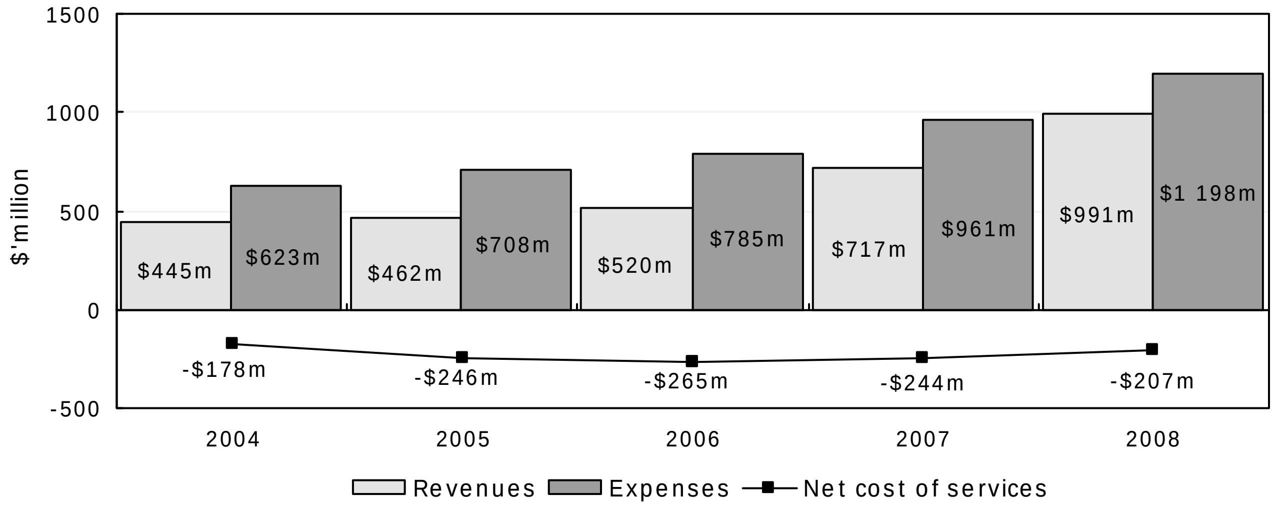
Income for the year totalled $991 million ($717 million) and represents:

- fees and charges of $398 million (40 percent) of which $293 million (74 percent) relates to driver and vehicle registration income and $76 million (19 percent) to Metroticket income
- Commonwealth revenues of $151 million (15 percent) of which $80 million relates to funding received for the Sturt Highway upgrade.
- sale of goods and services of $173 million (17 percent) of which $70 million relates to facilities maintenance services provided to government agencies and $53 million is mainly attributable to charges for the use of the government radio, telephone and data networks
- rental income of $163 million (16 percent) comprising $139 million for office accommodation and $24 million for residential accommodation.

Net Cost of Providing Services

The Net Cost of Providing Services for the year was a deficit of $207 million as compared to a deficit of $244 million the previous year.

The following chart shows the income, expenses and net cost of providing services for the five years to 2008.



Revenues from / Payments to SA Government

Revenues from SA Government totalled $375 million ($378 million).

Payments to SA Government totalled $26 million ($4 million). The increase in Payments to SA Government mainly reflects a return of cash totalling $19 million made during the year pursuant to the SA Government cash alignment policy.

In addition, during the year the Department made a equity contribution repayment to the SA Government totalling $36 million. As the repayment represented a return of equity it was not recognised in the Income Statement but was recognised in the Statement of Changes in Equity.

Balance Sheet

The net assets of the Department as at 30 June 2007 totalled $7.5 billion ($6.4 billion), of which $5.1 billion ($4.7 billion) represents the written down value of the network assets.

Network Assets

Network assets represent 68 percent (74 percent) of total non-current assets. The major classes of network assets are roads and signs with a written down value of $2.3 billion (46 percent) and earthworks with a written down value of $1.5 billion (30 percent).

The written down value of network assets increased by $372 million to $5.1 billion. The increase is attributable mainly to:

- a revaluation of components of network assets during the year resulting in a revaluation increment of $164 million which reflects mainly:

  — a revaluation increment of $119 million for roads and signs
  — a revaluation increment of $41 million for bridges and culverts

- the capitalisation of a number of key projects totalling $87 million of which $31 million relates to the capitalisation of the Bakewell Bridge, $8 million relates to the Mawson Lakes Interchange Project and $19 million relates to the City West Light Rail Project

- acquisition of rail assets totalling $237 million from TransAdelaide

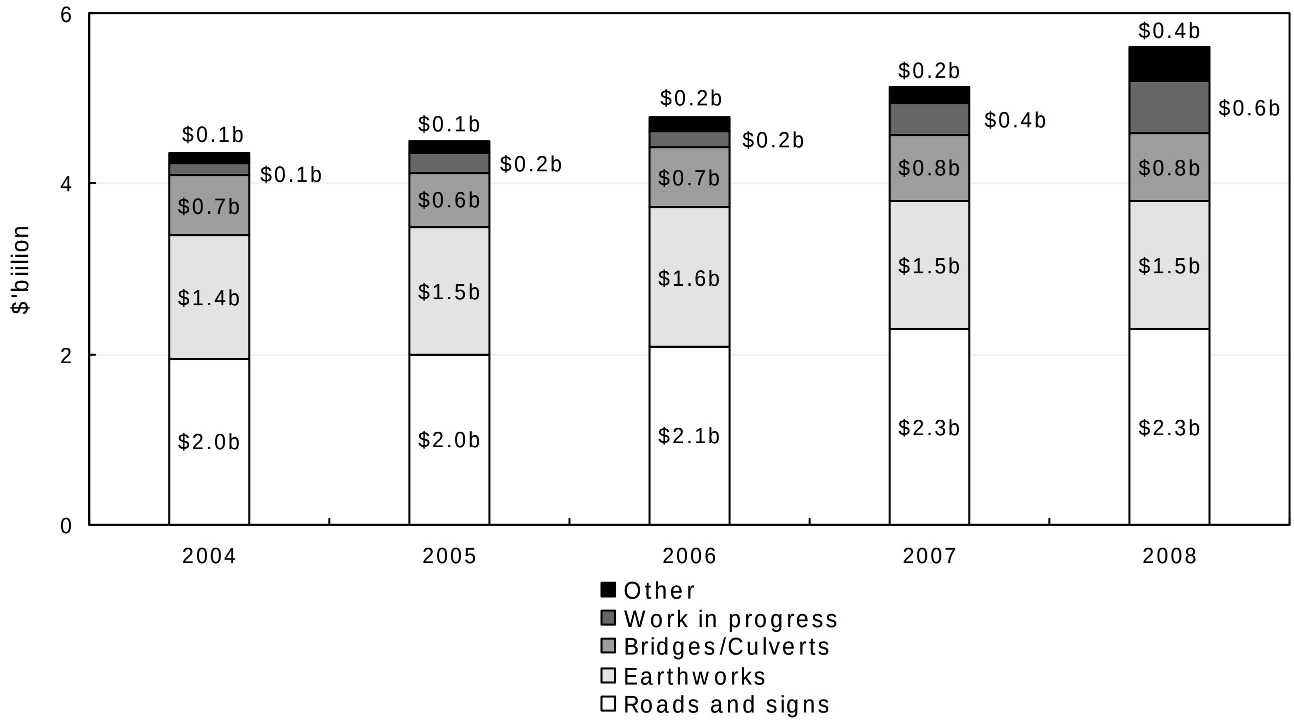
- depreciation and amortisation expense of $116 million.

Capital Works in Progress

The value of capital works in progress increased by $170 million to $552 million.

The increase reflects a number of major capital projects currently underway including the Port River Expressway project ($158 million), the South Road/Anzac Highway underpass ($48 million) and the Northern Expressway Project ($98 million).

For the five years to 2008, a structural analysis of the written down value of network asset and work in progress is shown in the following chart.



Consistent with previous years, sources of funding to maintain and develop network assets were from the annual collection of registration and licence fees of $293 million ($273 million) and grants from the Commonwealth Government of $151 million ($112 million) and appropriations from the SA Government of $375 million ($378 million). This regular source of funding explains the low level of outstanding borrowings which totalled $48 million ($48 million).

Land, Buildings and Facilities

The value of land, buildings and facilities increased by $455 million to $1.4 billion.

The increase relates mainly to:

- land, building and facilities transferred to the Department on 1 January 2008 from TransAdelaide. The written down value of these assets was $190 million
- a revaluation increment of $256 million which reflects mainly a land revaluation increment for $54 million and a revaluation increment for building and facilities for $196 million.

Administered Items

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 the Department of Treasury and Finance.

In 2007-08 amounts collected on behalf of third parties totalled $717 million ($676 million) and included $432 million ($414 million) for Compulsory Third Party Insurance, $147 million ($133 million) for Stamp Duty and $29 million ($29 million) for the Emergency Services Levy.

Collections on behalf of third parties receipts represents 82 percent (90 percent) of revenues administered by the Department.

Income Statement
for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
EXPENSES:			
Employee benefits expenses	6	**192 968**	154 340
Supplies and services	7	**696 340**	546 965
Depreciation and amortisation expense	8	**188 642**	160 073
Grants and subsidies	9	**78 456**	80 889
Borrowing costs	10	**4 907**	4 313
Other expenses	11	**36 885**	15 164
Total Expenses		**1 198 198**	961 744
INCOME:			
Fees and charges	13	**398 190**	358 925
Commonwealth revenues	14	**150 605**	112 242
Sale of goods and services	15	**173 273**	91 548
Rental income	16	**163 095**	75 503
Grants and subsidies	17	**44 557**	40 361
Interest	18	**11 553**	9 453
Commissions received	19	**11 739**	11 168
Net gain or loss from the disposal of non-current assets	20	**8 877**	5 580
Resources received free of charge	21	**2 703**	660
Other income	22	**25 962**	12 098
Total Income		**990 554**	717 538
NET COST OF PROVIDING SERVICES		**207 644**	244 206
REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:			
Revenues from SA Government	23	**375 434**	377 858
Payments to SA Government	23	**26 059**	3 611
Net Revenues from (Payments to) SA Government		**349 375**	374 247
NET RESULT BEFORE RESTRUCTURE		**141 731**	130 041
Net revenue (expenses) from administrative restructure	41	**525 410**	577 035
NET RESULT AFTER RESTRUCTURE		**667 141**	707 076

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

Balance Sheet
as at 30 June 2008

	Note	2008	2007
CURRENT ASSETS:		**$'000**	$'000
Cash and cash equivalents	24	**354 678**	394 577
Receivables	25	**124 157**	89 922
Inventories	26	**9 466**	5 489
Other current assets	27	**6 182**	6 519
Non-current assets classified as held-for-sale	28	**6 766**	15 106
Total Current Assets		**501 249**	511 613
NON-CURRENT ASSETS:			
Receivables	25	**10 260**	7 613
Land, buildings and facilities	29	**1 406 423**	951 176
Plant and equipment	30	**383 588**	281 546
Network assets	31	**5 081 277**	4 708 926
Capital works in progress	32	**551 756**	381 371
Intangible assets	33	**19 936**	18 544
Total Non-Current Assets		**7 453 240**	6 349 176
Total Assets		**7 954 489**	6 860 789
CURRENT LIABILITIES:			
Payables	34	**140 763**	107 921
Borrowings	35	**1 838**	1 694
Employee benefits	36	**24 667**	22 100
Provisions	37	**19 680**	14 556
Other current liabilities	38	**55 855**	42 004
Total Current Liabilities		**242 803**	188 275
NON-CURRENT LIABILITIES:			
Payables	34	**4 945**	4 837
Borrowings	35	**67 549**	68 696
Employee benefits	36	**54 165**	50 582
Provisions	37	**6 606**	7 860
Other non-current liabilities	38	**56 549**	91 258
Total Non-Current Liabilities		**189 814**	223 233
Total Liabilities		**432 617**	411 508
NET ASSETS		**7 521 872**	6 449 281
EQUITY:			
Accumulated surplus		**5 266 069**	4 598 924
Asset revaluation reserve		**2 061 404**	1 620 354
Contributed capital		**194 399**	230 003
TOTAL EQUITY		**7 521 872**	6 449 281
Unrecognised contractual commitments	42		
Contingent assets and liabilities	43		

Statement of Changes in Equity
for the year ended 30 June 2008

	Note	Contributed Capital $'000	Asset Revaluation Reserve $'000	Accum-ulated Surplus $'000	Total $'000
Balance at 30 June 2006		213 257	1 574 161	3 724 741	5 512 159
Changes in accounting policy	4.2,39	-	-	90 439	90 439
Prior period error correction	39	-	-	(2 967)	(2 967)
Restated balance at 30 June 2006		213 257	1 574 161	3 812 213	5 599 631
Gain on revaluation of property during 2006-07		-	46 193	-	46 193
Net income/expense recognised directly in equity for 2006-07		-	46 193	-	46 193
Net result after restructure for 2006-07		-	-	707 076	707 076
Total Recognised Income and Expense for 2006-07		-	46 193	707 076	753 269
Equity contribution from SA Government		16 746	-	-	16 746
Payment of dividend to SA Government		-	-	(22 261)	(22 261)
Balance at 30 June 2007		230 003	1 620 354	4 497 028	6 347 385
Changes in accounting policy		-	-	-	-
Prior period error correction	39	-	-	101 896	101 896
Restated balance at 30 June 2007		230 003	1 620 354	4 598 924	6 449 281
Gain (Loss) on revaluation of property during 2007-08		-	256 390	-	256 390
Gain (Loss) on revaluation of network assets during 2007-08		-	163 843	-	163 843
Gain (Loss) on revaluation of plant and equipment during 2007-08		-	20 817	-	20 817
Other		-	-	4	4
Net income/expense recognised directly in equity for 2007-08		-	441 050	4	441 054
Net result after restructure for 2007-08		-	-	667 141	667 141
Total recognised income and expense for 2007-08		-	441 050	667 145	1 108 195
Equity contribution from SA Government		-	-	-	-
Repayment of equity contribution to SA Government		(35 604)	-	-	(35 604)
Balance at 30 June 2008		**194 399**	**2 061 404**	**5 266 069**	**7 521 872**

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

Cash Flow Statement
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Employee benefit payments		**(188 209)**	(145 750)
Payments for supplies and services		**(759 794)**	(620 768)
Payments of grants and subsidies		**(78 458)**	(83 798)
Borrowing costs		**(4 907)**	(4 313)
Construction work payments		**(72 277)**	(43 714)
GST paid to the ATO		**(1 035)**	(3 014)
Other payments		**(9 888)**	(8 311)
Cash used in Operations		**(1 114 568)**	(909 668)
CASH INFLOWS:			
Fees and charges		**370 275**	358 925
Receipts from Commonwealth		**128 592**	123 432
Rental income		**160 042**	91 442
Sale of goods and services		**245 345**	165 826
Grants and subsidies		**44 558**	41 061
Interest received		**11 431**	8 976
Commissions		**11 739**	13 526
Construction work reimbursements		**72 266**	56 056
Other receipts		**25 963**	14 651
Cash generated from Operations		**1 070 211**	873 895
CASH FLOWS FROM SA GOVERNMENT:			
Receipts from SA Government		**375 434**	377 858
Payments to SA Government		**(26 059)**	(3 611)
Cash generated from cash flows from SA Government		**349 375**	374 247
Net Cash provided by Operating Activities	44	**305 018**	338 474
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		**(10 156)**	(79 327)
Purchase of network assets		**(315 824)**	(231 883)
Cash used in Investing Activities		**(325 980)**	(311 210)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		**18 441**	19 889
Cash generated from Investing Activities		**18 441**	19 889
Net Cash used in Investing Activities		**(307 539)**	(291 321)
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH OUTFLOWS:			
Payment of dividend to government		**-**	(22 261)
Repayment of equity contribution to government		**(35 604)**	-
Repayment of finance leases		**(1 774)**	(1 250)
Repayment of borrowings		**-**	-
Cash used in Financing Activities		**(37 378)**	(23 511)
CASH INFLOWS:			
Capital contributions from Government		**-**	16 747
Proceeds from restructuring activities		**-**	20 588
Cash generated from Financing Activities		**-**	37 335
Net Cash (used in) provided by Financing Activities		**(37 378)**	13 824
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(39 899)**	60 977
CASH AND CASH EQUIVALENTS AT 1 JULY		**394 577**	333 600
CASH AND CASH EQUIVALENTS AT 30 JUNE	24	**354 678**	394 577
Non-cash transactions	24		

Program Schedule of Expenses and Income for the year ended 30 June 2008

(Refer Note 5)	1		2		3		4	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**9 737**	9 392	**57 838**	58 292	**17 117**	24 702	**10 004**	9 513
Supplies and services	**4 716**	3 252	**117 990**	121 180	**4 645**	27 283	**246 335**	240 321
Depreciation and amortisation	**65**	122	**131 172**	121 872	**1 833**	2 396	**23 689**	20 907
Grants and subsidies	**510**	1 930	**4 147**	4 606	**-**	-	**24 342**	22 171
Borrowing costs	**12**	13	**373**	281	**46**	55	**3 393**	3 349
Other expenses	**974**	27	**17 856**	9 591	**3 527**	236	**1 237**	1 205
Total Expenses	**16 014**	14 736	**329 376**	315 822	**27 168**	54 672	**309 000**	297 466
INCOME:								
Fees and charges	**32**	18	**7 992**	7 190	**18 382**	281 631	**75 060**	69 896
Commonwealth revenue	**-**	-	**137 161**	102 983	**224**	599	**-**	-
Interest	**-**	-	**9 758**	8 469	**268**	284	**-**	-
Net Gain (Loss) from disposal of non-current assets	**-**	-	**24**	501	**-**	-	**106**	58
Commissions received	**-**	-	**-**	-	**-**	11 168	**-**	-
Grants and subsidies	**-**	-	**-**	-	**-**	-	**44 557**	40 361
Resources received free of charge	**-**	-	**2 056**	660	**-**	-	**-**	-
Rental income	**-**	-	**7 112**	3 022	**-**	-	**416**	484
Sale of goods and services	**25**	91	**4 048**	3 175	**3 098**	4 825	**6 421**	1 994
Other income	**97**	37	**7 853**	2 476	**1 934**	2 174	**1 479**	874
Total Income	**154**	146	**176 004**	128 476	**23 906**	300 681	**128 039**	113 667
NET COST OF PROVIDING SERVICES	**(15 860)**	(14 590)	**(153 372)**	(187 346)	**(3 262)**	246 009	**(180 961)**	(183 799)

(Refer Note 5)	5		6		7		8	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**6 570**	7 545	**2 810**	2 829	**11 288**	6 410	**26 044**	13 546
Supplies and services	**6 169**	7 078	**12 461**	8 284	**43 238**	21 758	**205 167**	97 351
Depreciation and amortisation	**256**	453	**16**	5	**15 198**	7 126	**15 744**	6 705
Grants and subsidies	**8 041**	6 052	**4 226**	9 337	**315**	-	**-**	450
Borrowing costs	**-**	-	**-**	-	**-**	17	**1 045**	556
Other expenses	**159**	238	**55**	113	**4 696**	33	**7 774**	3 563
Total Expenses	**21 195**	21 366	**19 568**	20 568	**74 735**	35 344	**255 774**	122 171
INCOME:								
Fees and charges	**48**	90	**-**	-	**-**	-	**3**	-
Commonwealth revenue	**129**	67	**10 417**	4 263	**-**	1 162	**-**	-
Interest	**-**	-	**-**	-	**-**	-	**670**	274
Net Gain (Loss) from disposal of non-current assets	**-**	-	**-**	-	**-**	-	**8 746**	5 021
Commissions received	**-**	-	**-**	-	**-**	-	**-**	-
Grants and subsidies	**-**	-	**-**	-	**-**	-	**-**	-
Resources received free of charge	**647**	-	**-**	-	**-**	-	**-**	-
Rental income	**-**	-	**-**	-	**-**	-	**155 567**	71 997
Sale of goods and services	**3 050**	1 610	**102**	18	**56 204**	28 554	**83 073**	41 038
Other income	**5 273**	4 001	**575**	254	**1 932**	548	**1 091**	462
Total Income	**9 147**	5 768	**11 094**	4 535	**58 136**	30 264	**249 150**	118 792
NET COST OF PROVIDING SERVICES	**(12 048)**	(15 598)	**(8 474)**	(16 033)	**(16 599)**	(5 080)	**(6 624)**	(3 379)

Program Schedule of Income and Expenses for the year ended 30 June 2008 (continued)

(Refer Note 5)	9		10*		11		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
EXPENSES:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Employee benefit expenses	**23 466**	10 899	**21 354**	4 880	**6 740**	6 332	**192 968**	154 340
Supplies and services	**20 870**	9 647	**25 616**	466	**9 133**	10 345	**696 340**	546 965
Depreciation and amortisation	**292**	187	**227**	155	**150**	145	**188 642**	160 073
Grants and subsidies	**-**	-	**-**	43	**36 875**	36 300	**78 456**	80 889
Borrowing costs	**-**	-	**-**	-	**38**	42	**4 907**	4 313
Other expenses	**106**	66	**81**	28	**420**	64	**36 885**	15 164
Total Expenses	**44 734**	20 799	**47 278**	5 572	**53 356**	53 228	**1 198 198**	961 744
INCOME:								
Fees and charges	**11 566**	100	**285 107**	-	**-**	-	**398 190**	358 925
Commonwealth revenue	**-**	-	**-**	-	**2 674**	3 168	**150 605**	112 242
Interest	**-**	-	**78**	-	**779**	426	**11 553**	9 453
Net Gain (Loss) from disposal of non-current assets	**-**	-	**1**	-	**-**	-	**8 877**	5 580
Commissions received	**-**	-	**11 739**	-	**-**	-	**11 739**	11 168
Grants and subsidies	**-**	-	**-**	-	**-**	-	**44 557**	40 361
Resources received free of charge	**-**	-	**-**	-	**-**	-	**2 703**	660
Rental income	**-**	-	**-**	-	**-**	-	**163 095**	75 503
Sale of goods and services	**15 322**	7 537	**1 760**	2 706	**170**	-	**173 273**	91 548
Other income	**4 316**	472	**1 272**	727	**140**	73	**25 962**	12 098
Total Income	**31 204**	8 109	**299 957**	3 433	**3 763**	3 667	**990 554**	717 538
NET COST OF PROVIDING SERVICES	**(13 530)**	(12 690)	**252 679**	(2 139)	**(49 593)**	(49 561)	**(207 644)**	(244 206)

* Effective 1 July 2007 the functions and activities relating to the Driver and Vehicle Licensing Customer Service network were transferred from the Transport Safety and Regulation Services program to the Service SA program.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

The Department for Transport, Energy and Infrastructure (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 goal of the Department is to ensure that South Australia's future needs for the safe and efficient movement of people and freight, and safe and efficient energy, transport and other infrastructure, are met in an ecologically sustainable and cost effective way. The Department also has a leadership role in the management of public sector assets and Information and Communication Technology (ICT) services and infrastructure to improve access to government services for all South Australians.

The Department will work to achieve this goal through the following long term objectives:

- identifying strategic infrastructure priorities for the state;
- promoting integrated infrastructure and land use planning and development across government;
- promoting reforms to infrastructure related policies and strategies and improvements to infrastructure related business processes and capabilities across government;
- providing leadership in the development of options to improve the state's transport system;
- investing in the integrated transport solutions that increase the safety, effectiveness and efficiency of the state's transport infrastructure and services for all users;
- providing improved public transport services;
- managing and advising on state owned transport assets;
- managing traffic on the arterial road network;
- regulating the access, behaviour and security of transport system users;

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

- developing and implementing strategies to address the economic, social and environmental impacts of urban congestion;
- providing South Australia's input into Australian Government aviation safety regulatory change, and aligning the state's strategies for air services and airport development with national regulatory changes;
- enabling the transformation of the business of the Government by developing and implementing a whole of government ICT policy framework, and coordinating the provision of core ICT infrastructure services and business applications;
- increasing the overall efficiency and effectiveness of the delivery of government services through current and future ICT investments;
- managing the state-wide portfolio of government office accommodation and employee housing;
- providing direction, advice and services to government agencies related to the construction, maintenance, management and disposal of building and property assets;
- providing policy advice on major energy market reforms and strategic issues relating to the development and performance of the electricity and gas industries;
- assisting in the delivery of the government's policy on sustainable energy and implementation of South Australia's Greenhouse Strategy;
- conducting an annual review, audit and approval of energy industry safety and technical management plans and promotion of safety;
- providing statutory services and information to the community in relation to land titling, survey, valuation and advice on land administration issues;
- providing government services and information to the community through a choice of integrated online, phone and face to face delivery channels; and
- ensuring staff, as public employees, are aware of and continue to uphold the fundamental core values of accountability, responsibility, transparency, ethics and probity in the work they undertake.

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 of the Department are:

- Office of the Chief Information Officer
- Building Management
- Energy
- Government Relations and Reform Office
- Lands Services
- Service SA
- Office of Major Projects and Infrastructure
- Policy and Planning
- Public Transport
- Safety and Regulation
- Transport Services
- Corporate Services (including the Parliamentary Network Support Group)

The Executive Directors of the offices and divisions within the Department report to the Chief Executive, Department for Transport, Energy and Infrastructure.

During 2007-08 there were no changes to the Department's structure albeit the following significant change to its functions.

In November 2007, the Government announced the transfer of various metropolitan rail passenger services assets previously controlled by TransAdelaide to be vested in the name of the Minister for Transport. The change in administration of these assets was to be effective from 1 January 2008 as reported in the Government Gazette dated 13 December 2007. Operation and maintenance of all transferred property has been integrated into the Department's existing offices and divisions.

3. Summary of Significant Accounting Policies

3.1 Statement of Compliance

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

AASs include AIFRS and AAS 29. 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 2008. These are outlined in Note 4.

3.2 Basis of Preparation

This financial report is prepared on the basis of:

(a) 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 report:

(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 Income Statement);

(c) employee target voluntary separation package information;

(d) employees whose normal remuneration is $100 000 or more (within $10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees;

(e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The financial report has 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 report for the year ended 30 June 2008 and the comparative information presented for the year ended 30 June 2007.

3.3 Reporting Entity

The Department for Transport, Energy and Infrastructure is a government department of the State of South Australia, established pursuant to the PSM Act. The Department is an administrative unit acting on behalf of the Crown.

This departmental financial report includes all the controlled activities of the Department. Transactions and balances relating to administered items are not recognised in this departmental report.

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 departmental financial report. 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 a specific APS or AAS has required a change.

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

3.5 Rounding

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

3.6 Service Provider Operations

Service provider units are individual work units that operate on a fee for service basis. Service provider units predominantly have as their clients other units or divisions within the Department and may also undertake some work for external parties. Some service provider units charge actual costs directly to projects or functions, while others retain actual costs within a working account prior to on-charging those costs to their customer groups. The recurrent or capital nature of these costs is therefore not readily apparent. A reliable means of allocating these costs between investing and operating activities has been established based on the history of work performed or an apportionment relevant to the underlying nature of the Service Provider's unit operations.

Service Provider unit revenue arising from operations with external clients is disclosed in the Income Statement. Revenue and expenses arising from intra-division operations have been eliminated.

3.7 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 (eg accommodation rental, payroll services, finance, contract management, etc).

Business overheads relating to those functions or areas responsible for the management and control of property, building, information and communication technology assets are allocated across the Department. Business areas incurring these costs allocate the costs to specific activities and outputs 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.

3.8 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.

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 Balance Sheet.

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

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

With respect to tax equivalents, the Department is liable to pay income tax equivalents 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 company income tax rate (currently 30 percent) to the accounting profit for the year.

3.9 Events after Balance Date

Where an event occurs after 30 June 2008 but provides information about conditions that existed at 30 June 2008, adjustments are made to amounts recognised in the financial statements where it is material.

3.10 Transferred Functions

Assets, liabilities and contributed capital transferred to or from the Department under government restructuring arrangements have been reported in accordance with APSs contained within APF II, AAS 29 and Interpretation 1038.

3.11 Income and Expenses

Income and expenses are recognised in the Department's Income Statement when and only when it is probable that the flow of economic benefits to or from the Department will occur and can be reliably measured.

3.11 *Income and Expenses (continued)*

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

The following are specific recognition criteria:

Income

Fees and Charges
Revenues from the levying of fees or charges set in accordance with various legislative acts (eg registration and driver 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 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.

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 at the earlier time of when the Department has been formally advised that the grant has been approved, the agreement has been signed, and/or the grant has been received. For grants with conditional stipulations, control passes at the time the stipulations are satisfied or met.

Grants received by the Department from the Commonwealth are generally monies given to fund capital or recurrent activities. Such grants are recognised as Commonwealth Revenues and are usually subject to terms and conditions as set out in the contract, correspondence or legislation governing the provision of the grant.

Disposals of Non-Current Assets
Gains or losses from the disposal of non-current assets are recognised on a net basis on the face of the Income Statement when control of the asset has passed to the buyer.

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 Income Statement at their fair value when control has passed to the Department.

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.

When 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.

Expenses

Employee Benefit Expenses
Employee benefit expenses include all costs related to the 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 Income Statement includes the contributions made by the Department to the superannuation plan in respect of current services provided by departmental staff. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government general purpose financial report.

Grants Paid
Grants provided to other entities for general assistance or for a particular purpose are recognised as expenses depending on the nature of the grant and the recipient entity's level of control or right to receive the grant. 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 AASB 123, 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 Income Statement at their fair value; and 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 tax equivalent payments and payments to DTF for Indentured Ports (refer to Note 45) and cash alignment paid directly to the Treasurer through the Consolidated Account.

3.12 Current and Non-Current Items
Assets and liabilities are characterised 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 Cash and Cash Equivalents
For the purposes of the Cash Flow Statement, cash 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.

Cash Alignment Policy
In October 2003 the Government introduced a policy with respect to aligning departmental cash balances with appropriation and expenditure authority. This policy came into effect during 2003-04 and has continued operation through to 2007-08. The Department was not required to transfer any cash balances in 2005-06 or 2006-07, but was required to make a payment of $19.140 million in 2007-08. Refer to Note 23.

3.14 Receivables
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 receivable 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 Department determines a provision for doubtful debts based on an annual review of balances for trade receivables. The doubtful debt provision balance is calculated as that amount of specific trade receivables that have been assessed as impaired or uncollectible at reporting date. 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 Balance Sheet in the accordance with the requirements of AASB 117.

3.15 Inventories
Inventories includes goods and other property held either for sale or for distribution at no or nominal amount in the ordinary course of business.

Inventories held for distribution are measured at cost and may be 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 comprising works in progress performed for clients external to the Department are measured at cost. Inventories such as Metrotickets consist of tickets held-for-sale or distribution and are therefore measured at cost.

3.16 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 and maintenance type activities associated with its role of facilities manager.

3.16 Contracts in Progress (continued)

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 the charging to the respective Government Departments are transacted within the Balance Sheet. The net of the expenditure incurred and the revenue recovered is represented as a current asset.

3.17 Non-Current Asset Acquisition (or Disposal Groups) 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 Balance Sheet.

3.18 Non-Current Assets Acquisition and Recognition

The Department capitalises Non-current physical assets with a 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 relate to assets under construction, land and buildings, as described below.

The Department's activities with respect to assets under construction are such that these costs are capitalised and transferred to the Balance Sheet to the appropriate asset class from Capital Works in Progress at the completion of the project. Project costs that do not meet the recognition criteria of an asset are expensed. For those projects equal to or greater than $1 million, this expensing of costs occurs during the life of the project. For all other projects, costs to be expensed are identified at/or near the date of practical completion.

The Department recognises land separately from buildings and other improvements, and land acquired for current road projects separately from other land.

In accordance with APF III, APS 9.6 the Department has elected not to recognise in its Balance Sheet the value of land under water because of the inherent difficulty in the reliable measurement of all land within this category. Land under roads, acquired before 1 July 2008, is not recognised by the Department as an asset. The Department is working with DTF towards a solution to ensure compliance with AASB 1051, paragraph 15 to recognised land under roads acquired after 1 July 2008.

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

The Department also recognises as assets outlays on building fitouts although the acquisition of furniture and some office fittings under upgrades or modifications are not capitalised. This is due to these items not being material and to the inherent difficulty in separately tracking these items for depreciation and replacement purposes.

The Department performs separate recognition of 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. With the exception of its Walkerville administrative office building, where the lifts and the air-conditioning system have been recognised separately, the Department's assets have been appropriately classified and grouped to warrant no further recognition of components.

Most 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 value, or minimal value, these items are recorded at their fair value in the Balance Sheet. 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.

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

3.19 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 land, buildings and major plant every two or three years depending on the nature or purpose for which that property is held. Office or building fit-outs that qualify for separate asset recognition are not revalued and are therefore carried at their historic cost.

3.19 Revaluation of Non-Current Assets (continued)

With the exception of the Government Radio Network system, PABX and transmission equipment, the Department does not revalue its information technology/communication and minor plant assets, as these items do not meet the revaluation threshold.

When depreciable non-current assets are revalued, the Department uses the 'gross method' in accounting for the accumulated depreciation on revaluation.

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

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

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

When entire classes or groups of assets are sold, the revaluation increments relating to those assets are transferred to accumulated surplus.

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 of South Australia assessment adjusted by an index for the average gains/losses in real property values experienced over the previous four years.

All other land, buildings and facilities held by the Department are valued on a three year rolling basis.

All other land, except for land under roads, land under water and land acquired for current road projects is valued at fair value based on Valuer-General's assessments or from independent valuations. Land under roads and land under water is not recognised, and land acquired for current road projects is carried at historic cost.

All other buildings and facilities are generally valued at written down replacement 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.

Network Assets

With the exception of earthworks, all network assets are valued at written down replacement cost either by independent valuers, or by suitably qualified officers of the Department. These assets have no market and are therefore measured at written down replacement cost which is considered to be equivalent to fair value. The reasonableness of this valuation approach for road pavements and earthworks was agreed upon under the advice from an independent engineering consultant (L B Dowling & Associates) in 2001-02.

The Department's methodology for valuing road pavements includes the recognition of salvage values to ensure that depreciation expense on road pavements is in accordance with the treatment prescribed in AASB 116.

Network assets are revalued every three years with indexing applied during intervening years only to road pavements, bridges, culverts, and major road signs. Indexing is applied using the Australian Bureau of Statistics Road and Bridge Construction Price Index.

Plant and Equipment

Plant and equipment subject to revaluation is valued at written down replacement cost either by independent valuers or qualified departmental officers. Plant and equipment, which does not meet the threshold for revaluation, is valued 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 works in progress are not revalued but carried at historic cost.

Assets Acquired under Government Restructures or Other Changes in Administrative Arrangements

- *Transfer of TransAdelaide Assets*
  On 1 January 2008, various parcels of land, buildings, plant and equipment supporting metro rail infrastructure and previously owned by TransAdelaide were transferred to the Minister for Transport. These assets were brought to account at amounts equal to the value recorded by TransAdelaide as at 31 December 2007, with the understanding that all assets had been valued independently in the past using valuation principles that were not markedly different from those applied to other assets within the Department.

  In March 2008, the Department commenced a process of re-defining and re-titling land and buildings associated with rail stations, yards and corridors acquired under this restructure. The revaluation of these assets based on Valuer-General assessment is expected to be completed in the 2008-09 financial year. In late June 2008, the Department also initiated an independent stocktake for items of plant and equipment transferred.

- *Former Australian National Rail Land and Associated Assets*
  These assets 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. Valuation of some assets has been delayed due to the need to wait for land divisions and completion of transfers to the care and control of the Minister.

  The valuation of land and buildings on major rail yards subject to commercial leases is based on the Valuer-General's determination of market value, or the latest Valuer-General assessment depending on the terms of the lease. All other rail-related land and buildings are valued using the Valuer-General's assessment of site value for land and the difference between capital value and site value of the property for buildings.

  The value for land under rail or rail reserves on Interstate Mainline awaiting title and/or division is based on net present value of future income flows (nominal only).

- *Former Energy SA Land and Associated Assets*
  On 1 July 2005, the functions of Energy SA transferred to the Department. Assets subject to this transfer included land, buildings, plant and equipment associated with the operation of local township power stations.

  In May 2007, the Department initiated a revaluation of the former Energy SA land assets. As at 30 June 2007, all land had been subsequently defined, titled and revalued using Valuer-General's assessments. The revaluation of buildings, plant and equipment via independent valuation was completed in 2007-08 where assessments received management sign off in March 2008.

Amendments or Variations to Departmental Revaluation Methodologies and Schedules

- *Weigh Bridges/Weigh Slabs*
  The Department has deferred its planned revaluation of weigh bridges and weigh slabs to the 2008-09 financial year. The Department is currently undertaking an extensive program of upgrading these assets which may involve the decommissioning and replacement of some items. Revaluations will therefore be performed at the completion of these upgrades. The written down replacement cost for weigh stations and weigh slabs as at 30 June 2008 is $904 000.

- *Traffic Signals*
  The Department has also deferred its revaluation of traffic signal systems to the end of December 2008. The deferral is primarily due to a need to focus limited resources towards completing the upgrade of the new RITS (Register of Intelligent Transport Systems) database. In addition to meeting corporate asset reporting requirements, the new database is expected to provide a more modern global and spatial register of items and facilitate the management of traffic signal infrastructure.

Timing of Asset Revaluations

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

Asset Class	Last Valued / Revalued	By Whom
Network		
Roads pavements, including small signs, pavement marking and median kerbing	30 June 2007	Amando Reyes, BSEng (Civil), Grad Dip (Project Management) (1)
Earthworks	30 June 2007	Amando Reyes, BSEng (Civil), Grad Dip (Project Management) (1)
Bridges/Culverts	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science(1)
Major signs	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science(1)

Timing of Asset Revaluations (continued)

Asset Class	Last Valued / Revalued	By Whom
Network		
Ferry landings	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science(1)
Traffic signals	30 June 2005	Brendan McIntosh, BEng (Electrical) (1)
Road lighting	30 June 2008	Rick Burt, (Cert in Electrical Eng) (1)
Drainage	30 June 2006	Bill Lipp, BTech Civil Eng, Grad Dip Maths(1)
Weighbridges and weigh slabs	30 June 2004	Modern Weighbridge and Scale Service Pty Ltd and various departmental officers
Rail and Track		
Busway track and structures	30 June 2007	Tony Nobbs, BEEng (Civil), Master Eng Science(1)
Busway interchanges	31 August 2007	Currie and Brown
Adelaide-Glenelg tram line	1 July 2006	Rushton Valuers Pty Ltd
Metro rail lines track and structures	1 July 2004	Valuation Chambers
Land		
Metro rail stations, yards and corridors	1 July 2004	Valuation Chambers
Other rail land	30 June 2008	Valuer-General
Marine land	21 March 2006	Valuer-General
Bus Depot land	30 June 2006	Liquid Pacific Holdings Pty Ltd
Government employee housing	30 June 2008	Valuer-General
Government agency accommodation	30 June 2008	Valcorp
Future road construction	31 March 2006	Valuer-General
Other Departmental	31 March 2006	Valuer-General
Energy SA land	30 June 2007	Valuer-General
Buildings and Facilities		
Marine related	31 October 2007	Liquid Pacific Holdings Pty Ltd/Connell Wagner Pty Ltd, Herron Todd White Pty Ltd
Metro Rail stations and yards	1 July 2004	Valuation Chambers
Other rail related	30 June 2008	Valuer-General
Bus depots	30 June 2006	Liquid Pacific Holdings Pty Ltd
Glengowrie Tram Depot	1 July 2006	Rushton Valuers Pty Ltd
Residential Buildings:		
Future road construction	31 March 2006	Valuer-General
Government employee housing	30 June 2008	Valuer-General
Commercial Buildings:		
Future road construction	30 June 2008	Southwick Goodyear
Government agency accommodation	30 June 2008	Valcorp
Other departmental	31 October 2007	Liquid Pacific Holdings Pty Ltd
Plant and Equipment		
Buses	30 June 2007	Liquid Pacific Holdings Pty Ltd
Metro rail and trailer cars	1 July 2004	Valuation Chambers
Bus depot plant and equipment	30 June 2006	Evans and Clarke
Glengowrie Depot plant and equipment	1 July 2006	Rushton Valuers Pty Ltd
Government Radio Network	30 June 2008	Gibson Quai
PABX and transmission equipment	30 June 2008	Gibson Quai and Ian Deefholts, Voice Network Technical Specialist
StateNet	30 June 2008	Dimension Data and Phil Milsom, CP Eng, B Eng, MBA, GD TM
Towing vessel	28 February 2007	K. Tech Marine
Ferries (including modules)	30 June 2008	Artemis Marine/John Cartwright, MSc AE
Aids to navigation	28 February 2008	Spiros Dimas, BE (Hons), MIE (Aust), CP Eng(1)
Heavy Plant	30 June 2008	Pickles Auction
Energy SA power generation and other associated assets	1 July 2007	Valuation Property Services (VPS)
Minor plant	Not Applicable	

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

3.20 *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.

3.20 *Non-Current (Capital) Works in Progress (continued)*

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 Balance Sheet.

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

3.21 *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.

The acquisition or internal development of software is only capitalised when the expenditure can be reliably measured in accordance with AASB 138, existing departmental policies and where the amount of expenditure is greater than or equal to $100 000, in accordance with APF III.

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

Under these requirements the Department has recognised at cost assets relating to the following significant items of software:

- Transport Regulation User Management Processing System (TRUMPS)
- Strategic Asset Management Information System (SAMIS)
- Office Accommodation Management Information System (OAMIS)
- Telecommunication Billing System (TBS)
- Web Based Purchasing Interface (with ICT vendors)

3.22 *Revaluation of Intangible Assets*

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.

3.23 *Depreciation and Amortisation of Assets*

Amortisation is used in relation to intangible assets, while depreciation is applied to physical assets such as property, plant and equipment.

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

With the exception of land, unsealed roads (graded and formed), earthworks and works in progress, 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, earthworks and work in progress are not depreciated. Buildings residing on land acquired for current road projects are not recognised and therefore are not depreciated.

The value of finance lease assets is amortised over the shorter of the lease term and the underlying asset’s useful life.

Capitalised software is amortised over the useful life of the intangible asset, with a maximum period for amortisation of 10 years.

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

Asset Class	Method	Estimated Useful Life
Leased Assets		
Computers and network printers	Straight line	3-4 years
StateNet Core	Straight line	3-4 years
Network Assets		
Roads (sealed)	Straight line	40-58 years
Roads (unsealed - sheeted)	Straight line	15 years
Gantries (major signs)	Straight line	36 - 60 years
Bridges/Culverts (including tunnels and subways)	Straight line	30-200 years based on individual structures
Traffic signals	Straight line	15 years
Road lighting	Straight line	25 years
Other	Straight line	Useful life depends on individual asset items
Rail and Track		
O’Bahn Busway (track and infrastructure)	Straight line	4 - 100 years based on individual structures
Adelaide - Glenelg Tram Line	Straight line	5-155 years based on individual items
Metro rail lines (track and infrastructure)	Straight line	3 - 60 years based on individual items

3.23 Depreciation and Amortisation of Assets (continued)

Asset Class	Method	Estimated Useful Life
Buildings, Fitouts and Facilities		
Glengowrie tram depot	Straight line	7-50 years
Bus depots	Straight line	15-40 years
Government agency accommodation	Straight line	40 years
Government employee housing	Straight line	66 years
Building fitouts	Straight line	15 years
Other	Straight line	3-100 years based on individual asset items
Plant and Equipment		
Tram cars	Straight line	30 years
Glengowrie depot plant and equipment	Straight line	15-20 years based on individual asset items
Buses	Diminishing value	25 years
Metro rail and trailer cars	Straight line	10 - 33 years based on individual asset items
Metro rail plant and equipment	Straight line	3-50 yeas based on individual asset items
Bus depot plant and equipment	Straight line	3-25 years based on individual asset items
Other plant and equipment	Straight line	5-99 years based on individual asset items
Government Radio Network:		
Towers/masts and other structures	Straight line	30-40 years
Data and voice net equipment	Straight line	10-15 years
Other GRN equipment	Straight line	3-10 years
PABX equipment	Straight line	3-7 years
Transmission equipment	Straight line	5-20 years
Information technology equipment	Straight line	3 years
Intangible Assets	Straight line	5-25 years

Significant Review of Useful Lives of Unsealed Roads (Graded and Formed)

In 2007-08 and in accordance with its policy requiring the annual review of asset useful lives, the Department reassessed its current deprecation basis for the unsealed road network. Due to the 'earthworks' characteristics of both graded and formed unsealed roads, and the fact that ongoing maintenance essentially preserves the economic life of these roads in perpetuity, the Department concluded that such roads have unlimited useful lives and were therefore non-depreciable in nature. As a consequence of this change in accounting policy for the useful lives of these assets, the Department reassessed the carrying value of unsealed roads held in its Balance Sheet and in accordance with paragraph 22 of AASB 108, made a retrospective adjustment to the carrying amount of the asset of $93.275 million.

3.24 Remediation of Non-Current Assets

Land remediation costs are capitalised and depreciated only where the resultant costs incurred in performing that remediation have met the definition and recognition criteria of an asset. Land remediation undertaken within 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'. These costs are therefore expensed in the period in which they are incurred. Where the 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.

3.25 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 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 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 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.

3.26 Borrowings

Borrowings consist of loans and finance leases.

Loans are recognised when issued at the full amount received and carried at this value less any repayments until the loan is settled. Intra-division borrowings (or loans) are non-interest bearing and are eliminated upon consolidation.

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 Income Statement.

3.27 Leases

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

Finance Leases - the Department as Lessor

- *Recreational Jetties*

  The Department has entered into leases as lessor, in regards to the Government's Recreational Jetties Divestment Program where jetties have been leased to Councils throughout the State. Peppercorn rentals of $1 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 its 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. The lease agreement included a half-way buy-out option at 1 July 2007 for the lessee which the Department had chosen not to exercise. Under the terms and conditions of the lease agreement, the Department is also liable to pay contingent rentals based on the Adelaide Consumer Price Index.

- *Personal Computers and Network Printers*

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

- *State Core Network*

  The Department has numerous finance leases with EDS Australia for information technology computer hardware and software. The lease terms are generally three to five years and are non-cancellable. At the end of the lease, ownership of the leased property is transferred to the Department upon payment of a nominal sum.

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 Income Statement 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, plant, motor vehicles, office equipment and commercial and residential accommodation. Operating lease payments are charged to the Income Statement on a basis that is representative of the pattern of benefits derived from the leased assets.

Lease Incentives
All incentives for the agreement of new or renewed operating leases are recognised as an integral part of the net consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as a liability.

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

Where the lease incentive is applied to the acquisition of a leasehold improvement or fit-out controlled by government, these are capitalised as an asset and depreciated over the estimated useful life of the improvement.

3.28 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 nominal 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 of sick leave.

Long Service Leave
The liability for long service leave is recognised by the Department after an employee has completed 6.5 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 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, superannuation and workers compensation premiums are shown separately under the item Payables in the Balance Sheet as employment on-costs.

3.29 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 have been reported to reflect workers compensation claims not settled, amounts provided for and payable under the Tax Equivalent Regime (TER), and future remediation work required on land under the Ports Corp Business and Sale Agreement.

The workers compensation provision is based on an actuarial assessment coordinated by the Public Sector Workforce Division of the Department of the Premier and Cabinet.

The provision for TER payments is based on the income tax expense payable at the current company income tax rate of 30 cents. (Refer to Note 3.8).

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 performed over a period of four years from 2007-08, these estimates are discounted at their net present value in accordance with the requirements of paragraph 45 of AASB 137.

3.30 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 Income Statement. The balance of any unspent grant monies as at 30 June is recognised as a liability in the Balance Sheet.

The Department receives incentive monies from building owners that are applied towards the costs of office fit-outs performed on commercial properties occupied by other government agencies. These monies are recognised as revenues when works are completed with the balance of unspent funds recognised as liabilities.

3.31 Unrecognised Contractual Commitments and Contingent Assets and Liabilities

Commitments include those operating and capital commitments arising from contractual or statutory sources are measured at their nominal amount. (Refer to Note 42).

Contingent assets and liabilities are not recognised in the Balance Sheet, 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.

3.32 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. Changes in Accounting Policies

4.1 Statement of Compliance

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 2008. Those relevant to the Department are outlined in the table below.

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for Department
AASB 123	Borrowing Costs (revised)	Revised standard requires capitalisation of all borrowing costs that are attributable to qualifying assets. All other borrowing costs are to be immediately expensed.	1 January 2009	The Department does not normally hold assets which would meet the definition of 'qualifying assets' under AASB 123. The revised standard is not expected to have an impact on the Department's financial statements as all borrowing costs are required to be expensed in accordance with the requirements of APS 3.3 of APF II General Purpose Financial Reports.	1 July 2009
AASB 1004	Contributions (revised)	Significant amendments to AASB 1004 as previously issued in June 2004. Pronouncement now includes recognition and disclosure requirements for local governments and government departments relating to contributions, taxes, parliamentary appropriations, liabilities assumed, and restructures.	1 January 2008	Amendments are in response to the short term review of AAS 27, AAS 29 and AAS 31. Requirements held within these standards and transferred to the new topic based standard are unchanged. Amendments are therefore not expected to have an impact on the Department's financial statements.	1 July 2008
AASB 1050	Administered Items	New standard requires disclosure of administered expenses, revenues, assets and liabilities.	1 July 2008	Issue of new standard is in response to the short term review of AAS 27, AAS 29 and AAS 31. Given that the requirements held within these old standards and transferred to the new topic-based standard are unchanged, AASB 1050 is not expected to alter existing accounting practices or to have an impact on the Department's financial statements.	1 July 2008

4.1 Statement of Compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for Department
AASB 1051	Land Under Roads	New standard requires disclosure of accounting policy for recognition of land under roads and permits an election to be made with respect to recognising or not recognising land under roads as an asset.	1 July 2008	The Department, under revised APF III (para 9.6), must not recognised any land under roads acquired before 1 July 2008 as an asset. The Department is working with DTF towards a solution to ensure compliance with AASB 1051, para 15 to recognise land under roads acquired after 1 July 2008.	1 July 2008
AASB 1052	Disaggregated Disclosures	New standard requires disclosure of financial information by function or activity of local governments, and service costs and achievements by government departments.	1 July 2008	Issue of new standard in response to the short term review of AAS 27, AAS 29 and AAS 31. Given that the requirements held within these old standards and transferred to the new topic-based standard are unchanged, AASB 1052 is not expected to alter existing accounting practices or to have an impact on the Department's financial statements.	1 July 2008
AASB Interpretation 4	Determining whether an arrangement contains a lease (revised)	Specific criteria for determining whether an arrangement is or contains a lease. Determination is based on an assessment of whether the arrangement is dependent on the use of a specific asset and whether the arrangement conveys right to the asset.	1 January 2008	The Department would not enter into any arrangement for the use of an asset in return for payment unless the arrangement takes the legal form of a lease. Amendments are not expected to alter existing accounting practices or to have any impact on the Department's financial statements.	1 July 2008
AASB Interpretation 12 and Interpretation 129	Service Concession Arrangements and Service Concession Arrangements Disclosures	Interpretation 12 provides accounting guidance for operators participating in public to private service concession arrangements but no guidance for grantors. AASB Interpretation 129 details disclosures required by both operators and grantors.	1 January 2008	The Department's future participation in service concession arrangements is unknown. Unless AASB approves 'mirror' accounting treatment for operators and grantors, these amendments are not expected to have an impact on the amounts disclosed in the Department's financial statements.	1 July 2008

4.1 Statement of Compliance (continued)

Reference	Title	Summary	Application Date of Standard	Impact on Financial Report	Application Date for Department
AASB 2007-2	Amendments to AAS arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 and AASB 139]	Amendments provide for an exemption from AASB 1 requirements, ie prior period information be restated as if the requirements of AASB Interpretation 12 had always applied. Exemption allows a first time adopter to apply AASB Interpretation 12 to a service concession arrangement essentially from the start of the earliest period presented.	1 January 2008	Not all amended standards are relevant to the operations of the Department. For those standards that are relevant, amendments to AASB 1 are not expected to have an impact on the Department's financial statements unless the AASB approves 'mirror' accounting treatment for both operators and grantors. Amendments to other standards are editorial in nature and will therefore have no substantive impact on the financial statements.	1 July 2008
AASB 2007-6	Amendments to AAS arising from AASB 123 [AASB 1, 101, 107, 111, 116 & 138 and Interpretations 1 & 12)	Amendments to other standards that arise from the reissue of AASB 123 Borrowing Costs in June 2007. Specifically amendments include the removal of references to expensing borrowing costs on qualifying assets as such costs can now be capitalised.	1 January 2009	The amendments to other standards are not expected to have an impact on the Department's financial statements as all borrowing costs are required to be expensed in accordance with the requirements of APS 3.3 of APF II General Purpose Financial Reports.	1 July 2009
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amendments to other standards and interpretations that arise from the reissue of AASB 101 Presentation of Financial Statements in July 2007. Amendments include changes to existing terms and references contained in AASB 101, eg 'income statement' amended to 'statement of comprehensive income' etc.	1 January 2009	Not all amended standards are relevant to the operations of the Department. For those standards that are relevant, amendments arising from AASB 101 are for content presentation only and will have no impact on the amounts included in Department's financial statements.	1 July 2009
AASB 2007-9	Amendments to Australian Accounting Standards arising from the review of AASs 27, 29 and 31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137]	Amendments relate to the relocation of certain relevant requirements from AASs 27, 29 and 31, substantively unamended, into other existing topic-based standards	1 July 2008	Not all amended standards are relevant to the operations of the Department. For those standards that are relevant, amendments to AASB 5, 101, 127 and 137 will have no impact. Amendments to AAS 116 which provide further guidance on the treatment of heritage and cultural assets are not expected to materially alter existing accounting practices but may require the Department to carefully reassess the depreciable nature of any cultural and heritage assets held.	1 July 2008

4.2 Other Changes to Accounting Policies

Indexation of Earthworks

During 2007-08 the Department performed a review of its current revaluation methodology which requires the annual indexing of Earthworks. The review was aimed at determining whether a more appropriate or relevant index other than the Australian Bureau of Statistics Road and Bridge Construction Index should be used.

Findings from the review have indicated the use of this particular index to be inappropriate and the practice of annual indexing is not supported due to the small volatility or fluctuation in the underlying costs or prices generally forming the value of Earthworks. The Department has therefore elected to discontinue its practice of annual indexing for Earthworks by this index, and has opted for a policy of revaluing Earthworks every three years with no indexing during intervening years. This change in policy took effect from 1 July 2007. Earthworks were last revalued in 2006-07 resulting in no prior period impacts.

Unsealed Roads - Review of Useful Lives

During 2007-08 the Department reassessed the depreciation basis for the unsealed road network. Due to characteristics similar to earthworks and the fact that ongoing maintenance essentially preserved the quality of the economic life of these roads indefinitely, the Department determined that such roads had unlimited useful lives and were therefore non-depreciable in nature. This change in accounting policy has been applied retrospectively with an adjustment to the opening balance of network assets and equity updated accordingly.

5. Programs of the Department

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

Program 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.

Program 2 ***Transport Infrastructure Services***
The efficient and effective maintenance and operation of marine, rail, road and bridge infrastructure and facilities.

Program 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.

Program 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.

Program 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.

Program 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.

Program 7 ***Information and Communication Technology Services***
Provides strategic government information and communication technology (ICT) services, primarily across the public sector. Provides strategic advice on, and coordination of, agency and sector specific information and communication technology initiatives to assist agencies in the efficient delivery of services to the government and the community.

Program 8 ***Building Management***
Provision of services to government agencies in relation to the construction, maintenance and management of building assets.

Program 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.

Program 10 ***Service SA***
Provides the community of South Australia with access to government services and information through an integrated network of online, phone and face-to-face delivery channels.

5. Programs of the Department (continued)

Program 11 Road Safety Policy, Planning and Services

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

6. Employee Benefit Expenses

	2008	2007
	$'000	$'000
Salaries and wages	**138 553**	110 264
Board and committee fees (refer below)	**61**	105
Employment on-costs [(1)]	**27 163**	21 661
Annual leave	**14 124**	12 253
Long service leave	**9 204**	6 323
Workers compensation expenses	**2 969**	1 890
TVSP separation payments (refer below)	**-**	-
Other employee related expenses	**894**	1 844
Total Employee Benefit Expense	**192 968**	154 340

(1) Employment on-costs are made up of Superannuation of $17.597 million ($13.821 million) and Payroll tax of $9.566 million ($7.840 million).

Targeted Voluntary Separation Packages (TVSPs)

There were no employees who were paid TVSPs during 2006-07 or 2007-08. The Department is not owed any monies in relation to TVSPs as at 30 June 2008.

Remuneration of Employees

The number of employees whose remuneration received or receivable falls within the following bands:	**2008 Number of Employees**	2007 Number of Employees
$100 000 - $109 999	**90**	43
$110 000 - $119 999	**36**	21
$120 000 - $129 999	**10**	6
$130 000 - $139 999	**14**	15
$140 000 - $149 999	**11**	5
$150 000 - $159 999	**11**	4
$160 000 - $169 999	**7**	4
$170 000 - $179 999	**6**	-
$180 000 - $189 999	**4**	2
$190 000 - $199 999	**4**	3
$200 000 - $209 999	**3**	3
$210 000 - $219 999	**2**	-
$220 000 - $229 999	**3**	1
$230 000 - $239 999	**2**	-
$280 000 - $289 999	**-**	1
$300 000 - $309 999	**-**	1
$340 000 - $349 999	**1**	-
Total Number of Employees	**204**	109

The table includes all employees who received remuneration of $100 000 or more during the year. The total remuneration for the 204 employees (109 employees) was $26.12 million ($13.88 million) and reflects all costs of employment including salaries and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages for those with salaries over $100 000.

A number of functions from the former DAIS was transferred to the Department effective from 1 January 2007. The remuneration table above for the 2006-07 financial year includes two officers who received remuneration of $100 000 or more during the period 1 January 2007 to 30 June 2007.

Below is a table showing all employees of the former DAIS transferred to the Department who received remuneration of $100 000 or more during the 2006-07 financial year from 1 July 2006 to 30 June 2007.

Remuneration of Former DAIS Employees

The number of employees whose remuneration received or receivable falls within the following bands:	2007 Number of Employees
$100 000 - $109 999	21
$110 000 - $119 999	7
$120 000 - $129 999	1
$130 000 - $139 999	3
$140 000 - $149 999	8
$150 000 - $159 999	3
$160 000 - $169 999	2
$170 000 - $179 999	2
$190 000 - $199 999	1
$200 000 - $209 999	3
Total Number of Employees	51

Remuneration of Board and Committee Members

Members that received remuneration for membership during the 2007-08 financial year were:

Passenger Transport Standards Committee
Ms Gerada Bader
Mr Ian Bassham
Ms Margaret Heylen
Mr John Jackson
Ms Kathleen Johnston
Ms Branka King
Dr David King
Dr Geoffrey Krieger (resigned 31 December 2007)
Mr John McKenzie
Ms Deborah Myhill
Mr Frank Pearce
Dr Josephine Tiddy
Mr Graeme Burton (appointed 1 January 2008)

Government Office Accommodation Committee
Mr David McArdle

South Australian Boating Facility Advisory Committee
Mr Rodney Payze

Energy Consumers Council
Mr Owen Covick
Ms Rose Linh Le
Mr Anthony Moore
Mr John Pike
Ms Deane Crabb (proxy for Ms Carol Vincent)
Ms Karen Grogan

Road Safety Advisory Council
Sir Eric Neal
Mr Alex Gallacher
Mr Jack McLean (resigned 31 March 2008)

	2008	2007
The number of members whose remuneration received or receivable falls within the following bands:	**Number of Members**	Number of Members
$1 - $9 999	**24**	29
$10 000 - $19 999	**-**	1
$30 000 - $39 999	**-**	-
Total Number of Members	**24**	30

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and other salary sacrifice arrangements. The total remuneration received or receivable by members was $61 000 ($105 000).

Amounts that were paid to a superannuation plan for board/committee members totalled $4000 ($7000).

Unless otherwise disclosed, transactions between board 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

	Note	**2008**	2007
Supplies and Services provided by Entities within the SA Government:		**$'000**	$'000
Bus and rail service contracts		**80 676**	93 494
Other service contracts		**1 710**	12 127
Operating leases		**8 895**	7 049
Property expenses		**2 117**	1 284
Plant, equipment and vehicle expenses		**70**	71
Information technology		**764**	2 888
Materials and other purchases		**36**	203
Utilities		**1 741**	1 358
Insurance		**2 336**	1 703
Legal services		**2 208**	1 042
Auditor's remuneration	12	**746**	584
Administrative costs		**270**	251
Other		**23 127**	10 059
Total Supplies and Services - SA Government Entities		**124 696**	132 113
Supplies and Services provided by Entities external to the SA Government:			
Bus and rail service contracts		**135 238**	127 160
Major infrastructure maintenance contracts		**69 926**	61 342
Other service contracts		**50 900**	44 502
Consultants		**178**	433
Operating leases		**86 714**	44 620
Property expenses		**80 136**	40 262
Plant, equipment and vehicle expenses		**6 441**	5 799
Information technology		**32 788**	17 659
Materials and other purchases		**17 537**	14 023
Utilities		**31 205**	19 524
Insurance		**372**	130
Legal services		**255**	109
Commissions - Transaction processing		**5 069**	5 381
Administrative costs		**11 440**	11 058
Other		**43 445**	22 850
Total Supplies and Services - Non-SA Government Entities		**571 644**	414 852
Total Supplies and Services		**696 340**	546 965

Consultancies

The number and dollar amount of consultancies paid/payable that fell within the following bands:	2008 Number	2008 $'000	2007 Number	2007 $'000
Below $10 000	**8**	**25**	8	40
Between $10 000 and $50 000	**8**	**153**	1	13
Above $50 000	**-**	**-**	5	752
Total Paid / Payable to the Consultants Engaged	**16**	**178**	14	805

During 2007-08 the Department spent $178 000 ($805 000) on consultancies. This expenditure includes expenses incurred in both investing and operating programs of the Department. Operating expenditure of $178 000 ($433 000) is reflected in the Income Statement. The remaining expenditure for 2006-07 is attributed to investing projects under works in progress, or part of the costs of assets, that have been capitalised during the year.

8. Depreciation and Amortisation Expense

	2008 $'000	2007 $'000
Depreciation:		
Network assets	**115 662**	114 811
Plant and equipment	**44 203**	30 403
Buildings and facilities	**22 625**	11 516
Total Depreciation	**182 490**	156 730
Amortisation:		
Leased assets	**1 888**	1 236
Intangible assets	**4 264**	2 107
Total Amortisation	**6 152**	3 343
Total Depreciation and Amortisation	**188 642**	160 073

Change in Depreciation Due to a Revaluation

The Department revalued some of its network assets, plant, equipment and buildings in 2006-07. As a result of the revaluation, depreciation on assets calculated for the current reporting period increased by $4.860 million. A revaluation of some assets was also performed in June 2008 and is expected to increase this expense in future periods by a further $12.098 million.

Change in Depreciation Due to a Revision in Accounting Estimates

In 2006-07 the Department reassessed the useful life of some of its assets. This review in accounting estimates resulted in a decrease of $2.315 million in the calculated depreciation expense for the current period. In 2007-08 the Department reassessed the useful life of some of its assets. This review is expected to result in a decrease of $1.145 million in the future depreciation expense. In 2006-07 the Department reassessed the salvage values of network assets. This review resulted in a decrease of $5.957 million in calculated depreciation expense. A revision of salvage values for network assets applied in June 2008 is expected to further decrease the future annual depreciation expense for the Department's asset base by $1.731 million.

9. Grants and Subsidies

	2008 $'000	2007 $'000
Grants and Subsidies paid/payable to Entities within the SA Government:		
Recurrent grants:		
Contribution for policing services	**34 865**	34 853
Other	**142**	1 776
Total Grants and Subsidies - SA Government Entities	**35 007**	36 629
Grants and Subsidies paid/payable to Entities external to the SA Government:		
Recurrent Grants:		
Bus operating subsidies	**3 238**	3 126
Energy rebates	**6 032**	5 746
Transport Subsidy Scheme	**12 555**	9 811
Grants to local councils	**2 953**	2 852
Transport concessions	**5 291**	4 857
Other	**7 161**	6 579
Capital Grant:		
Grants to local Councils	**6 219**	11 289
Total Grants and Subsidies - Non-SA Government Entities	**43 449**	44 260
Total Grants and Subsidies	**78 456**	80 889

10. Borrowing Costs

	2008 $'000	2007 $'000
Interest and guarantee fees	**3 499**	3 454
Finance charges on finance leases	**1 408**	859
Total Finance Costs	**4 907**	4 313

11. Other Expenses

	2008 $'000	2007 $'000
Other Expenses paid/payable to Entities within the SA Government:		
Rates, taxes and levies	**4 318**	2 032
Indenture Ports payable to DTF	**2 854**	2 170
Net losses on foreign exchange	**976**	1 029
Other	**95**	22
Total Other Expenses - SA Government Entities	**8 243**	5 253

11. Other Expenses (continued)

	2008	2007
Other Expenses paid/payable to Entities external to the SA Government:	**$'000**	$'000
Rates, taxes and levies	**3 267**	1 451
Donated assets expense	**14 995**	1 347
Bad and doubtful debts expense	**1 076**	380
Write-off of an asset	**4 763**	3 784
Write-down of inventory	**13**	19
Revaluation decrement of non-current assets	**2 920**	-
Other	**1 608**	2 930
Total Other Expenses - Non-SA Government Entities	**28 642**	9 911
Total Other Expenses	**36 885**	15 164

12. Auditor's Remuneration

Audit fees paid/payable to the Auditor-General's Department	**746**	584
Total Audit Fees	**746**	584

Other Services

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

13. Fees and Charges

Fees and Charges received/receivable from Entities within the SA Government:		
Metrotickets	**48**	47
Motor registrations	**4 790**	3 113
Marine related fees and charges	**1**	32
Land services fees	**7 780**	102
Other fees and charges	**123**	351
Total Fees and Charges - SA Government Entities	**12 742**	3 645
Fees and Charges received/receivable from Entities external to the SA Government:		
Drivers Licence fees	**29 036**	26 860
Metrotickets	**76 001**	70 760
Motor registrations	**258 949**	242 583
Marine relate fees and charges	**10 419**	10 045
Land services fees	**3 893**	-
Other fees and charges	**7 150**	5 032
Total Fees and Charges - Non-SA Government Entities	**385 448**	355 280
Total Fees and Charges	**398 190**	358 925

Road Safety

In accordance with the *Highways Act 1926*, $4.839 million ($4.477 million) being 1/6th of drivers' licence collections and $564 000 ($513 000) 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 programs.

14. Commonwealth Revenues

	2008	2007
Commonwealth Revenues received/receivable from Entities external to the SA Government comprised:	**$'000**	$'000
AusLink (National Land Transport) Act 2005	**143 317**	104 209
Interstate Road Transport Act 1985	**6 553**	6 205
Other Commonwealth revenues	**735**	1 828
Total Commonwealth Revenues - Non-SA Government Entities	**150 605**	112 242
Total Commonwealth Revenues	**150 605**	112 242

15. Sale of Goods and Services

Sale of Goods and Services received/receivable from Entities within the SA Government:		
IT and telecommunication services	**52 996**	26 429
Maintenance services	**70 383**	34 181
Other sale of goods	**2 340**	347
Other sale of services	**13 267**	7 323
Total Sale of Goods and Services - SA Government Entities	**138 986**	68 280
Sale of Goods and Services received/receivable from Entities external to the SA Government:		
Other sale of goods	**13 425**	10 257
Other sale of services	**20 862**	13 011
Total Sale of Goods and Services - Non-SA Government Entities	**34 287**	23 268
Total Sale of Goods and Services	**173 273**	91 548

		2008	2007
16.	**Rental Income**	**2008**	2007
	Rental Income received/receivable from Entities within the SA Government:	**$'000**	$'000
	Government accommodation	**122 107**	56 873
	Property rents and recoveries	**29**	-
	Other lease income	**406**	460
	Total Rental Income - SA Government Entities	**122 542**	57 333
	Rental Income received/receivable from Entities external to the SA Government:		
	Property rents and recoveries	**3 238**	2 230
	Other lease income	**37 315**	15 940
	Total Rental Income- Non-SA Government Entities	**40 553**	18 170
	Total Rental Income	**163 095**	75 503
17.	**Grants and Subsidies**		
	Grants and Subsidies received/receivable from Entities within the SA Government:		
	Concessional passenger income	**44 392**	40 315
	Total Grants and Subsidies - SA Government Entities	**44 392**	40 315
	Grants and Subsidies received/receivable from Entities external to the SA Government:		
	Concessional passenger income	**165**	46
	Total Grants and Subsidies - Non-SA Government Entities	**165**	46
	Total Grants and Subsidies	**44 557**	40 361

Concessional Passenger Income

This represents fare concession receipts to fund concessional travel provided to pensioners, the unemployed and students on passenger transport in metropolitan and regional areas.

18.	**Interest**		
	Interest received/receivable from Entities within the SA Government:		
	Interest from entities within the SA Government	**11 553**	9 453
	Total Interest - SA Government Entities	**11 533**	9 453
	Total Interest	**11 553**	9 453
19.	**Commission Received**		
	Commissions received from entities within SA Government	**11 739**	11 168
	Total Commissions Received	**11 739**	11 168
20.	**Net Gain or Loss from the Disposal of Non-Current Assets**		
	Net Gain or Loss from Disposal of Non-Current Assets received/receivable from Entities external to the SA Government:		
	Land, buildings and facilities:		
	Proceeds from disposal	**18 268**	19 680
	Net book value of assets disposed	**(9 389)**	(13 969)
	Net Gain from Disposal of Land, Buildings and Facilities	**8 879**	5 711
	Plant and equipment:		
	Proceeds from disposal	**173**	209
	Net book value of assets disposed	**(175**	(340)
	Net Loss from Disposal of Plant and Equipment	**(2)**	(131)
	Total assets:		
	Proceeds from disposal	**18 441**	19 889
	Net book value of assets disposed	**(9 564)**	(14 309)
	Total Net Gain from Disposal of Assets - Non-SA Government Entities	**8 877**	5580
	Total Net Gain from Disposal of Assets	**8 877**	5 580
21.	**Resources Received Free of Charge**		
	Resources received/receivable Free of Charge from Entities external to the SA Government:		
	Land, buildings and facilities	**2 096**	660
	Plant and equipment	**500**	-
	Network	**107**	-
	Total Resources Received Free of Charge - Non-SA Government Entities	**2 703**	660
	Total Resources Received Free of Charge	**2 703**	660

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

22. Other Income

	2008	2007
Other Income received/receivable from Entities within the SA Government:	**$'000**	$'000
Recoveries and contributions	**6 800**	1 837
Reimbursement works and external project contributions	**2 295**	1 020
Intra-government transfers	**5 687**	3 484
Total Other Income - SA Government Entities	**14 782**	6 341
Other Income received/receivable from Entities external to the SA Government:		
Recoveries and contributions	**5 353**	2 694
Reimbursement works and external project contributions	**5 778**	2 958
Sundry income	**49**	105
Total Other Income - Non-SA Government Entities	**11 180**	5 757
Total Other Income	**25 962**	12 098

23. Revenues from (Payments to) SA Government

	2008	2007
Revenues from SA Government:		
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**358 387**	365 452
Transfers from contingency provisions	**17 047**	12 406
Total Revenues from SA Government	**375 434**	377 858
Payments to SA Government:		
Income tax equivalent payments (refer Note 3.8)	**6 073**	3 212
Cash alignment fund transfer	**19 140**	-
Other payments to consolidated account	**846**	399
Total Payments to SA Government	**26 059**	3 611

24. Cash and Cash Equivalents

	2008	2007
Deposits at call - Westpac	**350 580**	390 173
Deposits with the Treasurer (Accrual Appropriation)	**3 641**	3 962
Imprest Account	**331**	334
Other	**126**	108
Total Cash	**354 678**	394 577

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.

Non-Cash Financing and Investing Activities

Restructuring of Administrative Arrangements

Effective 1 January 2008 land, buildings, plant, equipment and other tangible property associated with metropolitan rail passenger services and owned by TransAdelaide was transferred to DTEI.

This restructure resulted in the Department assuming net assets of $525.410 million. Details with respect to the restructuring of administrative arrangements are set out in Note 41. This restructure is not reflected in the Cash Flow Statement.

25. Receivables

	2008	2007
Current:	**$'000**	$'000
Receivables	**81 098**	49 518
Less: Allowance for doubtful debts	**(2 442)**	(1 489)
Finance lease receivables	**654**	531
GST input tax recoverable	**13 426**	12 390
Accrued revenues	**31 421**	28 972
Total Current Receivables	**124 157**	89 922
Non-Current:		
Receivables	**275**	150
Finance lease receivables	**8 552**	6 127
Loan receivables	**1 433**	1 336
Total Non-Current Receivables	**10 260**	7 613
Total Receivables	**134 417**	97 535

Government/Non-Government Receivables	**2008**	2007
Receivables from SA Government Entities:	**$'000**	$'000
Receivables	**52 714**	27 456
Allowance for doubtful debts	**(34)**	(49)
Finance lease receivables	**9 206**	6 658
Accrued revenues	**27 926**	23 030
Total Current Receivables from SA Government Entities	**89 812**	57 095
Receivables from Non-SA Government Entities:		
Receivables	**28 659**	22 212
Allowance for doubtful debts	**(2 408)**	(1 440)
Loan receivables	**1 433**	1 336
GST input tax recoverable	**13 426**	12 390
Accrued revenues	**3 495**	5 942
Total Receivables from Non-SA Government Entities	**44 605**	40 440
Total Receivables	**134 417**	97 535

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 Income Statement for specific debtors that have been assessed on a collective basis for which such evidence exists.

Movements in the Allowance for Doubtful Debts (Impairment Loss)	**2008**	2007
	$'000	$'000
Carrying amount at 1 July	**1 489**	1113
Provision acquired through restructure	**-**	166
Increase in the provision	**1 067**	385
Amounts written off	**(114)**	(175)
Carrying Amount at 30 June	**2 442**	1 489

Bad and Doubtful Debts

The Department has recognised a bad and doubtful debt expense of $1.076 million ($380 000) in the Income Statement.

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. Trade 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 $12.924 million relating to the Indenture Ports (refer to Note 45) reflects the most significant concentration of credit risk exposure for the Department.

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

26. Inventories

	2008	2007
Current - Held for Distribution at No or Nominal Consideration:	**$'000**	$'000
Road making material and stores at costs (SA Government)	**16**	11
Road making material and stores at costs (Non-SA Government)	**9 345**	5 318
Total Inventories Held for Distribution at No or Nominal Consideration	**9 361**	5 329
Current - Other than those Held for Distribution at No or Nominal Consideration:		
Metro tickets at cost	**105**	160
Total Inventories Other than those Held for Distribution at No or Nominal Consideration	**105**	160
Total Current Inventories	**9 466**	5 489

Inventory Write-Down

The Department has recognised an inventory write-down of $13 000 ($19 000) in the Income Statement under Other Expenses due to functional obsolescence (refer to Note 11).

27. Other Current Assets

	2008	2007
Current:	**$'000**	$'000
Prepayments	**6 182**	6 519
Total Current Other Assets	**6 182**	6 519
Government / Non-Government Other Assets		
Other Assets from SA Government Entities:		
Prepayments	**64**	445
Other Assets from SA Government Entities	**64**	445
Other Assets from Non-SA Government Entities:		
Prepayments	**6 118**	6 074
Other Assets from Non-SA Government Entities	**6 118**	6 074
Total Other Current Assets	**6 182**	6 519

28. Non-Current Assets Classified as Held-for-Sale

Non-Current Assets Classified as Held-for-Sale:		
Land, buildings and facilities	**6 766**	15 106
Total Non-Current Assets Classified as Held-for-Sale	**6 766**	15 106

The Department has identified $6.766 million ($15.106 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.

29. Land, Buildings and Facilities

	2008	2007
Land:	**$'000**	$'000
Land at fair value	**576 882**	380 257
Total Land	**576 882**	380 257
Land for Current Projects:		
Land for current projects at fair value	**4 014**	6 441
Land for current projects at cost	**47 610**	22 417
Total Land for Current Projects	**51 624**	28 858
Buildings and Facilities:		
Buildings and facilities (deemed fair value)	**1 100 540**	700 261
Accumulated depreciation at 30 June	**348 296**	177 158
Total Buildings and Facilities	**752 244**	523 103
Buildings and Improvements under Lease:		
Buildings and improvements under lease (deemed fair value)	**27 301**	19 898
Accumulated amortisation at 30 June	**1 628**	940
Total Buildings and Facilities Under Lease	**25 673**	18 958
Total Land, Buildings and Facilities	**1 406 423**	951 176

Valuation of Land, Buildings and Facilities
Refer to Note 3.19 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 2007-08.

	Land at Fair Value $'000	Land for Current Projects $'000	Buildings & Facilities $'000	Buildings & Improv'mts Under Lease $'000	**2008 Total $'000**
Carrying amount at 1 July	380 071	28 858	517 291	18 958	**945 178**
Prior period error correction	186	-	5 812	-	**5 998**
Adjusted Opening Balance	380 257	28 858	523 103	18 958	**951 176**
Reclassification to assets held-for-sale	5 423	-	1 899	-	**7 322**
Additions	9 548	-	8 637	126	**18 311**
Disposals	(5 237)	-	(3 092)	-	**(8 329)**
Donated assets	(12 791)	(1 644)	(560)	-	**(14 995)**
Write-offs	(56)	(8)	(2 417)	-	**(2 481)**
Revaluation increment (decrement)	53 624	-	195 855	6 911	**256 390**
Transfer from works in progress	367	25 878	9 765	366	**36 376**
Depreciation and amortisation	-	-	(22 625)	(688)	**(23 313)**
Transfers due to reclassification of assets	910	(1 460)	(4 333)	-	**(4 883)**
Acquisition (disposal) through administrative restructuring	142 872	-	47 269	-	**190 141**
Other movements	1 965	-	(1 257)	-	**708**
Carrying Amount at 30 June	576 882	51 624	752 244	25 673	**1 406 423**

30. Plant and Equipment

	2008	2007
	$'000	$'000
Plant and Equipment:		
Plant and equipment (deemed fair value)	**951 913**	658 683
Information technology (IT)	**28 555**	22 484
IT under lease	**5 129**	4 881
	985 597	686 048
Accumulated Depreciation:		
Plant and equipment	**583 731**	388 304
Information technology (IT)	**14 109**	12 706
IT under lease	**4 169**	3 492
	602 009	404 502
Total Plant and Equipment	**383 588**	281 546

Valuation of Plant and Equipment
Refer to Note 3.19 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 2007-08:

	Plant and Equipment $'000	Information Technology $'000	IT under Lease $'000	**2008 Total $'000**
Carrying amount at 1 July	261 878	8 551	1 389	**271 818**
Prior period error correction	8 501	1 227	-	**9 728**
Adjusted Opening Balance	270 379	9 778	1 389	**281 546**
Additions	2 427	306	771	**3 504**
Disposals	(174)	-	-	**(174)**
Write-offs	(227)	(1 201)	-	**(1 428)**
Revaluation increment (decrement)	11 287	6 610	-	**17 897**
Depreciation and amortisation	(41 185)	(3 273)	(1 200)	**(45 658)**
Acquisition (Disposal) through administrative restructuring	89 104	-	-	**89 104**
Transfers due to reclassification of assets	3 988	-	-	**3 988**
Transfer to/from works in progress	32 595	1 956	-	**34 551**
Other movements	(12)	270	-	**258**
Carrying Amount at 30 June	368 182	14 446	960	**383 588**

Depreciation of Plant and Equipment
Total depreciation associated with plant and equipment for 2007-08 was $45.658 million. Of this amount, $45.403 million has been reported within the Income Statement as operating expenditure of the Department. The remaining $255 000 relates to capital projects that have been reflected within the value of the Department's assets as at 30 June 2008.

31. Network Assets

	2008	2007
	$'000	$'000
Network Assets:		
Network assets (deemed fair value)	**9 128 390**	8 675 472
Rail and bus track (deemed fair value)	**660 138**	133 584
	9 788 528	8 809 056
Accumulated Depreciation:		
Network	**4 390 644**	4 060 736
Rail and bus track	**316 607**	39 394
	4 707 251	4 100 130
Total Network Assets	**5 081 277**	4 708 926

Valuation of Network Assets
Refer to Note 3.19 for details relating to the revaluation of network assets.

Reconciliation of Network Assets
The following table shows the movement of Network Assets during 2007-08:

	Roads and Signs $'000	Earthworks $'000	Bridges and Culverts $'000	Traffic Signals and Road Lighting $'000	Rail and Bus Track $'000	Other $'000	**2008 Total $'000**
Carrying amount at 1 July	2 082 120	1 506 755	754 449	74 717	94 190	5 533	**4 517 764**
Changes in accounting policy	93 275	-	-	-	-	-	**93 275**
Prior period error correction	96 265	-	1 288	334	-	-	**97 887**
Adjusted Opening Balance	2 271 660	1 506 755	755 737	75 051	94 190	5 533	**4 708 926**

Reconciliation of Network Assets (continued)

	Roads and Signs $'000	Earthworks $'000	Bridges and Culverts $'000	Traffic Signals and Road Lighting $'000	Rail and Bus Track $'000	Other $'000	**2008 Total $'000**
Additions	-	-	-	107	-	-	**107**
Transfers from work in progress	36 698	4 905	17 780	9 196	18 700	-	**87 279**
Acquisition (disposal) through administrative restructuring	-	-	-	-	236 616	-	**236 616**
Write-offs	(445)	-	(115)	(135)	(34)	-	**(729)**
Revaluation increment (decrement)	119 344	-	40 812	2 435	1 253	-	**163 844**
Depreciation and amortisation	(82 912)	-	(18 635)	(6 724)	(7 194)	(197)	**(115 662)**
Transfers in due to reclassification of assets	-	-	896	-	-	-	**896**
Carrying Amount at 30 June	2 344 345	1 511 660	796 475	79 930	343 531	5 336	**5 081 277**

32. Capital Works in Progress

	2008 $'000	2007 $'000
Capital Works in Progress:		
Buildings and facilities	**78 321**	28 178
Road network	**411 138**	316 248
Plant and equipment	**22 298**	4 498
Rail and bus track	**39 999**	32 447
Total Capital Works in Progress	**551 756**	381 371

Valuation of Works in Progress

Refer to Note 3.19 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 2007-08:

	Road Network $'000	Plant and Equipment $'000	Buildings & Facilities $'000	Rail and Bus Track $'000	**2008 Total $'000**
Carrying amount at 1 July	328 022	4 498	25 027	32 447	**3 89 994**
Prior period adjustments	(11 774)	-	3151	-	**(8 623)**
Adjusted opening balance	316 248	4 498	28 178	32 447	**381 371**
Additions	243 139	54 174	54 181	11 430	**362 924**
Transfer to capital	(68 579)	(34 551)	(36 376)	(18 700)	**(158 206)**
Transfer to intangibles	-	(5 448)	-	-	**(5 448)**
Transfer to operating	(28 308)	(1 557)	-	(8 569)	**(38 434)**
Transfers from administrative restructures	-	450	4 408	4 691	**9 549**
Other movements	(51 362)	4 732	27 930	18 700	**-**
Carrying Amount at 30 June	411 138	22 298	78 321	39 999	**551 756**

33. Intangible Assets

	2008 $'000	2007 $'000
Software:		
Computer software	**40 169**	34 538
Accumulated amortisation	**20 233**	15 994
Total Intangible Assets	**19 936**	18 544

Valuation of Intangible Assets

Intangible assets in the current year represent the TRUMPS Software System, the Strategic Asset Management Information System, Office Accommodation Management Information System, Telecommunication Billing System, and Web Based Purchasing Interface (with ICT vendors). The Intangible Assets of the Department are valued at historical cost. Refer Note 3.22 for details on the valuation of Intangible Assets.

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets during 2007-08:

	2008 $'000	2007 $'000
Carrying amount at 1 July	**18 544**	9 153
Additions	**60**	654
Donated Assets	**-**	(96)
Write-off of non-current assets	**(23)**	-
Amortisation	**(4 264)**	(2 107)
Acquisition (Disposal) through administrative restructuring	**-**	8 175
Transfer from works in progress	**5 448**	2 765
Other movements	**171**	-
Carrying Amount at 30 June	**19 936**	18 544

34. Payables

	2008	2007
Current:	**$'000**	$'000
Creditors	**83 077**	58 099
Accrued expenses	**53 011**	45 437
Employment on-costs	**4 675**	4 385
Total Current Payables	**140 763**	107 921
Non-Current:		
Employment on-costs	**4 945**	4 837
Total Non-Current Payables	**4 945**	4 837
Total Payables	**145 708**	112 758

Government/Non-Government Payables

	2008	2007
Payables to SA Government Entities:		
Creditors	**5 846**	15 469
Accrued expenses	**10 265**	6 710
Employment on-costs - (Superannuation and payroll tax)	**9 620**	9 222
Total Payables to SA Government Entities	**25 731**	31 401
Payables to Non-SA Government Entities:		
Creditors	**77 231**	42 630
Accrued expenses	**42 746**	38 727
Total Payables to Non-SA Government Entities	**119 977**	81 357
Total Payables	**145 708**	112 758

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.

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

35. Borrowings

	2008	2007
Current:	**$'000**	$'000
Obligations under finance leases and plant hire contracts[1]		
Balance as at 1 July	**1 694**	696
Increase in lease liabilities due to:		
Transfers	**964**	1 694
Less: Repayments	**820**	696
Balance as at 30 June	**1 838**	1 694
Total Current Borrowings	**1 838**	1 694
Non-Current:		
Obligations under finance leases and plant hire contracts [1]		
Balance as at 1 July	**20 936**	1 169
Increase in lease liabilities due to:		
New leases	**771**	1 138
Transfers	**(964)**	19 183
Less: Repayments	**954**	554
Balance as at 30 June	**19 789**	20 936
Borrowings from SA Government[2]		
Balance as at 1 July	**47 760**	47 760
Add: Debt received	**-**	-
Less: Repayments	**-**	-
Balance as at 30 June	**47 760**	47 760
Total Non-Current Borrowings	**67 549**	68 696
Total Borrowings	**69 387**	70 390

(1) Secured by the asset leased.
(2) Unsecured loans which bear interest.

Borrowings (unsecured loans) are recognised at cost. The interest rate is determined by the Treasurer. The interest rate was 7 percent in 2008 (6.5 percent in 2007).

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

Assets Pledged as Security

The carrying amount of non-current assets pledged as security are:

	2008	2007
	$'000	$'000
Lease land and buildings:		
Land	**2 950**	2 350
Buildings	**23 664**	16 608
Leased plant and equipment:		
Computer and office equipment	**1 941**	2 099
Statenet Core Network equipment	**609**	880
Total Assets Pledged as Security	**29 164**	21 937

(a) Maturity analysis of borrowings - refer to Note 40.

(b) Categorisation of financial instruments and risk exposure information - refer to Note 40.

(c) Defaults and breaches - there were no defaults or breaches on any of the above liabilities throughout the year.

36. Employee Benefits

	2008	2007
Current:	$'000	$'000
Annual leave	**15 983**	14 725
Long service leave	**4 400**	3 992
Accrued salaries and wages	**4 284**	3 383
Total Current Employee Benefits	**24 667**	22 100
Non-Current:		
Long service leave	**54 165**	50 582
Total Non-Current Employee Benefits	**54 165**	50 582
Total Employee Benefits	**78 832**	72 682

The total current and non-current employee liability (ie aggregate employee benefit plus related on-costs) for 2008 is $29.342 million ($26.485 million) and $59.110 million ($55.419 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 for the previous year.

Based on an actuarial assessment performed by DTF, the benchmark measurement of the long service leave liability has remained at 6.5 years.

37. Provisions

	2008	2007
Current:	$'000	$'000
Provision for workers compensation	**1 514**	1 423
Site remediation	**2 555**	752
Provision for Indentured Ports payment to the Treasurer	**12 924**	10 070
Other provisions (SA Government)	**2 687**	2 311
Total Current Provisions	**19 680**	14 556
Non-Current:		
Site remediation	**2 746**	4 462
Provision for workers compensation	**3 860**	3 398
Total Non-Current Provisions	**6 606**	7 860
Total Provisions	**26 286**	22 416

Reconciliation of Workers Compensation

The following table shows the movement of the workers compensation provision:

Carrying amount at 1 July	**4 821**	3 703
Provision acquired on restructure	**-**	1 185
Increase in provision due to provision of estimates	**3 522**	1 823
Reductions resulting from payments	**(2 969)**	(1 890)
Carrying Amount at 30 June	**5 374**	4 821

Reconciliation of Site Remediation

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

Carrying amount at 1 July	**5 214**	5 942
Increase (Decrease) in provision due to provision of estimates	**226**	(577)
Reductions resulting from payments	**(139)**	(151)
Carrying Amount at 30 June	**5 301**	5 214

Reconciliation of Indentured Ports

The following table shows the movement of the indentured ports provision:	**2008** **$'000**	2007 $'000
Carrying amount at 1 July	**10 070**	7 900
Increase in provision resulting from invoices raised	**3 707**	3 100
Reductions resulting from payments	**(853)**	(930)
Carrying Amount at 30 June	**12 924**	10 070

Reconciliation of Other Provisions

The following table shows the movement of other provisions:		
Carrying amount at 1 July	**2 311**	-
Provision acquired on restructure	**-**	1 605
Increase in provision due to revision of estimates	**5 620**	3 914
Reductions resulting from payments	**(5 244)**	(3 208)
Carrying Amount at 30 June	**2 687**	2 311

38. Other Liabilities

Current:		
Deferred income - SA Government	**1 006**	984
Deferred income - Non-SA Government	**51 212**	37 417
Lease incentives - Non-SA Government	**1 021**	1 023
Other - SA Government	**2 616**	2 580
Total Current Other Liabilities	**55 855**	42 004
Non-Current:		
Deferred income - Non-SA Government	**50 315**	85 992
Lease incentives - Non-SA Government	**6 234**	5 266
Total Non-Current Other Liabilities	**56 549**	91 258
Total Other Liabilities	**112 404**	133 262

On 29 June 2005, the Department received a conditional grant of $15 million in relation to funding for the Eyre Peninsula Grain Transport Plan Rail System Upgrade. The unspent balance of this fund has been disclosed as deferred income in accordance with APF V, APS 4.12.

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 the 30 June 2006, to be expended over the four year period between 2006-07 and 2009-10. A Commonwealth grant of $11.190 million for works to be performed under the AusLink Strategic Regional Programme was received on 27 June 2007, to be expended over the four year period between 2006-07 and 2009-10. A $3 million Commonwealth grant was also received to undertake a Transport Sustainability Study to analyse urban congestion in Adelaide up to 2030. This study is required to be completed by June 2010.

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

The Department has received lease incentives that were accounted for as net of reimbursement in the liabilities. This has since been reviewed in accordance with Urgent Issues Group 115, and the lease incentive has been increased to reflect its true written down value of $7.2 million. This consists of a gross value of the incentive of $11.6 million and an accumulated amortisation of the incentive of $4.4 million. This amortisation is reflected in the Income Statement as a reduction in expenditure on lease payments.

39. Adjustments to Equity

Adjustments against Accumulated Surplus:	**2008** **$'000**	2007 $'000
Work in progress adjustment	**8 623**	24 070
Asset recognition - Error correction	**(26 477)**	(20 474)
Asset revaluation - Error correction	**(87 391)**	-
Other	**3 349**	(629)
Changes in Accounting Policy	**-**	(90 439)
Total Adjustments against Accumulated Surplus	**(101 896)**	(87 472)
Total Adjustments to Equity	**(101 896)**	(87 472)

Work in Progress Adjustment

Review of completed projects by the Department in 2007-08 identified costs of $8.623 million which were recognised within the capital work in progress asset balance at 30 June 2007 which did not meet the Department's asset recognition criteria. Recognising these costs within the balance of capital work in progress instead of as expenses in the year ended 30 June 2007 or a prior period is an error which was corrected in 2007-08 by an adjustment to the accumulated surplus.

Asset Recognition - error correction

Asset revaluation and stock take procedures have identified assets which were purchased but not recognised as assets in prior years. The value of assets not recognised as at 30 June 2007 by asset class were:

- Network assets $2.831 million
- Land, buildings and facilities $18.340 million
- Plant and equipment $5.306 million

The errors identified were corrected in the 2007-08 financial statements by increasing the balances of relevant asset classes and the accumulated surplus.

Asset Revaluation - error correction

During 2007-08 the Department reviewed the revaluation of assets recognised in the 2006-07 financial statements and identified errors in calculations. The errors resulted in non recognition of some assets acquired in 2006-07 and the miscalculation of accumulated depreciation for some assets. The value of assets adjustments by asset class were:

- Network assets $95.050 million
- Land, buildings and facilities ($12.012 million)
- Plant and equipment $4.353 million

The impact on 2006-07 balances was as follows:

Network Assets

- Network assets increased from $8.636 billion to $8.675 billion, an increase of $38.570 million.
- Accumulated depreciation decreased from $4.116 billion to $4.060 billion, a decrease of $56.480 million.

Land, Buildings and Facilities

- Accumulated depreciation increased from $165.146 million to $177.158 million, an increase of $12.012 million.

Plant and Equipment

- Plant and equipment increased from $658.423 million to $658.683 million, an increase of $260 000.
- Accumulated depreciation decreased from $392.397 million to $388.304 million, a decrease of $4.093 million.

The errors identified were corrected in the 2007-08 financial statements by increasing the balances of relevant asset classes and the accumulated surplus.

Changes in Accounting Policy

During 2007-08 the Department reviewed the depreciation basis for the unsealed road network. As a result of this review the Department has determined that unsealed roads have an unlimited useful life. The retrospective adjustment required to the carrying amount of the asset was $93.275 million

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 'Summary of Significant Accounting Policies'.

		Carrying Amount/ Fair Value	
		2008	2007
Financial Assets	Note	**$'000**	$'000
Cash and Cash Equivalents:			
Cash and cash equivalents	24	**354 678**	394 577
Loans and Receivables:			
Receivables(1)	25	**111 785**	78 487
Receivables - Finance lease receivable	25,42	**9 206**	6 658
Other current assets	27	**6 182**	6 519
Total Financial Assets		**481 851**	486 241
Financial Liabilities			
Payables(1)	34	**140 612**	107 668
Borrowings	35	**47 760**	47 760
Borrowings- Finance lease payable	35,42	**21 627**	22 630
Other liabilities	38	**112 404**	133 262
Total Financial Liabilities		**322 403**	311 320

(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. Deposits with the Treasurer can be used in accordance with the Treasurer's/Under Treasurer's approval.

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 at an amount 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 interest rate was 7 percent in 2008.

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 $12.924 million relating to the Indenture Ports (refer to 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			
	Overdue for less than 30 Days	**Overdue for 30-60 Days**	**Overdue for more than 60 Days**	**Total**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Not Impaired:				
Receivables	**6 031**	**4 283**	**20 784**	**31 098**
2007				
Not Impaired:				
Receivables	4 219	2 631	15 501	22 351

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	**Less than 1 Year**	**1-5 Years**	**More than 5 Years**
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalents	**354 678**	**354 678**	**-**	**-**
Receivables(1)	**111 785**	**110 077**	**1 708**	**-**
Receivables - Finance lease receivable	**14 688**	**1 277**	**4 490**	**8 921**
Other current assets	**6 182**	**6 182**	**-**	**-**
Total Financial Assets	**487 333**	**472 214**	**6 198**	**8 921**
Financial Liabilities:				
Payables(1)	**140 612**	**138 527**	**2 085**	**-**
Borrowings	**47 760**	**-**	**-**	**47 760**
Borrowings - Finance lease payable	**66 266**	**4 959**	**15 687**	**45 620**
Other liabilities	**112 404**	**55 855**	**56 549**	**-**
Total Financial Liabilities	**367 042**	**199 341**	**74 321**	**93 380**
2007				
Financial Assets:				
Cash and cash equivalents	394 577	394 577	-	-
Receivables(1)	78 487	77 001	1 446	40
Receivables - Finance lease receivable	10 197	980	3 669	5 548
Other current assets	6 519	6 519	-	-
Total Financial Assets	489 780	479 077	5 115	5 588

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
2007	$'000	$'000	$'000	$'000
Financial Liabilities:				
Payables(1)	107 668	105 720	1 948	-
Borrowings	47 760	-	-	47 760
Borrowings - Finance lease payable	67 412	4 732	15 658	47 022
Other liabilities	133 262	41 886	91 376	-
Total Financial Liabilities	356 102	152 338	108 982	94 782

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

Liquidity Risk

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

Fair Value (Market) Risk

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

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

Foreign Currency Risk

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

Interest Rate Risk

The Department's exposure to interest rate risk is measured in 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

On 13 December 2007, the Government announced the transfer of land, buildings, plant and equipment and other tangible property associated with the metropolitan rail passenger services owned by TransAdelaide to the Minister for Transport. These assets included:

- Adelaide Railway Station
- Rail infrastructure
- All rolling stock (except those subject to cross border leases).

For financial accounting and reporting purposes the effective date of this transfer was 1 January 2008.

At the time of the transfer, the following assets in the TransAdelaide

Balance Sheet were recognised:	**$'000**
Land, buildings and improvements	**190 141**
Track	**236 616**
Plant and equipment	**89 104**
Work in progress	**9 549**
Total Assets	**525 410**
Net Assets Transferred	**525 410**

42. Unrecognised Contractual Commitments

	2008	2007
Capital Commitments	**$'000**	$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:		
Within one year	**384 390**	236 691
Later than one year but no later than five years	**360 179**	237 901
Not later than five years	**18 000**	22 501
Total Capital Commitments	**762 569**	497 093

The Department's Capital Commitments are predominantly for aggregate capital expenditure on construction projects relating to road networks, residential property for government employees and the construction and upgrade of Government buildings and facilities. Where this construction work is being done on behalf of other agencies the cost is recovered accordingly.

Remuneration Commitments	2008	2007
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	**20 925**	19 628
Later than one year but no later than five years	**38 747**	26 445
Total Remuneration Commitments	**59 672**	46 073

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	**316 804**	325 558
Later than one year but no later than five years	**509 321**	541 461
Later than five years	**137 600**	398 525
Total Other Commitments	**963 725**	1 265 544

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	2008	2007
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	**86 910**	80 087
Later than one year but no later than five years	**201 179**	164 415
Later than five years	**67 626**	75 463
Total Operating Lease Commitments as Lessee	**355 715**	319 965
Representing:		
Cancellable operating leases	**7 355**	8 277
Non-cancellable operating leases	**348 360**	311 688
Total Operating Lease Commitments as Lessee	**355 715**	319 965
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows		
Within one year	**82 433**	75 459
Later than one year but no later than five years	**198 301**	160 954
Later than five years	**67 626**	75 275
Total Non-Cancellable Operating Lease Commitments as Lessee	**348 360**	311 688

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

Commercial accommodation leases are non-cancellable with terms ranging from 1 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 kms whichever comes first) or five years (or 100 000 kms whichever comes first).

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

Operating Lease Commitments as Lessor	**2008**	2007
Commitments under operating leases at the reporting date but not recognised as receivable in the financial report, are as follows:	**$'000**	$'000
Within one year	**98 065**	83 525
Later than one year but no longer than five years	**201 200**	183 606
Later than five years	**53 337**	61 109
Total Operating Lease Commitments as Lessor	**352 602**	328 240

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 1 to 10 years. Rental is receivable in advance with no contingent rental provisions.

Finance Lease Commitments as Lessee	**2008**	2007
Future minimum lease payments under finance leases and hire purchase contracts together with the present value of net minimum lease payments are as follows:	**$'000**	$'000
Within one year	**4 959**	4 732
Later than one year but no longer than five years	**15 687**	15 658
Later than five years	**45 620**	47 022
Minimum lease payments	**66 266**	67 412
Less: Future finance leases lease charges	**44 639**	44 782
Total Finance Lease Commitments as Lessee (Recognised as Liability)	**21 627**	22 630

The present value of finance lease payable is as follows:		
Within one year	**1 838**	1 694
Later than one year but no longer than five years	**4 424**	4 776
Later than five years	**15 365**	16 160
Present Value of Finance Lease	**21 627**	22 630

Representing:		
Current	**1 838**	1 694
Non-current	**19 789**	20 936
Total included in Borrowings	**21 627**	22 630

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 13.11 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. The lease payment changes each year in accordance with CPI. The weighted average interest rate implicit in the lease is 5.52 percent.

Equipment for the StateNet Core network has been leased under a non-cancellable lease for a term of five years. Rentals are paid monthly and there are no contingent rental provisions. The weighted average interest rate implicit in the lease is 6.73 percent.

Finance Lease Commitments as Lessor	**2008**	2007
Finance lease receivables contracted for at the reporting date are as follows:	**$'000**	$'000
Within one year	**1 277**	980
Later than one year but no longer than five years	**4 490**	3 669
Later than five years	**8 921**	5 548
Minimum lease payments	**14 688**	10 197
Less: Unearned finance income	**5 482**	3 539
Total Finance Lease Commitments as Lessor (Recognised as Assets)	**9 206**	6 658

The present value of finance lease receivable is as follows:		
Within one year	**654**	531
Later than one year but no longer than five years	**2 465**	2 277
Later than five years	**6 087**	3 850
Present Value of Finance Lease	**9 206**	6 658

Representing:		
Current	**654**	531
Non-current	**8 552**	6 127
Total included in Receivables	**9 206**	6 658

Finance Lease Commitments as Lessor (continued)

Residential 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 leasing agency. Rental is paid one month in advance and there are no contingent rental provisions. The weighted average interest rate implicit in the lease is 7 percent.

43. Contingent Assets and Liabilities

At 30 June 2008, 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 is awaiting the outcome of a formal proceeding which may result in a contingent asset, which at balance date is not quantifiable.

44. Cash Flow Reconciliation

	2008	2007
Reconciliation of Cash - Cash at 30 June as per:	$'000	$'000
Cash Flow Statement	**354 678**	394 577
Balance Sheet	**354 678**	394 557

	2008	2007
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:		
Net cash provided by operating activities	**305 018**	338 474
Less: Revenues from SA Government	**375 434**	377 858
Add: Payments to SA Government	**26 059**	3 611
Add (Less): Non-Cash Items:		
Net gain (loss) on sale or disposal of non-current assets	**8 877**	5 580
Depreciation/amortisation expense of non-current assets	**(188 642)**	(160 073)
Assets written off	**(4 763)**	(3 784)
Assets donated	**(14 995)**	(1 347)
Inventory write-downs	**(13)**	(19)
Revaluation decrement of non-current assets	**(2 920)**	-
Fair value of assets received	**2 703**	660
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	**34 458**	(40 311)
Increase (Decrease) in inventories	**3 978**	(272)
Increase (Decrease) in other assets	**(337)**	(825)
(Increase) Decrease in payables and provisions	**(20 905)**	216
(Increase) Decrease in employee entitlements	**(4 390)**	-
Decrease (Increase) in other liabilities	**23 662**	(8 258)
Net Cost of Providing Services	**207 644**	(244 206)

45. Indenture Ports

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

The amount paid to DTF in 2007-08 was $748 000 ($399 000). In addition to the amount paid, the Department has recognised a provision in 2007-08 of $12.924 million ($10.070 million) representing the outstanding funds to be collected by the Department and returned to DTF.

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.

	2008	2007
Inflows:	$'000	$'000
Receipts into the Fund	**8 691**	56 661
Total Inflows	**8 691**	56 661
Outflows:		
Payments from the Fund	**25 254**	55 546
Total Outflows	**25 254**	55 546
Net (Deficit) Surplus	**(16 563)**	1 115

46. Rail Transport Facilitation Fund (continued)

	2008	2007
Fund Balance:	**$'000**	$'000
Balance at 1 July	**39 318**	38 203
Net (Deficit) Surplus	**(16 563)**	1 115
Balance at 30 June	**22 755**	39 318

Receipts into the Fund
The receipts into the fund in 2007-08 results predominately from $2.2 million interest and $5.5 million relating to the sale or lease of rail properties and $400 000 from PIRSA for the Eyre Peninsula Rail Upgrade representing the Farmers Levy under the *Primary Industries Funding Act 1998* (SA).

Commonwealth funding associated with the Eyre Peninsula Rail upgrade was received in advance in prior years.

Payments from the Fund
The expenditure from the fund in 2007-08 results predominately from $10.8 million being spent on the Port River Expressway - Stage 3 (Rail), and $10.8 million being spent on the Eyre Peninsula Rail Upgrade project.

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 Related expenditure, including a payment to the South Australia Police Department (SAPOL) of $34.7 million for safety related policing expenditure. The appropriation for 2007-08 was $72.795 million which represents revenue forecasts of funds expected to be collected by SAPOL and the Courts Administration Authority for Traffic Infringements.

	2008	2007
Inflows:	**$'000**	$'000
Receipts into the Fund	**74 006**	69 067
Total Inflows	**74 006**	69 067
Outflows:		
Payments from the Fund	**74 857**	66 785
Total Outflows	**74 857**	66 785
Net (Deficit) Surplus	**(851)**	2 282
Fund Balance:		
Balance at 1 July	**2 745**	463
Net (Deficit) Surplus	**(851)**	2 282
Balance at 30 June	**1 894**	2 745

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 Program. The Department received a conditional Commonwealth grant of $100 million for works to be performed under the Accelerated Sturt Highway Package on the 30 June 2006, to be expended over the four year period between 2006-07 and 2009-10. The Department also received a Commonwealth grant of $11.19 million for works to be performed under the AusLink Strategic Regional Program on 27 June 2007, to be expended over the four year period between 2006-07 and 2009-10.

The Department received $3 million Commonwealth Funding to undertake the Transport Sustainability Study, to analyse urban congestion in Adelaide up to 2030. This study is required to be completed by June 2010.

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

	2008	2007
Inflows:	**$'000**	$'000
Receipts into the Fund	**10 289**	16 737
Total Inflows	**10 289**	16 737
Outflows:		
Payments from the Fund	**22 041**	5 497
Total Outflows	**22 041**	5 497
Net (Deficit) Surplus	**(11 752)**	11 240
Fund Balance:		
Balance at 1 July	**111 240**	100 000
Net (Deficit) Surplus	**(11 752)**	11 240
Balance at 30 June	**99 488**	111 240

Receipts into the Fund

The income into the Fund consists of the $3 million relating to the Transport Sustainability Study (urban congestion) advance and $7.3 million relating to interest received on the Sturt Highway and Strategic Regional Program advance.

Payments from the Fund

$21.716 million relates to expenditure associated with the Sturt Highway, and $325 000 expenditure associated with the Strategic Regional Program.

49. Events After Balance Date

The Department is not aware of any events occurring after balance date.

Statement of Administered Income and Expenses for the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
INCOME:			
Revenues from SA Government	A7	**12 581**	10 962
Fees and charges	A8	**144 900**	62 980
Collections on behalf of third parties	A9	**716 561**	675 634
Commonwealth revenue	A10	**3 619**	1 758
Interest		**594**	384
Total Income		**878 255**	751 718
EXPENSES:			
Employee benefit expenses		**404**	326
Supplies and services	A11	**4 393**	3 306
Grants and subsidies	A12	**3 920**	2 126
Disbursements on behalf of third parties	A13	**726 734**	684 599
Borrowing costs		**186**	197
Payments to Consolidated Account	A14	**144 445**	62 323
Total Expenses		**880 082**	752 877
OPERATING DEFICIT BEFORE ADMINISTRATIVE RESTRUCTURE	A20	**(1 827)**	(1 159)
Increase in net assets due to administrative restructure		**-**	7 240
OPERATING (DEFICIT) SURPLUS AFTER ADMINISTRATIVE RESTRUCTURE		**(1 827)**	6 081

Operating surplus is attributable to the SA Government as owner

Statement of Administered Assets and Liabilities as at 30 June 2008

	Note	2008 $'000	2007 $'000
CURRENT ASSETS:			
Cash and cash equivalents	A15	**33 398**	33 272
Receivables	A16	**1 711**	1 563
Total Current Assets		**35 109**	34 835
NON-CURRENT ASSETS:			
Receivables	A16	**2 362**	2 546
Total Non-Current Assets		**2 362**	2 546
Total Assets		**37 471**	37 381
CURRENT LIABILITIES:			
Payables	A17	**21 697**	19 610
Borrowings	A18	**184**	173
Employee benefits	A19	**11**	10
Total Current Liabilities		**21 892**	19 793
NON-CURRENT LIABILITIES:			
Payables	A17	**3**	3
Borrowings	A18	**2 362**	2 546
Employee benefits	A19	**37**	35
Total Non-Current Liabilities		**2 402**	2 584
Total Liabilities		**24 294**	22 377
NET ASSETS		**13 177**	15 004
EQUITY:			
Accumulated surplus	A20	**13 177**	15 004
TOTAL ADMINISTERED EQUITY		**13 177**	15 004
Contingent assets and liabilities	A25		
Unrecognised contractual commitments	A26		

Statement of Changes in Administered Equity
for the year ended 30 June 2008

	Note	Accumulated Surplus $'000	Total $'000
Balance at 30 June 2006		9 620	9 620
Changes in accounting policy		-	-
Prior period - Error correction		-	-
Restated Balance at 30 June 2006		9 620	9 620
Net income / expense recognised directly in equity		-	-
Operating Surplus (Deficit) after Administrative Restructure		6 081	6 081
Total Recognised Income and Expense for 2007		6 081	6 081
Balance at 30 June 2007		15 701	15 701
Changes in accounting policy		-	-
Prior period - Error correction		(697)	(697)
Restated Balance at 30 June 2007	A20	15 004	15 004
Net income / expense recognised directly in equity		-	-
Operating Surplus (Deficit) after Administrative Restructure		(1 827)	(1 827)
Total Recognised Income and Expense for 2008		(1 827)	(1 827)
Balance at 30 June 2008	A20	**13 177**	**13 177**

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

Statement of Administered Cash Flows
for the year ended 30 June 2008

	Note	2008 Inflows (Outflows) $'000	2007 Inflows (Outflows) $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from SA Government		**12 581**	10 961
Fees and charges		**144 828**	62 392
Collections on behalf of third parties		**716 495**	675 640
Commonwealth revenue		**3 619**	1 758
Interest		**594**	384
Total Cash Inflows		**878 117**	751 135
CASH OUTFLOWS:			
Employee benefit expenses		**(401)**	(316)
Supplies and services		**(5 207)**	(2 348)
Grants and subsidies		**(3 920)**	(2 126)
Disbursements on behalf of third parties		**(722 025)**	(685 609)
Borrowing costs		**(186)**	(197)
Payments to Consolidated Account		**(146 252)**	(59 106)
Total Cash Outflows		**(877 991)**	(749 702)
Net Cash Inflows from Operating Activities	A22	**126**	1 433
CASH FLOWS FROM FINANCING ACTIVITIES:			
CASH INFLOWS:			
Restructuring activities		**-**	19 378
Repayment of loans - Local Government		**173**	161
Total Cash Inflows		**173**	19 539
CASH OUTFLOWS:			
Repayment of loans - SA Government		**(173)**	(161)
Total Cash Outflows		**(173)**	(161)
Net Cash Inflows from Financing Activities		**-**	19 378
NET INCREASE IN CASH HELD		**126**	20 811
CASH AT 1 JULY		**33 272**	12 461
CASH AT 30 JUNE	A15	**33 398**	33 272

Program Schedule of Administered Income and Expenses for the year ended 30 June 2008

(Refer Note A5)	Energy Policy & Regulation		State Infrastructure Facilitation		Public Transport Services	
	2008	2007	**2008**	2007	**2008**	2007
INCOME:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenues from SA Government	**5**	4	**5**	5	**69**	68
Fees and charges	**-**	-	**-**	-	**-**	-
Collections on behalf of third parties	**-**	-	**10**	102	**-**	-
Commonwealth revenue	**3 619**	1 758	**-**	-	**-**	-
Interest	**-**	-	**-**	-	**7**	10
Total Administered Income	**3 624**	1 762	**15**	107	**76**	78
EXPENSES:						
Employee benefit expenses	**5**	4	**5**	5	**69**	68
Supplies and services	**233**	-	**1**	-	**-**	-
Grants and subsidies	**3 847**	1 978	**-**	-	**73**	148
Disbursements on behalf of third parties	**-**	-	**427**	-	**-**	-
Borrowing costs	**-**	-	**-**	-	**-**	-
Payments to Consolidated Account	**-**	384	**-**	-	**-**	-
Total Administered Expenses	**4 085**	2 366	**433**	5	**142**	216
OPERATING (DEFICIT) SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE	**(461)**	(604)	**(418)**	102	**(66)**	(138)

(Refer Note A5)	Service SA		Transport Infrastructure Services		Land Services	
	2008	2007	**2008**	2007	**2008**	2007
INCOME:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenues from SA Government	**9 804**	9 105	**71**	64	**265**	28
Fees and charges	**-**	-	**-**	-	**144 900**	62 980
Collections on behalf of third parties	**716 497**	664 483	**54**	101	**-**	-
Commonwealth revenue	**-**	-	**-**	-	**-**	-
Interest	**-**	-	**186**	196	**401**	178
Total Administered Income	**726 301**	673 588	**311**	361	**145 566**	63 186
EXPENSES:						
Employee benefit expenses	**20**	25	**71**	64	**183**	114
Supplies and services	**-**	-	**1**	-	**894**	1 230
Grants and subsidies	**-**	-	**-**	-	**-**	-
Disbursements on behalf of third parties	**726 280**	673 563	**27**	88	**-**	-
Borrowing costs	**-**	-	**186**	197	**-**	-
Payments to Consolidated Account	**-**	-	**28**	12	**144 417**	61 927
Total Administered Expenses	**726 300**	673 588	**313**	361	**145 494**	63 271
OPERATING (DEFICIT) SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE	**1**	-	**(2)**	-	**72**	(85)

Program Schedule of Administered Income and Expenses for the year ended 30 June 2008 (continued)

(Refer Note A5)	Building Management		Information and Communication Technology Services		Total	
	2008	2007	**2008**	2007	**2008**	2007
INCOME:	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenues from SA Government	**2 362**	1 688	**-**	-	**12 581**	10 962
Fees and charges	**-**	-	**-**	-	**144 900**	62 980
Collections on behalf of third parties	**-**	-	**-**	10 948	**716 561**	675 634
Commonwealth revenue	**-**	-	**-**	-	**3 619**	1 758
Interest	**-**	-	**-**	-	**594**	384
Total Administered Income	**2 362**	1 688	**-**	10 948	**878 255**	751 718
EXPENSES:						
Employee benefit expenses	**51**	46	**-**	-	**404**	326
Supplies and services	**3 264**	2 076	**-**	-	**4 393**	3 306
Grants and subsidies	**-**	-	**-**	-	**3 920**	2 126
Disbursements on behalf of third parties	**-**	-	**-**	10 948	**726 734**	684 599
Borrowing costs	**-**	-	**-**	-	**186**	197
Payments to Consolidated Account	**-**	-	**-**	-	**144 445**	62 323
Total Administered Expenses	**3 315**	2 122	**-**	10 948	**880 082**	752 877
OPERATING (DEFICIT) SURPLUS BEFORE ADMINISTRATIVE RESTRUCTURE	**(953)**	(434)	**-**	-	**(1 827)**	(1 159)

NOTES TO 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 for Transport, Energy and Infrastructure

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 in the controlled items Notes, applies to both the Departmental and the Administered Financial Statements.

During 2007-08 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 Balance Sheet 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. Programs of the Department

The Programs of the Department, outlined in Note 5 in the controlled items Notes, 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

A6. Administered Items of the Department (continued)

- Minister for Transport, Energy and Infrastructure (Special Acts salaries)
- Motor Accident Commission receipts
- Natural Gas Authority of South Australia (NGASA)
- Passenger Transport Research and Development Fund
- Photovoltaic Rebate Program (PVRP)
- 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 Rebate Program (RRPGRP)
- 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. Revenues from SA Government

	2008	2007
Revenues from SA Government:	$'000	$'000
Appropriations from Consolidated Account pursuant to the *Appropriation Act*	**12 094**	10 643
Special Acts	**487**	319
Total Revenues from SA Government	**12 581**	10 962

A8. Fees and Charges

Fees and Charges received/receivable from Entities external to the SA Government:		
Regulatory fees	**144 900**	62 980
Total Fees and Charges - Non-SA Government Entities	**144 900**	62 980
Total Fees and Charges	**144 900**	62 980

A9. Collections on behalf of Third Parties

Collections on behalf of the SA Government:		
Stamp Duties - Treasury and Finance	**146 936**	132 609
Hospital Fund - Treasury and Finance	**58 943**	57 730
Emergency Services Levy - SA Fire and Emergency Services Commission	**28 935**	28 555
Expiation Notices - South Australia Police	**28 072**	8 681
Firearms Licenses - South Australia Police	**1 273**	1 323
Expiation Notices - Courts Administration Authority	**557**	668
Third Party Insurance - Motor Accident Commission	**431 623**	413 993
Other	**2 756**	5 005
Total Collections on behalf of the SA Government	**699 095**	648 564
Collections on behalf of Entities external to the SA Government:		
Refunds	**10 909**	10 163
Federal registrations	**6 276**	5 756
Other	**281**	11 151
Total Collections on behalf of Third Parties External to the SA Government	**17 466**	27 070
Total Collections on behalf of Third Parties	**716 561**	675 634

A10. Commonwealth Revenue

RRPGRP* energy rebate contribution	**2 862**	44
PVRP** energy rebate contribution	**757**	1 714
Total Commonwealth Revenue	**3 619**	1 758

*Renewable Remote Power Generation Program
**Photovoltaic Rebate Program

A11. Supplies and Services

Supplies and Services paid/payable to Entities within the SA Government:		
Project expenditure	**2 838**	1 789
Other	**113**	-
Total Supplies and Services - SA Government Entities	**2 951**	1 789
Supplies and Services paid/payable to Entities external to the SA Government:		
Project expenditure	**432**	286
Other	**1 010**	1 231
Total Supplies and Services - Non-SA Government Entities	**1 442**	1 517
Total Supplies and Services	**4 393**	3 306

A12. Grants and Subsidies

	2008	2007
Grants and Subsidies paid/payable to Entities external to the SA Government:	**$'000**	$'000
Capital grants	**3 920**	2 126
Total Grants and Subsidies - Non-SA Government Entities	**3 920**	2 126
Total Grants and Subsidies	**3 920**	2 126

A13. Disbursement on behalf of Third Parties

	2008	2007
Disbursements paid/payable to Entities within the SA Government:		
Stamp Duties - DTF	**146 936**	132 609
Hospital Fund - DTF	**58 943**	57 730
Emergency Services Levy - SA Fire and Emergency Services Commission	**38 719**	37 635
Expiation Notices - South Australia Police	**28 072**	8 681
Firearms Licences - South Australia Police	**1 273**	1 323
Expiation Notices - Courts Administration Authority	**557**	668
Third Party Insurance - Motor Accident Commission	**431 623**	413 993
Other	**2 756**	5 005
Total Disbursements on Behalf of Third Parties Paid/Payable to Entities Within the SA Government	**708 879**	657 644
Disbursements paid/payable to Entities external to the SA Government:		
Refunds	**10 909**	10 163
Federal registrations	**6 276**	5 756
Other	**670**	11 036
Total Disbursements on Behalf of Third Parties Paid/Payable to Entities External to the SA Government	**17 855**	26 955
Total Disbursement on Behalf of Third Parties	**726 734**	684 599

A14. Payments to Consolidated Account

	2008	2007
Payments to Consolidated Account	**144 445**	62 323
Total Payments to Consolidated Account	**144 445**	62 323

A15. Cash and Cash Equivalents

	2008	2007
Deposits at call	**33 398**	33 272
Total Cash	**33 398**	33 272

A16. Receivables

	2008	2007
Current:		
Receivables	**1 653**	1 509
Accrued revenues	**58**	54
Total Current Receivables	**1 711**	1 563
Non-Current:		
Receivables	**2 362**	2 546
Total Non-Current Receivables	**2 362**	2 546
Total Receivables	**4 073**	4 109

Government/Non-Government Receivables

	2008	2007
Receivables from SA Government Entities:		
Receivables	**5**	175
Accrued revenues	**30**	49
Total Receivables from SA Government Entities	**35**	224
Receivables from Non-SA Government entities:		
Receivables	**4 010**	3 880
Accrued revenue	**28**	5
Total Receivables from Non-SA Government Entities	**4 038**	3 885
Total Receivables	**4 073**	4 109

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

A17. Payables

	2008	2007
Current:		
Creditors	**10 169**	6 019
Accrued expenses	**11 528**	13 591
Total Current Payables	**21 697**	19 610
Non-Current:		
Accrued expenses	**3**	3
Total Non-Current Payables	**3**	3
Total Payables	**21 700**	19 613

Government / Non-Government Payables	**2008**	2007
Payables to SA Government Entities:	**$'000**	$'000
Creditors	**9 767**	5 886
Accrued expenses	**11 517**	13 594
Total Payables to SA Government Entities	**21 284**	19 479
Payables to Non-SA Government Entities:		
Creditors	**402**	134
Accrued expenses	**14**	-
Total Payables to Non-SA Government Entities	**416**	134
Total Payables	**21 700**	19 613

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

A18. Borrowings

Balance as at 1 July	**2 719**	2 879
Increases in debt due to interest	**186**	197
Less: Repayments:		
Woodville, Henley and Grange Drainage Scheme	**37**	35
South West Suburbs Drainage Scheme	**322**	322
Balance as at 30 June	**2 546**	2 719
Current	**184**	173
Non-Current	**2 362**	2 546
Total Borrowings	**2 546**	2 719

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

A19. Employee Benefits

	2008	2007
Current:	**$'000**	$'000
Employee benefits	**11**	10
Total Current Employee Benefits	**11**	10
Non-Current:		
Employee benefits	**37**	35
Total Non-Current Employee Benefits	**37**	35
Total Employee Benefits	**48**	45
Payables to Non-SA Government Entities:		
Employee benefits	**48**	45
Total Employee Benefits payable to Non-SA Government Entities	**48**	45
Total Employee Benefits	**48**	45

Remuneration of Employees
Amounts received or receivable by employees as Administered Items whose remuneration is greater than $100 000.

	2008 Number of Employees	2007 Number of Employees
The number of employees whose remuneration received or receivable falls within the following bands:		
$160 000 - $169 999	**-**	1
$170 000 - $179 999	**1**	-
$290 000 - $299 999	**-**	1
$310 000 - $319 999	**1**	-
Total Number of Employees	**2**	2

The table includes all employees who received remuneration of $100 000 or more during the year. The total remuneration for the 2 employees (2 employees) was $490 000 ($463 000) and reflects all costs of employment including gross salary and wages, superannuation contributions (employer's contribution), FBT, other salary sacrifice benefits and separation packages.

A20. Equity

	2008	2007
	$'000	$'000
Accumulated surplus	**13 177**	15 004
Total Equity	**13 177**	15 004

A20. Equity (continued)

	2008	2007
Accumulated Surplus	**$'000**	$'000
Balance at 1 July	**15 004**	9 620
Operating deficit before administrative restructure	**(1 827)**	(1 159)
Increase in net assets due to restructure	**-**	7 240
Error correction	**-**	(697)
Balance at 30 June	**13 177**	15 004

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.

	Note	Carrying Amount/ Fair Value 2008	2007
Financial Assets		**$'000**	$'000
Cash and Cash Equivalents:			
Cash and cash equivalents	A15	**33 398**	33 272
Loans and Receivables:			
Receivables[(1)]	A16	**4 073**	4 109
Total Financial Assets - At Cost		**37 471**	37 381
Financial Liabilities			
Financial Liabilities - At Cost:			
Payables[(1)]	A17	**21 700**	19 613
Borrowings	A18	**2 546**	2 719
Total Financial Liabilities - At Cost		**24 246**	22 332

(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

	Carrying Amount	Contractual Maturities: Less than 1 Year	1-5 Years	More than 5 Years
2008	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:				
Cash and cash equivalents	**33 398**	**33 398**	**-**	**-**
Receivables	**1 528**	**1 528**	**-**	**-**
Receivables - Interest Bearing	**2 545**	**183**	**868**	**1 494**
Total Financial Assets	**37 471**	**35 109**	**868**	**1 494**
Financial Liabilities:				
Payables	**21 700**	**21 700**	**-**	**-**
Borrowings	**2 546**	**183**	**868**	**1 495**
Total Financial Liabilities	**24 246**	**21 883**	**868**	**1 495**
2007				
Financial Assets:				
Cash and cash equivalents	33 272	33 272	-	-
Receivables	1 390	1 390	-	-
Receivables - Interest Bearing	2 719	173	814	1 732
Total Financial Assets	37 381	34 835	814	1 732
Financial Liabilities:				
Payables	19 613	19 613	-	-
Borrowings	2 719	173	814	1 732
Total Financial Liabilities	22 332	19 786	814	1 732

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 21 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 as the interest rate is fixed over the term of the loan.

A22. Cash Flow Reconciliation

	2008	2007
Reconciliation of Cash - Cash at 30 June:	**$'000**	$'000
Cash Flow Statement	**33 398**	33 272
Balance Sheet	**33 398**	33 272
Reconciliation of Net Cash Inflows from Operating Activities to Operating (Deficit) Surplus:		
Net cash inflows from operating activities	**126**	1 433
Movements in Assets and Liabilities:		
(Decrease) Increase in receivables	**(36)**	422
(Increase) in liabilities	**(1 917)**	(3 014)
Operating (Deficit) Surplus	**(1 827)**	(1 159)

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.

	2008	2007
	$'000	$'000
Levies collected during the year	**5**	10
Amount paid to Attorney-General's Department	**5**	10
Amount Payable to Attorney-General's Department	**-**	-

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; and/or
- 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.

	2008	2007
Inflows:	**$'000**	$'000
Receipts into the Fund	**6**	10
Total Inflows	**6**	10
Outflows:		
Payments from the Fund	**72**	146
Total Outflows	**72**	146
Net Deficit	**(66)**	(136)
Fund Balance		
Balance at 1 July	**125**	261
Net Deficit	**(66)**	(136)
Balance at 30 June	**59**	125

A25. Contingent Assets and Liabilities

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

A26. Unrecognised Contractual Commitments

Other Commitments:		
Within one year	**575**	-
Total Other Commitments	**575**	-

MAJOR GOVERNMENT SYSTEMS: DEVELOPMENT AND OPERATION: SPECIFIC AUDIT COMMENT

INTRODUCTION

Many government agencies are responsible for the development and/or implementation of information and communication technology (ICT) systems and associated infrastructure that are of public interest importance.

The computing systems and infrastructure involves the significant commitment of taxpayer monies to these developments and their subsequent operations. They are also essential for meeting agencies' obligations of effective service delivery to the community and for the proper accountability of the financial transactions and assets of the taxpayer.

Senior management of agencies, therefore, have utmost responsibilities to ensure that effective management, security and control are applied to the development and operations aspects of major ICT systems, in order to meet the agencies' operational objectives and financial accountability obligations.

During 2007-08 a major and technically complex system of government became fully operational. The system called TRUMPS (Transport Regulation User Management Processing System) is under the administrative responsibility of the Department for Transport, Energy and Infrastructure (DTEI). This system was subject to Audit review because of its public interest importance. Millions of dollars were applied to its implementation and the system is characterised by its significant service delivery and financial accountability obligations.

This section of the Report outlines the main findings from the audit and identifies a number of key matters for those government agencies that are currently engaged in (or about to enter) the major responsibility of developing and/or implementing a significant ICT system of government.

TRUMPS DEVELOPMENT AND IMPLEMENTATION

In November 2003, Cabinet approved the development of TRUMPS to replace the legacy Drivers and Vehicle Registration System (DRIVERS). It is an enhanced system development of the Western Australian TRELIS system.

The system was to have been implemented in June 2006 at a cost of $9.5 million and was to incorporate licensing, registration and finance components, and the development of a heavy vehicle road control system. The heavy vehicle component was deferred and development of this system component has not commenced.

Additional funding approvals were obtained to provide for changes to legislation and to complete the registration and finance components of the system.

TRUMPS became fully operational in September 2007 with the implementation of the principal components registration and finance. The project development cost as recorded at 30 June 2008 was $17.4 million.

TRUMPS is a significant system. It processes revenue transactions of approximately $1 billion per annum for DTEI and on behalf of other agencies. The system also has numerous interfaces with other government agencies. In addition the maintenance and operations of the ICT infrastructure, operating environments and communications network management are outsourced to the private sector.

SPECIFIC MATTERS OF AUDIT FOCUS

The annual statutory audit of agencies' operations requires the Auditor-General to form and express certain opinions. These opinions relate to the integrity of the financial statements prepared by each agency and the controls exercised by each agency over their respective financial transactions and assets.

As indicated earlier, TRUMPS processes a significant number of customer and financial transactions on an annual basis. The system is critical and material to the financial operations and financial statements of DTEI. The audit was therefore directed to assessing principal aspects of the financial control structure and processes for effective control over financial transaction processing and recording and reporting. Review work undertaken by an external accounting firm engaged by DTEI and significant review work undertaken by DTEI's Internal Audit facilitated Audit assessment of this area.

Again, as earlier stated, TRUMPS is a technically complex ICT system. As such, the system should not only incorporate effective financial controls, but also ICT security and control measures for maintaining system integrity and continuity of its operations. The review of TRUMPS included consideration of the systems controls which support complete and reliable processing, recording and reporting of financial transactions. Consideration was also given to assessing specific ICT control arrangements including those related to:

- information system security and operations
- business continuity and disaster recovery planning
- application system development, implementation and maintenance and database implementation and support
- systems software and network support and management.

The scope of the review included the arrangements implemented by the State and the Department to confirm private sector ICT service providers had implemented government mandated security standards in the services provided.

The Audit review also included consideration of work performed by an external accounting firm engaged by the Department, its Internal Auditors and other ICT reviews performed by external experts engaged by the Department.

The following section of this Report discusses the main Audit findings and DTEI responses. These main findings and other matters arising from the audit were conveyed in Audit management letters to DTEI. DTEI have provided responses to the letters and specific findings which will form the basis for Audit follow up of action proposed or taken by DTEI.

MAIN AUDIT FINDINGS AND COMMENTS

Formal Sign Off and Defect Management

The final stages of TRUMPS, registration and finance components were implemented on 3 September 2007. The development and implementation of the system was under the oversight of a TRUMPS Steering Committee.

I contend that the development and implementation of a major government system should be the subject of a formal sign off report to the project steering committee and Chief Executive for approval for implementation into production. The report should focus on the system being fit for purpose and identify any deficiencies with a risk assessment and plan of resolution and future status reporting back to the Chief Executive.

The TRUMPS system was implemented in the absence of a formal sign off report to the TRUMPS Steering Committee and the Chief Executive. At the time of implementation there were a number of defects, including limitations in TRUMPS capability associated with financial control reporting and reconciliation processes and matters associated with information security controls.

The significant impact and number of defects largely became apparent after the September 2007 implementation. At the final TRUMPS Steering Committee meeting in mid September 2007 it was reported that there were 60 outstanding issues and some system reports were giving incorrect information. Departmental records showed that at the end of September 2007 there were 308 outstanding defects ranging from critical/major to minor.

Further, there had been an absence of regular formal high level management reporting, including to the Chief Executive, associated with defects, showing the volume, nature and impact of the defects on the operation of the system's key functions and proposed mitigation or resolution.

Audit analysis of system development and defect resolution activities at the time of the review confirmed a backlog of defects and enhancement requests and the continued raising of new defects into the latter part of 2008.

Department Response

The Department advised that the Steering Committee made the decision to 'go live' subject to resolving matters raised by the South Australia Police (SAPOL). Audit was advised that both the DTEI Chief Executive and the Minister's Office were aware of the date the system was to go live.

In respect of the system defects, the Chief Executive had delegated authority to Executive Directors to manage defects and their resolution. DTEI subsequently advised Audit it would transition to a new defect management system which would facilitate the tracking and management of defects.

DTEI also advised that a new three tier TRUMPS governance structure that engages at each of the strategic, management and operation levels of TRUMPS was being reviewed and formalised.

Audit Comment

The Department could not provide Audit with a formal 'sign off' document to the TRUMPS Steering Committee or the Chief Executive recommending acceptance of the system as fit for implementation into production. As I have indicated earlier, I consider it is appropriate for agencies to implement a formal sign off report process incorporating:

- a recommendation that the system is implemented
- an explicit statement that the system is fit for purpose
- details of any remaining defects with an assessment of the significance and impact of the defects
- approval to proceed by the agency Chief Executives.

Subsequent to implementation it is equally important that DTEI Executive, including the Chief Executive, are in a position, on the basis of up to date information, to give timely direction in managing ongoing developments associated with the TRUMPS system. Those developments particularly relate to resolving system functionality issues, defect resolution and system enhancements. This situation should be no different for any major new system of government.

Critical System Functionality including Financial Control

TRUMPS is a major computer system of government that provides for the recording and processing of revenue transactions of approximately $1 billion per annum.

The system has numerous interfaces with other parties including SAPOL, RevenueSA and the Courts Administration Authority and is used by Service SA branches and certain motor vehicle dealerships. Maintenance and operations of the infrastructure, operating environments and communication network management have been outsourced to EDS Australia and Dimension Data.

It is an important responsibility of agencies to ensure adequate financial controls and security mechanisms are in place to ensure the integrity of system operation and proper accountability for financial transactions and information. In the case of TRUMPS this is particularly important for the critical functions of financial transaction processing, reporting and reconciliation.

Audit noted that there were limitations apparent in TRUMPS functional capability associated with financial control reporting and reconciliation processes at the time of implementation. These had contributed to the Department experiencing ongoing difficulties in reconciling a material component of funds processed through the TRUMPS system.

Audit's review also found inappropriate access levels granted to some users for financial transactions, and limitations in the system that did not allow DTEI to trace all financial transactions to the original user that entered or modified the transaction.

The weaknesses in financial control are commented on in more detail under the headings 'Cash at Bank - TRUMPS' and 'Registration and Licence Revenue – TRUMPS' in the previous section of this Report titled Department for Transport, Energy and Infrastructure. These were recognised and acted upon by DTEI in the commissioning of an independent review of financial control functions associated with TRUMPS in early 2008 by a firm with financial accounting expertise. They subsequently required further detailed examination by Internal Audit.

The firm's independent review report (Service SA Financial Control Function Review) completed in April 2008 identified problems with respect to the financial controls and reporting ability of the TRUMPS system and associated reconciliation processes including the Service SA branches. The review report identified one particular key risk of financial control as the loss or mismanagement of funds and provided a comprehensive list of recommendations to address the breakdowns and weaknesses in controls.

Department Response

The Department responded to the matters raised by Audit and by the independent review report. The specific nature of the Department's response is also discussed in the previous section of this Report titled Department for Transport, Energy and Infrastructure.

Audit Comment

The review by my officers confirmed there were significant issues to be addressed by DTEI management to ensure the satisfactory business operation, security control and financial integrity of the TRUMPS system. The main issues were the direct result of implementation of the registration and finance components of the system with defects and key elements of the system not achieving functionality at implementation.

Government agencies need to confirm that their system development lifecycle processes are adequate to ensure any new major systems operate with full system functionality and are fully tested and effectively controlled. Such functionality is of particular importance in the processing of financial transactions including financial related reports dealing with cash receipts and distribution and associated reconciliation processes.

On a related matter, the Office of the Chief Information Officer, has a responsibility to assist in the monitoring and reporting of the ongoing status of major Cabinet approved ICT project developments. I consider the discharge of this responsibility to be of fundamental importance in the overall monitoring, reporting and overall control of major government ICT projects.

Significant Elements of Information Security and Control

The TRUMPS system is a technically complex system of DTEI processing significant financial transactions through government wide communication networks and Service SA branches and involves services and security provision by private sector ICT service providers.

The system should comply with the Government's Information Security Management Framework (ISMF) as the minimum information technology security standards and guidelines for implementation by agencies. The ISMF requirements include providing a data classification and risk assessment process and applying appropriate security controls to secure access to information assets.

In regard to TRUMPS, information security is particularly important where there are changes to the system functionality through enhancements or defect resolutions and in the relevant system functional and security documentation. An important element of this relates to financial information accuracy, integrity, reporting and reconciliation and the ability of the system to provide continuous efficient operation.

DTEI has for some time implemented on-going evaluation of security and associated risk relating to the Department's overall compliance with the ISMF and in specific reference to TRUMPS. This has involved certain reviews involving both external contracted expertise and the Department's Internal Audit branch and provided a base of recommended actions to address existing and emerging issues of significance.

ISMF Information Security Requirements

Audit found in relation to TRUMPS that excessive privileges had been granted to personnel which exceeded the access necessary to perform their job functions. This provided the possibility for users to perform unauthorised transactions, compromise the integrity of production data, and change confidential data on the system. Also, segregation of duties relating to selected critical process roles were not automatically enforced within the TRUMPS system. This may also provide an opportunity for inappropriate creation and completion of transactions.

In addition, weaknesses were found in the control arrangements in place to ensure the TRUMPS system was being managed by the private sector ICT service providers in compliance with the ISMF areas of security and control required for the contracted services. This included the areas of database configuration and auditing, network support, and technical system software support.

The review also found that a number of DTEI commissioned review reports had not been acted upon in their entirety. This is illustrated by ten specific issues identified in a commissioned report assessment (ISMF compliance of the TRUMPS environment) completed in September 2007 that had not been fully addressed at the time of the Audit review.

Documentation of System Functionality

DTEI had not maintained a fully documented baseline of TRUMPS system functionality and regular updating of the TRUMPS test plans since implementation. Such key documentation should address system design, functionality, security controls, operation and interfaces with other systems and entities.

Further, documentation detailing inter-agency and external interfaces had not been updated since the implementation of TRUMPS to reflect the new infrastructure.

Certain weaknesses were found in some aspects of the software development life cycle process for TRUMPS. These were in the areas of the application of system change and associated documentation processes.

In particular, Audit's review found that DTEI's system development lifecycle process for TRUMPS did not provide succinct up to date documentation of its design, functionality and control.

Business Continuity Arrangements

At the time of the review, documentation of the Corporate ICT Services business continuity and disaster recovery plans were in draft form and were incomplete. In addition, a draft business continuity plan developed for the Service SA branches had not been formalised.

It was also noted that regular periodic testing of the business continuity and disaster recovery plans had not been undertaken.

Department Response

The Department advised of actions being undertaken to address findings relating to inappropriate access to information. This included reviewing and reducing the number of staff provided with access, introducing monthly reports to monitor access by staff with high privileges and reintroducing monthly reports to manage the access to TRUMPS.

The Department also indicated actions being taken to address weaknesses in the areas of database implementation and support, network security and system software support. A working party including representation from the TRUMPS system owners and the private sector ICT service providers had been established to address and report progress on the matters raised.

A subsequent advice to Audit provided a more comprehensive listing of actions to be taken by the Department with expected completion dates through to the 2009-10 financial year.

Internal Audit has been given the responsibility of following up all internal commissioned reviews, and independently testing to substantiate reported process changes and any new controls.

DTEI advised it would undertake a review of existing documentation to ensure it is up-to-date and accurate. With respect to the TRUMPS system baseline documentation, the Department advised that certain aspects of TRUMPS functionality were currently documented with each release. The Department would re-establish an expanded system baseline of documentation by ensuring that all changes made and TRUMPS enhancements and new functionality are adequately reflected in the documentation.

DTEI also advised the TRUMPS system development lifecycle and methodology was in the process of being reviewed and where applicable formalised and is expected to be completed by June 2009.

The Department advised in January 2009 that Service SA had completed its Business Continuity Plan. Enhancements would be made to the TRUMPS Disaster Recovery Plan with expected completion by the end of March 2009 with subsequent testing of the plans.

Audit Comment

The Government through its many agencies uses computer information systems to process, transmit and store information critical to the performance of its key business operations including core governmental services and financial outcomes. Of necessity there should exist the highest standards of security and control over these systems and the information held by them.

In this respect a number of matters raised by Audit in relation to TRUMPS fell short of the ISMF minimum standards for security and control measures mandated as government policy. Some particular examples commented on above relate to inappropriate access provided to DTEI personnel, weaknesses in certain technical controls also involving private sector ICT service providers, and the documentation and testing of business continuity arrangements.

Another significant matter of previous comment relates to the need for a fully effective and maintained document of system baseline functionality for any major new system of government, which was not the case with TRUMPS. This is essential for the efficient maintenance, testing and enhancement of the system, the training of user personnel, and effective system operation.

Management of Information Services and Security from the Private Sector

Two private sector ICT service providers, EDS Australia and Dimension Data are contracted under whole of government contracts to provide security and other services to government agencies. These services support TRUMPS operations. As a condition of the whole of government contracts the service providers are required to comply with the government's ISMF and international information security standards.

The review confirmed that a coherent and coordinated control framework involving DTEI and the service providers was not in place to evidence if the TRUMPS system and its computer processing environments were being managed in compliance with the ISMF and contracted obligations.

The private sector ICT service providers are required to undertake self assessments when requested under the contract provisions. An assessment provided to Audit had not extended to the provider's specific security operations, practices and services to determine any areas of non conformance with the contract obligations, or any DTEI specific information security requirements.

It should be noted that the Chief Information Officer, as the State's Principal Contract Administrator, is responsible for contract administration of the purchasing agreements with the external providers. DTEI is responsible for the day to day administration and operation of the services provided for TRUMPS under the Customer Agreement and some operational elements referenced in the Purchasing Agreement.

Department Response

The Department advised of actions being implemented in conjunction with the private sector ICT service providers to address the matters raised by Audit.

Those actions included arrangements to be made for the Security and Risk Assurance group to review the ISMF and international standards against the security services aspects of the contracts.

The ICT contracts provide for the State to request annual self assessment against the ISMF and the International Standards by the service providers. DTEI advised Audit that the Office of the Chief Information Officer regularly reviews its internal contract management processes and changes have been made to improve the triggering of security review activities.

DTEI expects that these contracts will fall into a category of contract for which an annual self assessment review will be requested.

Audit Comment

Audit considers it is essential that the State's Principal Contract Administrator invokes the provisions of the contracts by:

- requiring the preparation of self assessments each year by the service providers
- reviewing the outcome of the self assessments to confirm the scope is adequate and to understand any areas for action
- following up any action required as a result of the self assessments.

This action is necessary to obtain assurance that major government systems are implemented and operated with adequate security.

It is also important that the State/DTEI in conjunction with the private sector ICT service providers clarify the intent and method of operation and verification of the security services aspects of the contracts and the ISMF/international standards compliance aspects.

CONCLUDING COMMENTARY

The effective development, implementation, management, security, and control of computing systems and computing environments is essential to enable an agency to meet its operational objectives and financial accountability obligations.

Effective management in these matters contributes to the ongoing integrity, continuity, and control of agency operations, and the protection of its information and assets. Conversely, inadequate management can lead to sub-optimal operational systems and the risk of error or loss of information and assets, resulting in unnecessary expense, or indeed, the incurring of potential liabilities.

TRUMPS is a technically complex and major system of government intended to provide for the efficient and effective service delivery associated with the issue of drivers' licenses and motor vehicle registrations. When associated with financial transactions involving millions of dollars from the public it is important that the system has not only a high level of security/integrity control but also a high level of financial control and accountability.

The system went live with a number of defects. Importantly these were associated with the Department's service delivery requirements and financial control, accountability and reconciliation processes.

The critical limitations in financial functionality and reconciliation remained after implementation and were identified in specific detail in a report produced by a commissioned independent firm in April 2008. This is confirmed by the findings of internal audit and other reviews.

In my opinion, the implementation of the TRUMPS system did not adequately address the critical component of financial control, accountability and reconciliation. This component of the system was not fully functional and effective when the system went live. My officers' review has confirmed this together with other matters.

At the time of preparation of this Report, DTEI was still pursuing the resolution of the important area of financial control functionality and other matters and expected to finalise all matters in the 2009-10 financial year. Given the important nature of these matters they will be the subject of continued review by Audit.

In an overall context, DTEI advised that it did not agree with a number of the weaknesses identified in the Audit management letters. Nonetheless, the Department indicated that it would review operations and processes based on the Audit findings.

Having regard to the importance of the TRUMPS system, it is essential, that the remedial actions proposed by DTEI which are planned to continue into the 2009-10 financial year are resolutely pursued and satisfactorily finalised.