

SOUTH AUSTRALIA

Report
of the
Auditor-General

Supplementary Report
for the
year ended 30 June 2010

Tabled in the House of Assembly and ordered to be published, 8 February 2011

First Session, Fifty-Second Parliament

Agency Audit Reports:
February 2011

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



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Dear President and Speaker

**Report of the Auditor-General
Supplementary Report for the year ended 30 June 2010
'Agency Audit Reports: February 2011'**

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 for the year ended 30 June 2010 'Agency Audit Reports: February 2011'.

This Supplementary Report is delivered with a corrigendum to my Annual Report for the year ended 30 June 2010. The Annual Report was tabled in Parliament on 30 September 2010.

In early October 2010, shortly after the tabling of my Annual Report, the South Australian Fire and Emergency Services Commission (SAFECOM) advised me of certain events and matters that affected the accuracy of some disclosures in certain emergency services agency financial statements that had been presented in my Annual Report to Parliament.

This Supplementary Report presents resubmitted revised financial statements and updated Audit opinions and Audit commentaries for certain emergency services agencies. The introductory section to the Report 'Emergency Services' and the corrigendum provides the context of the events and matters that have resulted in the Supplementary Report and the corrigendum to my Annual Report.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'S O'Neill'.

S O'NEILL
AUDITOR-GENERAL

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EMERGENCY SERVICES

REISSUE OF 2009-10 FINANCIAL STATEMENTS

Financial statements for each emergency services agency for the period ended 30 June 2010 were included in my Annual Report which was tabled in Parliament on 30 September 2010.

The *Fire and Emergency Services Act 2005* (the FES Act) defines the emergency services sector as consisting of the:

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

Financial statements are included in the Annual Report on the basis that Audit has received all necessary information and explanations supporting an entity's financial statements. The financial statements for the emergency services sector agencies were cleared as final by the SAFECOM Audit and Risk Management Committee at its meeting of 17 September 2010.

On 5 October 2010, SAFECOM advised Audit that investigations had identified events subsequent to the reporting date (30 June 2010) and other matters that, after management consideration, required amendments to the previously published financial statements for certain emergency services agencies for the year ended 30 June 2010. The main matter requiring the reissue of financial statements related to the budget overrun of a capital project at Port Lincoln. SAFECOM management indicated that while they were aware of the project budget overrun at the time of preparing the financial statements, they did not understand the extent and nature of the issues and it was not expected to have implications for the 2009-10 financial statements.

Amendments were required to the previously published financial statements for the year ended 30 June 2010 for SACFS and SASES. The consolidated financial statements of SAFECOM were also affected as SAFECOM reports consolidated financial information for the emergency services agencies.

The SAMFS financial statements for the year ended 30 June 2010 were unaffected by these events.

This Report summarises these events and the effects on the 2009-10 financial statements of SAFECOM, SACFS and SASES. Also included are the reissued financial statements for these agencies for the year ended 30 June 2010 and updated audit opinions and audit commentaries.

EVENTS SUBSEQUENT TO REPORTING DATE

Port Lincoln capital project

On 5 October 2010, Audit was advised that SAFECOM had concerns with a range of matters relating to a cost overrun associated with the SACFS/SASES Port Lincoln building project which is a co-sited station for both agencies. The pre-tender estimate for the project was \$2.974 million and at 5 October 2010, the recorded expenditure for the project was \$4.389 million.

The project was administered under a conventional construction management model. A construction manager was contracted to administer trade packages for the work. The project was overseen by a SAFECOM Project Manager. An executed contract defined the project scope and terms, including the approved budget and defined processes where the contractor encounters variations to the scope and/or budget which cannot be met from the contingency budget.

In July 2010, management became aware that the project was likely to exceed budget and began to investigate the matter. SAFECOM identified that aspects of the cost overrun were due to unauthorised changes in the project's scope and additional unexpected costs for latent conditions at the site. In June 2010, the Project Manager had, without authority, approved invoices totalling \$1.415 million in excess of the budget for payment.

The SAFECOM Board referred the matter to its Audit and Risk Management Committee, which developed a brief for an internal audit. As a result of further observations on the Project Manager's actions, in September 2010 the SAFECOM Board requested the Government Investigation Unit (GIU) to investigate and determine an appropriate course of action.

The Attorney-General's Department Internal Audit and Risk Services (IARS) were also engaged in September 2010 to review project and building management, governance and internal control matters relating to the identified events. Recommendations for strengthening the internal control environment are expected from the internal audit review.

Review of the Port Lincoln project by SAFECOM in conjunction with the GIU and IARS reviews identified additional unpaid invoices and further claims related to the project that were in dispute with the contractor. In October 2010 SAFECOM advised Audit that they would take relevant legal advice on these claims and engage a quantity surveyor/construction cost consultant to reconcile actual expenditure with the value of the finished Port Lincoln project.

An independent construction contracts and building consultant, arbitration and mediation specialist was also engaged to determine the contractor's accountability relating to scope variations with the Project Manager prior to negotiating a final settlement.

In December 2010 SAFECOM advised that:

- the quantity surveyor/construction cost consultant had determined that the anticipated project cost including fees for the Port Lincoln project would be in the order of \$5 million to \$5.5 million
- the consultant considered the project was never achievable within the budget recommended by the Project Manager
- the construction contracts and building consultant, arbitration and mediation specialist had recommended generally that all outstanding claims be finalised subject to the provision of certain information.

SAFECOM management estimate the value of outstanding claims attributable to the Port Lincoln project at between \$500 000 and \$600 000. On 23 December 2010, SACFS paid \$168 000 of the outstanding claims where evidence of subcontractors claims was produced and was working through the remaining claims.

These amounts are in addition to the \$4.389 million expended as at 5 October 2010. If paid in full, the total amount spent will be within the anticipated project cost of \$5 million to \$5.5 million determined by the quantity surveyor/construction cost consultant. Aspects of the project are, however, beyond the scope of the original brief for the project.

The Port Lincoln facility became operational on 29 June 2010.

Other SACFS/SASES projects

In response to the matters identified from the Port Lincoln project, management undertook a preliminary review of other SACFS/SASES projects under the responsibility of the Project Manager. For major building work projects, the SAMFS engage the Department for Transport, Energy and Infrastructure for expert assistance and these projects were not included in this review.

In October 2010 SAFECOM identified further unauthorised payments by the Project Manager on 18 other building projects. Payments totalling \$1.289 million, made to a common contracted Construction Manager, were made as at 30 June 2010 in advance of contract conditions being met or goods/services being received. These payments were not associated with the Port Lincoln project or the contractor involved in providing construction services to that project.

TI 11 requires that public authorities shall not make payments in advance for goods/services that have not been received unless such payments are in the ordinary course of business. SAFECOM advised the GIU, IARS and Under Treasurer of these observations of inappropriate actions by the Project Manager as they emerged.

SAFECOM have estimated that of the \$1.289 million in advance payments, building works totalling approximately \$356 000 for SACFS projects were completed by the Construction Manager after 30 June 2010.

After taking legal advice from the Crown Solicitor's Office (CSO), SAFECOM requested the Construction Manager to urgently repay advance payments and provide evidence of appropriate insurance arrangements for construction work being undertaken and required under contract. The Construction Manager did not comply with these terms and was directed to stop work on SACFS projects at the following locations on 15 October 2010:

- Balaklava
- Hamley Bridge
- Wilmington.

The SAFECOM Board was advised of this situation on 28 October 2010.

On 16 December 2010 the contracts were terminated for these sites. The termination process was consistent with the requirements of the contract and after receiving advice from the CSO.

SAFECOM wrote to all subcontractors engaged by the Construction Manager seeking details of amounts owed. SACFS are seeking legal advice about its obligations to subcontractors as a result of non-payment by the Construction Manager. The exact amount of this exposure has not been determined but is not expected to exceed \$460 000 and is now recognised in the SACFS and SAFECOM financial statements for the year ended 30 June 2010 as a contingent liability.

A process to recover the advance payments and other amounts disbursed to the Construction Manager for subcontractor settlements is currently underway.

To progress delayed capital work projects, a new contractor was selected as the replacement construction manager after an evaluation process. The selected contractor was also pre-qualified with the Department for Transport, Energy and Infrastructure. At the time of preparing this Report, the new contractor was scheduled to be on site at each of the projects by late January 2011 to scope and plan works.

Revised completion timeframes for these delayed projects are:

- Balaklava 23 April 2011
- Hamley Bridge 16 May 2011
- Wilmington 1 April 2011.

SAFECOM consider that satisfactory accommodation requirements are in place for the SACFS brigades at Balaklava and Hamley Bridge. SAFECOM advise that the building site at Balaklava is not operational but equipment is housed in temporary accommodation and Hamley Bridge is on a new site with previous buildings still standing at the existing site. While SAFECOM considers the current arrangements at Wilmington are less than optimal, SACFS advises that they remain in close consultation with members of the Wilmington Brigade to ensure they remain appropriately equipped and prepared. SAFECOM considers there is no increased community safety risk as a result of the interim arrangements.

SAFECOM advised that the total unauthorised advance payments to the terminated Construction Manager included \$726 000 for 13 other SACFS and two other SASES projects. SAFECOM indicated that the proposed timeframes for completing these projects was not affected by the matters being investigated by SAFECOM, GIU or IARS.

Status of reviews

At the time of preparing this Report, the GIU and IARS reviews were in progress. Audit will consider these reviews and subsequent management actions as part of the 2010-11 audit of the emergency services sector.

EFFECT ON FINANCIAL STATEMENTS AND AUDIT

Revised financial statements

After considering the impact of events subsequent to reporting date, SAFECOM decided it was appropriate to amend the 2009-10 financial statements for SACFS, SASES and the consolidated results of SAFECOM. As these financial statements were previously published in my Annual Report which was tabled in Parliament on 30 September 2010, this required the reissue of financial statements and updated audit opinions.

SAFECOM management advised Audit of their intentions to amend the issued financial statements on 12 November 2010.

In response to the identified events, the impacts on the internal control environment and the adjustments proposed by management, additional audit procedures were necessary to form a conclusion on the revised financial statements. These included procedures designed to:

- assess the appropriateness of adjustments and disclosures within the revised financial statements
- ensure that sufficient, appropriate audit evidence was collected and assessed on affected account balances and disclosures
- ensure audit opinions were revised where necessary for the matters identified.

The records, systems and evidence used to estimate some of the adjustments to the financial statements that related to the unresolved dispute for the Port Lincoln capital project and advance/incorrect payments for other SACFS/SASES projects were not of a standard that enabled Audit to confidently substantiate management's valuation estimates of the adjustments. Also, deficiencies in management trails and records maintained for capital work in progress and capitalised assets were identified throughout this process and delayed the audit. Information requested by Audit from SAFECOM in November 2010 to complete these procedures was not fully provided until 19 January 2011.

Signed, reissued financial statements were received by Audit on 2 February 2011. A summary of the effects of the financial statements' adjustments for the affected agencies are detailed in each affected agency's section of this Report.

Revised audit opinions

The audit identified deficiencies in internal controls, management reporting and the records and information maintained related to capital works projects. The values attributed to some of the adjustments contained in the revised financial statements that were required to account for these identified events, are at management's valuation and are based on best estimates of the relevant amounts from the available records. The records, systems and evidence used to estimate some of the adjustment amounts, however, are not of a standard that enables Audit substantiation of management's valuation to a sufficient level of confidence.

As a result, Audit was unable to obtain sufficient assurance over the accuracy of adjustments made and disclosed in the reissued financial statements. While the amounts, however, are not of material value to warrant a qualification of the financial statements, the Independent Auditor's Reports (audit opinions) given for the reissued financial statements include an emphasis of matter that indicate the unsatisfactory standard of records, systems and evidence maintained for capital works projects.

In addition, matters summarised below under the heading 'Internal controls – building projects' were also observed during the audit and updated to the controls opinions for each agency.

Revised audit opinions are contained in each affected agency's section of this Report.

INTERNAL CONTROLS – BUILDING PROJECTS

To address immediate concerns to improve the internal control framework, SAFECOM took a number of actions. In September 2010, SAFECOM developed a service level agreement with SACFS/SASES to detail the roles and responsibilities required of all agencies to facilitate efficient and effective project delivery for building projects.

A Building Project Control Committee (the committee) was also established to provide a monthly reporting regime and whose primary role is the early identification and management of project risks. This includes the monitoring of all projects, including expenditure forecasts, impact of latent conditions, requests for scope variations and other project risks. The committee will provide direction to project managers that can be managed within an approved budget and provide recommendations to the Chief Executive/Board on all matters that cannot be resolved within the approved project budget.

Project managers were also informed that their authority is strictly limited to the approved project budget and scope, and that requests or potential for these to vary must be referred to the committee and approved by the Board.

The Attorney-General's Department IARS were also engaged to review elements of the Port Lincoln project and building project management, governance and internal control. Any recommendations resulting from this project or from the GIU review will also be considered to strengthen the internal control environment.

As summarised under the heading 'Events subsequent to reporting date', unauthorised scope variations for the Port Lincoln project and advance payments for other SACFS/SASES projects made by the Project Manager, were not detected by established internal controls and systems of governance for building projects at the time they occurred. TI 11 requires that public authorities shall not make payments in advance for goods/services that have not been received unless such payments are in the ordinary course of business. While management reporting systems detected the cost overrun for the Port Lincoln project which led to the discovery of advance payments, evidence was collected that demonstrated that the Project Manager did not always observe established practice or the TI requirements.

The Project Manager was a long standing SAFECOM employee with a history of delivering projects within approved scope and budget. The Project Manager resigned from SAFECOM effective 19 November 2010.

The quantity surveyor/construction cost consultant engaged to reconcile actual expenditure with the value of the finished Port Lincoln project, observed to management that the project was never achievable within the recommended and approved budget. This may indicate a need to review budgeting processes and controls for other capital projects.

Audit also observed deficiencies in management trails and records maintained for capital work in progress and capitalised assets throughout the audit of the revised financial statements. While satisfactory documentation was ultimately provided to Audit to conclude on the audit, difficulties were experienced in locating records to:

- substantiate goods and/or services were received prior to disbursement of funds
- ensure asset additions agreed to vendor issued invoices
- demonstrate that payments were appropriately approved.

Audit made some suggestions to address the identified deficiencies in management trails and record maintenance. SAFECOM also considered that the implementation of e-procurement systems in October 2010 would assist management in this area.

Audit will continue to focus on this area as part of the 2010-11 audit of the emergency services sector.

SOUTH AUSTRALIAN COUNTRY FIRE SERVICE

FUNCTIONAL RESPONSIBILITY

Establishment

The *Fire and Emergency Services Act 2005* (FES Act) provides for the South Australian Country Fire Service (SACFS) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SACFS and SAFECOM are responsible to the Minister for Emergency Services.

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

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

On 1 November 2009 amendments to the FES Act came into effect which included the functions and powers of SAFECOM.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and funding

The primary function of the SACFS is the prevention of fires, and provision of fire and emergency response services to regional and peri-urban areas of South Australia.

SAFECOM provides various services in support of the SACFS's primary functions, including financial management and accounting services. Also the operations of the SACFS are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

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

Transferred functions

As part of the Government's shared services initiative, the financial services function including the preparation of agency financial statements was transferred from SAFECOM to Shared Services SA during the year. Accounts payable, accounts receivable and payroll services transitioned from SAFECOM to Shared Services SA during 2008-09.

REISSUE OF 2009-10 FINANCIAL STATEMENTS

Financial statements for the SACFS for the year ended 30 June 2010 were included in my Annual Report which was tabled in Parliament on 30 September 2010.

On 5 October 2010, SAFECOM advised Audit that investigations had identified events subsequent to reporting date and other matters that, after management consideration, required amendments to previously published financial statements for the SACFS for the year ended 30 June 2010. A summary of these matters is included in this Report under the title 'Emergency Services'.

Updated audit opinions, audit commentaries and reissued financial statements for the year ended 30 June 2010 follow.

Effects on financial statements

The effects on the financial statements published in my Annual Report to Parliament tabled on 30 September 2010 for these events subsequent to reporting date are:

- a \$313 000 increase in property, plant and equipment (work in progress) for amounts associated with the Port Lincoln building project that have not been paid due to an unresolved dispute (refer note 22)
- a \$313 000 increase in current liabilities (payables) for amounts associated with the Port Lincoln building project that have not been paid due to an unresolved dispute (refer note 24)

- a \$778 000 decrease in property, plant and equipment (work in progress) for advance/incorrect payments where building works were not undertaken (refer note 22)
- a \$356 000 increase in receivables and a decrease in property, plant and equipment of \$351 000 for advance/incorrect payments that management have determined that the building works were completed after 30 June 2010 (refer note 19)
- a \$778 000 increase in supplies and services expense (other expenses) for advance/incorrect payments where building works were not undertaken (refer note 6)
- a \$778 000 increase in current receivables for advance/incorrect payments where building works were not undertaken and the SACFS is seeking recovery of the overpayment (refer note 19)
- a \$778 000 increase in the provision for doubtful debts for advance/incorrect payments where building works were not undertaken and the SACFS is seeking recovery of the overpayment (refer note 19)
- a \$778 000 decrease in net result, total comprehensive result and retained earnings as a result of the increase in supplies and services expense
- a \$1.134 million increase in cash flows from operating activities for supplies and services payments and a decrease of \$1.134 million in cash flows from investing activities for purchase of property, plant and equipment (refer to the Statement of Cash Flows).

The net effect of these adjustments on the financial statements is summarised under the heading 'Auditor's report on the financial statements' later on in this section of this Report.

Amendments and additional disclosures were also made to note 19 receivables, note 30 contingent assets and liabilities and note 32 events subsequent to reporting date. These notes explain the effects of events occurring in September 2010 and October 2010 that led to the amendment and reissuing of the 2009-10 financial statements for the SACFS.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 100(2) of the FES Act provide for the Auditor-General to audit the accounts of the SACFS in respect of 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 SACFS in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of audit

The audit program covered 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.

The audit included access to systems and information maintained by the SACFS and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

During 2009-10, specific areas of audit attention included:

- cash and receivables
- non-current assets, including revaluations
- payroll and employee entitlements
- expenditure, including purchase cards
- revenue, including Commonwealth grants
- financial accounting
- risk management

- financial management compliance programs
- follow-up of 2008-09 findings.

The audit also covered the operations of the Fund.

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

- an assessment of compliance with aspects of TIs 2 and 28
- forming a conclusion over the general control environment of the SACFS and SAFECOM.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

The following is an extract from the Independent Auditor's Report on the SACFS reissued 2009-10 financial statements which is modified by providing an emphasis of matter.

The emphasis of matter explains the context for the revision of the financial statements and updated Independent Auditor's Report. It also indicates that the records, systems and evidence used to estimate some of the adjustments related to the unresolved dispute for the Port Lincoln capital project and advance/incorrect payments for other SACFS projects in the revised financial statements are not of a standard that enable Audit substantiation of the amounts to a sufficient level of confidence. The amounts, however, are not of material value to warrant a qualified Independent Auditor's Report.

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Country Fire Service as at 30 June 2010, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Emphasis of Matter

I draw attention to note 19 receivables, note 30 contingent assets and liabilities and note 32 events subsequent to reporting date. These notes explain the effects of events occurring in September 2010 and October 2010 that led to amendment and reissuing of the 2009-10 financial statements for the South Australian Country Fire Service.

This Independent Auditor's Report replaces the report included in Part B of the Auditor-General's Annual Report for the year ended 30 June 2010 tabled in Parliament on 30 September 2010.

My opinion is not qualified in respect of these matters.

The audit identified deficiencies in internal controls, management reporting and the records and information maintained in relation to certain capital works projects. The values attributed to adjustments contained in the revised financial statements that were required to account for these identified events are at management's valuation and are based on best estimates of the relevant amounts from the available records. The records, systems and evidence used to estimate these adjustment amounts, however, are not of a standard that enables Audit substantiation of management's valuation to a sufficient level of confidence.

As a result, Audit was unable to obtain sufficient assurance over the accuracy of adjustments made and disclosed in the reissued financial statements. The amounts, however, are not of material value to warrant a qualification of my opinion.

The net effect of these events and transactions that resulted in adjustments in the revised consolidated financial statements are:

- *an increase in receivables of \$356 000*
- *a decrease in property, plant and equipment of \$821 000*
- *an increase in payables of \$313 000*
- *an increase in supplies and services expense of \$778 000.*

I draw attention to these matters to assist users in their understanding of the audit of the financial statements.

Assessment of controls

In my opinion, the controls exercised by the South Australian Country Fire Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to cash at bank, payment authorisations, corporate governance, Shared Services and implementation of the revised TIs 2 and 28 as outlined under 'Communication of audit matters' in the section of this Report titled 'South Australian Fire and Emergency Services Commission' and the matters raised in relation to internal controls - building projects in the section of this Report titled 'Emergency Services', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Country Fire Service have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SACFS who are responsible for the governance of the SACFS. Responses to the management letters were generally considered to be satisfactory.

Major matters raised with SAFECOM and SACFS and the related responses are detailed under 'Communication of audit matters' in the section of this Report titled 'South Australian Fire and Emergency Services Commission'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the consolidated financial statements

| | 2010 \$'million | 2009 \$'million |
|--|--------------------|--------------------|
| EXPENSES | | |
| Employee benefits expenses | 13 | 9 |
| Supplies and services and other expenses | 32 | 30 |
| Government Radio Network costs | 11 | 10 |
| Depreciation and amortisation | 12 | 11 |
| Total expenses | 68 | 60 |
| INCOME | | |
| Total income | 4 | 6 |
| Net cost of providing services | 64 | 54 |
| REVENUES FROM SA GOVERNMENT | | |
| Net result | - | 8 |
| OTHER COMPREHENSIVE INCOME | | |
| Total comprehensive result | 1 | 14 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| | 17 | 14 |
| ASSETS | | |
| Current assets | 11 | 9 |
| Non-current assets | 152 | 148 |
| Total assets | 163 | 157 |
| LIABILITIES | | |
| Current liabilities | 6 | 3 |
| Non-current liabilities | 5 | 4 |
| Total liabilities | 11 | 7 |
| TOTAL EQUITY | 152 | 150 |

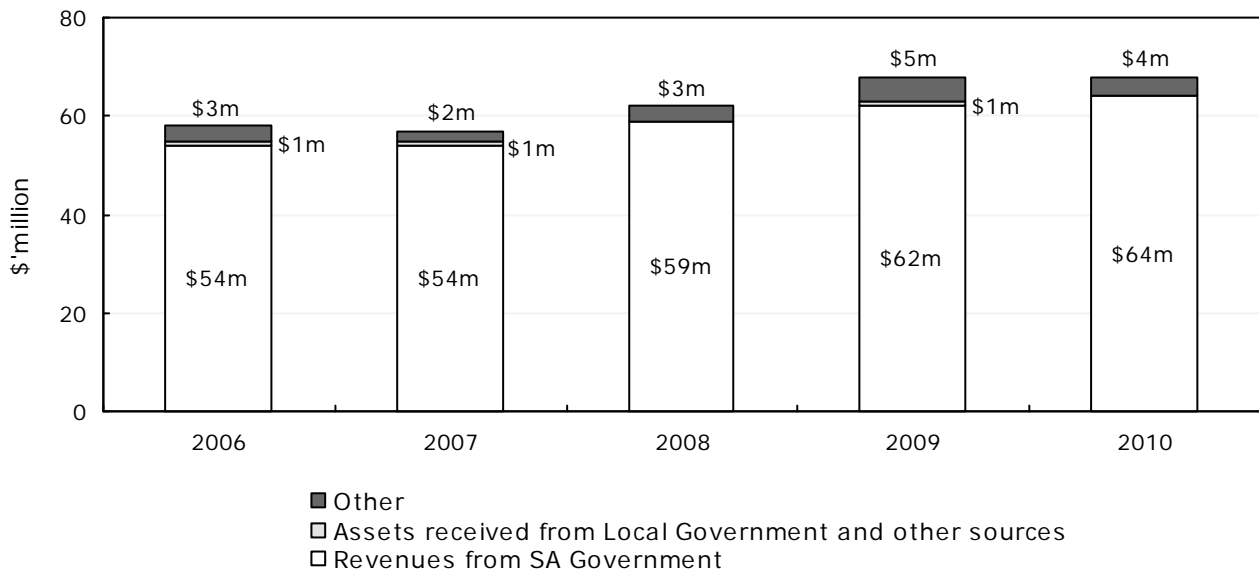
Statement of Comprehensive Income

Revenues from SA Government and income

The main source of funds for the SACFS is the contributions from the Fund which account for 94 percent of revenues. Refer to note 17 to the financial statements.

The contributions from the Fund to the SACFS increased by 5 percent to \$64 million during 2009-10 for additional operating funding. Other income decreased by \$2.6 million to \$4 million reflecting one-off cost recoveries from the Victorian bushfires and resources in 2008-09.

A structural analysis of income for the five years to 2010 is presented in the following chart.



The contributions from the Fund over the last five years have increased by \$11 million (20 percent) to \$64 million.

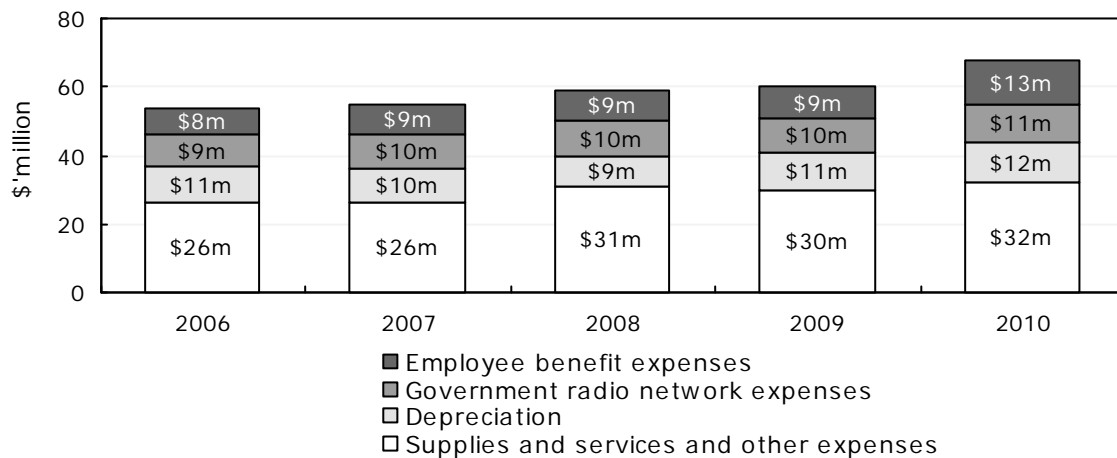
Expenses

Total expenses increased by \$8 million (13 percent) to \$68 million due mainly to:

- employee benefits expenses increasing by \$3.3 million associated with the prepare, act and survive program, and overtime and enterprise bargaining agreement increases, and increased workers compensation expense resulting mainly from an actuarial assessment
- additional contributions toward the SA Government Radio Network of \$1.2 million.

Employee benefits expenses account for only 19 percent of the total expenses of the SACFS due to the extensive use of volunteer fire fighters.

For the five years to 2010, a structural analysis of the main expense items for the SACFS is shown in the following chart.



Over the five years, expenses have increased by \$14 million or 26 percent.

Net result

The operating result decreased by \$7.3 million from the previous year’s surplus of \$7.6 million to a \$353 000 surplus in 2009-10. This is due mainly to increased expenditure.

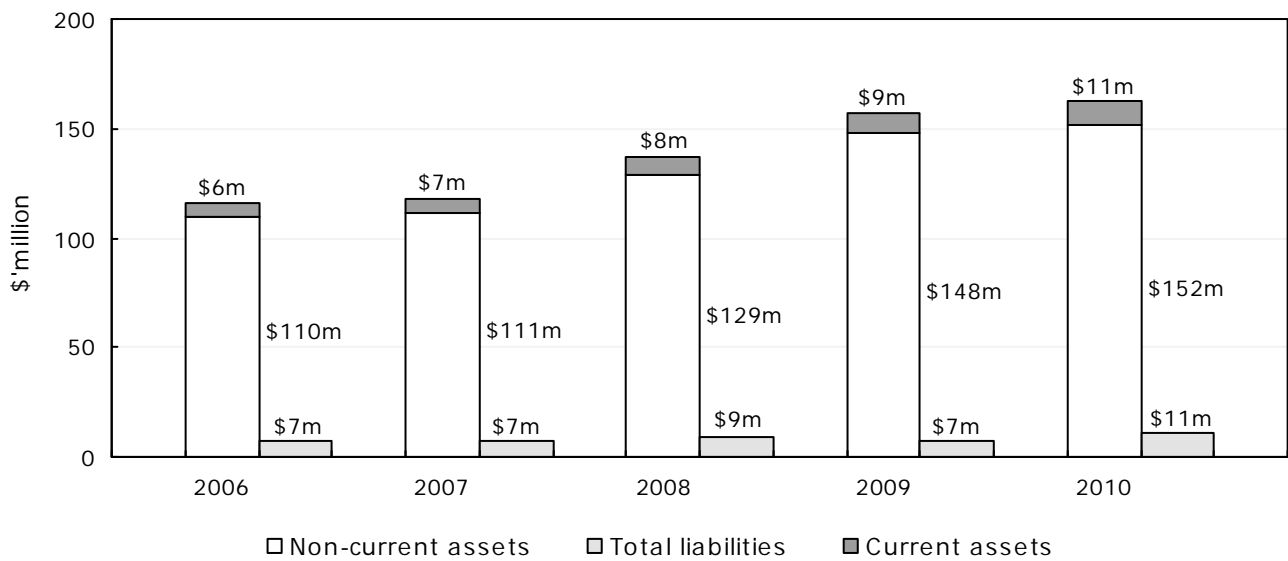
Apart from 2008-09, the net result has remained constant as detailed under the heading 'Further commentary on operations'.

Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset 'Property, plant and equipment' which accounts for 93 percent of total assets. Property, plant and equipment increased by \$3.7 million during the year to \$151 million due mainly to:

- additional work in progress of \$15.1 million including for the Port Lincoln fire station and trial prototype appliances, including a rescue resource vehicle
- the revaluation of land totalling \$1.2 million
- offset by depreciation expense for the year of \$12.2 million and asset disposals totalling \$650 000.

For the five years to 2010, a structural analysis of assets and liabilities is shown in the following chart.

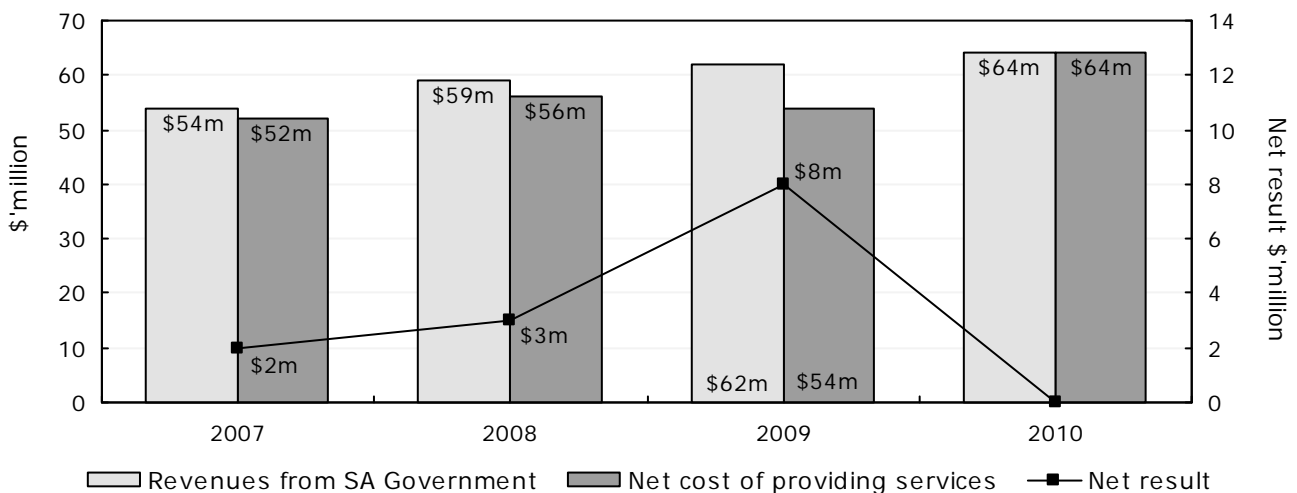


Property, plant and equipment has grown by 38 percent over the five year period to \$152 million, primarily as a result of asset purchases and revaluations of assets.

The fair value of the main asset classes held by the SACFS were land and buildings (\$55 million) and vehicles (\$77 million). Refer to note 22 to the financial statements for more information.

FURTHER COMMENTARY ON OPERATIONS

The following chart shows the funding received by the SACFS from the Fund and the net cost of services for the past four years:



**Statement of Comprehensive Income
for the year ended 30 June 2010**

| | Note | SACFS Consolidated | | SACFS | |
|---|------|--------------------|---------------|---------------|---------------|
| | | 2010 | 2009 | 2010 | 2009 |
| EXPENSES: | | \$'000 | \$'000 | \$'000 | \$'000 |
| Employee benefits expenses | 5 | 12 839 | 9 584 | 12 839 | 9 584 |
| Supplies and services | 6 | 30 998 | 29 709 | 30 931 | 29 686 |
| Government Radio Network expenses | 7 | 10 948 | 9 749 | 10 948 | 9 749 |
| Depreciation and amortisation | 8 | 12 337 | 10 785 | 12 337 | 10 785 |
| Grant expenses | 9 | 252 | 247 | 252 | 247 |
| Net loss from disposal of non-current assets | 15 | 59 | 120 | 59 | 120 |
| Devaluation of land held for resale | | 560 | - | 560 | - |
| Total expenses | | 67 993 | 60 194 | 67 926 | 60 171 |
| INCOME: | | | | | |
| Fees and charges | 10 | 377 | 1 371 | 377 | 1 371 |
| Commonwealth revenues | 11 | 2 423 | 2 693 | 2 423 | 2 693 |
| Interest revenues | 12 | 145 | 175 | 137 | 165 |
| Resources received free of charge | 13 | 190 | 1 416 | 190 | 1 416 |
| Group/Brigades revenues | 14 | 272 | 185 | 272 | 185 |
| Other income | 16 | 267 | 483 | 254 | 444 |
| Total income | | 3 674 | 6 323 | 3 653 | 6 274 |
| NET COST OF PROVIDING SERVICES | | 64 319 | 53 871 | 64 273 | 53 897 |
| REVENUES FROM SA GOVERNMENT: | | | | | |
| Revenues from SA Government | 17 | 64 672 | 61 515 | 64 672 | 61 515 |
| NET RESULT | | 353 | 7 644 | 399 | 7 618 |
| OTHER COMPREHENSIVE INCOME: | | | | | |
| Gain on revaluation of property, plant and equipment | | 1 203 | 14 705 | 1 203 | 14 705 |
| Total other comprehensive income | | 1 203 | 14 705 | 1 203 | 14 705 |
| TOTAL COMPREHENSIVE RESULT | | 1 556 | 22 349 | 1 602 | 22 323 |

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

**Statement of Financial Position
as at 30 June 2010**

| | | SACFS Consolidated | | SACFS | |
|--|------|--------------------|---------|----------------|---------|
| | | 2010 | 2009 | 2010 | 2009 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| CURRENT ASSETS: | Note | | | | |
| Cash and cash equivalents | 18 | 6 007 | 3 680 | 5 882 | 3 450 |
| Receivables | 19 | 1 908 | 2 068 | 1 903 | 2 066 |
| Other financial assets | 20 | 2 040 | 1 620 | 1 815 | 1 452 |
| Property held for sale | 21 | 940 | 1 500 | 940 | 1 500 |
| Total current assets | | 10 895 | 8 868 | 10 540 | 8 468 |
| NON-CURRENT ASSETS: | | | | | |
| Property, plant and equipment | 22 | 151 339 | 147 608 | 151 339 | 147 608 |
| Intangibles | 23 | 286 | 470 | 286 | 470 |
| Total non-current assets | | 151 625 | 148 078 | 151 625 | 148 078 |
| Total assets | | 162 520 | 156 946 | 162 165 | 156 546 |
| CURRENT LIABILITIES: | | | | | |
| Payables | 24 | 4 253 | 1 518 | 4 252 | 1 518 |
| Employee benefits | 25 | 1 454 | 1 275 | 1 454 | 1 275 |
| Provisions | 26 | 591 | 593 | 591 | 593 |
| Total current liabilities | | 6 298 | 3 386 | 6 297 | 3 386 |
| NON-CURRENT LIABILITIES: | | | | | |
| Payables | 24 | 185 | 164 | 185 | 164 |
| Employee benefits | 25 | 1 842 | 1 575 | 1 842 | 1 575 |
| Provisions | 26 | 2 685 | 1 867 | 2 685 | 1 867 |
| Total non-current liabilities | | 4 712 | 3 606 | 4 712 | 3 606 |
| Total liabilities | | 11 010 | 6 992 | 11 009 | 6 992 |
| NET ASSETS | | 151 510 | 149 954 | 151 156 | 149 554 |
| EQUITY: | | | | | |
| Asset revaluation surplus | 27 | 52 107 | 50 904 | 52 107 | 50 904 |
| Retained earnings | 27 | 99 403 | 99 050 | 99 049 | 98 650 |
| TOTAL EQUITY | | 151 510 | 149 954 | 151 156 | 149 554 |
| Total equity is attributable to the SA Government as owner | | | | | |
| Unrecognised contractual commitments | 29 | | | | |
| Contingent assets and liabilities | 30 | | | | |

Statement of Changes in Equity for the year ended 30 June 2010

| | Note | SACFS Consolidated | | | SACFS | | |
|---|------|----------------------------------|--------------------|----------------|----------------------------------|--------------------|----------------|
| | | Asset | Retained | Total | Asset | Retained | Total |
| | | revaluation surplus \$'000 | earnings \$'000 | | revaluation surplus \$'000 | earnings \$'000 | |
| Balance at 1 July 2008 | 27 | 36 199 | 91 406 | 127 605 | 36 199 | 91 032 | 127 231 |
| Net result for 2008-09 | 27 | - | 7 644 | 7 644 | - | 7 618 | 7 618 |
| Gain on revaluation of property plant and equipment | 27 | 14 719 | - | 14 719 | 14 719 | - | 14 719 |
| Correction to loss on revaluation | | (14) | - | (14) | (14) | - | (14) |
| Adjusted loss on revaluation | | 14 705 | - | 14 705 | 14 705 | - | 14 705 |
| Total comprehensive result for 2008-09 | | 14 705 | 7 644 | 22 349 | 14 705 | 7 618 | 22 323 |
| Balance at 30 June 2009 | 27 | 50 904 | 99 050 | 149 954 | 50 904 | 98 650 | 149 554 |
| Net result for 2009-10 | 27 | - | 353 | 353 | - | 399 | 399 |
| Gain on revaluation of property, plant and equipment | 27 | 1 203 | - | 1 203 | 1 203 | - | 1 203 |
| Total comprehensive result for 2009-10 | | 1 203 | 353 | 1 556 | 1 203 | 399 | 1 602 |
| Balance at 30 June 2010 | 27 | 52 107 | 99 403 | 151 510 | 52 107 | 99 049 | 151 156 |

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

Statement of Cash Flows for the year ended 30 June 2010

| | | SACFS Consolidated | | SACFS | |
|---|------|--------------------|-----------------|-----------------|-----------------|
| | | 2010 | 2009 | 2010 | 2009 |
| | | Inflows | Inflows | Inflows | Inflows |
| | | (Outflows) | (Outflows) | (Outflows) | (Outflows) |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| CASH OUTFLOWS: | Note | \$'000 | \$'000 | \$'000 | \$'000 |
| Employee benefit payments | | (11 493) | (8 715) | (11 493) | (8 715) |
| Payments for supplies and services | | (35 222) | (38 319) | (35 157) | (38 296) |
| Government Radio Network payments | | (10 425) | (9 875) | (10 425) | (9 875) |
| Grants and subsidies payments | | (252) | (247) | (252) | (247) |
| Cash used in operations | | (57 392) | (57 156) | (57 327) | (57 133) |
| CASH INFLOWS: | | | | | |
| Fees and charges | | 720 | 1 371 | 720 | 1 371 |
| Commonwealth revenue | | 2 925 | 1 927 | 2 925 | 1 927 |
| Interest received | | 137 | 197 | 130 | 187 |
| GST recovered from the ATO | | 5 397 | 5 940 | 5 397 | 5 940 |
| Other receipts | | 525 | 640 | 514 | 602 |
| Cash generated from operations | | 9 704 | 10 075 | 9 686 | 10 027 |
| CASH FLOWS FROM SA GOVERNMENT: | | | | | |
| Contributions from Community Emergency Services Fund | | 64 516 | 61 515 | 64 516 | 61 515 |
| Other revenues from SA Government | | 156 | - | 156 | - |
| Cash generated from SA Government | | 64 672 | 61 515 | 64 672 | 61 515 |
| Net cash provided by operating activities | 28 | 16 984 | 14 434 | 17 031 | 14 409 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| CASH OUTFLOWS: | | | | | |
| Purchase of investments | | (420) | (51) | (362) | (51) |
| Purchase of property, plant and equipment | | (14 829) | (15 045) | (14 829) | (15 045) |
| Cash used in investing activities | | (15 249) | (15 096) | (15 191) | (15 096) |
| CASH INFLOWS: | | | | | |
| Proceeds from sale of property, plant and equipment | | 592 | 97 | 592 | 97 |
| Cash generated from investing activities | | 592 | 97 | 592 | 97 |
| Net cash used in investing activities | | (14 657) | (14 999) | (14 599) | (14 999) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 2 327 | (565) | 2 432 | (590) |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 3 680 | 4 245 | 3 450 | 4 040 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 18 | 6 007 | 3 680 | 5 882 | 3 450 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

Objectives

The South Australian Country Fire Service (the SACFS) is established under the *Fire and Emergency Services Act 2005* (the Act) and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in the country
- to provide efficient and responsive services in the country for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fire and other emergencies occurring in the country
- to develop and maintain plans to cope with the effects of fires or emergencies in the country
- to provide services or support to assist with recovery in the event of a fire or other emergency in the country
- to perform any other function assigned to the SACFS by or under this or any other Act.

Funding arrangements

Funding of the SACFS is primarily derived from the Community Emergency Services Fund established by the *Emergency Services Funding Act 1998*.

Funds generated by groups and brigades through fund raising activities are held locally for expenditure on the SACFS activities in the local community. These funds are recognised in the SACFS's financial statements.

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for AASB 2009-12, which the SACFS has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SACFS for the reporting period ending 30 June 2010. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the SACFS's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. The SACFS has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
 - (b) expenses incurred as a result of engaging consultants, as reported in the Statement of Comprehensive Income
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is \$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.

(b) Basis of preparation (continued)

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented for the year ended 30 June 2009.

(c) Reporting entity

The SACFS is established under the Act. Under the Act, the SACFS is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the SACFS.

(d) Principles of consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by the SACFS (refer note 35) as at 30 June 2010 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(e) Comparative information

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

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

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

(f) Rounding

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

(g) Taxation

The SACFS is not subject to income tax. The SACFS is liable for payroll tax, FBT and GST.

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

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

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

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

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

(h) Events after the end of the reporting period

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

(i) Income

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

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

(i) Income (continued)

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Community Emergency Services Fund are recognised as income when the SACFS obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues

Commonwealth revenues are recognised as income when the SACFS obtains control of revenues or the right to receive the revenues and income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

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

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

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

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Net gain on non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Other income

Other income consists of donations received and other minor revenues.

(j) Expenses

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

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

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the SACFS to the superannuation plan in respect of current services of current SACFS staff. DTF centrally recognises the superannuation liability in the whole-of-government general purpose financial statements.

Depreciation and amortisation of non-current assets

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

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

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

Land and non-current assets held for sale are not depreciated.

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

| <i>Asset class</i> | <i>Useful lives (years)</i> |
|--------------------------|---------------------------------|
| Communications equipment | 5-10 |
| Vehicles | 5-20 |
| Plant and equipment | 5-10 |
| Computer equipment | 5-10 |
| Intangibles | 5 |
| Buildings | 30-45 |

(k) Current and non-current classification

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

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

(l) Assets

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

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

The notes accompanying the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

Receivables

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

Receivables arise in the normal course of selling goods and services to other agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Other financial assets

The SACFS measures other financial assets at cost. All assets in this category are either short or medium term cash deposits.

Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

Non-current assets - acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of \$10 000 or greater are capitalised.

Revaluation of non-current assets

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

Revaluations are made in accordance with related policies whereby independent valuations are obtained and carrying amounts are adjusted accordingly. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations surplus for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

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

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets

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

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

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

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

(m) Liabilities

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

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

The notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

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

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

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

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

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

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

Employee benefits

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

Wages, salaries, annual leave and sick leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is recognised after an employee has completed eight years (8.5 years) of service. An actuarial assessment of long service leave undertaken by the DTF based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the SACFS's experience of employee retention and leave taken.

The unconditional portion of the long service leave provision is classified as current as the SACFS does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions

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

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

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

Financial liabilities

The SACFS measures financial liabilities at historical cost.

Operating leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis, over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

(n) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. New and revised accounting standards and policies

The SACFS did not voluntarily change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which the SACFS has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the SACFS for the period ending 30 June 2010.

The SACFS has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of the SACFS.

4. Activities of the South Australian Country Fire Service

In achieving its objectives, the SACFS provides services within six areas of activity: leadership, prevention and community preparedness, operational preparedness, response, recovery, and business excellence. These services are classified under one program titled 'South Australian Country Fire Service'.

5. Employee benefits

| | SACFS Consolidated | | SACFS | |
|--------------------------------------|--------------------|--------------|---------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Salaries and wages | 7 886 | 6 705 | 7 886 | 6 705 |
| Annual leave | 761 | 632 | 761 | 632 |
| Long service leave | 516 | 351 | 516 | 351 |
| Employment on-costs - superannuation | 826 | 714 | 826 | 714 |
| Payroll tax | 486 | 419 | 486 | 419 |
| Workers compensation costs | 2 164 | 707 | 2 164 | 707 |
| Other employee related expenses | 200 | 56 | 200 | 56 |
| Total employee benefits | 12 839 | 9 584 | 12 839 | 9 584 |

Remuneration of employees

| | SACFS Consolidated | | SACFS | |
|---|--------------------|-----------|-----------|-----------|
| | 2010 | 2009 | 2010 | 2009 |
| The number of employees whose remuneration received or receivable was \$100 000 or more during the year fell within the following bands were: | Number | Number | Number | Number |
| \$100 000 - \$109 999 | 6 | 7 | 6 | 7 |
| \$110 000 - \$119 999 | 11 | 9 | 11 | 9 |
| \$120 000 - \$129 999 | 5 | 4 | 5 | 4 |
| \$130 000 - \$139 999 | 5 | - | 5 | - |
| \$150 000 - \$159 999 | 1 | 1 | 1 | 1 |
| \$170 000 - \$179 999 | 1 | - | 1 | - |
| \$240 000 - \$249 999 | - | 1 | - | 1 |
| \$260 000 - \$269 999 | 1 | - | 1 | - |
| Total | 30 | 22 | 30 | 22 |

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$3.774 million (\$2.682 million).

6. Supplies and services

| | SACFS Consolidated | | SACFS | |
|--|--------------------|---------------|---------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Supplies and services: | | | | |
| Accommodation | 64 | 77 | 64 | 77 |
| Aerial firefighting | 7 623 | 8 419 | 7 623 | 8 419 |
| Communication expenses | 1 156 | 1 172 | 1 156 | 1 172 |
| Computing costs | 1 103 | 704 | 1 103 | 704 |
| Consultancy, contractor and legal fees | 1 338 | 1 437 | 1 338 | 1 437 |
| Consumables | 1 751 | 1 786 | 1 751 | 1 786 |
| Energy | 500 | 465 | 500 | 465 |
| External auditor's remuneration | 22 | 21 | 22 | 21 |
| Minor plant and equipment | 1 723 | 1 996 | 1 723 | 1 996 |
| Operating lease costs | 2 616 | 2 388 | 2 616 | 2 388 |
| Operational costs | 1 046 | 797 | 1 046 | 797 |
| Repairs and maintenance | 4 924 | 5 191 | 4 924 | 5 191 |
| Travel and training | 1 365 | 1 828 | 1 365 | 1 828 |
| Uniforms and protective clothing | 1 341 | 1 258 | 1 341 | 1 258 |
| Transfer of capital funding - IMS projects | 108 | - | 108 | - |
| Other expenses | 4 318 | 2 170 | 4 251 | 2 147 |
| Total supplies and services | 30 998 | 29 709 | 30 931 | 29 686 |

| 6. Supplies and services (continued) | SACFS Consolidated | | SACFS | |
|--|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Supplies and services provided by entities within the SA Government (included in above): | \$'000 | \$'000 | \$'000 | \$'000 |
| Accommodation | 45 | 48 | 45 | 48 |
| Aerial firefighting | 107 | 69 | 107 | 69 |
| Communication expenses | 41 | 71 | 41 | 71 |
| Computing costs | 130 | 62 | 130 | 62 |
| Consultancy, contractor and legal fees | 65 | 82 | 65 | 82 |
| Consumables | 328 | 346 | 328 | 346 |
| Energy | 12 | 9 | 12 | 9 |
| External auditor's remuneration | 22 | 21 | 22 | 21 |
| Minor plant and equipment | - | 1 | - | 1 |
| Operating lease costs | 1 807 | 1 692 | 1 807 | 1 692 |
| Operational costs | 2 | 26 | 2 | 26 |
| Other expenses | 522 | 332 | 522 | 332 |
| Transfer of capital funding - IMS projects | 108 | - | 108 | - |
| Repairs and maintenance | 185 | 331 | 185 | 331 |
| Travel and training | 9 | 21 | 9 | 21 |
| Uniforms and protective clothing | 5 | - | 5 | - |
| Total supplies and services - SA Government entities | 3 388 | 3 111 | 3 388 | 3 111 |

Consultancies

The number and dollar amount of consultancies paid/payable (included in consultant's expense above), that fell within the following bands were:

| | SACFS Consolidated | | SACFS | |
|-------------------------------|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | Number | Number | Number | Number |
| Less than \$10 000 | 3 | 4 | 3 | 4 |
| Between \$10 000 and \$50 000 | 1 | - | 1 | - |
| Total number of consultancies | 4 | 4 | 4 | 4 |

| | SACFS Consolidated | | SACFS | |
|--|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Less than \$10 000 | 10 | 5 | 10 | 5 |
| Between \$10 000 and \$50 000 | 16 | - | 16 | - |
| Total amount paid/payable to consultants engaged | 26 | 5 | 26 | 5 |

Remuneration of auditors

The amount due and payable for audit services provided by:

| | | | | |
|------------------------------|----|----|----|----|
| Auditor-General's Department | 22 | 21 | 22 | 21 |
| Total auditor's remuneration | 22 | 21 | 22 | 21 |

The auditors provided no other services.

7. Government Radio Network expenses

| | | | | |
|---|--------|-------|--------|-------|
| Voice | 8 635 | 8 120 | 8 635 | 8 120 |
| Paging | 2 313 | 1 629 | 2 313 | 1 629 |
| Total Government Radio Network expenses | 10 948 | 9 749 | 10 948 | 9 749 |

Costs associated with the provision of emergency communication services through the Government Radio Network, including voice and paging transmission, were formally charged by Department for Transport, Energy and Infrastructure, ICT Branch. During 2009-10 the Attorney-General's Department took over the management of this function and all charges are now paid to this Department.

8. Depreciation and amortisation

| | SACFS Consolidated | | SACFS | |
|-------------------------------------|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Depreciation: | | | | |
| Buildings | 2 215 | 1 720 | 2 215 | 1 720 |
| Vehicles | 7 056 | 6 118 | 7 056 | 6 118 |
| Computer equipment | 109 | 109 | 109 | 109 |
| Plant | 326 | 281 | 326 | 281 |
| Communications | 2 447 | 2 363 | 2 447 | 2 363 |
| Total depreciation | 12 153 | 10 591 | 12 153 | 10 591 |
| Amortisation: | | | | |
| Software | 184 | 194 | 184 | 194 |
| Total amortisation | 184 | 194 | 184 | 194 |
| Total depreciation and amortisation | 12 337 | 10 785 | 12 337 | 10 785 |

Changes in useful lives of assets

SAFECOM, on behalf of the SACFS, conducted an assessment of remaining useful lives of property, plant and equipment assets during the year. In accordance with AASB 108 resulting adjustments, if any, are applied prospectively in the current year. SAFECOM found no evidence of any requirement to change the remaining useful life of any asset.

Changes in depreciation due to revaluation

SAFECOM, on behalf of the SACFS, revalued selected items of property, plant and equipment at 30 June 2010. As a result of the revaluation being undertaken at the end of the reporting period, all depreciation amounts shown above are based upon pre-valuation values. Therefore there has been no impact on depreciation expense during the current reporting period.

| 9. Grant expenses | SACFS Consolidated | | SACFS | |
|---|--------------------|------------|------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Grants to individuals and community organisations | 252 | 247 | 252 | 247 |
| | <u>252</u> | <u>247</u> | <u>252</u> | <u>247</u> |

All grant expenses are provided to non-SA Government recipients.

| 10. Fees and charges | SACFS Consolidated | | SACFS | |
|-----------------------------|--------------------|--------------|------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fire safety fees | 84 | 73 | 84 | 73 |
| Incident cost recoveries | - | 1 034 | - | 1 034 |
| Training recoveries | 244 | 220 | 244 | 220 |
| Salary recoveries | 1 | 1 | 1 | 1 |
| Other recoveries | 48 | 43 | 48 | 43 |
| Total fees and charges | <u>377</u> | <u>1 371</u> | <u>377</u> | <u>1 371</u> |

Fees and charges received/receivable from entities within the SA Government included in the fees and charges revenues shown above:

| | | | | |
|---|------------|------------|------------|------------|
| Training and other recoveries | 125 | 209 | 125 | 209 |
| Total fees and charges SA Government entities | <u>125</u> | <u>209</u> | <u>125</u> | <u>209</u> |

| 11. Commonwealth revenues | SACFS Consolidated | | SACFS | |
|----------------------------------|--------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Commonwealth revenues | 2 423 | 2 693 | 2 423 | 2 693 |
| Total Commonwealth revenues | <u>2 423</u> | <u>2 693</u> | <u>2 423</u> | <u>2 693</u> |

Commonwealth revenues include contributions towards aerial firefighting costs through the National Aerial Firefighting Centre Ltd, contributions towards the cost of providing fire and emergency services to Commonwealth property in the SACFS areas and once-off project grants.

Contributions which have conditions of expenditure still to be met as at reporting date were \$nil (\$nil).

| 12. Interest | SACFS Consolidated | | SACFS | |
|--|--------------------|------------|------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest on deposit accounts within the SA Government | 137 | 165 | 137 | 165 |
| Interest on deposit accounts from entities external to the SA Government | 8 | 10 | - | - |
| Total interest revenue | <u>145</u> | <u>175</u> | <u>137</u> | <u>165</u> |

| 13. Resources received free of charge | SACFS Consolidated | | SACFS | |
|--|--------------------|--------------|------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Asset contributions from local government councils and other organisations | 190 | 1 416 | 190 | 1 416 |
| Total resources received free of charge | <u>190</u> | <u>1 416</u> | <u>190</u> | <u>1 416</u> |

During the 2009-10 financial year, two additional properties (with a value of \$190 000) were transferred to the SACFS free of charge.

| 14. Groups/Brigades revenues | SACFS Consolidated | | SACFS | |
|--------------------------------------|--------------------|------------|------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Units/Groups/Brigades fundraising | 272 | 185 | 272 | 185 |
| Total units/groups/brigades revenues | <u>272</u> | <u>185</u> | <u>272</u> | <u>185</u> |

| 15. Net loss from disposal of non-current assets | SACFS Consolidated | | SACFS | |
|---|--------------------|-------------|-------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Land: | | | | |
| Net book value of assets disposed | - | (44) | - | (44) |
| Net loss from disposal | - | (44) | - | (44) |
| Vehicles: | | | | |
| Proceeds from disposal | 559 | 97 | 559 | 97 |
| Net book value of assets disposed | (630) | (173) | (630) | (173) |
| Net loss from disposal | <u>(71)</u> | <u>(76)</u> | <u>(71)</u> | <u>(76)</u> |

| 15. Net loss from disposal of non-current assets (continued) | SACFS Consolidated | | SACFS | |
|---|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Plant and equipment: | \$'000 | \$'000 | \$'000 | \$'000 |
| Proceeds from disposal | 33 | - | 33 | - |
| Net book value of assets disposed | (21) | - | (21) | - |
| Net gain from disposal | 12 | - | 12 | - |
| Total: | | | | |
| Proceeds from disposal of non-current assets | 592 | 97 | 592 | 97 |
| Net book value of non-current assets disposed | (651) | (217) | (651) | (217) |
| Total net loss from disposal of non-current assets | (59) | (120) | (59) | (120) |
| 16. Other income | | | | |
| Rent received | 35 | 36 | 35 | 36 |
| Donations | 10 | 42 | 10 | 42 |
| Other | 222 | 405 | 209 | 366 |
| Total other income | 267 | 483 | 254 | 444 |

Other income received/receivable from entities within the SA Government

The following other income (included in the other income revenues shown above) was received/receivable from entities within the SA Government:

| | | | | |
|--------------------|-----|-----|-----|-----|
| Other | 321 | 113 | 321 | 113 |
| Total other income | 321 | 113 | 321 | 113 |

| 17. Revenues from SA Government | | | | |
|--|--------|--------|--------|--------|
| Contributions from Community Emergency Services Fund | 64 516 | 61 515 | 64 516 | 61 515 |
| Other revenue from SA Government | 156 | - | 156 | - |
| Total revenues from SA Government | 64 672 | 61 515 | 64 672 | 61 515 |

Total revenues from government consists of \$50.627 million (\$46.794 million) for operational funding and \$14.045 million (\$14.721 million) for capital projects.

| 18. Cash and cash equivalents | | | | |
|---|-------|-------|-------|-------|
| Cash at bank | 598 | 708 | 473 | 478 |
| Deposits with the Treasurer | 2 385 | (180) | 2 385 | (180) |
| Cash at bank - groups and brigades | 2 797 | 2 707 | 2 797 | 2 707 |
| Cash on hand | 6 | 2 | 6 | 2 |
| Short-term deposits - groups and brigades | 221 | 443 | 221 | 443 |
| Total cash and cash equivalents | 6 007 | 3 680 | 5 882 | 3 450 |

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

| 19. Receivables Current | SACFS Consolidated | | SACFS | |
|--------------------------------|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables | 1 520 | 832 | 1 515 | 830 |
| Allowance for doubtful debts | (778) | - | (778) | - |
| | 742 | 832 | 737 | 830 |
| Accrued revenues | 49 | 83 | 49 | 83 |
| GST input tax recoverable | 1 117 | 1 153 | 1 117 | 1 153 |
| Total current receivables | 1 908 | 2 068 | 1 903 | 2 066 |

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

'Receivables' and associated 'Allowance for doubtful debts' includes amounts advanced by SACFS to its agent for construction of assets. Construction to an equivalent milestone completion stage has not occurred at 30 June 2010. Therefore, these amounts are liable to be repaid by the agent to SACFS. However, recoverability of these amounts is not certain, therefore an appropriate allowance for doubtful debt has been provided.

| Government/Non-government receivables | SACFS Consolidated | | SACFS | |
|--|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Receivables from SA Government entities included in the receivables shown above: | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables | 20 | 2 | 20 | 2 |
| Accrued revenues | 43 | 1 | 43 | 1 |
| Total receivables - SA Government entities | 63 | 3 | 63 | 3 |

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

- (a) Maturity analysis of receivables and categorisation of financial instruments and risk exposure information - refer note 33.

| 20. Other financial assets | SACFS Consolidated | | SACFS | |
|--|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Short term deposits | 226 | 168 | 1 | - |
| Medium term deposits - groups and brigades | 1 814 | 1 452 | 1 814 | 1 452 |
| Total other current financial assets | 2 040 | 1 620 | 1 815 | 1 452 |

- (b) Maturity analysis of receivables and categorisation of financial instruments and risk exposure information - refer note 33.

| 21. Property held for sale | | | | |
|------------------------------|-----|-------|-----|-------|
| Land held for sale | 940 | 1 500 | 940 | 1 500 |
| Total property held for sale | 940 | 1 500 | 940 | 1 500 |

Construction of a new co-sited emergency services facility in Port Lincoln is now complete. As a result of this new facility, a site previously obtained for development of the SACFS facilities is surplus to requirements and is in the process of being offered for sale.

| 22. Non-current assets <i>Property, plant and equipment</i> | SACFS Consolidated | | SACFS | |
|--|--------------------|---------|---------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Land: | | | | |
| At valuation | 11 345 | 9 952 | 11 345 | 9 952 |
| Total land | 11 345 | 9 952 | 11 345 | 9 952 |
| Buildings: | | | | |
| At valuation | 42 309 | 42 309 | 42 309 | 42 309 |
| At cost (deemed fair value) | 3 993 | - | 3 993 | - |
| Accumulated depreciation | (2 215) | - | (2 215) | - |
| Total buildings | 44 087 | 42 309 | 44 087 | 42 309 |
| Vehicles: | | | | |
| At valuation | 73 423 | 73 991 | 73 423 | 73 991 |
| At cost (deemed fair value) | 10 385 | - | 10 385 | - |
| Accumulated depreciation | (7 001) | - | (7 001) | - |
| Total vehicles | 76 807 | 73 991 | 76 807 | 73 991 |
| Communication equipment: | | | | |
| At valuation | 10 032 | 10 032 | 10 032 | 10 032 |
| At cost (deemed fair value) | 1 760 | - | 1 760 | - |
| Accumulated depreciation | (2 447) | - | (2 447) | - |
| Total communication equipment | 9 345 | 10 032 | 9 345 | 10 032 |
| Computer equipment: | | | | |
| At valuation | 169 | 169 | 169 | 169 |
| Accumulated depreciation | (109) | - | (109) | - |
| Total computer equipment | 60 | 169 | 60 | 169 |
| Plant and equipment: | | | | |
| At valuation | 1 756 | 1 780 | 1 756 | 1 780 |
| At cost (deemed fair value) | 276 | - | 276 | - |
| Accumulated depreciation | (323) | - | (323) | - |
| Total plant and equipment | 1 709 | 1 780 | 1 709 | 1 780 |
| Work in progress: | | | | |
| At cost (deemed fair value) | 7 986 | 9 375 | 7 986 | 9 375 |
| Total work in progress | 7 986 | 9 375 | 7 986 | 9 375 |
| Total property, plant and equipment | 151 339 | 147 608 | 151 339 | 147 608 |

Valuation of assets

- (i) At 30 June 2009, valuations were undertaken by a suitably qualified officer of SAFECOM. At 30 June 2010, management exercised its discretion and revalued land - values used were based upon desktop values obtained from Liquid Pacific Ltd. All assets have been valued on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2010.

Movement reconciliation of property, plant and equipment - SACFS Consolidated and SACFS entity

| 2010 | Land | Bldgs | Vehicles | Commn | Computr | Plant | Work in | Total |
|---------------------------------------|--------|---------|----------|---------|---------|-------|----------|----------|
| | \$'000 | \$'000 | \$'000 | equmnt | equmnt | and | progress | \$'000 |
| Carrying amount at 1 July | 9 952 | 42 309 | 73 991 | 10 032 | 169 | 1 780 | 9 375 | 147 608 |
| Additions | - | - | - | 302 | - | 82 | 14 758 | 15 142 |
| Transfers to (from) WIP | - | 3 993 | 10 502 | 1 458 | - | 194 | (16 147) | - |
| Depreciation | - | (2 215) | (7 056) | (2 447) | (109) | (326) | - | (12 153) |
| Revaluation increment | 1 203 | - | - | - | - | - | - | 1 203 |
| Assets received for nil consideration | 190 | - | - | - | - | - | - | 190 |
| Disposals | - | - | (630) | - | - | (21) | - | (651) |
| Carrying amount at 30 June | 11 345 | 44 087 | 76 807 | 9 345 | 60 | 1 709 | 7 986 | 151 339 |

2009

| | | | | | | | | |
|---------------------------------------|---------|---------|---------|---------|-------|-------|----------|----------|
| Carrying amount at 1 July | 9 946 | 33 301 | 60 028 | 9 577 | 277 | 1 682 | 13 939 | 128 750 |
| Additions | - | - | - | 18 | - | 243 | 14 784 | 15 045 |
| Transfers to (from) WIP | 1 275 | 2 061 | 13 076 | 2 800 | - | 136 | (19 348) | - |
| Depreciation | - | (1 720) | (6 118) | (2 363) | (109) | (281) | - | (10 591) |
| Revaluation increment | 231 | 7 338 | 7 135 | - | 1 | - | - | 14 705 |
| Assets received for nil consideration | - | 1 373 | 43 | - | - | - | - | 1 416 |
| Disposals | - | (44) | (173) | - | - | - | - | (217) |
| Non-current asset held for sale | (1 500) | - | - | - | - | - | - | (1 500) |
| Carrying amount at 30 June | 9 952 | 42 309 | 73 991 | 10 032 | 169 | 1 780 | 9 375 | 147 608 |

23. Intangibles

| | SACFS Consolidated | | SACFS | |
|--|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Computer software - externally generated | \$'000 | \$'000 | \$'000 | \$'000 |
| At cost (deemed fair value) | 970 | 970 | 970 | 970 |
| Accumulated amortisation | (684) | (500) | (684) | (500) |
| Total computer software | 286 | 470 | 286 | 470 |
| Total intangible assets | 286 | 470 | 286 | 470 |

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight-line basis with a total useful life of five years.

Impairment

There were no indications of impairment of intangible assets at reporting date.

Prior year classification

In prior years, the category of 'Computer software' was incorporated within the 'Property, plant and equipment' category of the Financial Statements. Computer software has now been separately disclosed in its own category, as shown above. All comparative figures have been restated. The restatement of comparative figures also involved a minor immaterial correction of holding values.

Movement reconciliation of intangible assets

| 2010 | SACFS Consolidated | | SACFS | |
|----------------------------|--------------------|--------|--------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Carrying amount at 1 July | \$'000 | \$'000 | \$'000 | \$'000 |
| Amortisation expense | 470 | 664 | 470 | 664 |
| Carrying amount at 30 June | (184) | (194) | (184) | (194) |
| | 286 | 470 | 286 | 470 |

24. Payables

| | | | | |
|---------------------------|-------|-------|-------|-------|
| Current liabilities: | | | | |
| Accruals | 1 437 | 865 | 1 437 | 865 |
| Creditors | 2 501 | 378 | 2 500 | 378 |
| FBT payable | 52 | 75 | 52 | 75 |
| Employee benefit on-costs | 263 | 200 | 263 | 200 |
| Total current payables | 4 253 | 1 518 | 4 252 | 1 518 |

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

Non-current liabilities:

| | | | | |
|----------------------------|-----|-----|-----|-----|
| Employment on-costs | 185 | 164 | 185 | 164 |
| Total non-current payables | 185 | 164 | 185 | 164 |

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

Payables to SA Government entities:

| | | | | |
|--|--------------|------------|--------------|------------|
| Accrued expenses | 1 020 | 727 | 1 020 | 727 |
| Creditors | 1 178 | 24 | 1 178 | 24 |
| Employee benefit on-costs | 238 | 166 | 238 | 166 |
| Total payables to SA Government entities | <u>2 436</u> | <u>917</u> | <u>2 436</u> | <u>917</u> |

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has remained unchanged at 45 percent for 2009-10 and the average factor for the calculation of employer superannuation cost on-cost has remained unchanged for 2009-10 at 10.5 percent. These rates are used in the employment on-cost calculation. There is therefore no effect on the calculation of employment on-costs.

Interest rate and credit risk

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

Maturity analysis of payables and categorisation of financial instruments and risk exposure information - refer note 33.

25. Employee benefits

| | SACFS Consolidated | | SACFS | |
|---------------------------------|--------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Current liabilities: | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued salaries and wages | 285 | 233 | 285 | 233 |
| Annual leave | 960 | 867 | 960 | 867 |
| Long service leave | 209 | 175 | 209 | 175 |
| Total current employee benefits | <u>1 454</u> | <u>1 275</u> | <u>1 454</u> | <u>1 275</u> |

All employee benefit amounts shown above are expected to be paid within 12 months after reporting date.

Non-current liabilities:

| | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|
| Long service leave | 1 842 | 1 575 | 1 842 | 1 575 |
| Total non-current employee benefits | <u>1 842</u> | <u>1 575</u> | <u>1 842</u> | <u>1 575</u> |

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has been revised to eight years (8.5 years). The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$26 000 and an increase in employee benefit expense of \$26 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement. However, the impact on future periods is not expected to be materially different to the effect on the current period as shown above.

In addition, the actuarial assessment performed by DTF also advised a salary inflation rate of 4 percent (4 percent). This rate is used in the calculation of the relevant employee benefits provisions.

26. Provisions

| | SACFS Consolidated | | SACFS | |
|---|--------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| Current liabilities: | \$'000 | \$'000 | \$'000 | \$'000 |
| Provision for workers compensation | 591 | 593 | 591 | 593 |
| Total current provisions | <u>591</u> | <u>593</u> | <u>591</u> | <u>593</u> |
| Non-current liabilities: | | | | |
| Provision for workers compensation | 2 685 | 1 867 | 2 685 | 1 867 |
| Total non-current provisions | <u>2 685</u> | <u>1 867</u> | <u>2 685</u> | <u>1 867</u> |
| Provision movement: | | | | |
| Carrying amount at 1 July | 2 460 | 2 519 | 2 460 | 2 519 |
| Additional provisions recognised (released) | 2 165 | 703 | 2 165 | 703 |
| Reductions arising from payments | (1 349) | (762) | (1 349) | (762) |
| Carrying amount at 30 June | <u>3 276</u> | <u>2 460</u> | <u>3 276</u> | <u>2 460</u> |

The SACFS has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC. These claims are expected to be settled within the next financial year.

27. Equity

Equity represents the residual interest in the net assets of the SACFS. The State Government holds the equity interest in the SACFS on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets. The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

| | SACFS Consolidated | | | SACFS | | |
|---|---------------------------|-------------------|----------------|---------------------------|-------------------|----------------|
| | Asset revaluation surplus | Retained earnings | Total | Asset revaluation surplus | Retained earnings | Total |
| 2010 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 July | 50 904 | 99 050 | 149 954 | 50 904 | 98 650 | 149 554 |
| Net result for the financial year | - | 353 | 353 | - | 399 | 399 |
| Gain on revaluation of property, plant and equipment: | | | | | | |
| Property | 1 203 | - | 1 203 | 1 203 | - | 1 203 |
| Net increment related to revaluations | 1 203 | - | 1 203 | 1 203 | - | 1 203 |
| Balance at 30 June | <u>52 107</u> | <u>99 403</u> | <u>151 510</u> | <u>52 107</u> | <u>99 049</u> | <u>151 156</u> |
| 2009 | | | | | | |
| Balance at 1 July | 36 199 | 91 406 | 127 605 | 36 199 | 91 032 | 127 231 |
| Net result for the financial year | - | 7 644 | 7 644 | - | 7 618 | 7 618 |
| Gain on revaluation of property, plant and equipment: | | | | | | |
| Land | 231 | - | 231 | 231 | - | 231 |
| Buildings | 7 338 | - | 7 338 | 7 338 | - | 7 338 |
| Vehicles | 7 135 | - | 7 135 | 7 135 | - | 7 135 |
| Computer equipment | 1 | - | 1 | 1 | - | 1 |
| Net increment related to revaluations | 14 705 | - | 14 705 | 14 705 | - | 14 705 |
| Balance at 30 June | <u>50 904</u> | <u>99 050</u> | <u>149 954</u> | <u>50 904</u> | <u>98 650</u> | <u>149 554</u> |

28. Cash flow reconciliation**Reconciliation of cash and cash equivalents**

Cash and cash equivalents at 30 June as per:

| | SACFS Consolidated | | SACFS | |
|---------------------------------|--------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Statement of Cash Flows | 6 007 | 3 680 | 5 882 | 3 450 |
| Statement of Financial Position | <u>6 007</u> | <u>3 680</u> | <u>5 882</u> | <u>3 450</u> |

Reconciliation of net cash provided by operating activities to net cost of providing services

| | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| Net cash provided by operating activities | 16 984 | 14 434 | 17 031 | 14 409 |
| Cash flows from government | (64 672) | (61 515) | (64 672) | (61 515) |
| Non-cash items: | | | | |
| Depreciation and amortisation | (12 337) | (10 785) | (12 337) | (10 785) |
| Assets received free of charge | 190 | 1 416 | 190 | 1 416 |
| Devaluation of land held for resale | (560) | - | (560) | - |
| Net loss from disposal of non-current assets held for sale | (59) | (120) | (59) | (120) |
| Changes in assets/liabilities: | | | | |
| (Decrease) Increase in receivables | (160) | 112 | (163) | 111 |
| (Increase) Decrease in payables | (2 443) | 2 690 | (2 441) | 2 690 |
| Increase in employee benefits | (446) | (162) | (446) | (162) |
| (Increase) Decrease in provisions | (816) | 59 | (816) | 59 |
| Net cost of providing services | <u>(64 310)</u> | <u>(53 871)</u> | <u>(64 273)</u> | <u>(53 897)</u> |

29. Unrecognised contractual commitments**Operating lease commitments**

The total value of future non-cancellable operating lease commitments not provided for and payable as at 30 June are detailed below. These amounts have not been brought to account in the financial statements.

| | SACFS Consolidated | | SACFS | |
|---|--------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 2 113 | 2 018 | 2 113 | 2 018 |
| Later than one year but not later than five years | 3 137 | 3 366 | 3 137 | 3 366 |
| Later than five years | - | 5 | - | 5 |
| Total operating lease commitments | <u>5 250</u> | <u>5 389</u> | <u>5 250</u> | <u>5 389</u> |

The abovementioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle, property and equipment leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Capital commitments

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

| | SACFS Consolidated | | SACFS | |
|---------------------------|--------------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 2 322 | 2 524 | 2 322 | 2 524 |
| Total capital commitments | <u>2 322</u> | <u>2 524</u> | <u>2 322</u> | <u>2 524</u> |

These capital commitments are for building and appliance projects.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

| | SACFS Consolidated | | SACFS | |
|---|--------------------|------------|------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 399 | 432 | 399 | 432 |
| Later than one year but not later than five years | 70 | 441 | 70 | 441 |
| Total remuneration commitments | <u>469</u> | <u>873</u> | <u>469</u> | <u>873</u> |

Amounts disclosed include commitments arising from executive contracts. SACFS does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Other commitments

The total value of other commitments not provided for and payable as at 30 June are detailed below. These amounts have not been brought to account in the financial statements.

| | SACFS Consolidated | | SACFS | |
|---|--------------------|---------------|--------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 5 425 | 6 078 | 5 425 | 6 078 |
| Later than one year but not later than five years | 464 | 4 955 | 464 | 4 955 |
| Total other commitments | <u>5 889</u> | <u>11 033</u> | <u>5 889</u> | <u>11 033</u> |

Contractual commitments relate to aerial firefighting, cleaning, and occupational welfare services.

30. Contingent assets and liabilities**Contingent assets**

The SACFS is not aware of any contingent assets.

Contingent liabilities

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

At 30 June 2010, SACFS has incurred certain expenditure in relation to capital works construction projects. This expenditure has been incurred either directly or through a contracted construction management company. Some of this expenditure is either the subject of dispute between SACFS and its contracted agent, or is still to be verified. SACFS believes that it has directly recognised in the Statement of Financial Position and Statement of Comprehensive Income, all material amounts of such expenditure.

However, and further to the above, SACFS are seeking legal advice in relation to obligations for payments to sub-contractors, as a result of non-payment by the contracted construction management company. The legal exposure to liability and the exact amount of this exposure, is unable to be determined at this point in time although the amount does not exceed \$460 000. In accordance with AASs, this amount has therefore not been recognised as a liability in the Statement of Financial Position, but rather disclosed as a contingent liability.

31. Board members' remuneration

Board membership during the 2009-10 financial year comprised of:

South Australian Bushfire Prevention Advisory Committee

| | | |
|----------------|-------------|--------------|
| G Benham* | H I'Anson* | I Robertson* |
| J Boerth* | M Jenner* | T Roocke |
| N Bombardieri* | A Lawson* | J Rose* |
| I Brooks | S Lefebvre* | G Saunder* |
| S Brown | J Lyon* | K Schutz |
| P Davis* | W McIntosh | C Smith* |
| C Dearman* | S Mickan* | R Twisk* |
| P Dellaverde* | L Miller* | A Watson |
| D Erwin* | J Mould* | M Willia* |
| E Ferguson* | J Nairn* | S Wiseman* |
| P Fletcher* | | |

State Bushfire Coordination Committee

| | | |
|-------------|---------------|--------------|
| G Benham* | A Kahn* | S Pascale* |
| J Charles* | D Kemp* | P Paton* |
| F Crisci* | J Klitscher* | S Rapo* |
| A De Piaz* | S Lefebvre* | C Reed* |
| J Dickins* | J Lillecrapp* | D Robertson* |
| F Dunston* | V Linton* | V Russell* |
| K Egan* | L Loan* | K Schutz* |
| B Fahy* | W McIntosh* | K Taylor* |
| P Fletcher* | S Mickan* | C Vincent* |
| S Filby* | T Milne* | A Watson* |
| A Gear* | D Mutton* | P White* |
| D Hood* | J Nairn* | M Williams* |
| M Jenner* | | |

* Denotes nil remuneration.

Following amendments to the *Fire and Emergency Services Act 2005* during 2009-10, the South Australian Bushfire Prevention Advisory Committee has been replaced by the State Bushfire Coordination Committee.

| The number of members whose remuneration received or receivable falls within the following bands: | SACFS Consolidated | | SACFS | |
|---|--------------------|----------------|----------------|----------------|
| | 2010 Number | 2009 Number | 2010 Number | 2009 Number |
| \$nil | - | - | - | - |
| \$1 - \$9 999 | 4 | 4 | 4 | 4 |
| Total | 4 | 4 | 4 | 4 |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$2000 (\$2000). (For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct expenses incurred by relevant members.)

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

32. Events subsequent to reporting date

On 24 September 2010, SACFS was advised that a number of 2009-10 invoices relating to the SACFS/SASES Port Lincoln Building Project had not been paid due to an unresolved dispute. SACFS has conducted an initial investigation into the matter and believes that a reliable estimate of the outstanding liability at 30 June 2010 is \$313 000. This amount has been included in the revised financial statements. A forensic contract administrator and quantity surveyor has been engaged to conduct an independent analysis of the outstanding amounts and related works, prior to negotiating final settlement.

In October 2010, SACFS discovered that incorrect payments had been processed during the 2009-10 financial year for 16 building projects. It is estimated that \$1.134 million had been over-paid as at 30 June 2010, although \$356 000 can now be regarded as a prepayment due to that portion of works having since been completed. The overpayments are the focus of an independent review by the Government Investigation Unit and Justice Internal Audit. SACFS is seeking recovery of the residual overpayment of \$778 000. This amount has been recognised, in full, in the revised financial statements as an allowance for doubtful debts.

However, and further to the above, SACFS are seeking legal advice in relation to obligations for payments to subcontractors, as a result of non-payment by the contracted construction management company. The legal exposure to liability and the exact amount of this exposure, is unable to be determined at this point in time although the amount does not exceed \$460 000. In accordance with AASs, this amount has therefore not been recognised as a liability in the Statement of Financial Position, but rather disclosed as a contingent liability.

33. Financial instruments/financial risk management**33.1 Categorisation of financial instruments**

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

33.1 Categorisation of financial instruments (continued)

| | | SACFS Consolidated | | | |
|----------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | 2010 | | 2009 | |
| | Note | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets: | | | | | |
| Cash and cash equivalents: | 18 | 6 007 | 6 007 | 3 680 | 3 680 |
| Receivables ⁽¹⁾ | 19 | 791 | 791 | 916 | 916 |
| Financial assets | 20 | 2 040 | 2 040 | 1 620 | 1 620 |
| Financial liabilities: | | | | | |
| Payables ⁽¹⁾ | 24 | 2 002 | 2 002 | 730 | 730 |

| | | SACFS | | | |
|----------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | 2010 | | 2009 | |
| | Note | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets: | | | | | |
| Cash and cash equivalents: | 18 | 5 882 | 5 882 | 3 450 | 3 450 |
| Receivables ⁽¹⁾ | 19 | 786 | 786 | 916 | 916 |
| Financial assets | 20 | 1 815 | 1 815 | 1 452 | 1 452 |
| Financial liabilities: | | | | | |
| Payables ⁽¹⁾ | 24 | 2 001 | 2 001 | 730 | 730 |

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

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the SACFS does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 19 for information on the allowance for impairment in relation to receivables.

33.2 Ageing analysis of financial assets

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

| SACFS Consolidated | | Past due by | | | | Total \$'000 |
|----------------------|----------------------------------|---|--|---|-------|-----------------|
| | Current not overdue \$'000 | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | | |
| 2010 | | | | | | |
| Not impaired: | | | | | | |
| Receivables | 760 | 14 | - | 17 | 791 | |
| Financial assets | 2 040 | - | - | - | 2 040 | |
| Impaired receivables | 778 | - | - | - | 778 | |
| 2009 | | | | | | |
| Not impaired: | | | | | | |
| Receivables | 899 | - | - | 17 | 916 | |
| Financial assets | 1 620 | - | - | - | 1 620 | |

33.2 Ageing analysis of financial assets (continued)

| SACFS | Current not overdue \$'000 | Past due by | | | Total \$'000 |
|----------------------|----------------------------------|---|--|---|-----------------|
| | | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | |
| 2010 | | | | | |
| Not impaired: | | | | | |
| Receivables | 755 | 14 | - | 17 | 786 |
| Financial assets | 1 815 | - | - | - | 1 815 |
| Impaired receivables | 778 | - | - | - | 778 |
| 2009 | | | | | |
| Not impaired: | | | | | |
| Receivables | 899 | - | - | 17 | 916 |
| Financial assets | 1 452 | - | - | - | 1 452 |

33.3 Maturity analysis of financial assets and liabilities

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

| | SACFS Consolidated Contractual maturity | | SACFS Contractual maturity | |
|---------------------------|--|------------------------------|-------------------------------|-------------------------------|
| | Carrying amount \$'000 | Carrying amount \$'000 | Carrying amount \$'000 | Less than 1 year \$'000 |
| 2010 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 6 007 | 6 007 | 5 882 | 5 882 |
| Receivables | 791 | 791 | 786 | 786 |
| Other financial assets | 2 040 | 2 040 | 1 815 | 1 815 |
| Financial liabilities: | | | | |
| Payables | 2 002 | 2 002 | 2 001 | 2 001 |
| 2009 | | | | |
| Financial assets: | | | | |
| Cash and cash equivalents | 3 680 | 3 680 | 3 450 | 3 450 |
| Receivables | 916 | 916 | 916 | 916 |
| Other financial assets | 1 620 | 1 620 | 1 452 | 1 452 |
| Financial liabilities: | | | | |
| Payables | 730 | 730 | 765 | 765 |

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

Liquidity risk

Liquidity risk arises where the SACFS is unable to meet its financial obligations as they are due to be settled. The SACFS is funded principally from contributions from the Community Emergency Services Fund. The SACFS and SAFECOM works with the Fund Manager of the Community Emergency Services Fund to determine cash flows associated with its government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. The SACFS 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 SACFS's exposure to liquidity risk is insignificant based on past experience and current assessment of risk.

The carrying amount of financial liabilities recorded in the table above 'Categorisation of financial instruments' represent the SACFS's maximum exposure to financial liabilities.

Market risk

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

Sensitivity disclosure analysis

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

34. Controlled entity

The consolidated financial statements, SACFS Consolidated, include the following controlled entities:

| <i>Name of controlled entity</i> | <i>Place of incorporation</i> |
|----------------------------------|-------------------------------|
| Country Fire Service Foundation | Australia |

The Country Fire Service Foundation was incorporated on 22 November 2001 under the *Associations Incorporations Act 1985*.

SOUTH AUSTRALIAN FIRE AND EMERGENCY SERVICES COMMISSION

FUNCTIONAL RESPONSIBILITY

Establishment

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

The FES Act provides for the continuation of the South Australian Metropolitan Fire Service (SAMFS) and the South Australian Country Fire Service (SACFS) as bodies corporate, and the establishment as a separate body corporate of the South Australian State Emergency Service (SASES).

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

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

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

Functions

SAFECOM is responsible for developing and maintaining a strategic policy and sound corporate governance framework across the emergency services sector. SAFECOM supports the sector with the provision of corporate and strategic services and has strategic leadership responsibilities regarding statewide emergency management.

On 1 November 2009 amendments to the FES Act came into effect which included the functions and powers of the Commission.

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

Transferred functions

As part of the Government's shared services initiative, the financial services function, including the preparation of agency financial statements was transferred from SAFECOM and emergency service organisations (ESO) to Shared Services SA (SSSA) during the year. Accounts payable, accounts receivable and payroll services transitioned from SAFECOM to SSSA during 2008-09.

Refer to note 33 to the financial statements for details.

Community Emergency Services Fund

SAFECOM is also responsible for administering the Community Emergency Services Fund (the Fund) which is established by the *Emergency Services Funding Act 1998* (ESF Act). Responsibility for administering the Fund was transferred from the Attorney-General's Department on 1 April 2006.

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

REISSUE OF 2009-10 FINANCIAL STATEMENTS

Financial statements for the SACFS, SASES and the consolidated results for SAFECOM for the year ended 30 June 2010 were included in my Annual Report which was tabled in Parliament on 30 September 2010.

On 5 October 2010, SAFECOM advised Audit that investigations had identified events subsequent to reporting date and other matters that, after management consideration, required amendments to previously published financial statements for the SACFS, SASES and the consolidated results for SAFECOM for the year ended 30 June 2010. A summary of these matters is included in this Report under the title 'Emergency Services'.

Updated audit opinions, audit commentaries and reissued financial statements for the year ended 30 June 2010 follow.

Effects on financial statements

The effects on the SAFECOM consolidated financial statements published in my Annual Report to Parliament tabled 30 September 2010 for these events subsequent to reporting date are:

- a \$602 000 increase in property, plant and equipment (work in progress) for amounts associated with the Port Lincoln building project that have not been paid due to an unresolved dispute (refer note 21)
- a \$602 000 increase in current liabilities (payables) for amounts associated with the Port Lincoln building project that have not been paid due to an unresolved dispute (refer note 23)
- a \$1.289 million decrease in property, plant and equipment (work in progress) for advance/incorrect payments where building works were not undertaken (refer note 21)
- a \$356 000 increase in receivables and a decrease in property, plant and equipment of \$356 000 for advance/incorrect payments that management have determined that that the building works were completed after 30 June 2010 (refer notes 18 and 21)
- a \$933 000 increase in supplies and services expense (other expenses) for advance/incorrect payments where building works were not undertaken (refer note 6)
- a \$933 000 increase in current receivables for advance/incorrect payments where building works were not undertaken and the SACFS is seeking recovery of the overpayment (refer note 18)
- a \$933 000 increase in the provision for doubtful debts for advance/incorrect payments where building works were not undertaken and the SACFS is seeking recovery of the overpayment (refer note 18)
- a \$933 000 decrease in net result, total comprehensive result and retained earnings as a result of the increase in supplies and services expense
- a \$1 289 000 increase in cash flows from operating activities and a decrease of \$1 289 000 in cash flows from investing activities for purchase of property, plant and equipment (refer to the Statement of Cash Flows).

The net effect of these adjustments on the financial statements is summarised under the heading 'Auditor's report on the financial statements' later on in this section of this Report.

Amendments and additional disclosures were also made to note 18 receivables, note 29 contingent assets and liabilities and note 31 events subsequent to reporting date. These notes explain the effects of events occurring in September 2010 and October 2010 that led to amendment and reissuing of the 2009-10 financial statements for SACFS, SASES and the consolidated results for SAFECOM.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 21(2) of the FES Act provide for the Auditor-General to audit the accounts of SAFECOM and also the consolidated accounts for the emergency services sector for each financial year.

Assessment of controls

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

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

Scope of audit

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

The audit included access to systems and information maintained by SAFECOM and ESOs to conduct relevant financial transaction and control compliance tests of those systems and information.

During 2009-10, specific areas of audit attention included:

- cash and receivables
- non-current assets, including revaluations
- payroll and employee entitlements
- expenditure, including purchase cards
- revenue, including Commonwealth grants
- financial accounting
- risk management
- financial management compliance programs
- follow up of 2008-09 findings.

The audit also covered the operations of the Fund.

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

- an assessment of compliance with aspects of TIs 2 and 28
- forming a conclusion over the general control environment of SAFECOM and ESOs forming part of the consolidated reporting entity.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

The following is an extract from the Independent Auditor's Report on the SAFECOM reissued 2009-10 financial statements which is modified by providing an emphasis of matter.

The emphasis of matter explains the context for the revision of the financial statements and updated Independent Auditor's Report. It also indicates that the records, systems and evidence used to estimate some of the adjustments related to the unresolved dispute for the Port Lincoln capital project and advance/incorrect payments for other SACFS/SASES projects in the revised financial statements are not of a standard that enable Audit substantiation of the amounts to a sufficient level of confidence. The amounts, however, are not of material value to warrant a qualified Independent Auditor's Report.

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian Fire and Emergency Services Commission and its controlled entities (the consolidated entity) as at 30 June 2010, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Emphasis of Matter

I draw attention to note 18 receivables, note 29 contingent assets and liabilities and note 31 events subsequent to reporting date. These notes explain the effects of events occurring in September 2010 and October 2010 that led to amendment and reissuing of the 2009-10 financial statements for the South Australian Fire and Emergency Services Commission and its controlled entities.

This Independent Auditor's Report replaces the report included in Part B of the Auditor-General's Annual Report for the year ended 30 June 2010 tabled in Parliament on 30 September 2010.

My opinion is not qualified in respect of these matters.

The audit identified deficiencies in internal controls, management reporting and the records and information maintained in relation to certain capital works projects. The values

attributed to adjustments contained in the revised financial statements that were required to account for these identified events are at management's valuation and are based on best estimates of the relevant amounts from the available records. The records, systems and evidence used to estimate these adjustment amounts, however, are not of a standard that enables Audit substantiation of management's valuation to a sufficient level of confidence.

As a result, Audit was unable to obtain sufficient assurance over the accuracy of adjustments made and disclosed in the reissued financial statements. The amounts, however, are not of material value to warrant a qualification of my opinion.

The net effect of these events and transactions that resulted in adjustments in the revised consolidated financial statements are:

- *an increase in receivables of \$356 000*
- *a decrease in property, plant and equipment of \$687 000*
- *an increase in payables of \$602 000*
- *an increase in supplies and services expense of \$933 000.*

I draw attention to these matters to assist users in their understanding of the audit of the financial statements.

Assessment of controls

In my opinion, the controls exercised by the South Australian Fire and Emergency Services Commission in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to cash at bank, payment authorisations, corporate governance, implementation of TIs 2 and 28 and Shared Services as outlined under 'Communication of audit matters', and the matters raised in relation to internal controls - building projects in the section of this Report titled 'Emergency Services', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Fire and Emergency Services Commission have been conducted properly and in accordance with law.

Communication of audit matters

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

Corporate governance

Review of business plans, legislation and other documentation forming part of the corporate governance framework for the emergency services sector identified the following business plans in draft format or not formally documented:

- SAFECOM charter
- Information Technology Strategic (ITS) plan
- Asset management plans.

Audit recommended that these documents be formally considered, completed and approved.

In response, SAFECOM agreed that the charter and ITS plan should be completed and approved and the 2010-2015 sector strategic plan identifies strategic asset management plans as a priority over the next five years. In addition, building maintenance systems are expected to be piloted and vehicle and management systems are expected to be further improved.

Payment authorisations

TI 8 specifies the difference between contract and payment authorisation and requires separate delegations for each part of an expenditure procurement and disbursement of cash. To ensure transactions are appropriately reviewed for each approval, SSSA are required to check invoice payment authorisation against the register of authorised persons and limits.

SSSA relies on checks performed by SAFECOM when a requisition/purchase order related invoice is submitted. As this check is for contract authorisation on the requisition and/or that the goods received note (GRN) was signed only, not all invoices are authorised for payment on the invoice and subsequently able to be checked by SSSA.

Audit recommended that all invoices should be authorised and evidenced for payment by SAFECOM to ensure SSSA are able to check the all invoices are appropriately authorised.

In response, SAFECOM advised that commencing October 2010, the sector will be adopting eProcurement along with improving policies and procedures to ensure invoices are authorised and evidenced for payment by appropriately delegated officers.

Cash at bank

Review of the 30 June 2010 bank reconciliation identified that the balance of deposits held with the Treasurer for SASES, recorded within the SAFECOM special deposit account was overdrawn.

TI 6 requires each Chief Executive to ensure that at no time are any special deposit accounts and deposit accounts overdrawn. Where a special deposit account or deposit account is or will become overdrawn, the matter must be rectified immediately. At 30 June 2010 the SAFECOM special deposit account in total was not overdrawn but rather the SASES cash component was in deficit. Refer to note 16 to the SASES financial statements contained in this part of the Report titled 'South Australian State Emergency Service'.

The SASES is a separate legal and reporting entity and their financial commitments should be separately and appropriately managed, including cash forecasting to ensure that their bank account is not overdrawn. An overdrawn SASES bank account is effectively subsidised by other ESOs.

Audit recommended that appropriate cash monitoring and forecasting be undertaken when managing the financial commitments of all ESOs to ensure that cash is not overdrawn. Where an overdraft occurs this situation should be rectified immediately.

In response, SAFECOM advised that regular monitoring and forecasting is undertaken and will continue to be undertaken in monitoring the cash position of each agency and ensuring compliance with TI 6.

South Australian Metropolitan Fire Service cash reserves

The SAMFS currently operates through the South Australian Fire and Emergency Services Commission (SAFECOM) deposit account under section 22 of the PFAA. The SAMFS also has a separate deposit account with the Treasurer substantially representing SAMFS reserves accrued under the previous *South Australian Fire Service Act, 1936*.

In 2007-08 the Crown Solicitor was requested to consider:

- the purpose and permitted use of SAMFS cash reserves for the future operations of the SAMFS
- the possibility of consolidation of all SAMFS cash balances in the one SAMFS operating cash account.

During 2009-10, SAFECOM advised Audit that the Crown Solicitor had considered these matters and that SAMFS cash reserves can only be applied toward carrying out the functions conferred upon the SAMFS under section 26 of the FES Act. There is no specific reference in the Act preventing consolidation of balances.

Based on this advice, SAFECOM intend to consolidate cash balances for the SAMFS during 2010-11. In doing so, it is important that an adequate internal control environment is established and maintained in light of current cash at bank issues identified by Audit.

This matter will be followed up as part of the 2010-11 audit.

Purchase cards

TI 12 prescribes a policy for the control and use of government purchase cards. To complement TI 12, SAFECOM has also approved its own purchase card policy.

The 2008-09 expenditure audit focussed on purchase card payments, including the follow up of previous audit findings. A number of issues were identified and communicated to SAFECOM. Audit recommended that a focussed review by management or internal audit be undertaken to ensure compliance with TI 12 and purchase card policies.

The Chief Executive, SAFECOM advised that a review of purchase card management would be undertaken.

The 2009-10 audit considered these issues and found that management had undertaken a detailed review of purchase cards and reinforced to management and individuals their responsibilities to comply with TI 12 and SAFECOM purchase card policy.

Audit found that issues reported in previous years were satisfactorily addressed by SAFECOM with only minor matters communicated to management at the conclusion of the audit.

Bona fides

Previous audits have commented on a number of areas where internal controls associated with the review of payroll bona fide reports could be improved. Audit recommended that a forum or mechanism be implemented to remind senior management of their responsibilities to comply with the bona fide policy and to report outstanding or inadequately reviewed and supported bona fide reports.

In response to previous audit findings, SAFECOM advised that the Audit and Risk Management Committee will consider mechanisms to achieve greater compliance with established policy throughout the emergency services sector.

Follow up during the 2009-10 audit revealed an improvement in the level of compliance with established SAFECOM policy. Review of a sample of bona fide reports identified that only one material business unit, comprising 10 percent of employee benefit expenses had not reviewed all required bona fide reports.

SAFECOM advised that the business unit had now completed outstanding bona fides.

Implementation of TIs 2 and 28

SAFECOM have established a financial management policy and financial management compliance program (FMCP) framework that has resulted in the completion of FMCPs at the business unit and ESO level.

The major findings from the review follow.

Policies and procedures

TI 2.5 requires each chief executive to ensure that policies, procedures and systems are properly documented. That documentation must be reviewed regularly, revised where necessary and be readily available to relevant officers of the authority.

During 2008-09, Audit review of policies and procedures used throughout SAFECOM and ESOs revealed a number of instances where they had not been reviewed at the ESO and business unit level. The 2009-10 audit also identified ESO and business unit policies, procedures and system documentation that have not been reviewed on a regular basis, including risk management, purchasing and payroll areas.

An important element of the annual review of business unit level documentation should also be to ensure that business unit level documentation is consistent with the common set of corporate financial policies. Audit was not able to be provided with evidence from all ESOs and business units selected for testing that they had ensured that local business unit documentation was consistent with corporate level policies.

Audit recommended that FMCP templates be modified and subsequently tested to ensure that:

- all policies, procedures and system documentation are appropriately documented
- a regular review process is undertaken, documented and approved by an appropriate level of management
- ESO and business unit documentation is consistent with corporate approved policies.

In response, SAFECOM advised that the FMCP template completed by managers included the review of policies and procedures. Most of the financial management policies were reviewed in 2010 with the exception of those pending review or changes anticipated. For example, review of the existing purchasing/procurement policy before the implementation of eProcurement. The 2009-10 review of corporate policies did not have any changes but for consistency in future, all agencies and business units will be advised of updated corporate policies.

Financial management compliance program policy and framework

The current financial management policy requires the emergency services sector to develop an FMCP which will be reviewed annually. The policy also requires that the Chief Executive shall be informed of all relevant financial management compliance and governance matters.

The FMCP framework provided to Audit details the expected format and detail that is required to be completed by emergency services sector agencies and business units. Review of completed documentation revealed that 14 separate FMCPs covering SACFS, SAMFS, SASES and SAFECOM business units, including a consolidated FMCP were prepared and approved by the Chief Executive for the year ended 30 June 2010.

Review of the current policy and framework, however, revealed that it does not currently detail the:

- business units/ESOs required to complete and approve each FMCP annually
- timeframes for completion of FMCPs
- level of documentation and evidence required to support completed FMCPs
- reporting processes and follow up actions for partial or non-compliance issues.

Audit recommended that the current policy and/or framework be revised to ensure that current financial management practices are documented and effectively performed.

In response, SAFECOM advised that a revised draft FMCP framework was prepared to address these matters.

Risk management

TI 2 requires the chief executive to establish and maintain effective risk management and fraud policies and to review them on an annual basis. The risk management policy statement issued by the Premier and the Treasurer in November 2009 and the revised Australian/New Zealand Standard AS/NZ ISO 3100 risk management principles and guidance provide assistance in establishing an appropriate risk management regime.

Audit review of risk management practices throughout SAFECOM revealed that a draft, updated risk management and control policy consistent with the new AS/NZ ISO was prepared. The policy is yet to be presented to the Audit and Risk Management Committee or the SAFECOM Board for endorsement and approval.

The audit also identified that the risk management framework is currently being considered by management but has not been fully reviewed and approved since March 2005. Audit recommended that the risk management policy and framework should be finalised, formally approved and communicated to staff.

In response, SAFECOM advised that the risk management framework was finalised and will be presented for endorsement at the Audit and Risk Management Committee meeting before being submitted to the Board for approval. Following approval, the risk management framework will be communicated to all staff.

Shared Services

The following summarises audit findings from reviews of SSSA financial management functions relevant to SAFECOM and ESOs.

Policies and procedures

Review of existing payroll, accounts receivable, accounts payable and financial accounting procedures used by SSSA revealed instances where they were not revised and were not appropriately documented in accordance with TI 2 requirements.

Segregation of duties

Review of aspects of accounting systems and duties of staff relating to the systems revealed the requirement for better division of duties. It was noted that there should be better segregation of duties for a particular officer who had access to systems and undertook a range of duties, including bank reconciliations, general ledger maintenance, and password access maintenance and control.

Payment authorisations

SSSA are required to check invoice payment authorisation against the register of authorised persons and limits. Review of invoices processed by SSSA revealed that SSSA accounts payable officers do not always check for payment authorisation before processing invoices relating to purchase orders.

Audit was informed that SSSA relies on checks performed by the SAFECOM procurement officer when a requisition/purchase order related invoice is submitted. As this check is only for contract authorisation on the requisition and/or that the goods received note (GRN) was signed for receipt of goods and/or services, not all invoices are authorised for payment and subsequently checked.

Audit recommended that all invoices be checked to ensure payment authorisations provided on the invoices are in accordance with the SAFECOM Financial Delegations.

Other Shared Services matters

Other matters raised by Audit included ensuring that:

- policies and procedures are followed and the general ledger is subject to a hard close on a quarterly basis
- fixed asset reconciliations are completed each month on a timely basis and updates to the fixed asset register are checked by an independent officer consistent with approved policy.

Shared Services SA annual internal controls letter

To assist SAFECOM in assessing the adequacy of the design and operation of internal controls for outsourced functions, SSSA provided SAFECOM with an annual internal controls letter listing material exceptions in the performance of internal controls. The letter provides a summary of issues arising from various reviews including matters identified by SSSA's internal audit and matters raised with SSSA by the Auditor-General's Department.

SSSA reported that, excluding the various exceptions listed in its letter, the control environment operated effectively for the year ended 30 June 2010.

The letter advised the following material exceptions for the 2009-10 reporting period, including the following areas that needed to be addressed by SSSA:

- review and further develop policies and procedures including the area of legislative compliance
- improve segregation of duties
- the performance of independent reviews of financial transactions and management reports.
- improve user access and authorisations for financial systems.

Shared Services SA response to Audit findings and annual internal controls letter issues

In response to the Audit findings and SSSA reported material exceptions, SSSA advised that:

- SSSA will review and, where required, update all procedures that transitioned from agencies to SSSA, including those services that transitioned to SSSA without any documented procedures or with procedures that require updating. SSSA will develop procedures when required or as part of the process of implementing any change initiatives and service standardisation. They will be approved by the SSSA executive and distributed to relevant personnel in accordance to SSSA change implementation methodology
- SSSA are committed to undertaking a review of current segregations of duties across all financial services teams
- a review of access to Masterpiece and Corporate Online within SSSA will be undertaken with a view to ensuring adequate segregation of duties
- SAFECOM bank reconciliations are now performed by an officer independent of the SAFECOM SSSA Financial Services team and the Westpac Corporate Online system was modified to restrict access to the identified employee
- a hard close of the general ledger will be performed on a quarterly basis
- monthly reconciliations of the fixed asset register and the general ledger should occur on a monthly basis and more frequent reviews of the asset register, together with listings of asset disposals and asset additions is proposed.

SAFECOM have advised that they regularly liaise with SSSA in relation to internal controls and the FMCP. All issues identified, and their impacts on the emergency services sector will be considered by SAFECOM and SSSA.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS**Highlights of the financial statements - consolidated emergency services sector**

| | 2010 | 2009 |
|---|-------------------|------------|
| | \$'million | \$'million |
| <i>EXPENSES</i> | | |
| Employee benefits expenses | 119 | 105 |
| Depreciation and administration | 21 | 19 |
| Supplies and services | 55 | 50 |
| Other expenses (includes payments to SA Government) | 18 | 15 |
| Total expenses | 213 | 189 |
| <i>INCOME</i> | | |
| Total income | 13 | 18 |
| Net cost of providing services | 200 | 171 |
| Contributions from Community Emergency Services Fund | 196 | 186 |
| Net result | (4) | 15 |
| <i>OTHER COMPREHENSIVE INCOME</i> | | |
| | 8 | 21 |
| Total comprehensive result | 4 | 36 |
| <i>NET CASH PROVIDED BY OPERATING ACTIVITIES</i> | 28 | 33 |
| <i>ASSETS</i> | | |
| Current assets | 52 | 55 |
| Non-current assets | 329 | 311 |
| Total assets | 381 | 366 |
| <i>LIABILITIES</i> | | |
| Current liabilities | 26 | 21 |
| Non-current liabilities | 33 | 27 |
| Total liabilities | 59 | 48 |
| <i>TOTAL EQUITY</i> | 322 | 318 |

Statement of Comprehensive Income

The main source of revenue for the sector is contributions from the Fund of \$194 million (\$186 million), which accounts for 93 percent of total income. Refer note 16 to the financial statements.

Expenses are dominated by employee benefits expenses of \$119 million (\$105 million), which represent 56 percent of total expenses. During 2009-10, employee benefits expenses increased by \$14 million or 13 percent. This is attributable mainly to:

- an increase in workers compensation expense mainly as a result of an actuarial assessment. Refer note 25 to the financial statements
- employee benefit expense increases associated with the prepare, act and survive program, and overtime and enterprise bargaining agreement increases

The number of employees receiving remuneration in excess of \$100 000 in 2009-10 increased to 304 from 201 in 2008-09. This is mainly due to increased overtime and allowances paid to SAMFS employees during the year in the \$100 000 to \$110 000 salary range. Refer note 5 to the financial statements.

Statement of Financial Position

Non-current assets of \$329 million represent 86 percent of total assets. The main asset classes held are land and buildings (fair value of \$185 million) and vehicles (fair value of \$111 million).

Non-current assets increased by \$18 million or 6 percent to \$329 million as a result of additions through various projects (\$31 million) and revaluation of various classes of assets (\$8 million). This was offset by depreciation charges (\$21 million) during the period.

Highlights of the financial statements - SAFECOM

| | 2010 \$'million | 2009 \$'million |
|--|--------------------|--------------------|
| EXPENSES | | |
| Employee benefits expenses | 10 | 10 |
| Supplies and services | 7 | 4 |
| Other expenses | 2 | 2 |
| Total expenses | 19 | 16 |
| INCOME | | |
| Total income | 3 | 4 |
| Net cost of providing services | 16 | 12 |
| REVENUES FROM SA GOVERNMENT | 20 | 13 |
| Net and total comprehensive result | 4 | 1 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 5 | 1 |
| ASSETS | | |
| Current assets | 10 | 6 |
| Non-current assets | 2 | 1 |
| Total assets | 12 | 7 |
| LIABILITIES | | |
| Current liabilities | 3 | 2 |
| Non-current liabilities | 3 | 3 |
| Total liabilities | 6 | 5 |
| TOTAL EQUITY | 6 | 2 |

Statement of Comprehensive Income**Revenues from SA Government**

SAFECOM is primarily funded from contributions from the Fund which in 2009-10 totalled \$19 million (\$13 million). This represents 83 percent of total revenue.

Expenses

Employee benefits expenses are the main expense category of SAFECOM totalling \$10 million in 2009-10 which represents 53 percent of total expenses..

Administered comprehensive income

Contributions, by way of levies, are made by all owners (including both State and Local Government) of both fixed and mobile property to fund the provision of emergency services. Levies are collected in accordance with the ESF Act. The levy on fixed property applies to capital values adjusted for location and land use and is collected by RevenueSA. The levy on mobile property is collected by the Department for Transport, Energy and Infrastructure using the vehicle registration system. In addition, the Government makes a contribution in the form of remissions of levies charged.

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

The following table shows the relationship over the past four years between the levies collected and the cash payments to emergency services agencies. The transactions outlined represent the activities of the Fund combining the administration periods of the Attorney-General's Department and SAFECOM.

| | 2010 | 2009 | 2008 | 2007 |
|---|-------------------|------------|------------|------------|
| | \$'million | \$'million | \$'million | \$'million |
| Emergency Services levies collected* | 220 | 220 | 208 | 188 |
| Payments to Emergency Services sector** | 226 | 219 | 208 | 194 |
| | (6) | 1 | - | (6) |

* Includes interest and other income

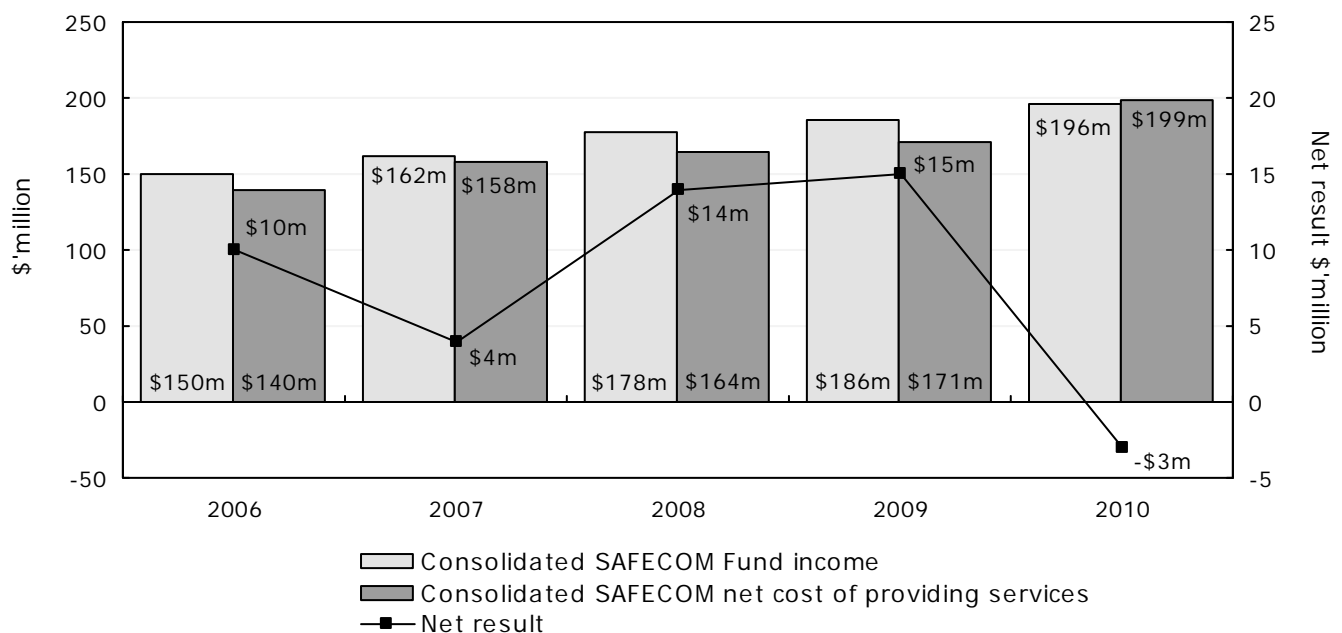
** Includes levy collection and administration costs.

Levies and other revenues are collected in accordance with the ESF Act to fund the approved budget of emergency service organisations and other payments. Emergency Services levies collected, \$218 million, remained at the same level as the previous year. While fixed property collections rose \$3 million, fixed property remissions were down by the same amount.

The table shows that the payments to the emergency services sector have increased by \$32 million (16 percent) over the four years.

In 2009-10, payments from the emergency services fund increased by \$6 million or 3 percent to \$226 million. The predominant reason for the increase was additional payments to SAFECOM, up \$7 million.

The following table shows the consolidated funding received by SAFECOM from the Fund and the net cost of services for the past five years to 2009-10:



Administered Statement of Financial Position

At 30 June 2010 current assets of \$10.3 million, including cash and cash equivalents of \$5.7 million exceed current liabilities of \$9 million by \$1.3 million. At 30 June 2009 current assets exceeded current liabilities by \$7 million. During 2009-10 administered receivables increased by \$1.5 million to \$4.6 million.

Statement of Comprehensive Income for the year ended 30 June 2010

| | Note | Consolidated | | SAFECOM | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| EXPENSES: | | | | | |
| Employee benefits expenses | 5 | 119 014 | 105 139 | 10 348 | 9 779 |
| Supplies and services | 6 | 54 962 | 50 471 | 7 367 | 4 047 |
| Government Radio Network | 7 | 14 890 | 12 928 | - | - |
| Depreciation and amortisation expense | 8 | 21 188 | 18 794 | 250 | 156 |
| Grants expense | 9 | 2 018 | 2 115 | 1 692 | 1 784 |
| Net loss from disposal of assets | 10 | 48 | 255 | - | - |
| Devaluation of land held for resale | | 560 | - | - | - |
| Total expenses | | 212 680 | 189 702 | 19 657 | 15 766 |
| INCOME: | | | | | |
| Fees and charges | 11 | 3 707 | 5 420 | 553 | 470 |
| Commonwealth revenues | 12 | 6 030 | 7 309 | 1 752 | 3 003 |
| Interest revenue | 13 | 1 528 | 2 326 | 185 | 180 |
| Resources received free of charge | 14 | 190 | 1 716 | - | - |
| Other income | 15 | 1 513 | 1 476 | 634 | 90 |
| Total income | | 12 968 | 18 247 | 3 124 | 3 743 |
| NET COST OF PROVIDING SERVICES | | 199 712 | 171 455 | 16 533 | 12 023 |
| REVENUES FROM SA GOVERNMENT: | | | | | |
| Revenues from SA Government | 16 | 195 531 | 186 122 | 20 089 | 12 662 |
| NET RESULT | | (4 181) | 14 667 | 3 556 | 639 |
| OTHER COMPREHENSIVE INCOME: | | | | | |
| Gain on revaluation of land reclassified for sale | | 470 | - | - | - |
| Gain on revaluation of property, plant and equipment | 26 | 8 158 | 21 359 | - | 24 |
| Total other comprehensive income | | 8 628 | 21 359 | - | 24 |
| TOTAL COMPREHENSIVE RESULT | | 4 447 | 36 026 | 3 556 | 663 |

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

**Statement of Financial Position
as at 30 June 2010**

| | Note | Consolidated | | SAFECOM | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| CURRENT ASSETS: | | | | | |
| Cash and cash equivalents | 17 | 43 519 | 46 306 | 8 413 | 4 750 |
| Receivables | 18 | 4 383 | 4 954 | 1 215 | 1 281 |
| Other financial assets | 19 | 2 256 | 1 759 | - | - |
| Property held for sale | 20 | 2 090 | 1 500 | - | - |
| Total current assets | | 52 248 | 54 519 | 9 628 | 6 031 |
| NON-CURRENT ASSETS: | | | | | |
| Property, plant and equipment | 21 | 327 510 | 310 257 | 1 274 | 928 |
| Intangibles | 22 | 1 166 | 1 229 | 765 | 513 |
| Total non-current assets | | 328 676 | 311 486 | 2 039 | 1 441 |
| Total assets | | 380 924 | 366 005 | 11 667 | 7 472 |
| CURRENT LIABILITIES: | | | | | |
| Payables | 23 | 10 725 | 6 184 | 1 570 | 966 |
| Employee benefits | 24 | 13 077 | 12 504 | 1 290 | 1 315 |
| Provisions | 25 | 2 546 | 2 419 | 100 | 104 |
| Total current liabilities | | 26 348 | 21 107 | 2 960 | 2 385 |
| NON-CURRENT LIABILITIES: | | | | | |
| Payables | 23 | 1 953 | 1 901 | 239 | 252 |
| Employee benefits | 24 | 19 168 | 18 067 | 2 409 | 2 459 |
| Provisions | 25 | 11 566 | 7 488 | 454 | 327 |
| Total non-current liabilities | | 32 687 | 27 456 | 3 102 | 3 038 |
| Total liabilities | | 59 035 | 48 563 | 6 062 | 5 423 |
| NET ASSETS | | 321 889 | 317 442 | 5 605 | 2 049 |
| EQUITY: | | | | | |
| Asset revaluation surplus | 26 | 74 082 | 65 454 | 24 | 24 |
| Retained earnings | 26 | 247 807 | 251 988 | 5 581 | 2 025 |
| TOTAL EQUITY | | 321 889 | 317 442 | 5 605 | 2 049 |
| Total equity is attributable to the SA Government as owner | | | | | |
| Unrecognised contractual commitments | 28 | | | | |
| Contingent assets and liabilities | 29 | | | | |

Statement of Changes in Equity for the year ended 30 June 2010

| Consolidated | Note | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|------|---|--------------------------------|-----------------|
| Balance at 1 July 2008 | 26 | 44 095 | 237 321 | 281 416 |
| Net result for 2008-09 | 26 | - | 14 664 | 14 664 |
| Correction to 2008-09 net result | | | 3 | 3 |
| Adjusted net result for 2008-09 | | - | 14 667 | 14 667 |
| Gain on revaluation of property, plant and equipment | 26 | 21 373 | - | 21 373 |
| Correction to gain (loss) on revaluation | | (14) | | (14) |
| Adjusted gain (loss) on revaluation | | 21 359 | - | 21 359 |
| Total comprehensive result for 2008-09 | | 21 359 | 14 667 | 36 026 |
| Balance at 30 June 2009 | 26 | 65 454 | 251 988 | 317 442 |
| Net result for 2009-10 | 26 | - | (4 181) | (4 181) |
| New gain on revaluation of land reclassified for sale | | 470 | - | 470 |
| Gain on revaluation of property, plant and equipment | 26 | 8 158 | - | 8 158 |
| Total comprehensive result for 2009-10 | | 8 628 | (4 181) | 4 447 |
| Balance at 30 June 2010 | 26 | 74 082 | 247 807 | 321 889 |
| SAFECOM | | | | |
| Balance at 1 July 2008 | 26 | - | 1 386 | 1 386 |
| Net result for 2008-09 | 26 | - | 639 | 639 |
| Correction to 2008-09 net result | | - | - | - |
| Adjusted net result for 2008-09 | | - | 639 | 639 |
| Net gain (loss) on revaluation of property, plant and equipment | | 24 | - | 24 |
| Correction to gain (loss) on revaluation | | | | |
| Adjusted gain (loss) on revaluation | | 24 | - | 24 |
| Total comprehensive result for 2008-09 | | 24 | 639 | 663 |
| Balance at 30 June 2009 | | 24 | 2 025 | 2 049 |
| Net result for 2009-10 | 26 | - | 3 556 | 3 556 |
| Gain on revaluation of land reclassified for sale | | - | - | - |
| Gain on revaluation of property, plant and equipment | 26 | - | - | - |
| Total comprehensive result for 2009-10 | | - | 3 556 | 3 556 |
| Balance at 30 June 2010 | 26 | 24 | 5 581 | 5 605 |

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

Statement of Cash Flows for the year ended 30 June 2010

| | Note | Consolidated | | SAFECOM | |
|---|------|---|---|---|---|
| | | 2010 Inflows (Outflows) \$'000 | 2009 Inflows (Outflows) \$'000 | 2010 Inflows (Outflows) \$'000 | 2009 Inflows (Outflows) \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | |
| CASH OUTFLOWS: | | | | | |
| Employee benefit payments | | (112 592) | (99 342) | (10 284) | (9 433) |
| Supplies and services payments | | (64 061) | (64 516) | (9 065) | (6 034) |
| Government Radio Network payments | | (14 066) | (13 094) | - | - |
| Grants and subsidies payments | | (2 018) | (2 115) | (1 692) | (1 784) |
| Cash used in operations | | (192 737) | (179 067) | (21 041) | (17 251) |
| CASH INFLOWS: | | | | | |
| Fees and charges | | 4 585 | 5 096 | 595 | 240 |
| Commonwealth revenues | | 6 713 | 6 457 | 1 693 | 3 062 |
| Interest received | | 1 611 | 2 461 | 195 | 195 |
| GST recovered from the ATO | | 10 907 | 10 465 | 2 346 | 2 061 |
| Other receipts | | 1 256 | 1 442 | 634 | 90 |
| Cash generated from operations | | 25 072 | 25 921 | 5 463 | 5 648 |
| CASH FLOWS FROM SA GOVERNMENT: | | | | | |
| Contributions from Community Emergency Services Fund | | 194 342 | 186 122 | 19 217 | 12 662 |
| Other revenues from SA Government | | 1 189 | - | 872 | - |
| Cash generated from SA Government | | 195 531 | 186 122 | 20 089 | 12 662 |
| Net cash provided by operating activities | 27 | 27 866 | 32 976 | 4 511 | 1 059 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | |
| CASH OUTFLOWS: | | | | | |
| Purchase of property, plant and equipment | | (30 776) | (31 083) | (1 008) | (346) |
| Purchase of investments | | (497) | (75) | - | - |
| Cash used in investing activities | | (31 273) | (31 158) | (1 008) | (346) |
| CASH INFLOWS: | | | | | |
| Proceeds from sale of property, plant and equipment | | 620 | 160 | 160 | - |
| Cash generated from investing activities | | 620 | 160 | 160 | - |
| Net cash used in investing activities | | (30 653) | (30 998) | (848) | (346) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (2 787) | 1 978 | 3 663 | 713 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 46 306 | 44 328 | 4 750 | 4 037 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 17 | 43 519 | 46 306 | 8 413 | 4 750 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment, objectives and funding arrangements

Establishment

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

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

The Act also defines the Emergency Services sector as consisting of the:

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

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

Objectives

SAFECOM has the following objectives:

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

Funding arrangements

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

2. Summary of significant accounting policies

(a) Statement of compliance

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

Except for AASB 2009-12, which SAFECOM has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by SAFECOM for the reporting period ending 30 June 2010. These are outlined in note 3.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SAFECOM's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in these financial statements:

(b) Basis of preparation (continued)

- (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. SAFECOM has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
- (b) expenses incurred as a result of engaging consultants, as reported in the Statement of Comprehensive Income
- (c) employee targeted 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, and
- (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The financial statement has been prepared based on a 12 month operating cycle and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented for the year ended 30 June 2009.

(c) Principles of consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by SAFECOM and forming the emergency services sector as at 30 June 2010 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(d) Reporting entity

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

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

(e) Transferred functions

The Public Sector Management (Abolition of Administrative Unit and Public Service Restructure) Proclamation 2009 (dated 1 September 2009) declared that:

- the taxation and financial services from Corporate Services transition to Shared Services SA during 2009-10. This transition was approved by Cabinet on 15 October 2009, refer note 33.

(f) Comparative information

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

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

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

(g) Rounding

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

(h) Taxation

SAFECOM is not subject to income tax. SAFECOM is liable for payroll tax, FBT and GST. Income, expenses and assets are recognised net of the amount of GST except:

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

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

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

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

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

(i) Events after the end of the reporting period

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

(j) Income

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

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

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when SAFECOM obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues

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

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Net gain on non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Any gain on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

Other income

Other income consists of assets received free of charge, donations received, group and brigade fundraising revenue and other minor revenues.

(k) Expenses

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

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

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by SAFECOM to the superannuation plan in respect of current services of current SAFECOM staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and amortisation of non-current assets

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

Assets residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

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

Land and non-current assets held for sale are not depreciated.

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

| <i>Asset class</i> | <i>Useful lives (years)</i> |
|--------------------------|-----------------------------|
| Communications equipment | 5-10 |
| Vehicles | 5-25 |
| Plant and equipment | 5-10 |
| Computer equipment | 5-10 |
| Buildings | 30-50 |
| Intangibles | 5 |

(l) Current and non-current classification

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

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

(m) Assets

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

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

The notes accompanying the financial statements disclose financial assets where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

Receivables

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

Other financial assets

SAFECOM measures other financial assets at cost. All assets in this category are either short or medium term cash deposits.

Non-current assets

Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of \$10 000 or greater are capitalised.

Revaluation of non-current assets

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

Revaluations are made in accordance with related policies whereby independent valuations are obtained and carrying amounts are adjusted accordingly. However if at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations surplus for that asset class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment

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

For revalued assets an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets

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

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

(n) Liabilities

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

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

The notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Payables

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of SAFECOM. Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

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

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

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

Employee benefits

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

Wages, salaries, annual leave and sick leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is recognised after an employee has completed 8.5 years (nine 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 shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with SAFECOM's experience of employee retention and leave taken.

Provisions

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

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

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

Operating leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a basis, which is representative of the pattern of benefits derived from the leased assets.

(o) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. New and revised accounting standards and policies

SAFECOM did not voluntarily change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which SAFECOM has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SAFECOM for the period ending 30 June 2010. SAFECOM has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SAFECOM.

4. Activities of SAFECOM

In achieving its objectives, SAFECOM provides strategic and corporate support services to the SACFS, SAMFS and SASES. These services are classified under one activity titled 'Fire and emergency services strategic and corporate support'.

5. Employee benefits

| | Consolidated | | SAFECOM | |
|----------------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Salaries and wages | 80 549 | 74 139 | 7 085 | 7 057 |
| Annual leave | 9 966 | 9 011 | 649 | 701 |
| Long service leave | 4 128 | 4 360 | 441 | 490 |
| Superannuation | 9 886 | 9 300 | 838 | 896 |
| Payroll tax | 5 105 | 4 761 | 429 | 434 |
| TVSPs refer below | 820 | - | 659 | - |
| Workers compensation costs | 7 927 | 3 015 | 178 | 90 |
| Other employee related expenses | 633 | 553 | 69 | 111 |
| Total employee benefits expenses | 119 014 | 105 139 | 10 348 | 9 779 |

TVSPs

Amounts paid to these employees:

| | | | | |
|---|-------|---|-------|---|
| TVSP | 820 | - | 659 | - |
| Annual leave and long service leave paid to 30 June | 325 | - | 290 | - |
| | 1 145 | - | 949 | - |
| Recovery from DTF | (820) | - | (659) | - |
| Net cost to agency | 325 | - | 290 | - |

| | Consolidated | | SAFECOM | |
|--|----------------|----------------|----------------|----------------|
| | 2010 Number | 2009 Number | 2010 Number | 2009 Number |
| Number of employees who received a TVSP to 30 June | 5 | - | 4 | - |

Employees remuneration

The table below includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was Consolidated \$35.253 million. (\$23.287 million) and SAFECOM \$3.943 million (\$3.05 million).

The number of employees whose remuneration received or receivable falls within the following bands:

| | Consolidated | | SAFECOM | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2010 Number | 2009 Number | 2010 Number | 2009 Number |
| \$100 000 - \$109 999 | 182 | 112 | 13 | 13 |
| \$110 000 - \$119 999 | 58 | 39 | 8 | 6 |
| \$120 000 - \$129 999 | 27 | 30 | 4 | 1 |
| \$130 000 - \$139 999 | 17 | 7 | - | 2 |
| \$140 000 - \$149 999 | 6 | 3 | - | - |
| \$150 000 - \$159 999 | 1 | 1 | - | - |
| \$160 000 - \$169 999 | 3 | 3 | 1 | 2 |
| \$170 000 - \$179 999 | 1 | - | - | - |
| \$180 000 - \$189 999 | 1 | 1 | 1 | - |
| \$200 000 - \$209 999 | 1 | 2 | - | - |
| \$210 000 - \$219 999 | 2 | - | 1 | - |
| \$240 000 - \$249 999 | - | 1 | - | - |
| \$260 000 - \$269 999 | 1 | - | - | - |
| \$270 000 - \$279 999 | - | 2 | - | 1 |
| \$280 000 - \$289 999 | 2 | - | 1 | - |
| \$330 000 - \$339 999 | 1 | - | - | - |
| \$340 000 - \$349 999 | 1 | - | 1 | - |
| Total | 304 | 201 | 30 | 25 |

6. Supplies and services

| | Consolidated | | SAFECOM | |
|---|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accommodation | 258 | 245 | - | - |
| Aerial support costs | 7 623 | 8 419 | - | - |
| Communication expenses | 2 617 | 2 250 | 355 | 178 |
| Computing costs | 2 955 | 2 247 | 929 | 535 |
| Consultancy, contractor and legal fees | 3 317 | 3 462 | 911 | 581 |
| Consumables | 3 354 | 3 364 | 137 | 140 |
| Energy | 1 121 | 1 087 | 20 | 21 |
| External auditor's remuneration | 148 | 149 | 85 | 88 |
| Minor plant and equipment | 3 450 | 3 685 | 35 | 18 |
| Operating lease costs | 5 197 | 4 733 | 741 | 703 |
| Operational costs | 1 341 | 1 125 | 28 | 39 |
| Repairs and maintenance | 8 113 | 8 241 | 134 | 280 |
| Shared Services SA | 1 341 | 841 | 1 341 | 841 |
| Travel and training | 2 849 | 3 770 | 303 | 338 |
| Uniforms and protective clothing | 3 083 | 2 823 | 15 | 10 |
| Other expenses | 8 195 | 4 030 | 2 333 | 275 |
| Total supplies and services - SA Government entities | 54 962 | 50 471 | 7 367 | 4 047 |

Consultancies

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands were:

| | Consolidated | | SAFECOM | |
|-------------------------------|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | Number | Number | Number | Number |
| Less than \$10 000 | 11 | 11 | 2 | 2 |
| \$10 000 - \$50 000 | 3 | 6 | 1 | 5 |
| Total number of consultancies | 14 | 17 | 3 | 7 |

| | Consolidated | | SAFECOM | |
|---|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Less than \$10 000 | 39 | 27 | 12 | 7 |
| \$10 000 - \$50 000 | 61 | 127 | 19 | 113 |
| Total amount paid/payable to consultants engaged | 100 | 154 | 31 | 120 |

External auditor's remuneration

Audit fees paid/payable to:

| | | | | |
|------------------------------|-----|-----|----|----|
| Auditor-General's Department | 148 | 149 | 85 | 88 |
| Total auditors' remuneration | 148 | 149 | 85 | 88 |

The auditors provided no other services.

Supplies and services provided by entities within the SA Government:

| | | | | |
|---|-------|-------|-------|-------|
| Accommodation | 213 | 184 | - | - |
| Aerial support costs | 107 | 69 | - | - |
| Communication expenses | 148 | 209 | 76 | 88 |
| Computing costs | 428 | 266 | 66 | 60 |
| Consultancy, contractor and legal fees | 381 | 465 | 204 | 159 |
| Consumables | 444 | 471 | 4 | 4 |
| Energy | 41 | 38 | 20 | 21 |
| External auditor's remuneration | 148 | 149 | 85 | 88 |
| Minor plant and equipment | 91 | 1 | - | - |
| Operating lease costs | 4 033 | 3 798 | 730 | 681 |
| Operational costs | 2 | 27 | - | - |
| Repairs and maintenance | 670 | 951 | 76 | 183 |
| Shared Services SA | 1 341 | 841 | 1 341 | 841 |
| Travel and training | 186 | 525 | 4 | 12 |
| Uniforms and protective clothing | 7 | - | - | - |
| Other expenses | 1 387 | 894 | 79 | 84 |
| Total supplies and services - SA Government entities | 9 627 | 8 888 | 2 685 | 2 221 |

7. Government Radio Network expenses

Costs associated with the provision of emergency communication services through the Government Radio Network, including voice and paging transmission, was formerly charged by Department for Transport, Energy and Infrastructure, ICT Branch. During 2009-10 the Attorney General's Department took over the management of this function and all charges are now paid to this Department.

| 7. Government Radio Network expenses (continued) | Consolidated | | SAFECOM | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Voice costs | 12 291 | 10 644 | - | - |
| Paging costs | 2 599 | 2 284 | - | - |
| Total Government Radio Network expenses - provided by entities within the SA Government | 14 890 | 12 928 | - | - |
| 8. Depreciation and amortisation expense | | | | |
| Depreciation: | | | | |
| Buildings | 5 310 | 4 989 | 9 | 8 |
| Vehicles | 10 883 | 9 044 | - | - |
| Computer | 319 | 340 | 132 | 119 |
| Plant | 900 | 860 | - | - |
| Communications | 3 353 | 3 223 | - | - |
| Total depreciation | 20 765 | 18 456 | 141 | 127 |
| Amortisation | | | | |
| Software | 423 | 338 | 109 | 29 |
| Total amortisation | 423 | 338 | 109 | 29 |
| Total depreciation and amortisation | 21 188 | 18 794 | 250 | 156 |

Changes in useful lives of assets

SAFECOM conducted an assessment of remaining useful lives of property, plant and equipment assets during the year. In accordance with AASB 108 resulting adjustments, if any, are applied prospectively in the current year. SAFECOM found no evidence of any requirement to change the remaining useful life of any asset.

Changes in depreciation due to revaluation

SAFECOM revalued selected items of property, plant and equipment at 30 June 2010. As a result of the revaluation being undertaken at the end of the reporting period, all depreciation amounts shown above are based upon pre-valuation values. Therefore there has been no impact on depreciation expense during the current reporting period.

| 9. Grant expense | Consolidated | | SAFECOM | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Grant expense | 2 018 | 2 115 | 1 692 | 1 784 |
| Total grant expense | 2 018 | 2 115 | 1 692 | 1 784 |

All grant expenses are provided to non-SA Government recipients.

| 10. Net gain (loss) from disposal of non-current assets | | | | |
|--|-------|-------|---|---|
| Land: | | | | |
| Proceeds from disposal | - | - | - | - |
| Net book value of assets disposed | - | (27) | - | - |
| Net gain (loss) from disposal | - | (27) | - | - |
| Buildings: | | | | |
| Proceeds from disposal | - | - | - | - |
| Net book value of assets disposed | - | (195) | - | - |
| Net gain (loss) from disposal | - | (195) | - | - |
| Vehicles: | | | | |
| Proceeds from disposal | 587 | 156 | - | - |
| Net book value of assets disposed | (647) | (188) | - | - |
| Net gain (loss) from disposal | (60) | (32) | - | - |
| Plant and equipment: | | | | |
| Proceeds from disposal | 33 | 4 | - | - |
| Net book value of assets disposed | (21) | (5) | - | - |
| Net gain (loss) from disposal | 12 | (1) | - | - |
| Total: | | | | |
| Proceeds from disposal | 620 | 160 | - | - |
| Net book value of assets disposed | (668) | (415) | - | - |
| Net gain (loss) from disposal | (48) | (255) | - | - |

| 11. Fees and charges | | | | |
|-------------------------------|-------|-------|-----|-----|
| Fire alarm attendance fees | 1 500 | 1 409 | - | - |
| Fire safety fees | 372 | 401 | - | - |
| Fire alarm monitoring fees | 1 583 | 1 472 | - | - |
| Incident cost recoveries | - | 1 106 | - | - |
| Training and other recoveries | 138 | 441 | - | - |
| Salary recoveries | 89 | 591 | 553 | 470 |
| Other recoveries | 25 | - | - | - |
| Total fees and charges | 3 707 | 5 420 | 553 | 470 |

| 11. Fees and charges (continued) | Consolidated | | SAFECOM | |
|---|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Fees and charges received/receivable from entities within the SA Government: | \$'000 | \$'000 | \$'000 | \$'000 |
| The following fees and charges (including the fees and charges revenues shown above) were received/receivable from entities within the SA Government: | | | | |
| Fire alarm attendance fees | 297 | 276 | - | - |
| Fire safety fees | 22 | 32 | - | - |
| Fire alarm monitoring fees | 145 | 139 | - | - |
| Training recoveries | 125 | 386 | - | - |
| Salary recoveries | 550 | 470 | 549 | 470 |
| Total fees and charges - SA Government entities | 1 139 | 1 303 | 549 | 470 |
| 12. Commonwealth revenues | | | | |
| Grants and contributions | 6 030 | 7 309 | 1 752 | 3 003 |
| Total Commonwealth revenues | 6 030 | 7 309 | 1 752 | 3 003 |

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

Contributions which have conditions of expenditure still to be met as at reporting date were \$6.238 million (\$5.788 million). These contributions relate to Natural Disaster Resilience Program, Natural Disaster Mitigation Program and Bushfire Mitigation Program.

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

| 13. Interest revenue | Consolidated | | SAFECOM | |
|--|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest on deposit accounts - from entities within the SA Government | 1 520 | 2 316 | 185 | 180 |
| Interest on deposit accounts - from entities external to the SA Government | 8 | 10 | - | - |
| Total interest revenue | 1 528 | 2 326 | 185 | 180 |
| 14. Resources received free of charge | | | | |
| Assets received free of charge | 190 | 1 716 | - | - |
| Total resources received free of charge | 190 | 1 716 | - | - |

Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from local government, community organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister). During 2009-10, two additional properties has been transitioned into the control of the Minister (valued at fair value of \$190 000).

| 15. Other income | Consolidated | | SAFECOM | |
|--|--------------|---------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Donations | 10 | 43 | - | - |
| Groups/brigades fundraising revenue | 273 | 217 | - | - |
| Rent received | 197 | 160 | - | - |
| Transfer of capital funding - GRN | 1 | - | 1 | - |
| Transfer of capital funding - IMS projects | - | - | 565 | - |
| Other | 1 032 | 1 056 | 68 | 90 |
| Total other income | 1 513 | 1 476 | 634 | 90 |
| Other income received/receivable from entities within the SA Government: | | | | |
| Rent received | 80 | - | - | - |
| Transfer of capital funding - IMS projects | - | - | 565 | - |
| Other | 232 | - | 10 | - |
| Total other income from SA Government | 312 | - | 575 | - |
| 16. Revenues from (payments to) SA Government | | | | |
| Contributions from Community Emergency Service Fund | 194 342 | 186 122 | 19 217 | 12 662 |
| Other revenues from SA Government | 1 189 | - | 872 | - |
| Total revenues from SA Government | 195 531 | 186 122 | 20 089 | 12 662 |

Total revenues from Government consists of \$172.617 million (\$156.485 million) for operational funding and \$22.914 million (\$29.637 million) for capital projects.

17. Cash and cash equivalents

| | Consolidated | | SAFECOM | |
|--|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Cash on hand | 19 | 16 | 2 | 2 |
| Deposits with the Treasurer | 39 084 | 41 565 | 8 411 | 4 748 |
| Cash at bank - non-SA Government | 735 | 837 | - | - |
| Cash at bank - non-SA Government groups/brigades | 3 434 | 3 389 | - | - |
| Short-term deposits - non-government groups and brigades/units | 247 | 499 | - | - |
| Total cash and cash equivalents | 43 519 | 46 306 | 8 413 | 4 750 |

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash and cash equivalents approximates fair value.

18. Receivables

| | Consolidated | | SAFECOM | |
|------------------------------|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables | 2 076 | 1 301 | 8 | 12 |
| Allowance for doubtful debts | (939) | (6) | - | - |
| | 1 137 | 1 295 | 8 | 12 |
| Accrued revenues | 954 | 949 | 499 | 475 |
| GST receivables | 2 292 | 2 710 | 708 | 794 |
| Total current receivables | 4 383 | 4 954 | 1 215 | 1 281 |

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

Receivables and associated 'Allowance for doubtful debts' includes amounts advanced by SAFECOM entities to its agent for construction of assets. Construction to an equivalent milestone completion stage has not occurred at 30 June 2010. Therefore, these amounts are liable to be repaid by the agent to SAFECOM entities. However, recoverability of these amounts is not certain, therefore an appropriate allowance for doubtful debt has been provided.

Receivables from SA Government entities:

| | Consolidated | | SAFECOM | |
|--|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables | 101 | 244 | 4 | 9 |
| Allowance for doubtful debts | - | - | - | - |
| | 101 | 244 | 4 | 9 |
| Accrued revenues | 691 | - | 499 | - |
| Total receivables - SA Government entities | 792 | 244 | 503 | 9 |

Movements in the allowance for doubtful debts (impairment loss)

| | | | | |
|----------------------------|-----|-----|---|---|
| Carrying amount at 1 July | 6 | 3 | - | - |
| Amounts written off | (6) | (4) | - | - |
| Increase in the allowance | 939 | 7 | - | - |
| Carrying amount at 30 June | 939 | 6 | - | - |

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired. An allowance for impairment loss has been recognised in 'Other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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

19. Other financial assets

| | Consolidated | | SAFECOM | |
|--|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Short term deposits | 228 | 170 | - | - |
| Medium term deposits - groups/brigades | 2 028 | 1 589 | - | - |
| Total other financial assets current | 2 256 | 1 759 | - | - |

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

20. Property held for sale

| | Consolidated | | SAFECOM | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Property held for sale | 2 090 | 1 500 | - | - |
| | <u>2 090</u> | <u>1 500</u> | <u>-</u> | <u>-</u> |

In June 2010, construction of a new co-sited emergency services facility in Port Lincoln was completed. As a result, a site previously obtained for development of South Australian Country Fire Service (CFS) facilities is surplus to requirements and is in the process of being offered for sale.

In April 2009, construction of a new fire station at Paradise was completed to replace the service previously provided by Glynde fire station. As a result of the new facility, the Glynde site is surplus to requirements and, at balance date, is in the process of being sold. Sale proceeds are due to be received in July 2010.

21. Non-current assets

| (a) Property, plant and equipment | Consolidated | | SAFECOM | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Land: | | | | |
| At valuation ⁽ⁱⁱ⁾ | 53 848 | 45 014 | - | - |
| At cost ⁽ⁱⁱ⁾ | - | 1 014 | - | - |
| Total land | <u>53 848</u> | <u>46 028</u> | <u>-</u> | <u>-</u> |
| Buildings: | | | | |
| At valuation ⁽ⁱⁱ⁾ | 120 176 | 125 165 | 305 | 305 |
| At cost ⁽ⁱⁱ⁾ | 16 642 | - | - | - |
| Accumulated depreciation | (5 310) | (4 989) | (9) | - |
| Total buildings | <u>131 508</u> | <u>120 176</u> | <u>296</u> | <u>305</u> |
| Vehicles: | | | | |
| At valuation ⁽ⁱⁱ⁾ | 108 041 | 117 671 | - | - |
| At cost (deemed fair value) ⁽ⁱ⁾ | 13 457 | - | - | - |
| Accumulated depreciation | (10 826) | (9 044) | - | - |
| Total vehicles | <u>110 672</u> | <u>108 627</u> | <u>-</u> | <u>-</u> |
| Communication equipment: | | | | |
| At valuation ⁽ⁱⁱ⁾ | 13 027 | 16 249 | - | - |
| At cost (deemed fair value) ⁽ⁱ⁾ | 2 341 | - | - | - |
| Accumulated depreciation | (3 353) | (3 223) | - | - |
| Total communication equipment | <u>12 015</u> | <u>13 026</u> | <u>-</u> | <u>-</u> |
| Computer equipment: | | | | |
| At valuation ⁽ⁱⁱ⁾ | 820 | 1 159 | 547 | 547 |
| At cost (deemed fair value) ⁽ⁱ⁾ | - | - | - | - |
| Accumulated depreciation | (319) | (340) | (132) | - |
| Total computer equipment | <u>501</u> | <u>819</u> | <u>415</u> | <u>547</u> |
| Plant and equipment: | | | | |
| At valuation ⁽ⁱⁱ⁾ | 4 576 | 5 461 | - | - |
| At cost (deemed fair value) ⁽ⁱ⁾ | 554 | - | - | - |
| Accumulated depreciation | (897) | (860) | - | - |
| Total plant and equipment | <u>4 233</u> | <u>4 601</u> | <u>-</u> | <u>-</u> |
| Capital work in progress: | | | | |
| At cost (deemed fair value) ⁽ⁱ⁾ | 14 733 | 16 980 | 563 | 76 |
| Accumulated depreciation | - | - | - | - |
| Total capital work in progress | <u>14 733</u> | <u>16 980</u> | <u>563</u> | <u>76</u> |
| Total property, plant and equipment | <u>327 510</u> | <u>310 257</u> | <u>1 274</u> | <u>928</u> |

Valuation of assets

- (i) At 30 June 2009, valuations were undertaken by a suitably qualified officer of SAFECOM. At 30 June 2010, management exercised its discretion and revalued land - values used were based upon desktop values obtained from Liquid Pacific Ltd. All assets have been valued on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2010.

(b) Movement reconciliation of property, plant and equipment 2010

| | Land \$'000 | Buildings \$'000 | Vehicles \$'000 | Communi- cations equipment \$'000 |
|--|----------------|---------------------|--------------------|--|
| Consolidated | | | | |
| Carrying amount at 1 July | 46 028 | 120 176 | 108 627 | 13 026 |
| Additions | 2 | - | - | 302 |
| Transfer to (from) capital work in progress | 150 | 16 642 | 13 574 | 2 040 |
| Depreciation | - | (5 310) | (10 882) | (3 353) |
| Gain on revaluation land reclassified for sale | 470 | - | - | - |
| Net revaluation increment | 8 158 | - | - | - |
| Assets received for nil consideration | 190 | - | - | - |
| Disposals | - | - | (647) | - |
| Non-current assets held for sale | (1 150) | - | - | - |
| Carrying amount at 30 June | <u>53 848</u> | <u>131 508</u> | <u>110 672</u> | <u>12 015</u> |

(b) Movement reconciliation of property, plant and equipment (continued)

| 2010 | Land \$'000 | Buildings \$'000 | Vehicles \$'000 | Communi- cations equipment \$'000 |
|--|---------------------------------|-------------------------------------|--|--|
| SAFECOM | | | | |
| Carrying amount at 1 July | - | 305 | - | - |
| Additions | - | - | - | - |
| Transfer to (from) capital work in progress | - | - | - | - |
| Depreciation | - | (9) | - | - |
| Carrying amount at 30 June | - | 296 | - | - |
| 2010 | Computer equipment \$'000 | Plant and equipment \$'000 | Capital work in progress \$'000 | Total \$'000 |
| Consolidated | | | | |
| Carrying amount at 1 July | 819 | 4 601 | 16 980 | 310 257 |
| Additions | 1 | 81 | 30 991 | 31 377 |
| Transfer to (from) capital work in progress | - | 472 | (33 238) | (360) |
| Depreciation | (319) | (900) | - | (20 764) |
| Gain on revaluation land reclassified for sale | - | - | - | 470 |
| Net revaluation increment | - | - | - | 8 158 |
| Assets received for nil consideration | - | - | - | 190 |
| Disposals | - | (21) | - | (668) |
| Non-current assets held for sale | - | - | - | (1 150) |
| Carrying amount at 30 June | 501 | 4 233 | 14 733 | 327 510 |
| SAFECOM | | | | |
| Carrying amount at 1 July | 547 | - | 76 | 928 |
| Additions | - | - | 848 | 848 |
| Transfer to (from) capital work in progress | - | - | (361) | (361) |
| Depreciation | (132) | - | - | (141) |
| Carrying amount at 30 June | 415 | - | 563 | 1 274 |
| 2009 | Land \$'000 | Buildings \$'000 | Vehicles \$'000 | Communi- cations equipment \$'000 |
| Consolidated | | | | |
| Carrying amount at 1 July | 42 702 | 105 257 | 90 977 | 12 884 |
| Additions | - | 11 | 17 | 18 |
| Transfer from work in progress | 3 585 | 8 979 | 16 242 | 3 332 |
| Depreciation | - | (4 989) | (9 044) | (3 223) |
| Net revaluation increment | 968 | 9 740 | 10 580 | 15 |
| Assets received for nil consideration | 300 | 1 373 | 43 | - |
| Disposals | (27) | (195) | (188) | - |
| Non-current asset held for sale | (1 500) | - | - | - |
| Carrying amount at 30 June | 46 028 | 120 176 | 108 627 | 13 026 |
| SAFECOM | | | | |
| Carrying amount at 1 July | - | 292 | - | - |
| Additions | - | - | - | - |
| Depreciation | - | (8) | - | - |
| Net revaluation increment | - | 21 | - | - |
| Carrying amount at 30 June | - | 305 | - | - |
| 2009 | Computer equipment \$'000 | Plant and equipment \$'000 | Capital work in progress \$'000 | Total \$'000 |
| Consolidated | | | | |
| Carrying amount at 1 July | 470 | 4 736 | 19 442 | 276 468 |
| Additions | - | 253 | 30 862 | 31 161 |
| Transfer from work in progress | 684 | 426 | (33 324) | (76) |
| Depreciation | (340) | (860) | - | (18 456) |
| Net revaluation increment | 5 | 51 | - | 21 359 |
| Assets received for nil consideration | - | - | - | 1 716 |
| Disposals | - | (5) | - | (415) |
| Non-current assets held for sale | - | - | - | (1 500) |
| Carrying amount at 30 June | 819 | 4 601 | 16 980 | 310 257 |
| SAFECOM | | | | |
| Carrying amount at 1 July | 95 | - | 298 | 685 |
| Additions | - | - | 346 | 346 |
| Depreciation | (119) | - | - | (127) |
| Net revaluation increment | 3 | - | - | 24 |
| Carrying amount at 30 June | 547 | - | 76 | 928 |

22. Intangibles

| | Consolidated | | SAFECOM | |
|---|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Computer software - externally generated: | \$'000 | \$'000 | \$'000 | \$'000 |
| At cost (deemed fair value) | 2 524 | 1 567 | 903 | 542 |
| Accumulated amortisation | (1 358) | (338) | (138) | (29) |
| Total computer software | 1 166 | 1 229 | 765 | 513 |
| Total intangible assets | 1 166 | 1 229 | 765 | 513 |

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight line basis with a total useful life of five years.

Impairment

There were no indications of impairment of intangible assets at reporting date.

Prior year classification

In prior years, the category of 'Computer software' was incorporated within the 'property, plant and equipment' category of the financial statements. Computer software has now been separately disclosed in its own category, as shown above. All comparative figures have been restated. The restatement of comparative figures also involved a minor immaterial correction of holding values.

| | Consolidated | | SAFECOM | |
|---|--------------|--------|---------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| Movement reconciliation of intangible assets: | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July | 1 229 | 1 567 | 513 | 542 |
| Amortisation expense | (423) | (338) | (109) | (29) |
| Transfers from capital works in progress | 360 | - | 361 | - |
| Carrying amount at 30 June | 1 166 | 1 229 | 765 | 513 |

23. Payables**Current liabilities:**

| | | | | |
|------------------------|--------|-------|-------|-----|
| Accruals | 3 597 | 1 789 | 645 | 277 |
| Creditors | 4 496 | 2 326 | 675 | 468 |
| FBT payable | 165 | 93 | 21 | 21 |
| Employee benefit | 2 467 | 1 976 | 229 | 200 |
| Total current payables | 10 725 | 6 184 | 1 570 | 966 |

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

Non-current liabilities:

| | | | | |
|----------------------------|--------|-------|-------|-------|
| Employment on-costs | 1 953 | 1 901 | 239 | 252 |
| Total non-current payables | 1 953 | 1 901 | 239 | 252 |
| Total payables | 12 678 | 8 085 | 1 809 | 1 218 |

Current payables to entities within SA Government**Payables to SA Government entities:**

| | | | | |
|---|-------|-------|-----|-----|
| Accruals | 1 880 | 1 409 | 211 | 238 |
| Creditors | 1 788 | 1 277 | 181 | 307 |
| FBT payable | - | - | 21 | - |
| Employment on-costs | 2 467 | 1 738 | 229 | 207 |
| Total current payables - SA Government entities | 6 135 | 4 424 | 643 | 752 |

Non-current payables to entities within the**SA Government:**

| | | | | |
|---|-------|-------|-----|-----|
| Employment on-costs | 1 953 | 1 901 | 239 | 252 |
| Total non-current payables to entities within SA Government | 1 953 | 1 901 | 239 | 252 |

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has remained unchanged at 45 percent for 2009-10 and the average factor for the calculation of employer superannuation cost on-cost has remained unchanged for 2009-10 at 10.5 percent. These rates are used in the employment on-cost calculation. There is therefore no effect on the calculation of employment on-costs.

Interest rate and credit risk

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

Maturity analysis of payables and categorisation of financial instruments and risk exposure information - refer note 32.

24. Employee benefits - current

| | Consolidated | | SAFECOM | |
|---------------------------------|---------------|---------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued salaries and wages | 2 056 | 1 892 | 256 | 221 |
| Annual leave | 8 844 | 8 605 | 760 | 821 |
| Long service leave | 2 177 | 2 007 | 274 | 273 |
| Total employee benefits current | <u>13 077</u> | <u>12 504</u> | <u>1 290</u> | <u>1 315</u> |

All employee benefit amounts, including long service leave are expected to be paid within 12 months after the reporting date.

Employee benefits - non-current:

| | | | | |
|-------------------------------------|---------------|---------------|--------------|--------------|
| Long service leave | <u>19 168</u> | <u>18 067</u> | <u>2 409</u> | <u>2 459</u> |
| Total employee benefits non-current | <u>19 168</u> | <u>18 067</u> | <u>2 409</u> | <u>2 459</u> |

Based on an actuarial assessment performed by DTF the benchmark for the measurement of the long service leave liability has been revised to eight years (8.5 years). The net financial effect of the changes in the current financial year is an increased in the long service leave liability of \$79 000 and an increase in employee benefit expense of \$79 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions - a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement. However, the impact on future periods is not expected to be materially different to the effect on the current period as shown above.

In addition, the actuarial assessment performed by DTF also advised a salary inflation rate of 4 percent (4 percent). This rate is used in the calculation of the relevant employee benefits provisions.

25. Provisions

| | Consolidated | | SAFECOM | |
|---|---------------|--------------|------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current: | | | | |
| Provisions for workers compensation | 2 546 | 2 419 | 100 | 104 |
| Total current provisions | <u>2 546</u> | <u>2 419</u> | <u>100</u> | <u>104</u> |
| Non-current: | | | | |
| Provision for workers compensation | 11 566 | 7 488 | 454 | 327 |
| Total non-current provisions | <u>11 566</u> | <u>7 488</u> | <u>454</u> | <u>327</u> |
| Movement: | | | | |
| Carrying amount at 1 July | 9 907 | 9 605 | 430 | 445 |
| Additional provisions recognised (released) | 7 937 | 2 984 | 177 | 38 |
| Reductions arising from payments | (3 732) | (2 682) | (53) | (53) |
| Carrying amount at 30 June | <u>14 112</u> | <u>9 907</u> | <u>554</u> | <u>430</u> |

SAFECOM has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC. These claims are expected to be settled within the next financial year.

26. Equity

Equity represents the residual interest in the net assets of SAFECOM. The State Government holds the equity interest in SAFECOM on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets. The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

| | Consolidated | | |
|--|---------------------------|-------------------|----------------|
| | Asset revaluation surplus | Retained earnings | Total |
| | \$'000 | \$'000 | \$'000 |
| 2010 | | | |
| Balance at 1 July | 65 454 | 251 988 | 317 442 |
| Net result for the financial year | - | (4 181) | (4 181) |
| Net gain on revaluation of land held reclassified for sale | 470 | - | 470 |
| Net gain on revaluation of property, plant and equipment: | | | |
| Land | 8 158 | - | 8 158 |
| Buildings | - | - | - |
| Vehicles | - | - | - |
| Communication equipment | - | - | - |
| Computer equipment | - | - | - |
| Plant and equipment | - | - | - |
| Net increment related to revaluation | <u>8 158</u> | <u>-</u> | <u>8 158</u> |
| Balance at 30 June | <u>74 082</u> | <u>247 807</u> | <u>321 889</u> |

26. Equity (continued)

| | SAFECOM | | |
|--|---|--------------------------------|-----------------|
| | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total \$'000 |
| 2010 | | | |
| Balance at 1 July | 24 | 2 025 | 2 049 |
| Net result for the financial year | - | 3 556 | 3 556 |
| Net gain (loss) on revaluation of land held for resale | - | - | - |
| Net gain (loss) on revaluation of property, plant and equipment: | | | |
| Land | - | - | - |
| Buildings | - | - | - |
| Vehicles | - | - | - |
| Communication equipment | - | - | - |
| Computer equipment | - | - | - |
| Plant and equipment | - | - | - |
| Net increment (decrement) related to revaluation | - | - | - |
| Balance at 30 June | 24 | 5 581 | 5 605 |

| | Consolidated | | |
|--|---|--------------------------------|-----------------|
| | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total \$'000 |
| 2009 | | | |
| Balance at 1 July | 44 095 | 237 321 | 281 416 |
| Net result for the financial year | - | 14 667 | 14 667 |
| Net gain (loss) on revaluation of property, plant and equipment: | | | |
| Land | 968 | - | 968 |
| Buildings | 9 740 | - | 9 740 |
| Vehicles | 10 580 | - | 10 580 |
| Communication equipment | 15 | - | 15 |
| Computer equipment | 5 | - | 5 |
| Plant and equipment | 51 | - | 51 |
| Net increment related to revaluation | 21 359 | - | 21 359 |
| Balance at 30 June | 65 454 | 251 988 | 317 442 |

| | SAFECOM | | |
|--|---|--------------------------------|-----------------|
| | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total \$'000 |
| Balance at 1 July | - | 1 386 | 1 386 |
| Net result for the financial year | - | 639 | 639 |
| Net gain (loss) on revaluation of land held for resale | - | - | - |
| Net gain (loss) on revaluation of property, plant and equipment: | | | |
| Land | - | - | - |
| Buildings | 21 | - | 21 |
| Vehicles | - | - | - |
| Communication equipment | - | - | - |
| Computer equipment | 3 | - | 3 |
| Plant and equipment | - | - | - |
| Net increment related to revaluation | 24 | - | 24 |
| Balance at 30 June | 24 | 2 025 | 2 049 |

27. Cash flow reconciliation

| | Consolidated | | SAFECOM | |
|--|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Reconciliation of cash and cash equivalents | | | | |
| Cash and cash equivalents at 30 June as per: | | | | |
| Statement of Financial Position | 43 519 | 46 306 | 8 413 | 4 750 |
| Statement of Cash Flows | 43 519 | 46 306 | 8 413 | 4 750 |

Reconciliation of net cash provided by operating activities to net cost of providing services

| | Consolidated | | SAFECOM | |
|--|------------------|------------------|-----------------|-----------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Net cash provided by operating activities | 27 866 | 32 976 | 4 511 | 1 059 |
| Cash flow from government | (195 531) | (186 122) | (20 089) | (12 662) |
| Payments to SA Government | - | - | 1- | - |
| Non-cash items: | | | | |
| Depreciation and amortisation | (21 188) | (18 794) | (250) | (156) |
| Assets received free of charge | 190 | 1 716 | - | - |
| Devaluation of land held for resale | (560) | - | - | - |
| Net loss from disposal of non-current assets | (48) | (255) | - | - |
| Changes in assets and liabilities: | | | | |
| (Decrease) Increase in receivables | (571) | 539 | (66) | 203 |
| (Increase) Decrease in payables | (3 991) | 1 569 | (591) | (225) |
| (Increase) Decrease in provision for employee benefits | (1 674) | (2 782) | 75 | (256) |
| (Increase) Decrease in other provisions | (4 205) | (302) | (123) | 14 |
| Net cost of providing services | <u>(199 712)</u> | <u>(171 455)</u> | <u>(16 533)</u> | <u>(12 023)</u> |

28. Unrecognised contractual commitments**Operating lease commitments**

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

| | Consolidated | | SAFECOM | |
|---|---------------|--------------|--------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 4 215 | 3 378 | 675 | 239 |
| Later than one year but not later than five years | 6 932 | 5 011 | 1 872 | 148 |
| Later than five years | - | 5 | - | - |
| Total operating lease commitments | <u>11 147</u> | <u>8 394</u> | <u>2 547</u> | <u>387</u> |

The above-mentioned operating lease payments are not recognised in the financial statements as liabilities. These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on consumer price index movement.

Capital commitments

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

| | Consolidated | | SAFECOM | |
|---------------------------|--------------|--------------|-----------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 3 628 | 4 203 | 98 | - |
| Total capital commitments | <u>3 628</u> | <u>4 203</u> | <u>98</u> | <u>-</u> |

These capital commitments are for property and vehicles.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at 30 June but not yet recognised as liabilities are payable as follows:

| | Consolidated | | SAFECOM | |
|---|--------------|--------------|--------------|--------------|
| | 2010 | 2009 | 2010 | 2009 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 1 730 | 2 309 | 650 | 890 |
| Later than one year but not later than five years | 1 969 | 3 735 | 1 320 | 1 997 |
| Total remuneration commitments | <u>3 699</u> | <u>6 044</u> | <u>1 970</u> | <u>2 887</u> |

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

Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Other commitments

The total value of other commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

| | Consolidated | | SAFECOM | |
|---|----------------|----------------|----------------|----------------|
| | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Within one year | 6 072 | 6 599 | 87 | 80 |
| Later than one year but not later than five years | 833 | 5 209 | 6 | 154 |
| Later than five years | - | 30 | - | 30 |
| Total other commitments | 6 905 | 11 838 | 93 | 264 |

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

29. Contingent assets and liabilities*Contingent assets*

SAFECOM is not aware of any contingent assets.

SAFECOM Consolidated has a contingent asset for the South Australian Metropolitan Fire Service of \$15 000 and the South Australian State Emergency Service of \$240 000.

Contingent liabilities

SAFECOM is not aware of any contingent liabilities.

SAFECOM Consolidated has several contingent liabilities in the form of unresolved litigation, however the outcome cannot be reliably determined at this stage. In each case the financial exposure to SAFECOM is limited to a \$10 000 excess under insurance arrangements.

At 30 June 2010, two SAFECOM entities have incurred certain expenditure in relation to capital works construction projects. This expenditure has been incurred either directly or through a contracted construction management company. Some of this expenditure is either the subject of dispute between the SAFECOM entity and its contracted agent or is still to be verified. SAFECOM believes that it has directly recognised in the Statement of Financial Position and Statement of Comprehensive Income all material amounts of such expenditure.

However, and further to the above, CFS are seeking legal advice in relation to its obligations for payments to sub-contractors, as a result of non-payment by the contracted construction management company. The legal exposure to liability and the exact amount of this exposure, is unable to be determined at this point in time although the amount does not exceed \$460 000. In accordance with AASs, this amount has therefore not been recognised as a liability in the Statement of Financial Position, but rather disclosed as a contingent liability.

30. Remuneration of board members

Members that were entitled to receive remuneration for membership during the 2009-10 financial year were:

South Australian Fire and Emergency Services Commission Board (refer section 10 of the Act)

| | | |
|-----------------------|---------------------|--------------------|
| Ms Anne Alford* | Mr Andrew Lawson* | Mr David Place* |
| Ms Susan Caracoussis* | Mr Barry Luke | Mr Kenneth Schultz |
| Ms Debra Contala* | Mr Grant Lupton* | Mr Joe Szakacs* |
| Ms Moira Deslandes | Mr Stuart Macleod* | Mr Michael Smith* |
| Mr Euan Ferguson* | Mr Matthew Maywald* | Mr Wayne Thorley |
| Ms Virginia Hickey | Mr David Norton* | Mr David Ward |

South Australian Fire and Emergency Services Commission Advisory Board

| | | |
|------------------|---------------------|------------------------|
| Mr Trevor Bond | Ms Lynette Little | Ms Margaret Turner |
| Mr James Darling | Ms Julie Lovett | Mr Glen Willson |
| Mr Roger Dowling | Ms Shiralee Reardon | Ms Stefanie Zakrzewski |
| Ms Doreen Erwin | Ms Sue Regnier | |
| Mr Rex Hall | Mr David Scarce | |

South Australian Bushfire Prevention Advisory Committee

| | | |
|-----------------------|---------------------|----------------------|
| Mr Glenn Benham | Ms Heather l'Anson | Mr Trevor Roocke |
| Mr Geoff Boerth | Ms Meredith Jenner* | Ms Jasemin Rose |
| Ms Nancy Bombardieri* | Mr Andrew Lawson* | Mr Greg Saunder |
| Mr Ivan Brooks | Ms Suellen Lefebvre | Mr Ken Schultz |
| Ms Sandra Brown | Mr John Lyon | Mr Chris Smith* |
| Mr Peter Davis | Mr William McIntosh | Mr Richard Twisk |
| Mr Chris Dearman* | Ms Sue Mickan | Mr Andrew Watson |
| Mr Paul Dellaverde* | Mr Leigh Miller* | Mr Michael Williams* |
| Ms Doreen Erwin | Mr John Nairn | Mr Shane Wiseman* |
| Mr Euan Ferguson* | Ms Julie Mould | |
| Mr Paul Fletcher* | Mr Islay Robinson* | |

State Bushfire Coordination Committee

| | | |
|----------------------|------------------------|---------------------|
| Mr Glenn Benham | Mr David Kemp | Mr Stephen Pascale |
| Ms Jane Charles | Mr Jeffrey Klitscher | Ms Penelope Paton |
| Mr Franco Crisci | Ms Meredith Jenner | Ms Sylvia Rapo |
| Ms Anne De Piaz | Ms Suellen Lefebvre | Mr Chris Reed |
| Ms Jennifer Dickiins | Ms Jennifer Lillecrapp | Mr David Robertson |
| Ms Fiona Dunstan | Ms Vicki Linton | Ms Vicky Russell |
| Ms Kylie Egan | Ms Lisien Loan | Mr Kenneth Schutz |
| Mr Bryan Fahy | Ms Suzanne Mickan | Ms Katie Taylor |
| Ms Susan Filby | Mr Timothy Milne | Ms Carol Vincent |
| Mr Paul Fletcher | Mr William McIntosh | Mr Andrew Watson |
| Mr Andrew Grear | Mr David Murray | Mr Michael Williams |
| Mr Ali Kahn | Mr John Nairn | Mr Peter White |

South Australian Metropolitan Fire Service Disciplinary Committee

| | |
|------------------|--------------------------|
| Mr Graham Dart | Mr Brendan West* |
| Mr Roy Thompson* | Mr Michael Vander-Jeugd* |

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

| | | |
|------------------------|---------------------|------------------|
| Mr Tony Boys* | Mr Andrew Lawson* | Mr Roy Thompson* |
| Ms Cathie Brown* | Mr Matthew Maywald* | Mr David Ward |
| Ms Debra Contala* | Mr Ray Sedunary* | |
| Ms Heather Haselgrove* | Mr Michael Smith* | |

* Denotes \$nil remuneration.

| The number of members whose remuneration received or receivable falls within the following bands was: | Consolidated | | SAFECOM | |
|---|----------------|----------------|----------------|----------------|
| | 2010 Number | 2009 Number | 2010 Number | 2009 Number |
| \$nil | 79 | 40 | 30 | 59 |
| \$1 - \$9 999 | 11 | 36 | 7 | 14 |
| \$10 000 - \$19 999 | 4 | - | 4 | - |
| \$20 000 - \$29 999 | 2 | 5 | 2 | 3 |
| Total | <u>96</u> | <u>81</u> | <u>43</u> | <u>76</u> |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, FBT and salary sacrifice arrangements. The total remuneration received or receivable by members was \$100 000 (\$100 000).

In accordance with DPC Circular 16, government employees did not receive any remuneration for board/committee duties during the financial year.

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

For the purposes of this table, travel allowances and other reimbursable expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

31. Events subsequent to reporting date

On 24 September 2010, advice was received that a number of 2009-10 invoices relating to the CFS/SES Port Lincoln Building Project had not been paid due to an unresolved dispute. CFS/SES have conducted an initial investigation into the matter and believes that a reliable estimate of the outstanding liability at 30 June 2010 is \$602 000. This amount has been included in the revised financial statements. A forensic contract administrator and quantity surveyor has been engaged to conduct an independent analysis of the outstanding amounts and related works prior to negotiating final settlement.

In October 2010, it was discovered that incorrect payments had been processed during the 2009-10 financial year for various building projects. It is estimated that \$1.289 million had been overpaid as at 30 June 2010, although \$356 000 can now be regarded as a prepayment due to that portion of works having since been completed. The overpayments are the focus of an independent review by the Government Investigation Unit and Justice Internal Audit. CFS/SES are seeking recovery of the residual overpayment of \$933 000, however this amount has been recognised, in full, in the revised consolidated financial statements as an allowance for doubtful debts.

However, and further to the above, CFS are seeking legal advice in relation to its obligations for payments to subcontractors, as a result of non-payment by the contracted construction management company. The legal exposure to liability and the exact amount of this exposure is unable to be determined at this point in time although the amount does not exceed \$460 000. In accordance with AASs, this amount has therefore not been recognised as a liability in the Statement of Financial Position, but rather disclosed as a contingent liability.

32. Financial instruments/financial risk management**32.1 Categorisation of financial instruments**

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

| Consolidated | Note | 2010 | | 2009 | |
|----------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets: | | | | | |
| Cash and cash equivalents | 17 | 43 519 | 43 519 | 46 306 | 46 306 |
| Receivables ⁽¹⁾ | 18 | 1 299 | 1 299 | 1 777 | 1 777 |
| Other financial assets | 19 | 2 256 | 2 256 | 1 759 | 1 759 |
| Financial liabilities: | | | | | |
| Payables ⁽¹⁾ | 23 | 6 378 | 6 378 | 5 546 | 5 546 |

SAFECOM

| | | | | | |
|----------------------------|----|-------|-------|-------|-------|
| Financial assets: | | | | | |
| Cash and cash equivalents | 17 | 8 413 | 8 413 | 4 750 | 4 750 |
| Receivables ⁽¹⁾ | 18 | 4 | 4 | 20 | 20 |
| Other financial assets | 19 | - | - | - | - |
| Financial liabilities: | | | | | |
| Payables ⁽¹⁾ | 23 | 1 108 | 1 108 | 783 | 783 |

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

Fair Value

SAFECOM does not recognise any financial assets or financial liabilities at fair value (refer to note 2 and notes relevant to financial assets and financial liabilities.)

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently SAFECOM does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 18 for information on the allowance for impairment in relation to receivables.

32.2 Ageing analysis of financial assets

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

| Consolidated | Current not overdue \$'000 | Past due by | | | Total \$'000 |
|---------------------|----------------------------------|---|--|---|-----------------|
| | | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | |
| 2010 | | | | | |
| Not impaired: | | | | | |
| Receivables | 1 102 | 92 | 24 | 81 | 943 |
| Financial assets | 2 256 | - | - | - | 2 256 |
| Impaired: | | | | | |
| Receivables | 939 | - | - | - | 939 |
| Financial assets | - | - | - | - | - |
| 2009 | | | | | |
| Not impaired: | | | | | |
| Receivables | 610 | 972 | 79 | 116 | 1 777 |
| Financial assets | 1 759 | - | - | - | 1 759 |
| Impaired: | | | | | |
| Receivables | 3 | - | - | - | 3 |
| Financial assets | - | - | - | - | - |

32.2 Ageing analysis of financial assets (continued)

| SAFECOM | Current not overdue \$'000 | Past due by | | | Total \$'000 |
|------------------|----------------------------------|---|--|---|-----------------|
| | | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | |
| 2010 | | | | | |
| Not impaired: | | | | | |
| Receivables | 4 | - | - | - | 4 |
| Financial assets | - | - | - | - | - |
| Impaired: | | | | | |
| Receivables | - | - | - | - | - |
| Financial assets | - | - | - | - | - |
| 2009 | | | | | |
| Not impaired: | | | | | |
| Receivables | - | 18 | 86 | 2 | 106 |
| Financial assets | - | - | - | - | - |
| Impaired: | | | | | |
| Receivables | - | - | - | - | - |
| Financial assets | - | - | - | - | - |

32.3 Maturity analysis of financial assets and liabilities

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

Consolidated

| | Contractual maturity | | |
|-----------------------------|------------------------------|-------------------------------|---------------------|
| | Carrying amount \$'000 | Less than 1 year \$'000 | 1-5 years \$'000 |
| 2010 | | | |
| Financial assets: | | | |
| Cash and cash equivalent | 43 519 | 43 519 | - |
| Receivables | 1 299 | 1 299 | - |
| Other financial assets | 2 256 | 2 256 | - |
| Total financial assets | 47 074 | 47 074 | - |
| Financial liabilities: | | | |
| Payables | 6 378 | 6 378 | - |
| Total financial liabilities | 5 776 | 5 776 | - |
| 2009 | | | |
| Financial assets: | | | |
| Cash and cash equivalent | 46 306 | 46 306 | - |
| Receivables | 1 777 | 1 777 | - |
| Other financial assets | 1 759 | 1 759 | - |
| Total financial assets | 49 842 | 49 842 | - |
| Financial liabilities: | | | |
| Payables | 5 546 | 5 546 | - |
| Total financial liabilities | 5 546 | 5 546 | - |
| SAFECOM | | | |
| 2010 | | | |
| Financial assets: | | | |
| Cash and cash equivalent | 8 413 | 8 413 | - |
| Receivables | 4 | 4 | - |
| Total financial assets | 8 417 | 8 417 | - |
| Financial liabilities: | | | |
| Payables | 1 108 | 1 108 | - |
| Total financial liabilities | 1 108 | 1 108 | - |
| 2009 | | | |
| Financial assets: | | | |
| Cash and cash equivalent | 4 750 | 4 750 | - |
| Receivables | 20 | 20 | - |
| Total financial assets | 4 770 | 4 762 | - |
| Financial liabilities: | | | |
| Payables | 783 | 783 | - |
| Total financial liabilities | 783 | 783 | - |

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

Liquidity risk

Liquidity risk arises where SAFECOM is unable to meet its financial obligations as they are due to be settled. SAFECOM is funded principally from contributions from the Community Emergency Services Fund. The SAFECOM Group and SAFECOM Entity works with the Fund Manager of the Community Emergency Services Fund to determine cash flows associated with its government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. SAFECOM settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 32.1 'Categorisation of financial instruments' represent SAFECOM's maximum exposure to financial liabilities.

Market risk

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

Sensitivity disclosure analysis

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

33. Transferred functions*Transferred Out*

In September 2006 the SA Government announced a shared services initiative to streamline and simplify internal corporate and business support services to deliver savings. In late 2007, State Cabinet approved the shared services model developed by the Shared Services Reform Office for the creation of Shared Services SA in DTF.

The business services of SA Government agencies are transferring to Shared Services SA in a series of transition programs known as tranches. In most cases, these services transition in their current state with the current employees, who have been providing these services within the agencies. Cabinet approved Tranche 2 (group 2) services on 15 October 2009, which comprised of certain financial and taxation services. The effective date of the transfer is 19 October 2009.

As part of Tranche 2, two employees of the Corporate Services Division, budget funding of \$129 000 and the following assets and liabilities were transferred to Shared Services SA.

| | Consolidated \$'000 |
|-------------------------------|------------------------|
| Assets: | |
| Cash | 102 |
| Receivables | - |
| Property, plant and equipment | - |
| Other assets | - |
| Total assets | - |
| | <hr/> |
| | 102 |
| Liabilities: | |
| Payables | 10 |
| Employee benefits expense | 92 |
| Provisions | - |
| Other liabilities | - |
| Total liabilities | - |
| | <hr/> |
| | 102 |
| Total net assets transferred | <hr/> <hr/> |
| | - |

Net assets transferred by SAFECOM as a result of the administrative restructure were at the carrying amount. The net assets transferred were treated as a distribution to the Government as owner.

**Statement of Administered Comprehensive Income
for the year ended 30 June 2010**

| | Note | 2010 \$'000 | 2009 \$'000 |
|--|------|----------------|----------------|
| EXPENSES: | | | |
| Payments to SA Government administrative units | 3 | 216 871 | 210 624 |
| Grants expense | 4 | 2 001 | 2 111 |
| Other expenses | 5 | 6 742 | 6 581 |
| Total expenses | | 225 614 | 219 316 |
| INCOME: | | | |
| Revenues from levy sources | 6 | 217 722 | 217 411 |
| Fees and charges | 7 | 292 | 367 |
| Interest revenues | 8 | 1 887 | 2 228 |
| Total income | | 219 901 | 220 006 |
| NET RESULT | | (5 713) | 690 |
| TOTAL COMPREHENSIVE RESULT | | (5 713) | 690 |

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

**Statement of Administered Financial Position
as at 30 June 2010**

| | Note | 2010 \$'000 | 2009 \$'000 |
|----------------------------------|------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 9 | 5 745 | 7 456 |
| Receivables | 10 | 4 599 | 3 113 |
| Total current assets | | 10 344 | 10 569 |
| CURRENT LIABILITIES: | | | |
| Payables | 11 | 9 004 | 3 516 |
| Total current liabilities | | 9 004 | 3 516 |
| NET ASSETS | | 1 340 | 7 053 |
| EQUITY: | | | |
| Retained earnings | 12 | 1 340 | 7 053 |
| TOTAL EQUITY | | 1 340 | 7 053 |

Total equity is attributable to the SA Government as owner

| | |
|-------------------------|----|
| Expenditure commitments | 14 |
| Contingent liabilities | 15 |

Statement of Administered Changes in Equity for the year ended 30 June 2010

| | Note | Retained earnings \$'000 | Total \$'000 |
|--|------|--------------------------------|-----------------|
| Balance at 1 July 2008 | 12 | 6 363 | 6 363 |
| Total comprehensive result for 2008-09 | 12 | 690 | 690 |
| Balance at 30 June 2009 | 12 | 7 053 | 7 053 |
| Total comprehensive result for 2009-10 | | (5 713) | (5 713) |
| Balance at 30 June 2010 | 12 | 1 340 | 1 340 |

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

Statement of Administered Cash Flows for the year ended 30 June 2010

| | Note | 2010 Inflows (Outflows) \$'000 | 2009 Inflows (Outflows) \$'000 |
|---|------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Payments to SA Government administrative units | | (211 383) | (208 124) |
| Grant expense | | (2 014) | (2 111) |
| Other payments | | (6 742) | (5 620) |
| Cash used in operations | | (220 126) | (215 855) |
| Net cash (used in) provided by operating activities | 13 | (1 711) | 4 656 |
| CASH INFLOWS: | | | |
| Revenue from levy sources | | 216 296 | 217 813 |
| Fees and charges | | 292 | 367 |
| Interest received | | 1 827 | 2 331 |
| Cash generated from operations | | 218 415 | 220 511 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (1 711) | 4 656 |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 7 456 | 2 800 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 9 | 5 745 | 7 456 |

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

1. Establishment, objectives and funding arrangements

Establishment

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

Objectives

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

Funding arrangements

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

2. Summary of significant accounting policies

In general, the CESF adopts the accounting policies of SAFECOM, as detailed in note 2 to SAFECOM's Financial Statements. Deviations from these policies are as follows:

Payment to SA Government administrative units

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

| | | |
|--|---------|---------|
| 3. Payments to SA Government administrative units | 2010 | 2009 |
| | \$'000 | \$'000 |
| SAFECOM | 19 217 | 12 662 |
| SA State Emergency Service | 12 887 | 12 035 |
| SA Country Fire Service | 64 516 | 61 515 |
| SA Metropolitan Fire Service | 97 722 | 99 910 |
| SA Police | 17 731 | 17 299 |
| SA Police - GRN | 687 | 687 |
| Attorney-General's Department - State Helicopter Rescue | 564 | 550 |
| Attorney-General's Department - South Australian Computer Aided Despatch | - | 2 500 |
| SA Ambulance Service | 952 | 929 |
| SA Ambulance Service - GRN | 209 | 209 |
| Department for Environment and Heritage | 2 386 | 2 328 |
| Total payments to SA Government administrative units | 216 871 | 210 624 |
| 4. Grant expense | | |
| Surf Life Saving SA Inc | 845 | 532 |
| SA Volunteer Marine Rescue Inc | 769 | 1 219 |
| SA Shark Beach Patrol | 387 | 360 |
| Total expense | 2 001 | 2 111 |
| 5. Other expenses | | |
| RevenueSA collection costs | 5 493 | 5 348 |
| Department for Transport, Energy and Infrastructure collection costs | 726 | 723 |
| Administration costs | 523 | 510 |
| Total other expenses | 6 742 | 6 581 |
| 6. Revenue from levy sources | | |
| Fixed property collections | 89 848 | 86 702 |
| Fixed property remissions | 81 042 | 84 047 |
| Mobile collections | 30 012 | 30 081 |
| Mobile remissions | 10 625 | 10 526 |
| Pensioner remissions | 6 195 | 6 055 |
| Total revenue from levy sources | 217 722 | 217 411 |
| 7. Fees and charges | | |
| Certificate sales and other | 292 | 367 |
| Total fees and charges | 292 | 367 |
| 8. Interest revenue | | |
| Interest on deposit accounts - from entities within the SA Government | 1 887 | 165 |
| Interest on deposit accounts - from entities external to the SA Government | - | 2 063 |
| Total interest revenue | 1 887 | 2 228 |
| 9. Cash and cash equivalents | | |
| Deposits with the Treasurer | 5 745 | 7 456 |
| Total cash and cash equivalents | 5 745 | 7 456 |
| Interest rate risk | | |
| Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents approximates fair value. | | |
| 10. Receivables | 2010 | 2009 |
| Current: | \$'000 | \$'000 |
| Receivables | 4 599 | 3 113 |
| Total current receivables | 4 599 | 3 113 |

All receivable amounts disclosed are expected to be recovered within 12 months after reporting date.

Receivables from entities with the SA Government:

The following receivables (included in the receivables shown above) were receivables from entities within SA Government.

| | | |
|--|-------|-------|
| Receivables | 4 599 | 3 113 |
| Total receivables - SA Government entities | 4 599 | 3 113 |

Interest rate and credit risk:

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

| | | | |
|---------------------|--|--------------|--------------|
| 11. Payables | | 2010 | 2009 |
| | | \$'000 | \$'000 |
| Accruals | | 9 004 | 1 016 |
| Creditors | | - | 2 500 |
| Total payables | | <u>9 004</u> | <u>3 516</u> |

All payable amounts disclosed are expected to be paid within 12 months after the reporting date.

12. Equity

Equity represents the residual interest in the net assets of the SACESF. The State Government holds the equity interest in the SACESF on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.

| | | | |
|-----------------------------------|--|-------------------|--------------|
| 2010 | | Retained earnings | Total |
| | | \$'000 | \$'000 |
| Balance at 1 July | | 7 053 | 7 053 |
| Net result for the financial year | | (5 713) | (5 713) |
| Balance at 30 June | | <u>1 340</u> | <u>1 340</u> |
| 2009 | | | |
| Balance at 1 July | | 6 363 | 6 363 |
| Net result for the financial year | | 690 | 690 |
| Balance at 30 June | | <u>7 053</u> | <u>7 053</u> |

13. Cash flow reconciliation - administered items**Reconciliation of cash and cash equivalents**

Cash and cash equivalents at 30 June as per:

Statement of Administered Financial Position

Statement of Administered Cash Flows

| | | |
|--|--------------|--------------|
| | 2010 | 2009 |
| | \$'000 | \$'000 |
| | 5 745 | 7 456 |
| | <u>5 745</u> | <u>7 456</u> |

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

Net cash (used in) provided by operating activities

Changes in assets/liabilities:

Increase (Decrease) in receivables

Increase in payables

Net cost of providing services

| | | |
|--|----------------|----------------|
| | (1 711) | 4 656 |
| | 1 486 | (505) |
| | <u>(5 488)</u> | <u>(3 461)</u> |
| | <u>(5 713)</u> | <u>690</u> |

14. Expenditure commitments

CESF has no expenditure commitments at 30 June 2010.

15. Contingent liabilities**Contingent assets**

CESF is not aware of any contingent assets.

Contingent liabilities

CESF is not aware of any contingent liabilities.

16. Events subsequent to reporting date

There are no known events after balance date that affect these financial statements in a material manner.

17. Financial instruments/Financial risk management**Categorisation of financial instruments**

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

| Statement of Financial Position line item | Note | 2010 | | 2009 | |
|--|------|---------------------------|----------------------|---------------------------|-----------------------|
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'0000 |
| Financial assets: | | | | | |
| Cash and cash equivalents | 9 | 5 745 | 5 745 | 7 456 | 7 456 |
| Receivables | 10 | 4 599 | 4 599 | 3 113 | 3 113 |
| Financial liabilities: | | | | | |
| Payables | 11 | 9 004 | 9 004 | 3 516 | 3 516 |

Categorisation of financial instruments (continued)

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in credit rating. Currently the department does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

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

| Financial assets item | Current not overdue \$'000 | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | Total \$'000 |
|------------------------------|----------------------------------|--|---|--|-----------------|
| 2010 | | | | | |
| Not impaired: | | | | | |
| Receivables | 4 599 | - | - | - | 4 599 |
| Impaired: | | | | | |
| Receivables | - | - | - | - | - |
| Financial assets | - | - | - | - | - |
| 2009 | | | | | |
| Not impaired: | | | | | |
| Receivables | 3 113 | - | - | - | 3 113 |
| Impaired: | | | | | |
| Receivables | - | - | - | - | - |
| Financial assets | - | - | - | - | - |

Maturity analysis of financial assets and liabilities

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

Financial statements item

| | Contractual maturities | | |
|-----------------------------|-------------------------------|---------------------|------------------------------|
| | Less than 1 year \$'000 | 1-5 years \$'000 | Carrying amount \$'000 |
| 2010 | | | |
| Financial assets: | | | |
| Cash and cash equivalents | 5 745 | - | 5 745 |
| Receivables | 4 599 | - | 4 599 |
| Total financial assets | 10 344 | - | 10 344 |
| Financial liabilities: | | | |
| Payables | 9 004 | - | 9 004 |
| Borrowings | - | - | - |
| Other financial liabilities | - | - | - |
| Total financial liabilities | 9 004 | - | 9 004 |
| 2009 | | | |
| Financial assets: | | | |
| Cash and cash equivalents | 7 456 | - | 7 456 |
| Receivables | 3 113 | - | 3 113 |
| Total financial assets | 10 569 | - | 10 569 |
| Financial liabilities: | | | |
| Payables | 3 516 | - | 3 516 |
| Other financial liabilities | - | - | - |
| Total financial liabilities | 3 516 | - | 3 516 |

The financial assets and liabilities of SACESF are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity band years.

Liquidity risk

The SACESF is funded principally from contributions from the Community Emergency Services Fund. The SACESF works with the Fund Manager of the Community Emergency Services Fund to determine cash flows associated with its Government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

SACESF'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 17.1 'Categorisation of financial instruments' represent SACESF's maximum exposure to financial liabilities.

Market risk

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

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

18. Board/committee members

CESF does not have any board/committee members.

SOUTH AUSTRALIAN STATE EMERGENCY SERVICE

FUNCTIONAL RESPONSIBILITY

Establishment

The Fire and Emergency Services Act 2005 (FES Act) provides for the South Australian State Emergency Service (SASES) as a body corporate and also establishes the South Australian Fire and Emergency Services Commission (SAFECOM). The SASES and SAFECOM are responsible to the Minister for Emergency Services.

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

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

On 1 November 2009 amendments to the FES Act came into effect which included the functions and powers of SAFECOM.

SAFECOM is responsible for establishing and promoting the strategic direction and policy for the emergency services sector and enabling agencies to work towards that strategic direction.

Functions and funding

The primary function of the SASES is to provide emergency services to the State of South Australia and work towards a safe and prepared community.

SAFECOM provides various services in support of the SASES's primary functions, including financial management and accounting services. Also the operations of the SASES are financed by the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

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

Transferred functions

As part of the Government's shared services initiative, the financial services function including the preparation of agency financial statements was transferred from SAFECOM to Shared Services SA during the year. Accounts payable, accounts receivable and payroll services transitioned from SAFECOM to Shared Services SA during 2008-09.

REISSUE OF 2009-10 FINANCIAL STATEMENTS

Financial statements for the SASES for the year ended 30 June 2010 were included in my Annual Report which was tabled in Parliament on 30 September 2010.

On 5 October 2010, SAFECOM advised Audit that investigations had identified events subsequent to reporting date and other matters that, after management consideration, required amendments to previously published financial statements for the SASES for the year ended 30 June 2010. A summary of these matters is included in this Report under the title 'Emergency Services'.

Updated audit opinions, audit commentaries and reissued financial statements for the year ended 30 June 2010 follow.

Effects on financial statements

The effects on the financial statements published in my Annual Report to Parliament tabled on 30 September 2010 for these events subsequent to reporting date are:

- a \$289 000 increase in property, plant and equipment (work in progress) for amounts associated with the Port Lincoln building project that have not been paid due to an unresolved dispute (refer note 19)
- a \$289 000 increase in current liabilities (payables) for amounts associated with the Port Lincoln building project that have not been paid due to an unresolved dispute (refer note 21)

- a \$155 000 decrease in property, plant and equipment (work in progress) for advance/incorrect payments where building works were not undertaken (refer note 19)
- a \$155 000 increase in supplies and services expense (other expenses) for advance/incorrect payments where building works were not undertaken (refer note 6)
- a \$155 000 increase in current receivables for advance/incorrect payments where building works were not undertaken and the SASES is seeking recovery of the overpayment (refer note 17)
- a \$155 000 increase in the provision for doubtful debts for advance/incorrect payments where building works were not undertaken and the SASES is seeking recovery of the overpayment (refer note 17)
- a \$155 000 decrease in net result, total comprehensive result and retained earnings as a result of the increase in supplies and services expense
- a \$155 000 increase in cash flows from operating activities for supplies and services payments and a decrease of \$155 000 in cash flows from investing activities for purchase of property, plant and equipment (refer to the Statement of Cash Flows).

The net effect of these adjustments on the financial statements is summarised under the heading 'Auditor's report on the financial statements' later in this section of this Report.

Amendments and additional disclosures were also made to note 17 'Receivables', note 27 'Contingent assets and liabilities' and note 28 'Events subsequent to reporting date'. These notes explain the effects of events occurring in September 2010 and October 2010 that led to the amendment and reissuing of the 2009-10 financial statements for the SASES.

AUDIT MANDATE AND COVERAGE

Audit authority

Audit of the financial statements

Subsection 31(1)(b) of the PFAA and subsection 120(2) of the FES Act provide for the Auditor-General to audit the accounts of the SASES for each financial year.

Assessment of controls

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

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

Scope of audit

The audit program covered 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.

The audit included access to systems and information maintained by the SASES and SAFECOM to conduct relevant financial transaction and control compliance tests of those systems and information.

During 2009-10, specific areas of audit attention included:

- cash and receivables
- non-current assets, including revaluations
- payroll and employee entitlements
- expenditure, including purchase cards
- revenue, including Commonwealth grants
- financial accounting
- risk management
- financial management compliance programs
- follow-up of 2008-09 findings.

The audit also covered the operations of the Fund.

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

- an assessment of compliance with aspects of TIs 2 and 28
- forming a conclusion over the general control environment of the SASES and SAFECOM.

AUDIT FINDINGS AND COMMENTS

Auditor's report on the financial statements

The following is an extract from the Independent Auditor's Report on the SASES reissued 2009-10 financial statements which is modified by providing an emphasis of matter.

The emphasis of matter explains the context for the revision of the financial statements and updated Independent Auditor's Report. It also indicates that the records, systems and evidence used to estimate some of the adjustments related to the unresolved dispute for the Port Lincoln capital project and advance/incorrect payments for SASES projects in the revised financial statements are not of a standard that enable Audit substantiation of the amounts to a sufficient level of confidence. The amounts, however, are not of material value to warrant a qualified Independent Auditor's Report.

Auditor's Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the South Australian State Emergency Service as at 30 June 2010, their financial performance and their cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987 and Australian Accounting Standards.

Emphasis of Matter

I draw attention to note 17 receivables, note 27 contingent assets and liabilities and note 28 events subsequent to reporting date. These notes explain the effects of events occurring in September 2010 and October 2010 that led to amendment and reissuing of the 2009-10 financial statements for the South Australian State Emergency Services.

This Independent Auditor's Report replaces the report included in Part B of the Auditor-General's Annual Report for the year ended 30 June 2010 tabled in Parliament on 30 September 2010.

My opinion is not qualified in respect of these matters.

The audit identified deficiencies in internal controls, management reporting and the records and information maintained in relation to certain capital works projects. The values attributed to adjustments contained in the revised financial statements that were required to account for these identified events are at management's valuation and are based on best estimates of the relevant amounts from the available records. The records, systems and evidence used to estimate these adjustment amounts, however, are not of a standard that enables Audit substantiation of management's valuation to a sufficient level of confidence.

As a result, Audit was unable to obtain sufficient assurance over the accuracy of adjustments made and disclosed in the reissued financial statements. The amounts, however, are not of material value to warrant a qualification of my opinion.

The net effect of these events and transactions that resulted in adjustments in the revised financial statements are:

- *an increase in property, plant and equipment of \$134 000*
- *an increase in payables of \$289 000*
- *an increase in supplies and services expense of \$155 000.*

I draw attention to these matters to assist users in their understanding of the audit of the financial statements.

Assessment of controls

In my opinion, the controls exercised by the South Australian State Emergency Service in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to cash at bank, payment authorisations, corporate governance, Shared Services and implementation of the revised TIs 2 and 28, as outlined under 'Communication of audit matters' in the section of this Report titled 'South Australian Fire and Emergency Services Commission', and the matters raised in relation to internal controls - building projects in the section of this Report titled 'Emergency Services', are sufficient to provide reasonable assurance that the financial transactions of the South Australian State Emergency Service have been conducted properly and in accordance with law.

Communication of audit matters

Matters arising during the course of the audit were detailed in management letters to the Chief Executive, SAFECOM and the Chief Officer, SASES who are responsible for the governance of the SASES. Responses to the management letters were generally considered to be satisfactory.

Major matters raised with SAFECOM and SASES and the related responses are detailed under 'Communication of audit matters' in the section of this Report titled 'South Australian Fire and Emergency Services Commission'.

INTERPRETATION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Highlights of the financial statements

| | 2010 \$'million | 2009 \$'million |
|--|--------------------|--------------------|
| EXPENSES | | |
| Employee benefits expense | 5 | 3 |
| Supplies and services | 5 | 5 |
| Other expenses | 4 | 4 |
| Total expenses | 14 | 12 |
| INCOME | | |
| Total income | 1 | 1 |
| Net cost of providing services | 13 | 11 |
| REVENUES FROM SA GOVERNMENT | | |
| Net result | - | 1 |
| OTHER COMPREHENSIVE INCOME | | |
| Total comprehensive result | 1 | 3 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| | 3 | 3 |
| ASSETS | | |
| Current assets | 1 | 2 |
| Non-current assets | 29 | 26 |
| Total assets | 30 | 28 |
| LIABILITIES | | |
| Current liabilities | 1 | 1 |
| Non-current liabilities | 2 | 1 |
| Total liabilities | 3 | 2 |
| TOTAL EQUITY | 27 | 26 |

Statement of Comprehensive Income

The main source of funds for the SASES is the contributions from the Fund which account for 93 percent of revenues. The contributions from the Fund to the SASES increased by 7 percent to \$13 million during 2009-10.

Total expenses increased by \$2 million to \$14 million during 2009-10 mainly due to:

- enterprise bargaining award increases and TVSP payments
- an increase in workers compensation expense mainly as a result of an actuarial assessment
- an increase in contributions toward the SA Government Radio Network.

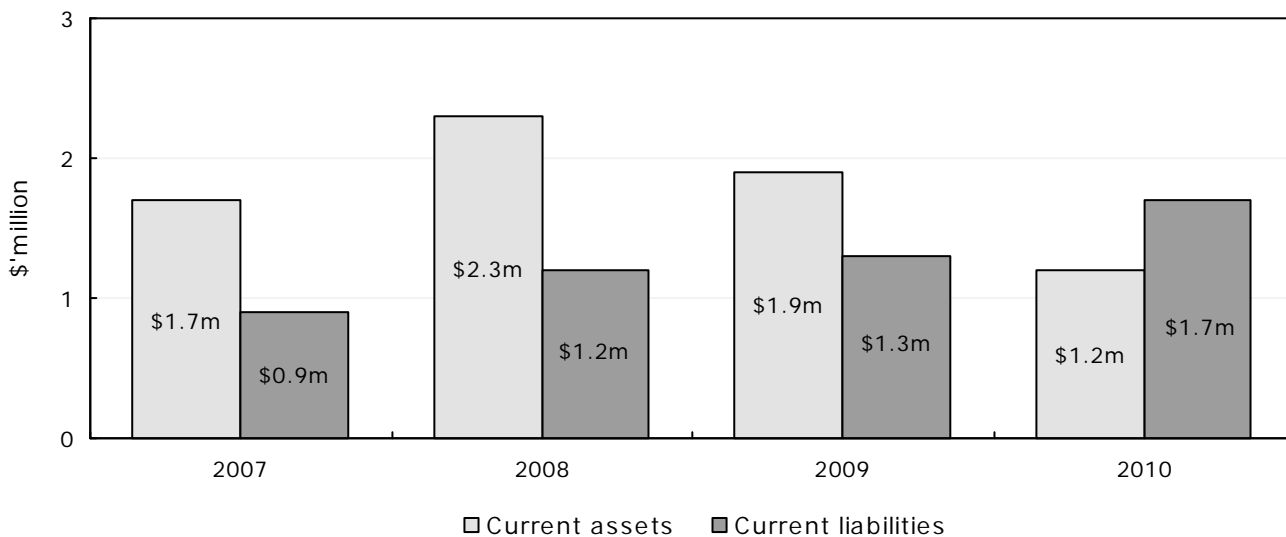
Statement of Financial Position

The Statement of Financial Position is dominated by the non-current asset 'Property, plant and equipment', which increased by \$2.8 million during the year to \$29 million, due mainly to work in progress of \$3.7 million and the revaluation of land totalling \$800 000, which was offset by depreciation expense for the year of \$1.7 million.

The fair value of the main asset classes held by the SASES were land and buildings (\$18.7 million) and vehicles (\$7.1 million).

At balance date, current liabilities exceeded current assets by \$552 000. Current assets included an overdraft for deposits held with the Treasurer totalling \$117 000. Refer to note 16 of the financial statements for cash and cash equivalents.

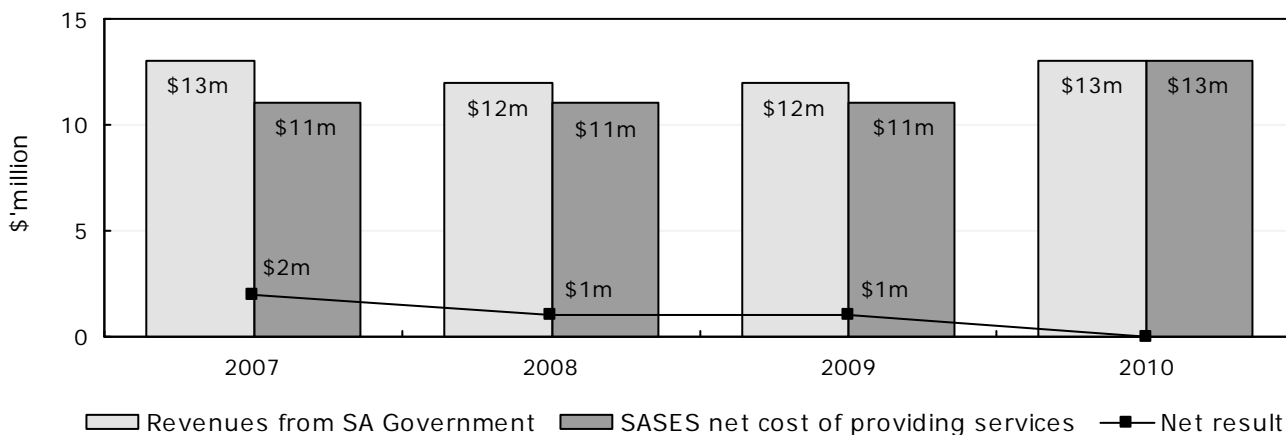
The following chart shows the current assets and current liabilities of the SASES for the past four years.



For more information on the SASES cash at bank audit findings and commentary on the Fund refer to 'Communication of audit matters' and 'Interpretation and analysis of administered financial statements' in the section of this part of this Report titled 'South Australian Fire and Emergency Services Commission'.

FURTHER COMMENTARY ON OPERATIONS

The following chart shows the funding received by the SASES from the Fund and the net cost of providing services for the past four years.



**Statement of Comprehensive Income
for the year ended 30 June 2010**

| | Note | 2010 | 2009 |
|--|------|---------------|--------|
| | | \$'000 | \$'000 |
| EXPENSES: | | | |
| Employee benefits expense | 5 | 4 834 | 3 442 |
| Supplies and services | 6 | 5 022 | 4 920 |
| Government Radio Network | 7 | 2 113 | 1 736 |
| Depreciation and amortisation | 8 | 1 723 | 1 557 |
| Grants and subsidies | 9 | 74 | 84 |
| Net loss from disposal of non-current assets | 10 | 4 | 144 |
| Total expenses | | 13 770 | 11 883 |
| INCOME: | | | |
| Commonwealth grants | 11 | 580 | 583 |
| Interest revenues | 12 | 39 | 87 |
| Resources received free of charge | 13 | - | 300 |
| Other income | 14 | 219 | 208 |
| Total income | | 838 | 1 178 |
| NET COST OF PROVIDING SERVICES | | 12 932 | 10 705 |
| REVENUES FROM SA GOVERNMENT: | | | |
| Revenues from SA Government | 15 | 13 048 | 12 035 |
| NET RESULT | | 116 | 1 330 |
| OTHER COMPREHENSIVE INCOME: | | | |
| Gain on revaluation of property, plant and equipment | | 794 | 2 799 |
| Total other comprehensive income | | 794 | 2 799 |
| TOTAL COMPREHENSIVE RESULT | | 910 | 4 129 |

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

**Statement of Financial Position
as at 30 June 2010**

| | Note | 2010 \$'000 | 2009 \$'000 |
|--|------|----------------|----------------|
| CURRENT ASSETS: | | | |
| Cash and cash equivalents | 16 | 686 | 1 495 |
| Receivables | 17 | 257 | 245 |
| Other financial assets | 18 | 214 | 137 |
| Total current assets | | 1 157 | 1 877 |
| NON-CURRENT ASSETS: | | | |
| Property, plant and equipment | 19 | 28 819 | 25 971 |
| Intangible assets | 20 | 48 | 113 |
| Total non-current assets | | 28 867 | 26 084 |
| Total assets | | 30 024 | 27 961 |
| CURRENT LIABILITIES: | | | |
| Payables | 21 | 1 033 | 602 |
| Employee benefits | 22 | 418 | 476 |
| Provisions | 23 | 258 | 169 |
| Total current liabilities | | 1 709 | 1 247 |
| NON-CURRENT LIABILITIES: | | | |
| Payables | 21 | 50 | 59 |
| Employee benefits | 22 | 503 | 570 |
| Provisions | 23 | 1 173 | 406 |
| Total non-current liabilities | | 1 726 | 1 035 |
| Total liabilities | | 3 435 | 2 282 |
| NET ASSETS | | 26 589 | 25 679 |
| EQUITY: | | | |
| Asset revaluation surplus | 24 | 5 514 | 4 720 |
| Retained earnings | 24 | 21 075 | 20 959 |
| TOTAL EQUITY | | 26 589 | 25 679 |
| Total equity is attributable to the SA Government as owner | | | |
| Unrecognised contractual commitments | 26 | | |
| Contingent assets and liabilities | 27 | | |

**Statement of Changes in Equity
for the year ended 30 June 2010**

| | Note | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total \$'000 |
|--|------|---|--------------------------------|-----------------|
| Balance at 1 July 2008 | 24 | 1 921 | 19 629 | 21 550 |
| Net result for 2008-09 | 24 | - | 1 330 | 1 330 |
| Gain on revaluation of property, plant and equipment | 24 | 2 799 | - | 2 799 |
| Total comprehensive result for 2008-09 | | 2 799 | 1 330 | 4 129 |
| Balance at 30 June 2009 | 24 | 4 720 | 20 959 | 25 679 |
| Net result for 2009-10 | 24 | - | 116 | 116 |
| Gain on revaluation of property, plant and equipment | 24 | 794 | - | 794 |
| Total comprehensive result for 2009-10 | | 794 | 116 | 910 |
| Balance at 30 June 2010 | 24 | 5 514 | 21 075 | 26 589 |

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

Statement of Cash Flows for the year ended 30 June 2010

| | | 2010 | 2009 |
|---|------|-------------------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| | Note | \$'000 | \$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Employee benefit payments | | (4 112) | (3 281) |
| Supplies and services payments | | (5 848) | (5 884) |
| Government Radio Network payments | | (2 049) | (1 781) |
| Grants and subsidies payments | | (74) | (84) |
| Cash used in operations | | (12 083) | (11 030) |
| CASH INFLOWS: | | | |
| Commonwealth grants | | 608 | 614 |
| Interest received | | 41 | 90 |
| GST recovered from the ATO | | 835 | 836 |
| Other receipts | | 246 | 202 |
| Cash generated from operations | | 1 730 | 1 742 |
| CASH FLOWS FROM SA GOVERNMENT: | | | |
| Contributions from Community Emergency Services Fund | | 12 887 | 12 035 |
| Other revenue from SA Government | | 161 | - |
| Cash generated from SA Government | | 13 048 | 12 035 |
| Net cash provided by operating activities | 25 | 2 695 | 2 747 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| CASH OUTFLOWS: | | | |
| Purchase of property, plant and equipment | | (3 440) | (3 107) |
| Cash used in investing activities | | (3 440) | (3 107) |
| CASH INFLOWS: | | | |
| Proceeds from sale of investments | | (77) | (22) |
| Proceeds from sale of property, plant and equipment | | 13 | 54 |
| Cash (used in) generated from investing activities | | (64) | 32 |
| Net cash used in investing activities | | (3 504) | (3 075) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (809) | (328) |
| CASH AND CASH EQUIVALENTS AT 1 JULY | | 1 495 | 1 823 |
| CASH AND CASH EQUIVALENTS AT 30 JUNE | 16 | 686 | 1 495 |

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and funding

Objectives

The South Australian State Emergency Service (SES) was established on 1 October 2005 under the *Fire and Emergency Services Act 2005* with the following objectives:

- To assist the Commissioner of Police, South Australian Metropolitan Fire Service and South Australian Country Fire Service in dealing with any emergency.
- To assist the State Co-ordinator, in accordance with the State Emergency Management Plan, in carrying out prevention, preparedness, response or recovery operations under the *Emergency Management Act 2004*.
- To deal with any emergency where the emergency is caused by flood or storm damage, or where there is no other body or person with lawful authority to assume control of operations for dealing with the emergency.

Objectives (continued)

- To deal with any emergency until such time as any other body or person that has lawful authority to assume control of operations for dealing with the emergency has assumed control.
- To respond to emergency calls and where appropriate, provide assistance in any situation of need whether or not the situation constitutes an emergency.
- To undertake rescues.

Funding arrangements

Funding of the SES is primarily derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*.

Funds generated by units through fund raising activities are held locally for expenditure in the local community. These funds are recognised as part of 'other income' within the SES's financial statements.

2. Summary of significant accounting policies**(a) Statement of compliance**

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

Except for AASB 2009-12, which the SES has early-adopted, AASs and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the SES for the reporting period ending 30 June 2010. These are outlined in note 3.

(b) Basis of preparation

The preparation of these financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying SES's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, these are outlined in the applicable notes
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported
- compliance with APSs issued pursuant to section 41 of the PFAA, in the interest of public accountability and transparency the APSs require the following note disclosures, that have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. The SES has elected to utilise this threshold in relation to transactions applicable to revenue and expense items. The threshold has not been applied to financial assets and financial liabilities, ie all financial assets and financial liabilities relating to SA Government have been separately disclosed
 - (b) expenses incurred as a result of engaging consultants, as reported in the Statement of Comprehensive Income
 - (c) employee TVSP information
 - (d) employees whose normal remuneration is \$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 SES's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2010 and the comparative information presented for the year ended 30 June 2009.

(c) Reporting entity

The SES is established under the *Fire and Emergency Services Act 2005* (the Act). Under the Act, the SES is a separate body corporate acting on behalf of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of the SES.

(d) Comparative information

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

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

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

(e) Rounding

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

(f) Taxation

The SES is not subject to income tax. The SES is liable for payroll tax, FBT and GST.

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

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

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

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

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

(g) Events after the reporting period

Where an event occurs after 30 June and before the date the financial statements are authorised for issue, but provides information about conditions that existed at 30 June, adjustments are made to amounts recognised in the financial statements.

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

(h) Income

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

The notes accompanying the financial statements disclose income where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Revenues from SA Government

Contributions from the Fund are recognised as income when SES obtains control over the funding. Control over funding is normally obtained upon receipt.

Commonwealth revenues

Commonwealth revenues are recognised as income when SES obtains control of revenues or the right to receive the revenues and income recognition criteria are met (ie the amount can be reliably measured and the flow of resources is probable).

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

- contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (ie grant application) has been approved; agreement/contract is executed; and/or the contribution is received

Commonwealth revenues (continued)

- contributions with conditional stipulations - this will be when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

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

Resources received free of charge

Resources received free of charge are recorded as revenue in the Statement of Comprehensive Income at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Fees and charges

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

Net gain on non-current assets

Income from the disposal of non-current assets is recognised when the control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Gains on disposal of non-current assets

Any gain on disposal is recognised at the date control of the asset is passed to the buyer and is determined after deduction from proceeds of the asset at that time.

Other income

Other income consists of donations received and other minor revenues.

(i) Expenses

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

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

The notes accompanying the financial statements disclose expenses where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

The following are specific recognition criteria:

Employee benefits expenses

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

Superannuation

The amount charged to the Statement of Comprehensive Income represents the contributions made by the SES to the superannuation plan in respect of current services of current SES staff. DTF centrally recognises the superannuation liability in the whole-of-government financial statements.

Depreciation and amortisation of non-current assets

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

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

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

Land and non-current assets held for sale are not depreciated.

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

| <i>Asset class:</i> | <i>Useful lives (years)</i> |
|--------------------------|-----------------------------|
| Communications equipment | 5-10 |
| Vehicles | 5-20 |
| Plant and equipment | 5-10 |
| Computer equipment | 5-10 |
| Buildings | 40-50 |
| Intangibles | 5 |

(j) Current and non-current classification

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

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

(k) Assets

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

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

The notes accompanying the financial statements disclose financial assets where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position includes cash at bank and on hand and short-term highly liquid investments with maturities of three months or less that are readily converted to cash and which are subject to insignificant risk of changes in value.

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

Cash is measured at nominal value.

Receivables

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

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are generally settled within 30 days after the issue of an invoice or the goods/ services have been provided under a contractual arrangement.

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

Other financial assets

SES measures other financial assets at cost. All assets in this category are either short or medium term cash deposits.

Non-current assets - acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APF III, APS 2.15 all non-current tangible assets with a value of \$10 000 or greater are capitalised.

Non-current assets - revaluation of non-current assets

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

Revaluations are made in accordance with related policies whereby independent valuations are obtained and carrying amounts are adjusted accordingly. However if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

Any revaluation increment is credited to the asset revaluation surplus except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluation surplus for that asset class.

Non-current assets - revaluation of non-current assets (continued)

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Non-current assets - impairment

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

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Intangible assets

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

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

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

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

(I) Liabilities

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

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

The notes accompanying the financial statements disclose financial liabilities where the counterparty/ transaction is with an entity within the SA Government as at the reporting date, classified according to their nature

Payables

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

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

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

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

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

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

Employee benefits

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

Wages, salaries, annual leave and sick leave

Liability for salary and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

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

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

Long service leave

The liability for long service leave is recognised after an employee has completed eight years (8.5 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 shorthand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the SES's experience of employee retention and leave taken.

The unconditional portion of the long service leave provision is classified as current as the SES does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

Provisions

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

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

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

Financial liabilities

The SES measures financial liabilities at historical cost.

Operating leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

(m) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include those operating, capital and outsourcing commitments arising from contractual or statutory sources and are disclosed at their nominal value.

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

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

3. New and revised accounting standards and policies

The SES did not voluntarily change any of its accounting policies during 2009-10.

Except for AASB 2009-12, which SES has early-adopted, the AASs and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by SES for the period ending 30 June 2010. SES has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements of SES.

4. Activities of the South Australian State Emergency Service

In achieving its objectives, the SES provides services within four areas of activity: prevention, preparedness, response and recovery. These services are classified under one activity title 'State Emergency Service'.

5. Employee benefits expense

| | 2010 | 2009 |
|-----------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Salaries and wages | 2 765 | 2 531 |
| Annual leave | 207 | 243 |
| Long service leave | (21) | - |
| Employment on-costs: | | |
| Superannuation | 292 | 305 |
| Other | 141 | 132 |
| TVSPs (refer below) | 161 | - |
| Workers compensation costs | 1 220 | 169 |
| Other employment related expenses | 69 | 62 |
| Total employee benefits expense | 4 834 | 3 442 |

| TVSPs | 2010 | 2009 |
|--|------------|----------|
| Amounts paid to these employees: | \$'000 | \$'000 |
| TVSPs | 161 | - |
| Annual leave and long service leave paid during the reporting period | 35 | - |
| | <u>196</u> | <u>-</u> |
| Recovery from DTF | (161) | - |
| Net cost to agency | <u>35</u> | <u>-</u> |

The number of employees who received a TVSP during the reporting period was 1 (0).

Employee remuneration

The table below includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, FBT and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1.564 million (\$1.443 million).

| The number of employees whose remuneration received or receivable was \$100 000 or more during the year, fell within the following bands: | 2010 | 2009 |
|---|-----------|-----------|
| | Number | Number |
| \$100 000 - \$109 999 | - | 4 |
| \$110 000 - \$119 999 | 7 | 5 |
| \$120 000 - \$129 999 | 2 | 1 |
| \$130 000 - \$139 999 | - | 1 |
| \$140 000 - \$149 999 | 1 | - |
| \$160 000 - \$169 999 | 1 | - |
| \$200 000 - \$209 999 | - | 1 |
| \$210 000 - \$219 999 | 1 | - |
| Total | <u>12</u> | <u>12</u> |

6. Supplies and services

| | 2010 | 2009 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Communications | 331 | 289 |
| External auditor's remuneration | 21 | 20 |
| Repairs and maintenance | 740 | 787 |
| Minor plant and equipment | 611 | 701 |
| Computing costs | 197 | 136 |
| Consumables | 379 | 400 |
| Operating lease costs | 1 083 | 901 |
| Energy | 92 | 78 |
| Accommodation | 27 | 20 |
| Travel and training | 444 | 513 |
| Uniforms and protective clothing | 228 | 207 |
| Consultancy, contractors and legal fees | 128 | 429 |
| Operational costs | 203 | 168 |
| Transfer of capital funding - IMS projects | 107 | - |
| Other expenses | 431 | 271 |
| Total supplies and services | <u>5 022</u> | <u>4 920</u> |

Consultants

The number and dollar amount of consultancies paid/payable (included in consultants expenses shown above) that fell within the following bands were:

| | | |
|-----------------------------|----------|----------|
| Below \$10 000 | 3 | 2 |
| \$10 000 - \$50 000 | - | 1 |
| Total number of consultants | <u>3</u> | <u>3</u> |

| | 2010 | 2009 |
|--|----------|-----------|
| | \$'000 | \$'000 |
| Below \$10 000 | 9 | 9 |
| \$10 000 - \$50 000 | - | 14 |
| Total amount paid/payable to consultants engaged | <u>9</u> | <u>23</u> |

External auditor's remuneration

External auditor's remuneration (included in the external's auditors remuneration expense amount shown above) represents amounts paid/payable to the Auditor-General's Department for audit services. No other services were provided by the Auditor-General's Department.

| | 2010 | 2009 |
|---|-----------|-----------|
| | \$'000 | \$'000 |
| Audit fees paid/payable to the Auditor-General's Department | 21 | 20 |
| Total external auditor's remuneration | <u>21</u> | <u>20</u> |

Supplies and services provided by entities within the SA Government

The following supplies and services (included in the supplies and services expense amounts shown above) were provided by entities within the SA Government:

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Communications | 32 | 31 |
| External auditor's remuneration | 21 | 20 |
| Repairs and maintenance | 106 | 134 |
| Minor plant and equipment | 10 | - |
| Computing costs | 58 | 32 |
| Consumables | 112 | 121 |
| Operating lease costs | 802 | 732 |
| Energy | 10 | 9 |
| Accommodation | 8 | 6 |
| Travel and training | 11 | 35 |
| Consultancy, contractors and legal fees | 35 | 109 |
| Transfer of capital funding - IMS projects | 107 | - |
| Other expenses | 232 | 150 |
| Total supplies and services provided by entities within the SA Government | <u>1 544</u> | <u>1 379</u> |

7. Government Radio Network

| | | |
|--|--------------|--------------|
| Contribution towards Government Radio Network - voice | 1 911 | 1 540 |
| Contribution towards Government Radio Network - paging | 202 | 196 |
| Total Government Radio Network | <u>2 113</u> | <u>1 736</u> |

Costs associated with the provision of emergency communication services through the Government Radio Network, including voice and paging transmission, were formerly charged by the Department for Transport, Energy and Infrastructure, ICT Branch. During 2009-10 the Attorney-General's Department took over the management of this function and all charges are now paid to this Department.

8. Depreciation and amortisation

| | 2010 \$'000 | 2009 \$'000 |
|-------------------------------------|----------------|----------------|
| Depreciation: | | |
| Buildings | 581 | 430 |
| Vehicles | 647 | 673 |
| Computers | 37 | 38 |
| Plant and equipment | 174 | 171 |
| Communications | 219 | 186 |
| Total depreciation | <u>1 658</u> | <u>1 498</u> |
| Amortisation: | | |
| Software | 65 | 59 |
| Total amortisation | <u>65</u> | <u>59</u> |
| Total depreciation and amortisation | <u>1 723</u> | <u>1 557</u> |

Changes in useful lives of assets

South Australian Fire and Emergency Services Commission (SAFECOM) on behalf of SES conducted an assessment of remaining useful lives of property, plant and equipment assets during the year. In accordance with AASB 108 resulting adjustments, if any, are applied prospectively in the current year. SAFECOM found no evidence of any requirement to change the remaining useful life of any asset.

Changes in depreciation due to revaluation

SAFECOM on behalf of SES revalued selected items of property, plant and equipment at 30 June 2010. As a result of the revaluation being undertaken at the end of the reporting period, all depreciation amounts shown above are based upon pre-valuation values. Therefore there has been no impact on depreciation expense during the current reporting period.

9. Grant and subsidies

| | 2010 \$'000 | 2009 \$'000 |
|-----------------------------------|----------------|----------------|
| Grant expense | 74 | 84 |
| Total grant and subsidies expense | <u>74</u> | <u>84</u> |

All grant expenses are provided to non-SA Government recipients.

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

| | | |
|-----------------------------------|------------|--------------|
| Land: | | |
| Net book value of assets disposed | - | (27) |
| Net loss from disposal | <u>-</u> | <u>(27)</u> |
| Buildings: | | |
| Net book value of assets disposed | - | (151) |
| Net loss from disposal | <u>-</u> | <u>(151)</u> |
| Moveable vehicles: | | |
| Proceeds from disposal | 13 | 50 |
| Net book value of assets disposed | (17) | (15) |
| Net (loss) gain from disposal | <u>(4)</u> | <u>35</u> |

| | | |
|--|--------|--------|
| 10. Net gain (loss) from disposal of non-current assets (continued) | 2010 | 2009 |
| Plant and equipment: | \$'000 | \$'000 |
| Proceeds from disposal | - | 4 |
| Net book value of assets disposed | - | (5) |
| Net loss from disposal | - | (1) |
| Total assets: | | |
| Proceeds from disposal | 13 | 54 |
| Net book value of assets disposed | (17) | (198) |
| Net loss from disposal of non-current assets | (4) | (144) |
| 11. Commonwealth grants | | |
| Commonwealth Government | 580 | 583 |
| Total Commonwealth grants | 580 | 583 |

Commonwealth grant funding relates primarily to the State Support package which must be used to develop emergency management capacity in the State, Community Floodsafe (a joint venture with the Commonwealth, State and Local Government for increased flood awareness) and a one-off grant for volunteer advertising.

SES is not aware of any outstanding conditions for contributions still to be met for grants provided for the 2009-10 year.

| | | |
|---|--------|--------|
| 12. Interest revenue | 2010 | 2009 |
| | \$'000 | \$'000 |
| Interest on deposit accounts from entities within the SA Government | 39 | 87 |
| Total interest revenue | 39 | 87 |
| 13. Resources received free of charge | | |
| Donated or acquired free of charge property/assets | - | 300 |
| Total resources received free of charge | - | 300 |

Resources received free of charge relates to the assets that transitioned into the control of the Minister without a monetary transaction.

| | | |
|-------------------------|-----|-----|
| 14. Other income | | |
| Rent received | - | 4 |
| Other | 219 | 204 |
| Total other income | 219 | 208 |

Other income received/receivable from entities within the SA Government

The following other income (included in the other income revenues shown above) was received/receivable from entities within the SA Government:

| | | |
|---|----|----|
| Rent received | - | 4 |
| Other | 35 | 30 |
| Total other income received/receivable from entities within the SA Government | 35 | 34 |

| | | |
|--|--------|--------|
| 15. Revenues from SA Government | | |
| Revenues from SA Government: | | |
| Contributions from Community Emergency Services Fund | 12 887 | 12 035 |
| Other revenues from SA Government | 161 | - |
| Total revenues from SA Government | 13 048 | 12 035 |

Total revenues from government consists of \$10.001 million (\$9.194 million) for operational funding and \$3.047 million (\$2.841 million) for capital projects.

| | | |
|---|--------|--------|
| 16. Cash and cash equivalents | 2010 | 2009 |
| | \$'000 | \$'000 |
| Deposits with the Treasurer | (117) | 625 |
| Cash at bank | 137 | 129 |
| Cash at bank - groups and brigades | 636 | 682 |
| Cash on hand and imprest accounts | 2 | 1 |
| Short-term deposits | 2 | 2 |
| Short-term deposits - groups and brigades | 26 | 56 |
| Total cash and cash equivalents | 686 | 1 495 |

Short-term deposits

Short-term deposits are made for varying periods of between one day and three months and are lodged with various financial institutions at their respective short-term deposit rates.

Interest rate risk

Cash on hand is non-interest bearing. Cash at bank earns a floating interest rate based on daily bank deposit rates, whilst short-term deposits are lodged with various financial institutions at their respective short-term deposit rates. The carrying amount of cash approximates fair value.

| | | |
|------------------------------|------------|------------|
| 17. Receivables | 2010 | 2009 |
| Current: | \$'000 | \$'000 |
| Receivables | 182 | 46 |
| Allowance for doubtful debts | (155) | (2) |
| | <u>27</u> | <u>44</u> |
| Accrued revenues | 3 | 13 |
| GST input tax receivable | <u>227</u> | <u>188</u> |
| Total current receivables | <u>257</u> | <u>245</u> |

All receivable amounts disclosed above are expected to be recovered within 12 months after reporting date.

Receivables and associated 'Allowance for doubtful debts' includes amounts advanced by SES to its agent for construction of assets. Construction, to an equivalent milestone completion stage, has not occurred at 30 June 2010. Therefore, these amounts are liable to be repaid by the agent to SES. However, recoverability of these amounts is not certain, therefore an appropriate allowance for doubtful debt has been provided.

Receivables from entities within the SA Government

The following receivables (included in the receivables shown above) were receivable from entities within the SA Government:

| | | |
|--|----------|----------|
| Receivables | - | 5 |
| Accrued revenues | 3 | - |
| Total receivables from entities within the SA Government | <u>3</u> | <u>5</u> |

Movements in the allowance for doubtful debts (impairment loss)

| | | |
|-----------------------------|--------------|------------|
| Carrying amount at 1 July | (2) | - |
| Amounts written off | 2 | - |
| (Increase) in the allowance | <u>(155)</u> | <u>(2)</u> |
| Carrying amount at 30 June | <u>(155)</u> | <u>(2)</u> |

Interest rate and credit risk

Receivables are raised for all goods and services provided for which payment has not been received. Receivables are normally settled within 30 days. Receivables, prepayments and accrued revenues are non-interest bearing. Other than recognised in the provision for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Maturity analysis of receivables and categorisation of financial instruments and risk exposure information - refer note 29.

| | | |
|--|------------|------------|
| 18. Other financial assets | 2010 | 2009 |
| | \$'000 | \$'000 |
| Medium-term deposits - groups and brigades | 214 | 137 |
| Total other financial assets | <u>214</u> | <u>137</u> |

(a) Maturity analysis of other financial assets and categorisation of financial instruments and risk exposure information - refer note 29.

| | | |
|--|---------------|---------------|
| 19. Property, plant and equipment | | |
| Land: | | |
| Fair value | 2 793 | 1 891 |
| At cost (deemed fair value) | - | - |
| Total land | <u>2 793</u> | <u>1 891</u> |
| Buildings: | | |
| Fair value | 13 645 | 13 645 |
| At cost (deemed fair value) | 2 814 | - |
| Accumulated depreciation | (581) | - |
| Total buildings | <u>15 878</u> | <u>13 645</u> |
| Vehicles: | | |
| Fair value | 7 724 | 7 742 |
| At cost (deemed fair value) | 53 | - |
| Accumulated depreciation | (646) | - |
| Total vehicles | <u>7 131</u> | <u>7 742</u> |
| Communications equipment: | | |
| Fair value | 969 | 969 |
| At cost (deemed fair value) | 382 | - |
| Accumulated depreciation | (219) | - |
| Total communications equipment | <u>1 132</u> | <u>969</u> |

| | | | |
|--|--|---------------|---------------|
| 19. Property, plant and equipment (continued) | | 2010 | 2009 |
| Computer equipment: | | \$'000 | \$'000 |
| Fair value | | 37 | 36 |
| At cost (deemed fair value) | | - | - |
| Accumulated depreciation | | (37) | - |
| Total computer equipment | | <u>-</u> | <u>36</u> |
| Plant and equipment: | | | |
| Fair value | | 860 | 860 |
| At cost (deemed fair value) | | 55 | - |
| Accumulated depreciation | | (174) | - |
| Total plant and equipment | | <u>741</u> | <u>860</u> |
| Work in progress: | | | |
| At cost (deemed fair value) | | 1 144 | 828 |
| Total work in progress | | <u>1 144</u> | <u>828</u> |
| Total property, plant and equipment | | <u>28 819</u> | <u>25 971</u> |

Valuation of assets

- (i) At 30 June 2009, valuations were undertaken by a suitably qualified officer of SAFECOM. At 30 June 2010, management exercised its discretion and revalued certain items of land - values used were based upon desktop values obtained from Liquid Pacific Ltd. All assets have been valued on the basis of open market values for existing use or at written down current cost which is considered to be equivalent to fair value.

Impairment

There were no indications of impairment for property, plant and equipment as at 30 June 2010.

Movement reconciliation of property, plant and equipment

| | Land | Buildings | Vehicles | Communi- cations equipmnt | Computer equipmnt | Plant and equipmnt | Work in progress | Total |
|---------------------------------------|--------------|---------------|--------------|---------------------------------|----------------------|-----------------------|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2010 | | | | | | | | |
| Carrying amount at 1 July | 1 891 | 13 645 | 7 742 | 969 | 36 | 860 | 828 | 25 971 |
| Additions | 1 | 1 | - | - | 1 | - | 3 726 | 3 729 |
| Transfer to (from) capital WIP | 107 | 2 813 | 53 | 382 | - | 55 | (3 410) | - |
| Depreciation expense | - | (581) | (647) | (219) | (37) | (174) | - | (1 658) |
| Net revaluation increment | 794 | - | - | - | - | - | - | 794 |
| Disposals | - | - | (17) | - | - | - | - | (17) |
| Carrying amount at 30 June | <u>2 793</u> | <u>15 878</u> | <u>7 131</u> | <u>1 132</u> | <u>-</u> | <u>741</u> | <u>1 144</u> | <u>28 819</u> |
| 2009 | | | | | | | | |
| Carrying amount at 1 July | 1 613 | 9 462 | 7 392 | 830 | 43 | 970 | 1 151 | 21 461 |
| Additions | - | - | 17 | - | - | 10 | 3 080 | 3 107 |
| Transfer to (from) capital WIP | - | 2 680 | 332 | 325 | 30 | 36 | (3 403) | - |
| Depreciation expense | - | (430) | (673) | (186) | (38) | (171) | - | (1 498) |
| Net revaluation increment | 5 | 2 084 | 689 | - | 1 | 20 | - | 2 799 |
| Assets received for nil consideration | 300 | - | - | - | - | - | - | 300 |
| Disposals | (27) | (151) | (15) | - | - | (5) | - | (198) |
| Carrying amount at 30 June | <u>1 891</u> | <u>13 645</u> | <u>7 742</u> | <u>969</u> | <u>36</u> | <u>860</u> | <u>828</u> | <u>25 971</u> |

| | | | |
|---|--|-----------|------------|
| 20. Intangible assets | | 2010 | 2009 |
| Computer software - externally generated: | | \$'000 | \$'000 |
| At cost (deemed fair value) | | 328 | 328 |
| Accumulated amortisation | | (280) | (215) |
| Total intangible assets | | <u>48</u> | <u>113</u> |

Movement reconciliation of intangible assets

| | | | |
|----------------------------|--|-----------|------------|
| Carrying amount at 1 July | | 113 | 172 |
| Amortisation expense | | (65) | (59) |
| Carrying amount at 30 June | | <u>48</u> | <u>113</u> |

Asset details and amortisation

Intangible assets detailed above relate to computer software externally acquired. All computer software is amortised over a straight-line basis with a total useful life of five years.

Impairment

There were no indications of impairment of intangible assets at reporting date.

Prior year classification

In prior years, the category of 'Computer software' was incorporated within the 'Property, plant and equipment' category of the financial statements. Computer software has now been separately disclosed in its own category, as shown above. All comparative figures have been restated. The restatement of comparative figures also involved a minor immaterial correction of holding values.

| | | |
|---------------------------|--------------|------------|
| 21. Payables | 2010 | 2009 |
| Current: | \$'000 | \$'000 |
| Accruals | 581 | 186 |
| Creditors | 359 | 323 |
| FBT payable | 18 | 18 |
| Employee benefit on-costs | 75 | 75 |
| Total current payables | <u>1 033</u> | <u>602</u> |

All payable amounts disclosed above are expected to be paid within 12 months after reporting date.

Current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

| | | |
|---|--------------|------------|
| Accruals | 171 | 107 |
| Creditors | 76 | 152 |
| Employee benefit on-costs | 75 | 59 |
| Total current payables to entities within the SA Government | <u>322</u> | <u>318</u> |
| Non-current: | | |
| Employee benefit on-costs | 50 | 59 |
| Total non-current payables | <u>50</u> | <u>59</u> |
| Total payables | <u>1 083</u> | <u>661</u> |

Non-current payables to entities within the SA Government

The following payables (included in the payables shown above) were payable to entities within the SA Government:

| | | |
|---|-----------|-----------|
| Employee benefit on-costs | 50 | 59 |
| Total current payables to entities within the SA Government | <u>50</u> | <u>59</u> |

Employment on-costs

As a result of an actuarial assessment performed by DTF, the percentage of the proportion of long service leave taken as leave has remained unchanged at 45 percent for 2009-10 and the average factor for the calculation of employer superannuation cost on-cost has remained unchanged for 2009-10 at 10.5 percent. These rates are used in the employment on-cost calculation. There is therefore no effect on the calculation of employment on-costs.

Interest rate and credit risk

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

Maturity analysis of payables and categorisation of financial instruments and risk exposure information - refer note 29.

| | | |
|---------------------------------|------------|------------|
| 22. Employee benefits | 2010 | 2009 |
| Current: | \$'000 | \$'000 |
| Accrued salaries and wages | 97 | 83 |
| Annual leave | 264 | 330 |
| Long service leave | 57 | 63 |
| Total current employee benefits | <u>418</u> | <u>476</u> |

All employee benefit amounts, including long service leave, are expected to be paid within 12 months after reporting date.

| | | |
|-------------------------------------|------------|------------|
| Non-current: | | |
| Long service leave | 503 | 570 |
| Total non-current employee benefits | <u>503</u> | <u>570</u> |

Based on an actuarial assessment performed by DTF, the benchmark for the measurement of the long service leave liability has been revised to eight years (8.5 years). The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$10 000 and an increase in employee benefit expense of \$10 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of assumptions – a key assumption is the long-term discount rate. With current conditions, the long-term discount rate is experiencing significant movement. However, the impact on future periods is not expected to be materially different to the effect on the current period as shown above.

In addition, the actuarial assessment performed by DTF also advised a salary inflation rate of 4 percent (4 percent). This rate is used in the calculation of the relevant employee benefits provisions.

| | | |
|------------------------------------|--------------|------------|
| 23. Provisions | 2010 | 2009 |
| Current: | \$'000 | \$'000 |
| Provision for workers compensation | 258 | 169 |
| Total current provisions | <u>258</u> | <u>169</u> |
| Non-current: | | |
| Provision for workers compensation | 1 173 | 406 |
| Total non-current provisions | <u>1 173</u> | <u>406</u> |
| Provision movement: | | |
| Carrying amount at 1 July | 575 | 559 |
| Additional provisions recognised | 1 220 | 165 |
| Reductions arising from payments | (364) | (149) |
| Carrying amount at 30 June | <u>1 431</u> | <u>575</u> |

SES has reported a liability to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Division of DPC. These claims are expected to be settled within the next financial year.

24. Equity

Equity represents the residual interest in the net assets of SES. The State Government holds the equity interest in SES on behalf of the community. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets. The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another.

| | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total \$'000 |
|---|---|--------------------------------|-----------------|
| 2010 | | | |
| Balance at 1 July | 4 720 | 20 959 | 25 679 |
| Net result for the financial year | - | 116 | 116 |
| Gain on revaluation of property, plant and equipment: | | | |
| Land | 794 | - | 794 |
| Net increment related to revaluations | <u>794</u> | <u>-</u> | <u>794</u> |
| Balance at 30 June | <u>5 514</u> | <u>21 075</u> | <u>26 589</u> |
| 2009 | | | |
| Balance at 1 July | 1 921 | 19 629 | 21 550 |
| Net result for the financial year | - | 1 330 | 1 330 |
| Gain on revaluation of property, plant and equipment: | | | |
| Land | 5 | - | 5 |
| Buildings | 2 084 | - | 2 084 |
| Vehicles | 689 | - | 689 |
| Computer equipment | 1 | - | 1 |
| Plant and equipment | 20 | - | 20 |
| Net increment related to revaluations | <u>2 799</u> | <u>-</u> | <u>2 799</u> |
| Balance at 30 June | <u>4 720</u> | <u>20 959</u> | <u>25 679</u> |

| | | |
|---|-----------------|-----------------|
| 25. Cash flow reconciliation | 2010 | 2009 |
| <i>Reconciliation of cash and cash equivalents</i> | \$'000 | \$'000 |
| Cash and cash equivalents at 30 June as per: | | |
| Statement of Financial Position | 686 | 1 495 |
| Statement of Cash Flows | 686 | 1 495 |
| <i>Reconciliation of net cash provided by operating activities to net cost of providing services</i> | | |
| Net cash provided by operating activities | 2 695 | 2 747 |
| Cash flows from government | (13 048) | (12 035) |
| Non-cash items: | | |
| Depreciation and amortisation | (1 723) | (1 557) |
| Assets received free of charge | - | 300 |
| Net loss from disposal of non-current assets | (4) | (144) |
| Movement in assets and liabilities: | | |
| Increase (Decrease) in receivables | 12 | (120) |
| (Increase) Decrease in payables | (133) | 112 |
| Decrease in provision for employee benefits | 125 | 8 |
| Increase in provisions | (856) | (16) |
| Net cost of providing services | <u>(12 932)</u> | <u>(10 705)</u> |

26. Unrecognised contractual commitments***Operating lease commitments***

The total value of future non-cancellable operating lease commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Within one year | 908 | 723 |
| Later than one year but not later than five years | 1 438 | 1 167 |
| Total operating lease commitments | <u>2 346</u> | <u>1 890</u> |

The abovementioned operating lease payments are not recognised in the financial statements as liabilities.

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be increased annually based on CPI movement.

Capital commitments

The total value of capital commitments not provided for and payable to as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

| | 2010 \$'000 | 2009 \$'000 |
|---------------------------|----------------|----------------|
| Within one year | 136 | 240 |
| Total capital commitments | <u>136</u> | <u>240</u> |

These capital commitments are for property and vehicles.

Remuneration commitments

Commitments for the payment of salaries and other remuneration under fixed-term employment contracts in existence at the reporting date but not recognised as liabilities are payable as follows:

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Within one year | 158 | 327 |
| Later than one year but not later than five years | 323 | 422 |
| Total remuneration commitments | <u>481</u> | <u>749</u> |

Amounts disclosed include commitments arising from executive contracts. The SES does not offer fixed-term remuneration contracts greater than five years. Salary increases of 4 percent per annum have been assumed in the calculation of remuneration commitments.

Other commitments

The total value of other commitments not provided for and payable as at the end of the reporting period are detailed below. These amounts have not been brought to account in the financial statements.

| | 2010 \$'000 | 2009 \$'000 |
|---|----------------|----------------|
| Within one year | 4 | 40 |
| Later than one year but not later than five years | 9 | - |
| Total other commitments | <u>13</u> | <u>40</u> |

Contractual commitments relate to operational equipment, personal protective clothing and photocopier services.

27. Contingent assets and liabilities***Contingent assets***

SES is currently negotiating with SAICORP regarding an insurance claim it is making regarding the destruction of the Port Lincoln Unit facility by a fire in December 2009. Losses to be recovered are currently estimated to be around \$240 000.

Contingent liabilities

In the past SES has recorded contingent liabilities in the form of unresolved litigation. In each case the financial exposure to SES is limited to a \$10 000 excess under insurance arrangements.

At 30 June 2010, SES has incurred certain expenditure in relation to capital works construction projects. This expenditure has been incurred either directly or through a contracted construction management company. Some of this expenditure is either the subject of dispute between SES and its contracted agent, or is still to be verified. SES believe that it has directly recognised, in the Statement of Financial Position and Statement of Comprehensive Income, all material amounts of such expenditure. SES is not aware of any other current unrecognised liabilities in relation to capital works construction projects.

SES is not aware of any other current contingent liabilities.

28. Events subsequent to reporting date

On 24 September 2010, advice was received from the contracted construction management company for the CFS/SES Port Lincoln Building Project that a number of invoices had not been paid due to an unresolved dispute. SES has conducted an initial investigation into the matter and believes that a reliable estimate of the outstanding liability is \$289 000. This amount has now been included in the revised financial statements. Final conclusion and exact liability of this matter is yet to occur.

In October 2010, SES discovered that incorrect payments had been processed during the 2009-10 financial year to a contracted construction management company for two building projects. It is estimated that \$155 000 has been over-paid. These payments are the focus of an independent review by the Government Investigation Unit and Justice Internal Audit. SES is seeking recovery of the overpayments. This amount has been recognised, in full, in the revised financial statements as an allowance for doubtful debts.

29. Financial instruments/financial risk management***Categorisation of financial instruments***

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

| | Note | 2010 | | 2009 | |
|------------------------------|------|---------------------------|----------------------|---------------------------|----------------------|
| | | Carrying amount \$'000 | Fair value \$'000 | Carrying amount \$'000 | Fair value \$'000 |
| Financial assets | | | | | |
| Cash and cash equivalents | 16 | 686 | 686 | 1 495 | 1 495 |
| Receivables | 17 | 257 | 257 | 57 | 57 |
| Financial assets | | 214 | 214 | 137 | 137 |
| Financial liabilities | | | | | |
| Payables | 21 | 1 083 | 1 083 | 661 | 661 |

Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, Commonwealth tax, audit receivables/payables etc they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost) except for employee on cost which are determined via reference to the employee benefit liability to which they relate.

Credit risk

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

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

Allowances for impairment of financial assets are calculated on past experience current and expected changes in credit rating. Currently the SES does not hold any collateral as security for any of its financial assets. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer to note 17 for information on the allowance for impairment in relation to receivables.

Ageing analysis of financial assets

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

| | Current (not overdue) \$'000 | Past due by | | | Total \$'000 |
|---------------|------------------------------------|---|--|---|-----------------|
| | | Overdue for less than 30 days \$'000 | Overdue for 30-60 days \$'000 | Overdue for more than 60 days \$'000 | |
| 2010 | | | | | |
| Not impaired: | | | | | |
| Receivables | 255 | - | - | 2 | 257 |
| Impaired: | | | | | |
| Receivables | 155 | - | - | - | 155 |
| 2009 | | | | | |
| Not impaired: | | | | | |
| Receivables | 243 | - | - | - | 243 |
| Impaired: | | | | | |
| Receivables | - | - | - | 2 | 2 |

Maturity analysis of financial assets and liabilities

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

| | Contractual maturities | | |
|------------------------------|-------------------------------|---------------------|------------------------------|
| | Less than 1 year \$'000 | 1-5 years \$'000 | Carrying amount \$'000 |
| 2010 | | | |
| Financial assets | | | |
| Cash and cash equivalent | 686 | - | 686 |
| Receivables | 257 | - | 257 |
| Total financial assets | <u>943</u> | <u>-</u> | <u>943</u> |
| Financial liabilities | | | |
| Payables | 1 033 | 50 | 1 083 |
| Total financial liabilities | <u>1 033</u> | <u>50</u> | <u>1 083</u> |
| 2009 | | | |
| Financial assets | | | |
| Cash and cash equivalent | 1 495 | - | 1 495 |
| Receivables | 57 | - | 57 |
| Financial assets | 137 | - | 137 |
| Total financial assets | <u>1 689</u> | <u>-</u> | <u>1 689</u> |
| Financial liabilities | | | |
| Payables | 430 | - | 430 |
| Total financial liabilities | <u>430</u> | <u>-</u> | <u>430</u> |

The financial assets and liabilities of the SES are all current with maturity within the next 12 months, except employee on-costs (within payables) which are not practical to split the maturity by band of years.

Liquidity risk

Liquidity risk arises where SES is unable to meet its financial obligations as they are due to be settled. SES is funded principally from contributions from the Community Emergency Services Fund. The SES and SAFECOM work with the Fund Manager of the Community Emergency Services Fund to determine cash flows associated with its government approved program of work and with DTF to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows. SES's settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

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

The carrying amount of financial liabilities recorded in note 26 represent SES's maximum exposure to financial liabilities.

Market risk

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

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

Sensitivity disclosure analysis

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

GLOSSARY OF TERMS

AUSTRALIAN ACCOUNTING STANDARDS - AASB

| Reference | Title |
|--------------|--|
| AASB 1 | First-time Adoption of Australian Accounting Standards |
| AASB 2 | Share-based Payment |
| AASB 3 | Business Combinations |
| AASB 4 | Insurance Contracts |
| AASB 5 | Non-current Assets Held for Sale and Discontinued Operations |
| AASB 7 | Financial Instruments: Disclosures |
| AASB 8 | Operating Segments |
| AASB 101 | Presentation of Financial Statements |
| AASB 102 | Inventories |
| AASB 107 | Statement of Cash Flows |
| AASB 108 | Accounting Policies, Changes in Accounting Estimates and Errors |
| AASB 110 | Events after the Reporting Period |
| AASB 111 | Construction Contracts |
| AASB 112 | Income Taxes |
| AASB 116 | Property, Plant and Equipment |
| AASB 117 | Leases |
| AASB 118 | Revenue |
| AASB 119 | Employee Benefits |
| AASB 120 | Accounting for Government Grants and Disclosure of Government Assistance |
| AASB 121 | The Effects of Changes in Foreign Exchange Rates |
| AASB 123 | Borrowing Costs |
| AASB 124 | Related Party Disclosures |
| AASB 127 | Consolidated and Separate Financial Statements |
| AASB 128 | Investments in Associates |
| AASB 131 | Interests in Joint Ventures |
| AASB 132 | Financial Instruments: Presentation |
| AASB 133 | Earnings per Share |
| AASB 136 | Impairment of Assets |
| AASB 137 | Provisions, Contingent Liabilities and Contingent Assets |
| AASB 138 | Intangible Assets |
| AASB 139 | Financial Instruments: Recognition and Measurement |
| AASB 140 | Investment Property |
| AASB 141 | Agriculture |
| AASB 1004 | Contributions |
| AASB 1023 | General Insurance Contracts |
| AASB 1031 | Materiality |
| AASB 1038 | Life Insurance Contracts |
| AASB 1048 | Interpretation of Standards |
| AASB 1049 | Whole of Government and General Government Sector Financial Reporting |
| AASB 1050 | Administered Items |
| AASB 1051 | Land Under Roads |
| AASB 1052 | Disaggregated Disclosures |
| AASB 2009-12 | Amendments to Australian Accounting Standards |

AUSTRALIAN INTERPRETATIONS

| Reference | Title |
|---------------------|--|
| Interpretation 4 | Determining whether an Arrangement contains a Lease |
| Interpretation 113 | Jointly Controlled Entities – Non-Monetary Contributions by Venturers |
| Interpretation 115 | Operating Leases - Incentives |
| Interpretation 121 | Income Taxes – Recovery of Revalued Non-Depreciable Assets |
| Interpretation 125 | Income Taxes – Changes in the Tax Status of an Entity or its Shareholders |
| Interpretation 127 | Evaluating the Substance of Transactions Involving the Legal Form of a Lease |
| Interpretation 132 | Intangible Assets – Web Site Costs |
| Interpretation 1030 | Depreciation of Long-Lived Physical Assets: Condition-Based Depreciation and Related Methods |
| Interpretation 1031 | Accounting for the Goods and Services Tax (GST) |
| Interpretation 1038 | Contributions by Owners Made to Wholly-Owned Public Sector Entities |
| Interpretation 1055 | Accounting for Road Earthworks |

AUSTRALIAN ACCOUNTING STANDARDS - AAS

| Reference | Title |
|-----------|---|
| AAS 25 | Financial Reporting by Superannuation Plans |

TREASURER'S INSTRUCTIONS – TIs

| Reference | Title |
|-----------|---|
| TI 1 | Interpretation and Application |
| TI 2 | Financial Management |
| TI 3 | Appropriation |
| TI 4 | Establishment of Merchant Facilities for Acceptance of Payments |
| TI 5 | Debt Recovery and Write Offs |
| TI 6 | Deposit Accounts and Banking |
| TI 8 | Financial Authorisations |
| TI 9 | Payroll Deductions |
| TI 10 | Engagement of Legal Practitioners |
| TI 11 | Payment of Creditors' Accounts |
| TI 12 | Government Purchase Cards and Stored Value Cards |
| TI 13 | Expenditure Incurred by Ministers and Ministerial Staff |
| TI 14 | Ex Gratia Payments |
| TI 15 | Grant Funding |
| TI 17 | Evaluation of and Approvals to Proceed with Public Sector Initiatives |
| TI 19 | Financial Reporting |
| TI 20 | Guarantees and Indemnities |
| TI 22 | Tax Equivalent Payments |
| TI 23 | Management of Foreign Currency Exposures |
| TI 25 | Taxation Policies |
| TI 28 | Financial Management Compliance Program |

ACCOUNTING POLICY FRAMEWORK - APF

| Reference | Title |
|-----------|--|
| APF I | Purpose and Scope |
| APF II | General Purpose Financial Statements Framework |
| APF III | Asset Accounting Framework |
| APF IV | Financial Asset and Liability Framework |
| APF V | Income Framework |
| APF VI | Definitions |

LEGISLATION

| Reference | Title |
|-----------|---|
| ITAA | <i>Income Tax Assessment Act 1936 and/or Income Tax Assessment Act 1997</i> |
| NRMA | <i>Natural Resources Management Act 2004</i> |
| PCA | <i>Public Corporations Act 1993</i> |
| PFAA | <i>Public Finance and Audit Act 1987</i> |
| PSA | <i>Public Sector Act 2009</i> |
| WRCA | <i>Workers Rehabilitation and Compensation Act 1986</i> |

ACRONYMS

| Reference | Title |
|-----------|---|
| AASs | Australian Accounting Standards ¹ |
| 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 |
| CPI | Consumer Price Index |
| DPC | Department of the Premier and Cabinet |
| DTF | Department of Treasury and Finance |
| FBT | Fringe Benefits Tax |
| GST | Goods and Services Tax |
| ICT | Information and Communications Technology |
| SAFA | South Australian Government Financing Authority |
| TI | Treasurer's Instruction |
| TVSP | Targeted Voluntary Separation Package |

¹ 'Australian Accounting Standards' means accounting standards issued by the Australian Accounting Standards Board which are in force in relation to the reporting period to which the financial statements relate.