



Government
of South Australia

Report
of the
Auditor-General
Annual Report
for the
year ended 30 June 2017

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Second Session, Fifty-Third Parliament

Appendix to the Annual Report
Volume 2

By authority: Sinead O'Brien, Government Printer, South Australia

General enquiries regarding this report should be directed to:

Auditor-General
Auditor-General's Department
Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000

www.audit.sa.gov.au

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Contents

Volume 1

Treasurer's Statements	1
Agencies' audited financial reports:	
Adelaide Festival Centre Trust	41
Adelaide Festival Corporation	67
Adelaide Oval SMA Limited	89
Adelaide Venue Management Corporation	121
Art Gallery Board	158
Attorney-General's Department	188
Auditor-General's Department	276
Central Adelaide Local Health Network Incorporated	293
Child Protection, Department for	344
Communities and Social Inclusion, Department for	382
Correctional Services, Department for	471
Country Health SA Local Health Network Incorporated	520
Courts Administration Authority	569

Volume 2

Defence SA	1
Education and Child Development, Department for	35
Environment Protection Authority	120
Environment, Water and Natural Resources, Department of	156
Flinders University of South Australia	232
Health and Ageing, Department for	295
Health Services Charitable Gifts Board	363
HomeStart Finance	404
House of Assembly	464
Independent Commissioner Against Corruption	487
Joint Parliamentary Service	514
Legal Services Commission	538
Legislative Council	564

Volume 3

Libraries Board of South Australia	1
Lifetime Support Authority of South Australia	31
Local Government Finance Authority of South Australia	64
Lotteries Commission of South Australia	90
Motor Accident Commission	116
Museum Board	154
Northern Adelaide Local Health Network Incorporated	185
Office of the National Rail Safety Regulator	224
Planning, Transport and Infrastructure, Department of	243
Premier and Cabinet, Department of the	348
Primary Industries and Regions, Department of	422
Public Trustee	512

Volume 4

Return to Work Corporation of South Australia	1
SA Ambulance Service Inc	53
South Australia Police	92
South Australian Country Fire Service	160
South Australian Fire and Emergency Services Commission	200
South Australian Forestry Corporation	258
South Australian Government Financing Authority	297
South Australian Housing Trust	345
South Australian Metropolitan Fire Service	392
South Australian State Emergency Service	431
South Australian Superannuation Board	466
South Australian Superannuation Scheme	481
South Australian Tourism Commission	506
South Australian Water Corporation	533

Volume 5

Southern Adelaide Local Health Network Incorporated	1
Southern State Superannuation Scheme	41
State Development, Department of	63
Super SA Retirement Investment Fund	138
Superannuation Funds Management Corporation of South Australia	162
TAFE SA	234
Treasury and Finance, Department of	273
University of Adelaide	355
University of South Australia	433
Urban Renewal Authority	507
Women's and Children's Health Network Incorporated	551

Defence SA

Financial report
for the year ended
30 June 2017

DEFENCE SA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note No.	30 June 2017 \$' 000	30 June 2016 \$' 000
Expenses			
Employee benefits expenses	5	5,725	5,098
Supplies and services	6	8,091	7,696
Depreciation and amortisation	7	6,832	7,458
Grants and subsidies	8	4,530	1,871
Impairment losses	9	11,525	-
Other expenses	10	141	131
Total expenses		36,844	22,254
Income			
Revenues from fees and charges	11	4,686	4,696
Grants	12	8,794	450
Techport Australia recoveries	13	562	120
Other income	14	116	115
Total income		14,158	5,381
Net cost of providing services		(22,686)	(16,873)
Revenues from/payments to SA Government			
Revenues from SA Government	15	20,808	18,644
Net result		(1,878)	1,771
Total comprehensive result		(1,878)	1,771

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

DEFENCE SA

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note No.	30 June 2017 \$' 000	30 June 2016 \$' 000
Current assets			
Cash	16	34,617	27,586
Receivables	17	3,343	746
Non-current assets classified as held for sale	18	230,000	-
Total current assets		267,960	28,332
Non-current assets			
Land	19	-	22,370
Buildings and improvements, plant and equipment	19	12	6,439
Harbour and port facilities	19	-	211,288
Capital works in progress	20	-	235
Total non-current assets		12	240,332
Total assets		267,972	268,664
Current liabilities			
Payables	21	2,489	1,448
Employee benefits	22	674	482
Provisions	23	4	10
Total current liabilities		3,167	1,940
Non-current liabilities			
Payables	21	22	24
Employee benefits	22	372	400
Provisions	23	9	20
Total non-current liabilities		403	444
Total liabilities		3,570	2,384
Net assets		264,402	266,280
Equity			
Contributed capital		101,823	101,823
Retained earnings		162,579	164,457
Total equity		264,402	266,280

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments	24
Contingent assets and liabilities	25

The above statement should be read in conjunction with the accompanying notes.

DEFENCE SA

STATEMENT OF CHANGES IN EQUITY**For the year ended 30 June 2017**

	Note No.	Contributed capital	Retained earnings	Total equity
		\$' 000	\$' 000	\$' 000
Balance at 30 June 2015		101,823	162,686	264,509
Net result for 2015-16		-	1,771	1,771
Total comprehensive result for 2015-16		-	1,771	1,771
Balance at 30 June 2016		101,823	164,457	266,280
Net result for 2016-17		-	(1,878)	(1,878)
Total comprehensive result for 2016-17		-	(1,878)	(1,878)
Balance at 30 June 2017		101,823	162,579	264,402

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

The above statement should be read in conjunction with the accompanying notes.

DEFENCE SA

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note No.	30 June 2017 \$' 000 Inflows (Outflows)	30 June 2016 \$' 000 Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(5,619)	(4,980)
Payments for supplies and services		(10,053)	(8,473)
Payments of grants and subsidies		(3,821)	(2,123)
Payments for paid parental leave scheme		(12)	(12)
Cash used in operations		(19,505)	(15,588)
Cash inflows			
Grants		7,730	142
Fees and charges		4,826	5,376
Techport Australia recoveries		523	167
GST recovered from the ATO		478	548
Receipts for paid parental leave scheme		12	12
Other receipts		170	398
Cash generated from operations		13,739	6,643
Cash flows from SA Government			
Receipts from SA Government		20,808	18,644
Cash generated from SA Government		20,808	18,644
Net cash provided by operating activities		15,042	9,699
Cash flows from investing activities			
Cash outflows			
Payments for property, plant and equipment		(3,650)	-
Payments for capital work in progress		(4,361)	(508)
Cash used in investing activities		(8,011)	(508)
Net cash used in investing activities		(8,011)	(508)
Net increase in cash		7,031	9,191
Cash at the beginning of the period		27,586	18,395
Cash at the end of the period	16	34,617	27,586

The above statement should be read in conjunction with the accompanying notes.

DEFENCE SA

DISAGGREGATED DISCLOSURES - EXPENSES AND INCOME

For the year ended 30 June 2017

Refer Note 4 for detailed activity descriptions	Defence Industry Development		Techport Australia		Total Defence SA Activities	
	2017 \$' 000	2016 \$' 000	2017 \$' 000	2016 \$' 000	2017 \$' 000	2016 \$' 000
Expenses						
Employee benefits expenses	4,132	3,580	1,593	1,518	5,725	5,098
Supplies and services	3,453	3,496	4,638	4,200	8,091	7,696
Depreciation and amortisation	5	111	6,827	7,347	6,832	7,458
Grants and subsidies	4,530	1,871	-	-	4,530	1,871
Impairment losses	-	-	11,525	-	11,525	-
Other expenses	114	94	27	37	141	131
Total expenses	12,234	9,152	24,610	13,102	36,844	22,254
Income						
Revenues from fees and charges	18	100	4,668	4,596	4,686	4,696
Grants	4,664	246	4,130	204	8,794	450
Techport Australia recoveries	-	-	562	120	562	120
Other income	116	115	-	-	116	115
Total income	4,798	461	9,360	4,920	14,158	5,381
Net cost of providing services	(7,436)	(8,691)	(15,250)	(8,182)	(22,686)	(16,873)
Revenues from/payments to SA Government						
Revenues from SA Government ⁽¹⁾	20,808	18,644	-	-	20,808	18,644
Net result	13,372	9,953	(15,250)	(8,182)	(1,878)	1,771

⁽¹⁾ Revenues from SA Government are provided to fund the operating activities of Defence SA and have not been allocated between activities.

The above statement should be read in conjunction with the accompanying notes.

DEFENCE SA

DISAGGREGATED DISCLOSURES - ASSETS AND LIABILITIES

As at 30 June 2017

Refer Note 4 for detailed activity descriptions	Defence Industry Development		Techport Australia		Total Defence SA Activities	
	2017 \$' 000	2016 \$' 000	2017 \$' 000	2016 \$' 000	2017 \$' 000	2016 \$' 000
Assets						
Cash	34,617	27,586	-	-	34,617	27,586
Receivables	2,102	251	1,241	495	3,343	746
Non-current assets classified as held for sale	-	-	230,000	-	230,000	-
Land	-	-	-	22,370	-	22,370
Buildings and improvements, plant and equipment	12	3	-	6,436	12	6,439
Harbour and port facilities	-	-	-	211,288	-	211,288
Capital works in progress	-	-	-	235	-	235
Total assets	36,731	27,840	231,241	240,824	267,972	268,664
Liabilities						
Payables	1,608	1,033	903	439	2,511	1,472
Employee benefits	708	618	338	264	1,046	882
Provisions	13	30	-	-	13	30
Total liabilities	2,329	1,681	1,241	703	3,570	2,384
Net assets	34,402	26,159	230,000	240,121	264,402	266,280

The above statement should be read in conjunction with the accompanying notes.

DEFENCE SA

NOTE INDEX

	Note
Objectives of Defence SA	Note 1
Significant accounting policies	Note 2
New and revised accounting standards and policies	Note 3
Activities of Defence SA	Note 4
Expense notes	
Employee benefits expenses	Note 5
Remuneration of employees and TVSP disclosure	Note 5
Supplies and services	Note 6
Depreciation and amortisation	Note 7
Grants and subsidies	Note 8
Impairment losses	Note 9
Other expenses	Note 10
Income notes	
Revenues from fees and charges	Note 11
Grants	Note 12
Techport Australia recoveries	Note 13
Other income	Note 14
Revenues from SA Government	Note 15
Asset notes	
Cash	Note 16
Receivables	Note 17
Non-current assets classified as held for sale	Note 18
Property, plant and equipment	Note 19
Capital works in progress	Note 20
Liability notes	
Payables	Note 21
Employee benefits	Note 22
Provisions	Note 23
Other notes	
Unrecognised contractual commitments	Note 24
Contingent assets and contingent liabilities	Note 25
Remuneration of Advisory Board and committee members	Note 26
Related party transactions	Note 27
Budgetary reporting and explanations of major variances	Note 28
Events after the reporting period	Note 29

Note 1 Objectives of Defence SA

Defence SA is South Australia's lead government agency for all defence related matters. It facilitates the development and growth of Defence (Department of Defence and Australian Defence Forces) presence and defence industries in South Australia on a competitive and sustainable basis in accordance with *South Australia's Strategic Plan*.

The agency delivers the Government of South Australia's commitments to the Air Warfare Destroyer project, including the provision of the Techport Australia Common User Facility. In May 2017, the state entered into a Memorandum of Understanding for the transfer of the Techport Australia assets and operations to Australian Naval Infrastructure Pty Ltd (Australian Government) during the 2017-18 year.

Defence SA is also working towards capturing further Defence and defence industry work for South Australian businesses in the four defence sectors - maritime, land, aerospace and systems, as well as capturing work in the civilian space sector.

Defence SA is striving to ensure the right climate exists for defence industry growth, and is working with several partners to deliver results for industry in the areas of workforce development and innovation.

Note 2 Significant accounting policies

a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards (Reduced Disclosure Requirements) and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

Defence SA has applied Australian Accounting Standards that are applicable to not-for-profit entities, as Defence SA is a not-for-profit entity.

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying Defence SA's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported and;
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
 - a) expenses incurred as a result of engaging consultants;
 - b) employee targeted voluntary separation package information;
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
 - d) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement

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

Note 2 c) Reporting entity

Defence SA is a government agency of the State of South Australia, established pursuant to the *Public Sector Act 2009*. Defence SA is an administrative unit acting on behalf of the Crown.

Defence SA does not control any other entity and has no interests in unconsolidated structured entities.

Defence SA has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

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 accounting policy statements have required a change.

e) Rounding

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

f) Taxation

Defence SA is not subject to income tax. Defence SA is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and the emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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; and
- receivables and payables, which are stated with the amount of GST included.

The amount of GST recoverable from the ATO is included as a part of receivables and the amount payable to the ATO is included as a part of 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 the investing and financing activities, which is recoverable from, or payable to the ATO is classified as part of operating cash flows.

g) Events after the reporting period

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

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

h) Current and non-current classification

Defence SA has established a clearly identifiable operating cycle of 12 months. Assets and liabilities that are to be 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.

Note 2 i) Non-current assets*Capital works in progress*

During the period work continued on the development of infrastructure to support the Air Warfare Destroyer construction program in accordance with the Infrastructure Assistance Agreement.

Defence SA accounts for expenses associated with all capital projects as work in progress until the assets are installed and ready for use. On completion the assets are recognised in accordance with non-current asset acquisition and recognition policy (refer below).

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.

Harbour and port facilities including wharf, shiplift, transfer system and dry berth are considered specialised assets and are recorded at cost less accumulated depreciation.

Other asset classes are subsequently measured at fair value less accumulated depreciation.

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

However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value, i.e. the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of \$10 000 are capitalised.

Complex assets are componentised when the asset's fair value at the time of acquisition is equal to, or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is applied to leasehold improvements. Depreciation is applied to other tangible assets. Defence SA has no recognised intangible assets.

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

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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

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

Class of asset	Useful life (years)
Harbour and port facilities	5-50
Buildings and improvements	6-40
Leasehold improvements	Life of lease
Plant and equipment	4-25

Note 2 i) Non-current assets (continued)*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 (excluding specialised assets) will only be performed when the assets' fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. The Treasurer has approved that specialised assets will not need to be revalued until 30 June 2024.

Every six years Defence SA revalues its land and buildings via an independent Certified Practising Valuer. 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 revaluation 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. Defence SA's land, buildings and associated plant and equipment were last revalued in the year ended 30 June 2012.

Impairment

Defence SA holds its property, plant and equipment for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold.

Defence SA expects for all non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

Fair value measurement - non-financial assets

In determining fair value, Defence SA has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

Other than the recent agreement to sell the Techport Australia assets, Defence SA's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As Defence SA did not identify any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

j) Liabilities*Leases*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income over the term of the lease.

Employee benefits

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

Note 2 j) Liabilities (continued)*Wages, salaries, annual leave, skills and experience retention leave and sick leave*

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

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

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

Long service leave

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

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

These assumptions are based on employee data over SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Employee benefits on-costs

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

k) Insurance

Defence SA has arranged, through the South Australian Government Financing Authority - Insurance Division (SAICORP), to insure all major risks of Defence SA. The excess payable under this arrangement is \$5 000 per claim.

l) Unrecognised contractual commitments and contingent assets and liabilities

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

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Defence SA secures performance guarantees in support of contractor performance. No value is assigned to these guarantees for financial statement purposes as they will only be called upon in the event that the contractor fails to fulfill their agreed contractual commitments.

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.

DEFENCE SA

Note 3 New and revised accounting standards and policies

Defence SA did not voluntarily change any of its accounting policies and has not early adopted any accounting standard issued but not yet effective during 2016-17.

Note 4 Activities of Defence SA

In achieving its objectives Defence SA provides a range of services classified into the following activities:

Activity 1 - Defence Industry Development

This activity delivers strategy and policy that, together with guidance from the Defence SA Advisory Board, provides leadership across government on all defence related matters and civilian space sector matters.

It targets national and international business development opportunities and supports Defence SA's administrative, financial and operational services.

The activity delivers the state's workforce development commitments to the Air Warfare Destroyer (AWD) project, including the Maritime Skills Centre and integration of defence industry skills into whole-of-state workforce development planning and implementation initiatives. The Maritime Skills Centre will transfer to the Australian Government in 2017-18.

This activity seeks to support the growth of Defence and sustainable defence industries in South Australia across the maritime, land, aerospace and systems sectors as well as in the civilian space sector.

Activity 2 – Techport Australia

This activity delivers the state's shipbuilding infrastructure commitment to the Air Warfare Destroyer project and has established Techport Australia as Australia's premier naval industry hub. The state has reached agreement to transfer Techport Australia Common User Facility and associated assets to the Australian Government during the 2017-18 year, after which Defence SA will no longer be responsible for the Techport Australia operations.

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2017 and 30 June 2016.

DEFENCE SA

Note 5	Employee benefits expenses	30 June 2017 \$' 000	30 June 2016 \$' 000
	Salaries and wages	4,050	3,692
	Targeted voluntary separation packages (TVSPs) (refer below)	97	-
	Long service leave	108	116
	Annual leave	382	237
	Skills and experience retention leave	4	4
	Employment on-costs - superannuation ⁽¹⁾	435	395
	Employment on-costs - other	252	235
	Advisory Board and committee fees (refer note 26)	331	325
	Workers compensation	(17)	10
	Other employee related expenses	83	84
	Total employee benefits expenses	5,725	5,098

⁽¹⁾ The superannuation employment on-cost charge represents Defence SA's contribution to superannuation plans in respect of current services of current employees.

TVSPs

Amount paid during the reporting period to separated employees:

TVSPs	97	-
Annual leave, long service leave and skills, experience and retention leave paid to those employees	62	-
	159	-

The number of employees who received a TVSP during the reporting period was 1 (0).

Remuneration of employees

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

	No	No
\$145 000 to \$147 000*	-	1
\$147 001 to \$157 000	1	-
\$157 001 to \$167 000	-	2
\$167 001 to \$177 000	2	1
\$177 001 to \$187 000	1	-
\$187 001 to \$197 000	-	2
\$197 001 to \$207 000	1	2
\$207 001 to \$217 000	2	-
\$217 001 to \$227 000	-	1
\$227 001 to \$237 000	1	1
\$237 001 to \$247 000	1	1
\$277 001 to \$287 000	1	1
\$397 001 to \$407 000	1	-
Total number of employees	11	12

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was \$2.447 million (\$2.399 million).

DEFENCE SA

Note 6	Supplies and services	30 June 2017 \$' 000	30 June 2016 \$' 000
	Accommodation and service costs	302	351
	Consultants (refer below)	204	136
	Contractors	1,687	1,719
	Electricity	1,533	1,423
	Gas and gas equipment	155	168
	Insurance	96	95
	Legal fees	180	204
	Minor plant and equipment	115	133
	Promotion and events	1,393	692
	Property	275	464
	Provision of corporate services under Service Level Agreements	329	341
	Security services	652	732
	Staff safety, development and recruitment	147	180
	Travel and related expenses	286	285
	Other expenses	737	773
	Total supplies and services	8,091	7,696

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, as it is representative of the pattern of benefits derived from the leased assets.

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO where Defence SA does not hold a valid tax invoice or for payments relating to third party arrangements.

Consultants

The number and dollar amount of consultants paid/payable that fell within the following bands:

	30 June 2017		30 June 2016	
	No	\$' 000	No	\$' 000
Below \$10 000	-	-	3	13
Above \$10 000	1	204	3	123
Total paid/payable to the consultants engaged	1	204	6	136

Note 7	Depreciation and amortisation	30 June 2017 \$' 000	30 June 2016 \$' 000
	Buildings and improvements	174	188
	Plant and equipment	91	100
	Harbour and port facilities	6,567	7,062
	Leasehold improvements	-	108
	Total depreciation and amortisation	6,832	7,458

DEFENCE SA

		30 June 2017 \$' 000	30 June 2016 \$' 000
Note 8	Grants and subsidies		
	Defence Teaming Centre	1,548	902
	AWD program support	682	694
	Industry assistance and research	2,170	200
	Intra-government payments	130	75
	Total grants and subsidies	4,530	1,871
Note 9	Impairment losses		
	Impairment losses (refer notes 18 and 19)	11,525	-
	Total impairment losses	11,525	-
In May 2017, the state entered into a Memorandum of Understanding for the transfer of the Techport Australia assets and operations to Australian Naval Infrastructure Pty Ltd (Australian Government) during the 2017-18 year. An impairment loss has been recognised on reclassification of these assets to non-current assets classified as held for sale.			
Note 10	Other expenses		
	Audit fees - Auditor General	40	39
	Internal audit	82	75
	Bad debts	99	-
	Allowances for doubtful debts (refer note 17)	(98)	-
	Other	18	17
	Total other expenses	141	131
Note 11	Revenues from fees and charges		
	CUF priority access fee	2,721	2,706
	Techport Australia other fees	1,947	1,890
	Renewal SA income	18	100
	Total fees and charges	4,686	4,696
Note 12	Grants		
	Intra-government transfers - industry assistance programs	4,664	246
	ASC AWD Shipbuilder Pty Ltd contribution to CUF infrastructure	4,130	204
	Total grants	8,794	450
Note 13	Techport Australia recoveries		
	Other Techport Australia recoveries	562	120
	Total Techport Australia recoveries	562	120

DEFENCE SA

Note 14 Other income	30 June 2017 \$' 000	30 June 2016 \$' 000
Event participation fees	116	41
Other	-	74
Total other income	116	115

Note 15 Revenues from/payments to SA Government	30 June 2017 \$' 000	30 June 2016 \$' 000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	20,808	18,636
Transfers received - Department of Treasury and Finance	-	8
Total revenues from SA Government	20,808	18,644

Appropriations to fund activities are recognised as revenues when Defence SA obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of Defence SA and the appropriation is recorded as contributed capital.

The original amount appropriated to Defence SA under the annual Appropriation Act was not varied however an additional advance \$3.650 million was received from the Treasurer via the Governor's Appropriation Fund. Refer to note 28(e) for details on additional funding transferred to Defence SA to purchase land associated with the transition of Techport Australia assets to the Australian Government in 2017-18.

Note 16 Cash	30 June 2017 \$' 000	30 June 2016 \$' 000
Deposits with the Treasurer	8,442	3,890
Deposits with the Treasurer - Accrual Appropriation Excess Funds Account	26,175	23,696
Total cash	34,617	27,586

Defence SA has two deposit accounts with the Treasurer, a General Operating Account and an Accrual Appropriation Excess Funds Account. Although Defence SA controls the money in the Accrual Appropriation Account its use must be approved by the Treasurer. Defence SA does not earn interest on its deposits with the Treasurer.

DEFENCE SA

Note 17 Receivables	30 June 2017 \$' 000	30 June 2016 \$' 000
Current		
Receivables and accrued income	2,368	529
Less allowance for doubtful debts	(1)	(99)
Prepayments	289	131
GST input tax recoverable	687	185
Total current receivables	3,343	746

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)

Carrying amount at the beginning of the period	99	99
Increase in allowance	1	-
Amounts written off	(99)	-
Amounts recovered during the year	-	-
Carrying amount at the end of the period	1	99

Receivables arise in the normal course of selling goods and services to external entities.

Receivables are generally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

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

Note 18 Non-current assets classified as held for sale	30 June 2017 \$' 000	30 June 2016 \$' 000
Land only holdings	13,895	-
Site land	2,500	-
Buildings and improvements	4,975	-
Plant and equipment	454	-
Harbour and port facilities	208,176	-
Total non-current assets classified as held for sale (refer note 19)	230,000	-

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

In May 2017 the state signed a Memorandum of Understanding to transfer Techport Australia Common User Facility and associated assets to the Australian Government during the 2017-18 year, after which Defence SA will no longer be responsible for the Techport Australia operations.

DEFENCE SA

Note 19 Property, plant and equipment	30 June 2017 \$' 000	30 June 2016 \$' 000
Land		
Land only holdings at fair value ⁽¹⁾	-	16,250
Land only holdings improvements at cost	-	2,736
Site land at fair value	-	2,500
Site land at cost	-	884
Total land	-	22,370
Buildings and improvements		
Buildings at fair value	-	3,425
Buildings at cost ⁽²⁾	-	3,556
Accumulated depreciation at the end of the period	-	(1,092)
Total buildings and improvements	-	5,889
Leasehold improvements		
Leasehold improvements at cost	884	884
Accumulated amortisation at the end of the period	(884)	(884)
Total leasehold improvements	-	-
Plant and equipment		
Plant and equipment at cost	27	1,089
Accumulated depreciation at the end of the period	(15)	(539)
Total plant and equipment	12	550
Total buildings and improvements, plant and equipment	12	6,439
Harbour and port facilities		
Harbour and port facilities at cost ⁽²⁾	-	256,223
Accumulated depreciation at the end of the period	-	(44,935)
Total harbour and port facilities	-	211,288
Total property, plant and equipment	911	287,547
Total accumulated depreciation/amortisation at the end of the period	(899)	(47,450)
Total property, plant and equipment	12	240,097

Valuation of land and buildings

Valuation of property plant and equipment - comparative year ended 30 June 2016

The valuation of land and buildings was performed by an independent Certified Practising Valuer from Savills Valuations Pty Ltd as at 29 February 2012. The valuer arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar assets in the area taking into account zoning, restricted use and development work completed as at the valuation date.

⁽¹⁾ The land valuation takes into account that this land is reserved for use for future naval shipbuilding purposes to support the State's defence industry. These landholdings have direct access to the Common User Facility as a result of infrastructure works which have been undertaken to ensure this land can be used as an integral part of future shipbuilding activity. Works have included the relocation of services and infrastructure works to facilitate access across Mersey Road to the Common User Facility.

⁽²⁾ All Techport Australia Common User Facility assets (including buildings) are considered a specialised asset, are recorded at written down current cost (a proxy for fair value) and have not been revalued.

Carrying amount of leasehold improvements, plant and equipment and harbour and port facilities

All leasehold improvements and items of plant and equipment have a fair value at the time of acquisition that was less than \$1 million or had an estimated life of less than three years, and have not been revalued in accordance with Accounting Policy Framework III. The carrying value of these assets are deemed to approximate fair value.

Impairment

Impairment losses of \$11.525 million have been recognised at 30 June 2017 as a result of the reclassification of Techport Australia assets as assets held for sale.

DEFENCE SA

Note 19 Property, plant and equipment (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

The following table shows the movement of property, plant and equipment during 2015-16

	Land \$' 000	Buildings \$' 000	Leasehold improvements \$' 000	Plant and equipment \$' 000	Harbour and port facilities \$' 000	Total assets \$' 000
Carrying amount at the beginning of the period	22,370	5,471	108	575	216,162	244,686
Acquisitions and transfers	-	606	-	75	2,188	2,869
Depreciation and amortisation	-	(188)	(108)	(100)	(7,062)	(7,458)
Carrying amount at the end of the period	22,370	5,889	-	550	211,288	240,097

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT

The following table shows the movement of property, plant and equipment during 2016-17

	Land \$' 000	Buildings \$' 000	Leasehold improvements \$' 000	Plant and equipment \$' 000	Harbour and port facilities \$' 000	Total assets \$' 000
Carrying amount at the beginning of the period	22,370	5,889	-	550	211,288	240,097
Acquisitions and transfers	3,650	-	-	24	4,263	7,937
Transferred to held for sale ⁽¹⁾	(26,020)	(5,715)	-	(471)	(208,984)	(241,190)
Depreciation and amortisation	-	(174)	-	(91)	(6,567)	(6,832)
Carrying amount at the end of the period	-	-	-	12	-	12

Reconciliation of assets classified as held for sale

⁽¹⁾ Property, plant and equipment transferred to held for sale	26,020	5,715	-	471	208,984	241,190
Capital works in progress transferred to held for sale (refer note 20)	-	-	-	-	335	335
Impairment loss recognised on transfer (refer note 9)	(9,625)	(740)	-	(17)	(1,143)	(11,525)
Assets classified as held for sale (refer note 18)	16,395	4,975	-	454	208,176	230,000

DEFENCE SA

Note 20 Capital works in progress	30 June 2017 \$' 000	30 June 2016 \$' 000
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The carrying amount of capital works in progress as at the end of the reporting period.

	-	235
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Capital works in progress includes planning, design and development work associated with CUF assets not yet completed.

Capital works to date for CUF dredging have been reclassified as assets held for sale.

RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of capital works in progress during 2015-16

	Harbour and port facilities \$' 000	Plant and equipment \$' 000	Total capital works in progress \$' 000
Carrying amount at the beginning of the period	2,730	-	2,730
Acquisitions	374	-	374
Reclassified as property, plant and equipment	(2,869)	-	(2,869)
Carrying amount at the end of the period	<u>235</u>	<u>-</u>	<u>235</u>

RECONCILIATION OF CAPITAL WORKS IN PROGRESS

The following table shows the movement of capital works in progress during 2016-17

	Harbour and port facilities \$' 000	Plant and equipment \$' 000	Total capital works in progress \$' 000
Carrying amount at the beginning of the period	235	-	235
Acquisitions	4,375	14	4,389
Reclassified as property, plant and equipment	(4,275)	(14)	(4,289)
Transferred to held for sale (refer notes 18 and 19)	(335)	-	(335)
Carrying amount at the end of the period	<u>-</u>	<u>-</u>	<u>-</u>

DEFENCE SA

Note 21	Payables	30 June 2017 \$' 000	30 June 2016 \$' 000
	Current		
	Creditors and accrued expenses	2,296	1,264
	Employment on-costs	119	95
	GST payable	74	89
	Total current payables	2,489	1,448
	Non-current		
	Employment on-costs	22	24
	Total non-current payables	22	24
	Total payables	2,511	1,472

Employee benefits on-costs include payroll tax and superannuation contributions.

Defence SA makes contributions to 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 these superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has not changed from the 2016 rate (40%) and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2016 rate (10.2%) to 10.1%. These rates are used in the employment on-cost calculation.

There is no material financial effect from changes in actuarial assumptions in employment on-costs 2016 (\$3 000) and employees benefits expense 2016 (\$3 000). The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions. A key assumption is the proportion of Long Service Leave taken as leave instead of a lump sum, a result determined by the actuary based on current period data.

The paid parental leave scheme payable represents amounts which Defence SA has received from the Australian Government to forward on to eligible employees via Defence SA's standard payroll processes. That is, Defence SA is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received.

DEFENCE SA

Note 22 Employee benefits	30 June 2017 \$' 000	30 June 2016 \$' 000
Current		
Accrued salaries and wages	80	48
Annual leave	285	208
Long service leave	303	220
Skills and experience retention leave	6	6
Total current employee benefits	674	482
Non-current		
Long service leave	372	400
Total non-current employee benefits	372	400
Total employee benefits	1,046	882

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave. AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased to 2.5% from 2% in 2016.

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$30 000 and employee benefits expense of \$30 000.

The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions including the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no financial effect resulting from changes in the salary inflation rate \$nil (\$nil).

Note 23 Provisions	30 June 2017 \$' 000	30 June 2016 \$' 000
Current		
Provision for workers compensation	4	10
Total current provisions	4	10
Non-current		
Provision for workers compensation	9	20
Total non-current provisions	9	20
Total provisions	13	30
Movements in provisions		
Carrying amount at the beginning of the period	30	20
Additional provisions recognised	-	10
Reductions resulting from re-measurement	(17)	-
Carrying amount at the end of the period	13	30

A liability has been reported to reflect potential workers compensation claims.

The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector (a Division of the Department of the Premier and Cabinet). The provision is for the estimated cost for ongoing payments to employees as required under current legislation. Defence SA is responsible for the payment of workers compensation claims.

DEFENCE SA

Note 24	Unrecognised contractual commitments	30 June 2017 \$' 000	30 June 2016 \$' 000
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Capital commitments

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

Within 1 year	843	4,293
Total capital commitments	843	4,293

Defence SA's capital commitments are to various contractors providing dredging services and supplying specialised spare parts for the shiplift for the Techport Australia Common User Facility.

Expenditure commitments

Operating expenditure commitments as at the reporting date but not recognised as liabilities in the financial statements are payable as follows:

Within 1 year	5,927	2,289
Later than 1 year but not longer than 5 years	7,089	2,939
Total expenditure commitments	13,016	5,228

Defence SA's operating commitments reflect grant and fee for service contracts for defence industry development and specialist technical and engineering advice.

DEFENCE SA

Note 25	30 June 2017 \$' 000	30 June 2016 \$' 000
Contingent liabilities to which a value can be assigned	2,000	29,100
Total	2,000	29,100

Techport Australia Commercial Campus (Stage One)

Defence SA facilitated the private sector delivery of the Techport Australia Commercial Campus pursuant to its commitments to the AWD project and development of Techport Australia as Australia's premier naval industry hub. Stage One development includes the AWD Alliance's AWD Systems Centre, Raytheon Australia's SA Engineering Centre and supporting commercial and retail accommodation.

Related contractual commitments require Defence SA to accept novation of the residual lease period should ASC AWD Shipbuilder Pty Ltd elect to vacate the premises between December 2019 and expiration of its initial 10-year lease term in May 2020, which is considered unlikely.

State industry support to attract Australian Signals Directorate work to South Australia

Industry Grant to assist the capture of software engineering support program with Defence.

Contingent liabilities to which no value can be assigned

Air Warfare Destroyer Project - Common User Facility

The State has entered into an agreement with the Commonwealth for the construction of a Common User Facility (CUF) at Osborne to support ASC AWD Shipbuilder Pty Ltd in the construction of three air warfare destroyers for the Royal Australian Navy. The agreement indemnifies the Australian Government from any third party losses or damages arising from a failure by the State to complete the CUF in accordance with the agreed design and schedule or meet the agreed performance criteria. The State has now completed the CUF construction in accordance with the agreed design and schedule thereby eliminating this risk. The State continues to be liable if there are defects in the CUF or it fails to meet agreed performance criteria. The likelihood of non-performance is considered remote and the State's exposure is capped at \$320 million. It is envisaged that this liability will be extinguished on the transfer of the CUF to the Australian Government.

DEFENCE SA

Note 26 Remuneration of Advisory Board and committee members and related party disclosure

Members of the Defence SA Advisory Board during the financial year were:

ACM Sir A Houston AK AFC (Chair)
 Hon J Weatherill MP *
 Hon M Hamilton-Smith MP *
 Dr N Bryans
 VADM R Crane AO CSM RANR
 P Johnson MBE (retired 31/08/16)
 A Keough **
 B Laughton (retired 31/08/16)
 S Ludlam FREng
 LTGEN P Leahy AC
 RADM T Ruting AM CSC RANR
 Prof T Monro (appointed 01/09/2016)
 Prof P Quester (appointed 01/09/2016)

Members of the Audit and Risk Management Committee during the financial year were:

C McSporran (independent member/chair) **
 R Barnett **
 A Blaskett (independent member) (retired 31/08/2016) **
 B Laughton (independent member) (retired 31/08/2016)
 P Robertson (independent member)
 J Holmes (independent member) (appointed 24/09/2016) **
 S Ludlam FREng (independent member) (appointed 01/09/2016)

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

	30 June 2017 No.	30 June 2016 No.
\$1 to \$9 999	3	1
\$30 000 to \$39 999	7	7
\$70 000 to \$79 999	1	1
Total number of members	11	9

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. Total remuneration received or receivable, by board and committee members was \$331 000 (\$325 000), plus Defence SA compulsory superannuation contributions of \$31 000 (\$31 000). Other Advisory Board expenses were \$120 000 (\$154 000).

* The Hon J Weatherill MP and the Hon M Hamilton-Smith MP did not receive any remuneration for board duties during the period.

** Pursuant to the Department of Premier and Cabinet Circular PC016, government employees did not receive any remuneration for board/committee duties during the financial year.

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

LTGEN P Leahy AC is a board member of Electro Optic Systems which has an involvement with the Land 400 project (armoured vehicles).

Dr Neil Bryans has undertaken contract work on behalf of Defence SA for science and technology projects. Payments for this work are additional to the Board remuneration he received.

Note 27 Related party transactions

Defence SA, established in 2007 as an administrative unit of the Public Service under section 7 of the Public Sector Management Act 1995, is responsible for administering the functions of the Minister for Defence Industries

Related parties of Defence SA include all key management personnel and their close family members, all Cabinet Ministers and their close family members, and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key management personnel

Key management personnel of Defence SA include the Minister, the Chief Executive and the four members of the Executive Team who have the responsibility for the strategic direction and management of Defence SA.

Total compensation paid by for Defence SA for key management personnel was \$1.305 million (\$1.097 million). Salaries and other benefits the Minister for Defence Industries receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

Transactions with key management personnel and other related parties

There were no transactions with key management personnel and other related parties other than those in the normal course of business between a member of the public and government agencies.

Note 28 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). Budgeted information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements is not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with the line items in the financial statements. These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes. The budget process is not subject to audit.

The following are brief explanations of variances between original budget⁽¹⁾ and actual amounts.

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

DEFENCE SA

Note 28 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

		Original budget ⁽¹⁾ 2017 \$' 000	Actual 2017 \$' 000	Variance ⁽²⁾ \$' 000
Statement of Comprehensive Income				
Expenses				
Employee benefits expenses		5,617	5,725	(108)
Supplies and services	(a)	9,514	8,091	1,423
Depreciation and amortisation		7,760	6,832	928
Grants and subsidies	(b)	2,939	4,530	(1,591)
Impairment losses	(c)	-	11,525	(11,525)
Other expenses		183	141	42
Total expenses		26,013	36,844	(10,831)
Income				
Revenues from fees and charges		4,021	4,686	665
Grants	(d)	4,457	8,794	4,337
Techport Australia recoveries		274	562	288
Other income		55	116	61
Total income		8,807	14,158	5,351
Net cost of providing services		(17,206)	(22,686)	(5,480)
Revenues from/payments to SA Government				
Revenues from SA Government	(e)	17,158	20,808	3,650
Net result		(48)	(1,878)	(1,830)
Total comprehensive result		(48)	(1,878)	(1,830)
Investing expenditure summary				
		Original budget ⁽¹⁾ 2017 \$' 000	Actual 2017 \$' 000	Variance ⁽²⁾ \$' 000
New projects	(f)	3,900	7,770	(3,870)
Existing projects	(g)	1,095	166	929
Annual programs		300	103	197
Total investing expenditure		5,295	8,039	(2,744)

⁽¹⁾ These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

⁽²⁾ The use of brackets identifies an adverse variance

(a) Land 400 phase 2 support package Australian Government decision on successful bidder deferred \$0.800 million, Techport Australia masterplan funding deferred to 2017-18 for transition of CUF to the Australian Government \$0.671 million

(b) New industry assistance and research packages (\$1.520 million)

(c) Impairment losses crystallised on the reclassification of Techport Australia assets as assets held for sale (\$11.525 million)

(d) Funding for industry assistance grants received from Department of State Development \$3.900 million, Department of the Premier and Cabinet \$0.204m and contribution from ASC AWD Shipbuilder Pty Ltd for CUF wharf extension \$0.230 million

(e) Appropriation from the Governors Appropriation Account for the purchase of land associated with the transition of Techport Australia assets to the Australian Government \$3.650 million

(f) Purchase of land from the URA to facilitate the transition of Techport Australia assets to the Australian Government

(g) CUF maintenance dredging works have been deferred to 2017-18

DEFENCE SA

Note 29 Events after the reporting period

There are no reportable events after the reporting period.

Certification of the Financial Statements

We certify that the attached general purpose financial statements for Defence SA:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of Defence SA; and
- present a true and fair view of the financial position of Defence SA at 30 June 2017 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by Defence SA for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Andrew Keough
Chief Executive



Robert Barnett
Executive Director, Corporate Services

14th September 2017

14th September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Defence SA

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Defence SA for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of Defence SA as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Executive Director, Corporate Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of Defence SA. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

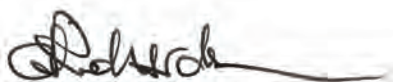
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

18 September 2017

Department for
Education and
Child Development

Financial report
for the year ended
30 June 2017

Department for Education and Child Development
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Expenses					
Employee benefits expenses	5	2 270 333	2 311 802	2 230 780	2 277 590
Supplies and services	6	674 556	674 124	337 677	362 949
Grants and subsidies	7	164 130	248 145	399 768	472 290
Depreciation and amortisation expense	8	109 112	111 477	102 803	105 104
Borrowing costs	9	22 439	22 651	22 289	22 591
Other expenses	10	7 015	14 235	5 063	11 615
Total expenses		3 247 585	3 382 434	3 098 380	3 252 139
Income					
Commonwealth revenues	11	498 403	479 126	498 403	479 126
Student and other fees and charges	12	160 511	150 179	23 219	19 505
Other grants and contributions	13	39 300	28 748	14 184	13 824
Interest revenues	14	9 514	8 971	7 569	7 806
Net (loss)/gain from disposal of non-current assets	15	5 466	(6 277)	5 570	(6 412)
Other revenues	16	65 098	63 746	21 375	26 787
Total income		778 292	724 493	570 320	540 636
Net cost of providing services		2 469 293	2 657 941	2 528 060	2 711 503
Revenues from/(payments) to SA Government					
Revenues from SA Government	17	2 524 087	2 682 345	2 524 087	2 682 345
Payments to SA Government	17	-	(60 899)	-	(60 899)
Net result		54 794	(36 495)	(3 973)	(90 057)
Other comprehensive income					
<i>Items that will not be reclassified to net result</i>					
Changes in revaluation surplus	23	626 892	41 689	626 892	41 689
Total comprehensive result		681 686	5 194	622 919	(48 368)

The net result and comprehensive result are attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes.

Department for Education and Child Development
Statement of Financial Position
As at 30 June 2017

	Note	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current assets					
Cash and cash equivalents	18	949 153	838 296	481 988	437 869
Receivables	19	48 756	56 184	35 450	45 219
Inventories	20	6 735	5 870	6	147
Other financial assets	21	2 255	2 016	-	-
		1 006 899	902 366	517 444	483 235
Non-current assets classified as held for sale	22	9 309	11 719	9 309	11 719
Total current assets		1 016 208	914 085	526 753	494 954
Non-current assets					
Receivables	19	533	885	4 091	5 335
Other financial assets	21	84	98	-	-
Property, plant and equipment	23	4 513 528	3 973 456	4 483 911	3 944 559
Intangible assets	24	18 749	22 118	18 749	22 118
Total non-current assets		4 532 894	3 996 557	4 506 751	3 972 012
Total assets		5 549 102	4 910 642	5 033 504	4 466 966
Current liabilities					
Payables	26	109 223	97 872	110 924	114 491
Borrowings	27	1 865	1 667	1 821	1 628
Employee benefits	28	201 319	207 755	199 538	206 063
Provisions	29	20 585	30 626	20 823	31 139
Other liabilities	30	29 593	31 130	15 911	15 331
Total current liabilities		362 585	369 050	349 017	368 652
Non-current liabilities					
Payables	26	60 046	64 722	60 046	64 722
Borrowings	27	167 550	169 683	167 502	169 608
Employee benefits	28	444 517	492 283	441 317	489 205
Provisions	29	55 263	67 691	55 263	67 691
Other liabilities	30	22 611	23 157	21 934	22 370
Total non-current liabilities		749 987	817 536	746 062	813 596
Total liabilities		1 112 572	1 186 586	1 095 079	1 182 248
Net assets		4 436 530	3 724 056	3 938 425	3 284 718
Equity					
Retained earnings	31	2 342 727	2 247 172	1 844 809	1 808 021
Revaluation surplus	31	2 093 803	1 476 884	2 093 616	1 476 697
Total equity		4 436 530	3 724 056	3 938 425	3 284 718

Total equity is attributable to the SA Government as owner

Unrecognised contractual commitments 32

Contingent assets and liabilities 33

The above statement should be read in conjunction with the accompanying notes.

Department for Education and Child Development
Statement of Changes in Equity
For the year ended 30 June 2017

Consolidated				
	Note	Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015		1 451 149	2 267 713	3 718 862
Net result for 2015-16		-	(36 495)	(36 495)
Changes on revaluation of property during 2015-16	23	41 689	-	41 689
Transfer revaluation surplus on disposal and derecognition of property, plant and equipment		(15 954)	15 954	-
Total comprehensive result for 2015-16		25 735	(20 541)	5 194
Balance at 30 June 2016	31	1 476 884	2 247 172	3 724 056
Net result for 2016-17		-	54 794	54 794
Changes on revaluation of property during 2016-17	23	626 892	-	626 892
Transfer revaluation surplus on disposal and derecognition of property, plant and equipment		(9 973)	9 973	-
Total comprehensive result for 2016-17		616 919	64 767	681 686
Net liabilities transferred out as result of restructure	34	-	30 788	30 788
Balance at 30 June 2017	31	2 093 803	2 342 727	4 436 530

DECD				
	Note	Revaluation Surplus \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015		1 450 962	1 882 124	3 333 086
Net result for 2015-16		-	(90 057)	(90 057)
Changes on revaluation of property during 2015-16	23	41 689	-	41 689
Transfer revaluation surplus on disposal and derecognition of property, plant and equipment		(15 954)	15 954	-
Total comprehensive result for 2015-16		25 735	(74 103)	(48 368)
Balance at 30 June 2016	31	1 476 697	1 808 021	3 284 718
Net result for 2016-17		-	(3 973)	(3 973)
Changes on revaluation of property during 2016-17	23	626 892	-	626 892
Transfer revaluation surplus on disposal and derecognition of property, plant and equipment		(9 973)	9 973	-
Total comprehensive result for 2016-17		616 919	6 000	622 919
Net liabilities transferred out as result of restructure	34	-	30 788	30 788
Balance at 30 June 2017	31	2 093 616	1 844 809	3 938 425

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

The above statement should be read in conjunction with the accompanying notes

Department for Education and Child Development
Statement of Cash Flows
For the year ended 30 June 2017

		2017	2016	2017	2016
		Consolidated	Consolidated	DECD	DECD
		\$'000	\$'000	\$'000	\$'000
	Note	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities					
Cash outflows					
Employee benefit payments		(2 277 476)	(2 353 682)	(2 238 108)	(2 319 484)
Payments for supplies and services		(712 637)	(767 462)	(344 772)	(426 655)
Payments of grants and subsidies		(173 883)	(266 860)	(422 944)	(475 844)
Interest paid		(21 072)	(20 833)	(20 673)	(20 773)
Other payments		(2 509)	(8 071)	(2 481)	(8 013)
Cash used in operations		(3 187 577)	(3 416 908)	(3 028 978)	(3 250 769)
Cash inflows					
Receipts from Commonwealth		498 420	479 139	498 420	479 139
Student and other fees and charges		160 871	156 038	23 615	23 107
Other grants and contributions received		41 984	27 359	14 441	14 178
Interest received		8 910	8 157	7 319	7 806
GST recovered from the ATO		59 731	80 884	36 260	53 170
Other receipts		60 263	59 208	16 540	22 249
Cash generated from operations		830 179	810 785	596 595	599 649
Cash flows from SA Government					
Receipts from SA Government		2 524 087	2 682 345	2 524 087	2 682 345
Payments to SA Government		-	(60 899)	-	(60 899)
Cash generated from SA Government		2 524 087	2 621 446	2 524 087	2 621 446
Net cash provided by operating activities	37	166 689	15 323	91 704	(29 674)
Cash flows from investing activities					
Cash outflows					
Purchase of property, plant and equipment		(54 636)	(49 849)	(47 320)	(42 769)
Purchase of investments		(246)	(8)	-	-
Cash used in investing activities		(54 882)	(49 857)	(47 320)	(42 769)
Cash inflows					
Proceeds from the sale of property, plant and equipment		17 533	12 066	17 352	11 825
Proceeds from Maturing Term Deposits		21	24	-	-
Receipt of loan repayments		-	40	867	703
Cash generated from investing activities		17 554	12 130	18 219	12 528
Net cash used in investing activities		(37 328)	(37 727)	(29 101)	(30 241)
Cash flows from financing activities					
Cash outflows					
Repayment of finance leases		(1 632)	(1 452)	(1 628)	(1 452)
Cash transferred as a result of restructure	34	(16 324)	-	(16 324)	-
Repayment of borrowings		(568)	(588)	(532)	(569)
Cash used in financing activities		(18 524)	(2 040)	(18 484)	(2 021)
Cash inflows					
Loans received		20	-	-	-
Cash generated from financing activities		20	-	-	-
Net cash used in financing activities		(18 504)	(2 040)	(18 484)	(2 021)
Net increase/(decrease) in cash and cash equivalents		110 857	(24 444)	44 119	(61 936)
Cash and cash equivalents at the beginning of the period		838 296	862 740	437 869	499 805
Cash and cash equivalents at the end of the period	18	949 153	838 296	481 988	437 869

The above statement should be read in conjunction with the accompanying notes

Department for Education and Child Development
Disaggregated Disclosures – Expenses and Income
For the year ended 30 June 2017
CONSOLIDATED

(Activities - refer note 4)	Early Childhood Development		School Education		Care and Protection		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses								
Employee benefits expenses	177 819	171 895	2 039 010	1 976 641	53 504	163 266	2 270 333	2 311 802
Supplies and services	33 726	31 853	624 597	598 617	16 233	43 654	674 556	674 124
Grants and subsidies	31 485	27 906	18 809	13 196	113 836	207 043	164 130	248 145
Depreciation and amortisation expense	3 828	3 876	104 683	105 713	601	1 888	109 112	111 477
Borrowing costs	1 783	1 807	20 656	20 844	-	-	22 439	22 651
Other expenses	1 924	1 388	5 074	12 720	17	127	7 015	14 235
Total expenses	250 565	238 725	2 812 829	2 727 731	184 191	415 978	3 247 585	3 382 434
Income								
Commonwealth revenues	52 138	53 013	446 101	425 298	164	815	498 403	479 126
Student and other fees and charges	5 590	4 918	154 869	144 940	52	321	160 511	150 179
Other grants and contributions	1 898	1 516	36 763	25 591	639	1 641	39 300	28 748
Interest revenues	587	570	8 925	8 392	2	9	9 514	8 971
Net (loss)/gain from disposal of non-current assets	(989)	(1 362)	6 455	(4 649)	-	(266)	5 466	(6 277)
Other revenues	1 212	2 471	63 068	55 564	818	5 711	65 098	63 746
Total income	60 436	61 126	716 181	655 136	1 675	8 231	778 292	724 493
Net cost of providing services	190 129	177 599	2 096 648	2 072 595	182 516	407 747	2 469 293	2 657 941
Revenues from/(Payments to) SA Government								
Revenues from SA Government	186 344	177 331	2 161 482	2 122 936	176 261	382 078	2 524 087	2 682 345
Payments to SA Government	-	(4 689)	-	(56 136)	-	(74)	-	(60 899)
Net result	(3 785)	(4 957)	64 834	(5 795)	(6 255)	(25 743)	54 794	(36 495)

Department for Education and Child Development
Disaggregated Disclosures – Expenses and Income
For the year ended 30 June 2017

DECD

(Activities - refer note 4)	Early Childhood Development		School Education		Care and Protection		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses								
Employee benefits expenses	177 819	171 895	1 999 457	1 942 429	53 504	163 266	2 230 780	2 277 590
Supplies and services	19 371	19 263	302 073	300 034	16 233	43 652	337 677	362 949
Grants and subsidies	45 842	40 496	239 678	224 749	114 248	207 045	399 768	472 290
Depreciation and amortisation expense	3 828	3 876	98 374	99 340	601	1 888	102 803	105 104
Borrowing costs	1 783	1 807	20 506	20 784	-	-	22 289	22 591
Other expenses	1 924	1 388	3 122	10 100	17	127	5 063	11 615
Total expenses	250 567	238 725	2 663 210	2 597 436	184 603	415 978	3 098 380	3 252 139
Income								
Commonwealth revenues	52 138	53 013	446 101	425 298	164	815	498 403	479 126
Student and other fees and charges	5 590	4 918	17 577	14 266	52	321	23 219	19 505
Other grants and contributions	1 898	1 516	11 647	10 667	639	1 641	14 184	13 824
Interest revenues	587	570	6 980	7 227	2	9	7 569	7 806
Net (loss)/gain from disposal of non-current assets	(989)	(1 362)	6 559	(4 784)	-	(266)	5 570	(6 412)
Other revenues	1 212	2 471	19 345	18 605	818	5 711	21 375	26 787
Total income	60 436	61 126	508 209	471 279	1 675	8 231	570 320	540 636
Net cost of providing services	190 131	177 599	2 155 001	2 126 157	182 928	407 747	2 528 060	2 711 503
Revenues from/(Payments to) SA Government								
Revenues from SA Government	186 344	177 331	2 161 482	2 122 936	176 261	382 078	2 524 087	2 682 345
Payments to SA Government	-	(4 689)	-	(56 136)	-	(74)	-	(60 899)
Net result	(3 787)	(4 957)	6 481	(59 357)	(6 667)	(25 743)	(3 973)	(90 057)

Department for Education and Child Development
Disaggregated Disclosures – Assets and Liabilities
For the year ended 30 June 2017
CONSOLIDATED

(Activities - refer note 4)	Early Childhood Development		School Education		Care and Protection		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets								
Cash and cash equivalents	43 900	38 330	905 253	788 431	-	11 535	949 153	838 296
Receivables	3 695	4 066	45 594	46 901	-	6 102	49 289	57 069
Inventories	-	13	6 735	5 857	-	-	6 735	5 870
Other financial assets	-	-	2 339	2 114	-	-	2 339	2 114
Non-current assets classified as held for sale	467	347	8 842	11 372	-	-	9 309	11 719
Property, plant and equipment	191 163	171 426	4 322 365	3 764 566	-	37 464	4 513 528	3 973 456
Intangible assets	1 500	1 570	17 249	18 052	-	2 496	18 749	22 118
Total assets	240 725	215 752	5 308 377	4 637 293	-	57 597	5 549 102	4 910 642
Liabilities								
Payables	10 666	10 115	158 603	134 045	-	18 434	169 269	162 594
Borrowings	13 546	13 676	155 869	157 389	-	285	169 415	171 350
Employee benefits	52 209	53 297	593 627	601 837	-	44 904	645 836	700 038
Provisions	6 178	6 575	69 670	73 363	-	18 379	75 848	98 317
Other liabilities	1 914	1 874	50 290	52 401	-	12	52 204	54 287
Total liabilities	84 513	85 537	1 028 059	1 019 035	-	82 014	1 112 572	1 186 586

Department for Education and Child Development
Disaggregated Disclosures – Assets and Liabilities
For the year ended 30 June 2017

DECD

(Activities - refer note 4)	Early Childhood Development		School Education		Care and Protection		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets								
Cash and cash equivalents	43 900	38 330	438 088	388 004	-	11 535	481 988	437 869
Receivables	3 695	4 066	35 846	40 386	-	6 102	39 541	50 554
Inventories	-	13	6	134	-	-	6	147
Non-current assets classified as held for sale	467	347	8 842	11 372	-	-	9 309	11 719
Property, plant and equipment	191 163	171 426	4 292 748	3 735 669	-	37 464	4 483 911	3 944 559
Intangible assets	1 500	1 570	17 249	18 052	-	2 496	18 749	22 118
Total assets	240 725	215 752	4 792 779	4 193 617	-	57 597	5 033 504	4 466 966
Liabilities								
Payables	10 666	10 115	160 304	150 664	-	18 434	170 970	179 213
Borrowings	13 546	13 676	155 777	157 275	-	285	169 323	171 236
Employee benefits	52 209	53 297	588 646	597 067	-	44 904	640 855	695 268
Provisions	6 178	6 575	69 908	73 876	-	18 379	76 086	98 830
Other liabilities	1 914	1 874	35 931	35 815	-	12	37 845	37 701
Total liabilities	84 513	85 537	1 010 566	1 014 697	-	82 014	1 095 079	1 182 248

The above statement should be read in conjunction with the accompanying notes

Department for Education and Child Development

Notes to and forming part of the financial statements

1 Objectives of the Department for Education and Child Development

The Department for Education and Child Development (the department) operates within the:

- *Children's Services Act 1985;*
- *Education Act 1972;*
- *Public Sector Act 2009.*

Purpose

The department was established to provide a range of integrated education, health and child development services for the benefit of children, young people and families.

The department's focus is to improve children and young people's education, safety and developmental outcomes from birth through their transition to adulthood.

Public education is at the core of the department and we recognise that the success of public education depends on mutually beneficial partnerships with parents and families, community, tertiary providers, industry, government and non-government organisations.

The department's other critical functions are child protection through the Office for Child Safety and Families SA (up to 1 November 2016), and health and wellbeing services through the Women's and Children's Health Network, which are aimed at all newborn babies and children up to four years old.

Our Role

To oversee early childhood care and development services for South Australian families

The department oversees the provision of local family day care, preschool education, children's centres, out of school hours care programs, plus health and wellbeing services that support parents, carers and children. We partner with the Australian Government as well as the community sector and local government to integrate all services, with a focus on providing high quality care, teaching and learning.

To provide services that benefit children and families

The department works with all families early in their journey to support parents and ensure the individual needs of each child are met, fostering the best development and learning outcomes for each child to maximise their potential.

To lead and manage South Australia's education system

The department manages South Australia's public education system, with the goal of delivering world-class primary and secondary education in all areas of the curriculum. At the local level, we want every child to achieve their potential, and we see families as our partners to ensure each and every child leaves school with strong skills and a positive outlook.

To provide the State's statutory child protection service (up to 1 November 2016)

The department works with families to keep children safe from harm and to build parents' capacity to care safely for their children. If children and young people are not able to remain safely in the care of their birth family, we are responsible for the care and support of these children as they enter out-of-home care, and for children under the Guardianship of the Minister. Note that a separate department for child protection was formed on 1 November 2016. Refer to note 34 for further information.

Vision

A high performing system that improves the educational attainment and wellbeing of South Australia's children and young people.

Our Strategic Intent

The department's Strategic Plan 2014-2017, released in July 2014, outlines six priority areas for improvement to be delivered to the South Australian community.

- Higher standards of learning achievement
- Improve health and wellbeing
- Improve and integrate child safety
- Engage children, families and communities
- Right service at the right time
- Build a better system

Department for Education and Child Development
Notes to and forming part of the financial statements

Our Strategic Intent (continued)

The department is guided in our work by the strategic plan and includes working collaboratively with our partners to provide a safe environment for the wellbeing of children and young people. In addition, the department will continue to publish performance data and report on the progress toward our strategic commitments.

The department's key objective is to create a stronger future for South Australian children through education, child health and early childhood services. The focus is on giving every single child and young person the best possible education and support within a safe environment, so they can lead happy and fulfilling lives.

The department works to improve outcomes for all children and young people by harnessing collaborative relationships with families, communities, government and non-government agencies responsible for children, young people and families.

2 Significant accounting policies

(a) Statement of compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The department has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Department is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the department's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- that accounting policies be selected and applied in a manner which ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following note disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature
 - 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 equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; 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.

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

(c) Reporting entity

The department is a government department of the State of South Australia established pursuant to the *Public Sector Act 2009*. The department is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes include all the controlled activities of the department (refer to the disaggregated schedule for details of the department's controlled activities).

The department does not control any other entity and has no interests in unconsolidated structured entities.

Department for Education and Child Development
Notes to and forming part of the financial statements

(c) Reporting entity (continued)

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

Transactions within DECD columns

The values in the DECD columns in the financial statements incorporate the activities of the corporate department.

Corporate department activities include transactions that relate to the operations of government controlled schools and preschools including:

- expenses such as salaries and wages, salary related on-costs and some utilities expenses;
- infrastructure assets including land, buildings and major improvements; and
- liabilities recorded in the corporate department's financial systems such as employee benefits.

Income earned and expenses incurred directly by government controlled schools and preschools which are accounted for locally in their general ledgers are excluded from the DECD column.

Transactions within Consolidated column

The values in the Consolidated columns in the financial statements incorporate the activities of the corporate department as discussed above and government controlled schools. All material transactions between the corporate department and government controlled schools have been eliminated as required by Australian Accounting Standards.

Financial data was collected from government schools for the school year ended 31 December 2016 for the purpose of consolidating it with data from the corporate department. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to the corporate department.

Administered items

The department is responsible for the administration of specific funds on behalf of the Minister for Education and Child Development. The department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties. The Administered Financial Statements include the income, expenses, assets and liabilities of these funds.

The main administered funds are:

- *Minister for Education and Child Development*
Funds are appropriated to the Minister for Education and Child Development and are disbursed at the discretion of the Minister. The principal payments are:
 - the State Government contribution to the operation of the SACE Board of South Australia
 - the State and Commonwealth Government contributions to the operation of the Education and Early Childhood Services Registration and Standards Board of South Australia
 - payments to the Department of Planning, Transport and Infrastructure for the purposes of student travel
 - the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities
 - the Commonwealth Government contribution to the operation of non-government schools, some pre-schools, organisations and services to students with disabilities.
 - payments related to Ministerial committees.
- *Commissioner for Children and Young People*
- *Guardian for Children and Young People*
- *Minister's salary and allowances*
The Minister's salary and allowances are funded by specific legislation and the department has no control over this part of the annual appropriation.

Department for Education and Child Development
Notes to and forming part of the financial statements

(d) Transferred functions

On 21 June 2016, the government announced that it would establish a separate department to undertake functions related to the care for and protection of children and young people. This was in response to an interim recommendation of the Child Protection Systems Royal Commission.

The *Public Sector (Department for Child Protection) Proclamation 2016* (dated 27 October 2016) declared that:

- A new department is established and assigned the title Department for Child Protection; and
- The Minister for Education and Child Development is designated as the department's Minister with responsibility for the department.

The Department for Child Protection (DCP) commenced operations on 1 November 2016. The expenditure and income for the former Families SA (FSA) for the period 1 July 2016 to 31 October 2016 are included in the financial statements that follow. However, the financial transactions for DCP for the period 1 November 2016 to 30 June 2017 are included in the financial statements of DCP. Any relevant assets and liabilities were transferred to DCP effective 1 November 2016. Refer to note 34 for further information.

(e) Comparative information

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

(f) Rounding

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

(g) Taxation

The department is not subject to income tax. The department is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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; 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.

(h) Events after the reporting period

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

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

(i) Current and non-current classification

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

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

Department for Education and Child Development
Notes to and forming part of the financial statements

(j) 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 costs involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

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

All non-current tangible assets with a value equal to or in excess of \$5 000 are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

Depreciation and amortisation

All non-current assets having a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

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

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

Class of asset	Useful life (years)
Buildings and improvements	10-170
Residential Accommodation Housing	30-50
Leasehold improvements	Life of lease
Buildings under finance lease	45-60
Buses / Motor vehicles	12-20
Computing, communications, furniture and equipment	3-20
Intangible assets	3-30
Other assets	5-10

Computing, communications, furniture and equipment and other assets

Items are recorded at historical cost (deemed fair value) less accumulated depreciation.

Revaluation of non-current assets

All non-current tangible assets are valued at 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.

The department revalues its buildings and improvements, buildings under finance lease and bus fleet at least every three years. However if at any time, management considers 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. Land is revalued annually if the revaluation is considered to be material in nature.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation where they are revalued to fair value.

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

Impairment of non-current assets

The department holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value.

Department for Education and Child Development

Notes to and forming part of the financial statements

Impairment of non-current assets (continued)

The department also expects for all other non-current tangible assets that any costs of disposal will be negligible and the recoverable amount will be close to or greater than fair value.

Intangible assets

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

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

The acquisition of internally developed 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.

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principle or most advantageous market, at the measurement date.

The department classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent valuation.

Level 1: traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities the entity can access at measurement date.

Level 2: not traded in an active market and are derived from inputs (input other than quoted prices included within level 1) that are observable for the asset either directly or indirectly.

Level 3: not traded in an active market and are derived from unobservable inputs.

In determining fair value, the department has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The department's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the department did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years is deemed to approximate fair value.

Refer to notes 23 and 25 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(k) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The department has entered into finance leases and operating leases.

Finance leases

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

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

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

Department for Education and Child Development
Notes to and forming part of the financial statements

Finance leases (continued)

In July 2009 the State of South Australia entered into a 30 year agreement under the Partnership's SA policy for the financing, design, construction and maintenance of six schools that opened during the 2010-11 financial year. At the completion of construction for each school a commitment in regard to these assets was recognised as a finance lease with related finance lease assets.

Operating Leases

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

Employee benefits

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

Salaries and wages, annual leave, country incentive leave, skills and experience retention leave and sick leave

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

The annual leave liability, country incentive leave and the skills and experience retention leave liability are expected to be payable within 12 months and are measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period.

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

(l) Unrecognised contractual commitments and contingent assets and liabilities

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

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

(m) Public Private Partnership

In July 2009 the State of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd, under the Partnerships SA policy, for the financing, design, construction, and maintenance of six schools. This agreement includes the provision of operational and maintenance services by the operator for a specified period of time, and is referred to as a Public Private Partnership (PPP).

Under the PPP agreement, the department pays the operator over the period of the arrangement, subject to specified performance criteria being met. These estimated periodic payments are allocated between:

- a component related to the design and construction that is accounted for as a finance lease payment;
- a component for the provision and replacement of equipment and infrastructure accounted for as a service right liability payment; and
- a component related to the ongoing operation and maintenance of the facilities accounted for as operating costs which are expensed in the Statement of Comprehensive Income.

The construction of all six schools was completed during the 2010-11 financial year and the State assumed responsibility for education provision, staffing, curriculum and teacher practice. On completion of construction, a finance leased asset was recognised for the facility assets and an intangible asset was recognised for the service right relating to the supply and use of equipment.

(m) Public Private Partnership (continued)

Applicable liability and future commitment disclosures relating to the components of the arrangements are provided in notes 26, 30 and 32.

3 New or revised accounting standards and policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the department for the period ending 30 June 2017.

AASB 16 *Leases* will apply for the first time for the year to reporting periods beginning on or after 1 Jan 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The department has not yet quantified the impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The department has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the statement of comprehensive income.

The department has adopted AASB 124 *Related Party Disclosures* (AASB 124) in the 2016-17 financial statements. The department is complying with the new disclosure requirements and has implemented processes and/or mechanisms to capture relevant related party information including information on Key Management Personnel (KMP).

In the current financial year the department has also adopted AASB 101 *Presentation of Financial Statements* (and the corresponding amendments from AASB 2014-6 and AASB 2015-2). This standard provides clarification regarding the disclosure requirements within AASB 101 and ensures that judgement can be applied when determining what information is to be disclosed. The amendments will reduce the current note disclosure accompanying the department's financial statements and will ensure that material information is not obscured with immaterial information.

4 Activities of the department

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

Activity 1: Early Childhood Development

The department is responsible for the delivery of early childhood education and care, child protection, health and wellbeing services for children, young people and families. The program recognises the importance of the parent's role in their child's development and builds upon establishing relationships with families to support every child to grow, learn and develop. The implementation of national and state early childhood reform agendas to improve outcomes for all South Australian children and families underpins the program.

There is a key focus on ensuring that the most vulnerable children and young people at risk of disadvantage are supported. The establishment of children's centres across the state in areas of highest need, the provision of preschool for all four-year olds, continued collaboration across agencies and the delivery of targeted family support programs contribute to achieving this goal. The provision of quality integrated early childhood education and care services that are accessible and support each child to develop and learn to their capacity are at the core of the program.

Activity 2 School Education

The department is responsible for the delivery of high quality primary and secondary public education across the state to all children and young people of school age. Through a focus on high achievement, growth, challenge, engagement and equity the department seeks to maximise every child and young person's learning and help them to become successful learners, confident and creative individuals and informed citizens.

The department maintains high expectations of schools to increase student performance and reduce the gap between the highest and lower achievers. The department's work is strengthened by the involvement of parents and local communities in the education of children.

Activity 3 Care and Protection (up to 31 October 2016)

The department is focused on ensuring that the most vulnerable children and young people at risk of abuse, neglect and disadvantage are protected from harm. This is a significant responsibility, which the department undertakes in partnership with families, other government partners, the non-government sector and communities. By providing family support and child safety responses to vulnerable families, children's safety is enhanced, which addresses the risk of harm and builds on parents' capacity to care for their children.

Where children and young people are not able to safely remain in the care of their birth family, the department facilitates out-of-home care arrangements. Where this involves placing a child under the Guardianship of the Minister, the department also provides out-of-home care services and support as well as case management

The disaggregated disclosures schedules present expenses, income, assets and liabilities information attributable to each of the activities for the years ended 30 June 2017 and 30 June 2016.

Department for Education and Child Development
Notes to and forming part of the financial statements

5 Employee benefits expenses

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Salaries and wages (including annual leave)	1 896 702	1 865 310	1 860 927	1 834 884
Employment on-costs - superannuation *	192 171	196 435	189 138	193 484
Employment on-costs - payroll tax	103 804	106 387	103 804	106 387
Long service leave	32 124	98 147	31 499	97 442
Workers Compensation	20 625	23 973	20 625	23 973
Skills and experience retention leave	11 522	11 978	11 522	11 978
Targeted voluntary separation payments	10 140	6 559	10 140	6 559
Other employee related expenses	2 988	2 611	2 868	2 481
Country incentive leave	218	373	218	373
Board and committee fees	39	29	39	29
Total employee benefits expenses	2 270 333	2 311 802	2 230 780	2 277 590

* The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees.

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Targeted voluntary separation packages (TVSPs)				
Amounts paid or payable to separated employees:				
TVSPs	10 140	6 559	10 140	6 559
Annual leave and Long Service Leave Paid	1 055	3 076	1 055	3 076
Total amount paid	11 195	9 635	11 195	9 635

Number of employees who were paid TVSPs during the reporting period	201	78	201	78
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The TVSP disclosure above includes both targeted voluntary and teacher renewal separation payments.

Annual leave and long service leave paid are leave paid at the time of separation payments. All leave entitlements are reported on an accrual basis in the employee benefits expenses note.

Department for Education and Child Development
Notes to and forming part of the financial statements

Remuneration of employees	2017	2017	2016	2016
The number of employees whose remuneration received or receivable falls within the following bands:	Consolidated Number of Executives ²	Consolidated Number of Employees ³	Consolidated Number of Executives ²	Consolidated Number of Employees ³
\$145 000 to \$147 000 ¹	na	na	-	36
\$147 001 to \$157 000	1	172	1	160
\$157 001 to \$167 000	5	82	2	99
\$167 001 to \$177 000	1	38	3	42
\$177 001 to \$187 000	4	37	2	30
\$187 001 to \$197 000	1	20	4	27
\$197 001 to \$207 000	4	20	1	19
\$207 001 to \$217 000	4	14	9	15
\$217 001 to \$227 000	4	7	5	11
\$227 001 to \$237 000	1	3	1	4
\$237 001 to \$247 000	1	2	1	1
\$247 001 to \$257 000	3	3	3	4
\$257 001 to \$267 000	-	2	2	5
\$267 001 to \$277 000	-	3	4	5
\$277 001 to \$287 000	1	2	-	1
\$287 001 to \$297 000	-	1	-	1
\$297 001 to \$307 000	-	1	-	2
\$307 001 to \$317 000	-	2	-	-
\$317 001 to \$327 000	-	1	1	1
\$337 001 to \$347 000	1	1	1	2
\$347 001 to \$357 000	-	-	1	2
\$367 001 to \$377 000	-	-	-	1
\$387 001 to \$397 000	-	-	-	1
\$407 001 to \$417 000	-	-	-	1
\$417 001 to \$427 000	-	-	-	1
\$437 001 to \$447 000	-	1	-	-
\$457 001 to \$467 000	-	-	-	1
\$477 001 to \$487 000	1	1	-	1
\$657 001 to \$667 000	-	1	-	-
\$667 001 to \$677 000	-	1	-	-
Total number of executives / employees	32	415	41	473

¹ This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

² The number of executive officers disclosed in the above table includes employees appointed on a South Australian Executive Service (SAES) contract as at 30 June 2017 and 30 June 2016 respectively. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2017 and 2016.

³ Includes resigned and retired executives not included in the executive column.

The table includes all employees who received remuneration equal to or greater than the base remuneration level during the year.

Remuneration of these employees reflect all costs of employment including salary and wages, payments in lieu of leave, employer's superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of these benefits.

Of the employees that were remunerated over the base executive remuneration level, 44 (58) received country incentive payments. There were 33 (29) individuals that ceased employment with the SA Government and received payments for unused leave entitlements with a further 5 (12) receiving an amount under the TVSP scheme. All of these individuals are included in the Consolidated number of employees column.

Department for Education and Child Development
Notes to and forming part of the financial statements

Remuneration of employees (continued)

Remuneration received or due and receivable by the above employees was \$72.8 million (\$83 million), which is included in employee benefits expenses. Salary rates during 2016-17 increased by 2.5 percent for *Education Act 1972* employees, 2.5 percent for *Public Sector Act 2009* employees effective from the first pay period on or after 1 October 2016 and 1.5 percent for Executive Officers effective 1 July 2016.

Number of employees as at the reporting date

As at 30 June, the department employed 23 189 (24 112) full-time equivalents.

6 Supplies and services

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Minor works, maintenance and equipment	135 852	142 556	104 149	105 684
Printing, postage and consumables	83 375	77 082	5 367	5 652
Other supplies and services	82 102	75 621	8 439	7 893
Utilities	40 756	42 330	5 260	20 380
Cleaning	38 617	37 803	5 632	6 028
Contractors and other outsourced services	34 231	27 242	34 782	27 521
Vehicle and travelling expenses	32 513	35 579	30 570	33 619
Student learning materials	29 316	29 035	-	-
Rentals and leases	26 374	34 509	23 955	31 708
Bus contractors	25 800	25 107	25 806	25 109
Excursions and camps	22 720	22 227	-	-
Computer communications	20 564	20 125	13 171	14 693
Management fees and charges	17 417	18 003	19 649	20 757
Telecommunications	15 165	18 195	12 945	16 134
Cost of goods sold	15 000	14 895	-	-
Shared Services SA charges	13 438	15 085	13 438	15 085
Training and development	12 113	10 916	5 620	5 350
Insurance (including self-insurance)	7 886	5 995	8 009	6 023
Security	6 579	6 115	6 149	5 611
PPP Service Fee	5 615	5 841	5 615	5 841
Copyright	4 296	4 124	4 292	4 120
Legal costs	3 697	2 916	3 697	2 916
Residential and client related costs	1 130	2 823	1 132	2 825
Total supplies and services	674 556	674 124	337 677	362 949

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the department not holding a valid tax invoice or payments relating to third party arrangements.

Consultancy fees	2017	2017	2016	2016
The number and dollar amount of consultancies paid/payable (included in supplies and services expense) that fell within the following bands:	Consolidated	Consolidated	Consolidated	Consolidated
	No.	\$'000	No.	\$'000
Above \$10 000	5	1 202	4	171
Total paid/payable to consultants engaged	5	1 202	4	171

Department for Education and Child Development
Notes to and forming part of the financial statements

7 Grants and subsidies

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Recurrent grants paid to other organisations	159 496	242 220	159 496	242 220
Recurrent grants paid to preschools	4 634	5 925	4 634	5 925
Recurrent grants paid to schools and units	-	-	235 638	220 828
Capital grants paid to schools and units	-	-	-	3 317
Total grants and subsidies	164 130	248 145	399 768	472 290

Grants and subsidies paid by the department are contributions with unconditional stipulations attached.

8 Depreciation and amortisation expense

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Depreciation and amortisation				
Buildings and improvements	94 601	95 225	94 539	95 168
Computing, communication, furniture and equipment	5 287	5 078	376	419
Buildings under finance lease	3 292	3 292	3 292	3 292
Buses and motor vehicles	2 991	2 718	2 173	1 939
Leasehold improvements	996	1 664	996	1 664
Other assets	553	947	35	70
Service right for equipment	846	948	846	948
Residential accommodation housing	268	823	268	822
Internally developed computer software	251	755	251	755
Externally provided software	27	27	27	27
Total depreciation and amortisation expense	109 112	111 477	102 803	105 104

9 Borrowing costs

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Finance lease costs	22 289	22 591	22 289	22 591
Interest paid/payable on short-term and long-term borrowings	150	60	-	-
Total borrowing costs	22 439	22 651	22 289	22 591

Finance lease costs relate to the interest expenses associated with the PPP agreement.

Department for Education and Child Development
Notes to and forming part of the financial statements

10 Other expenses

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Non-current assets written off	2 581	2 202	2 581	2 202
Allowance for doubtful debts and debt write-offs	2 131	2 623	207	61
Emergency Services Levy	1 355	1 341	1 355	1 341
Auditor's remuneration – other	1 004	982	944	912
Auditor's remuneration				
– Auditor-General's Department *	485	559	485	559
Other expenses	197	1 462	197	1 462
Other insurance	(738)	3 466	(706)	3 478
Donated assets	-	1 600	-	1 600
Total other expenses	7 015	14 235	5 063	11 615

* Audit fees paid / payable to the Auditor-General's Department relate to work performed under the Public Finance and Audit Act 1987. No other services were provided by the Auditor-General's Department.

11 Commonwealth revenues

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
National Education Reform Agreement	431 822	403 633	431 822	403 633
National Partnership - Universal Access to Early Childhood Development	27 557	27 111	27 557	27 111
Family Day Care Scheme	20 338	22 245	20 338	22 245
National School Chaplaincy Program	5 867	5 867	5 867	5 867
National Partnership - Teacher Quality	3 267	1 462	3 267	1 462
Independent Public Schools	2 090	2 382	2 090	2 382
Rural Care Worker Program	1 954	1 992	1 954	1 992
Detainee Minors	1 725	1 700	1 725	1 700
Family Day Care Administration	1 004	1 065	1 004	1 065
Connected Beginnings	720	-	720	-
Other specific Commonwealth revenue	495	1 234	495	1 234
National Partnership - More Support for Students with Disabilities	455	1 295	455	1 295
Indigenous Advancement Strategy	440	2 714	440	2 714
National Occasional Care	346	-	346	-
National Partnership - Advanced Technology	300	675	300	675
ESL New Arrivals (Bridging Visa E050)	23	942	23	942
National Partnership - Improving Literacy and Numeracy	-	2 450	-	2 450
Trade Training Centres	-	1 758	-	1 758
Unaccompanied Humanitarian Minors	-	319	-	319
National Partnership - Rewards for Great Teachers	-	282	-	282
Total Commonwealth revenues	498 403	479 126	498 403	479 126

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

Department for Education and Child Development
Notes to and forming part of the financial statements

11 Commonwealth revenues (continued)

Generally, the department has obtained control or the right to receive contributions with unconditional stipulations - this will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (eg grant application) has been approved; agreement/contract is executed; and/or the contribution is received.

12 Student and other fees and charges

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Student enrolment fees and charges	115 173	107 949	3 861	3 419
Other user fees and charges	15 670	12 764	17 085	13 951
Canteen sales	15 458	15 753	-	-
Sales/fee for service revenue	14 210	13 713	2 273	2 135
Total student and other fees and charges	160 511	150 179	23 219	19 505

13 Other grants and contributions

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Grants and subsidies revenue	38 616	28 014	14 153	13 824
Donations	684	734	31	-
Total other grants and contributions	39 300	28 748	14 184	13 824

14 Interest revenues

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Other interest	9 480	8 905	7 401	7 401
Interest from entities within the SA Government	34	66	168	405
Total interest revenues	9 514	8 971	7 569	7 806

Department for Education and Child Development
Notes to and forming part of the financial statements

15 Net (loss)/gain from disposal of non-current assets

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Land and buildings				
Proceeds from disposal	220	6 281	220	6 281
Net book value of assets disposed	(726)	(9 970)	(726)	(9 970)
Net gain/(loss) from disposal of land and buildings	(506)	(3 689)	(506)	(3 689)
Vehicles, plant and equipment				
Proceeds from disposal	250	380	69	139
Net book value of assets disposed	(395)	(299)	(110)	(193)
Net gain/(loss) from disposal of vehicles, plant and equipment	(145)	81	(41)	(54)
Residential accommodation housing				
Proceeds from disposal	-	-	-	-
Net book value of assets disposed	-	(780)	-	(780)
Net gain/(loss) from disposal of residential accommodation housing	-	(780)	-	(780)
Non-current assets classified as held for sale				
Proceeds from disposal	17 063	5 405	17 063	5 405
Net book value of assets disposed	(10 946)	(7 294)	(10 946)	(7 294)
Net gain/(loss) from disposal of non-current assets classified as held for sale	6 117	(1 889)	6 117	(1 889)
Total Assets				
Total proceeds from disposal	17 533	12 066	17 352	11 825
Total value of assets disposed	(12 067)	(18 343)	(11 782)	(18 237)
Total net gain/(loss) from disposal of non-current assets	5 466	(6 277)	5 570	(6 412)

Gains/losses on disposal of land, buildings, improvements and buses are recognised at the date the control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

16 Other revenues

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Other revenue	46 172	41 824	6 282	6 699
Fundraising revenue	7 526	7 420	-	-
Revaluation increment of buildings under finance lease and leasehold improvement assets	4 221	-	4 221	-
Recoveries - other	3 840	7 488	4 390	9 988
Commission received	1 763	1 203	4 906	4 289
Assets recognised for the first time	1 576	5 808	1 576	5 808
Contributed assets	-	3	-	3
Total other revenues	65 098	63 746	21 375	26 787

Department for Education and Child Development
Notes to and forming part of the financial statements

17 Revenues from / payments to SA Government

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Revenues from SA Government				
Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i>	2 524 087	2 679 876	2 524 087	2 679 876
Transfers from contingencies	-	2 469	-	2 469
Total revenues from SA Government	2 524 087	2 682 345	2 524 087	2 682 345
Payments to SA Government				
Return of surplus cash pursuant to cash alignment policy	-	(60 899)	-	(60 899)
Total payments to SA Government	-	(60 899)	-	(60 899)

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

The return of surplus cash pursuant to the cash alignment policy is paid directly to Department of Treasury and Finance's Consolidated Account.

18 Cash and cash equivalents

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Deposits with the Treasurer (AAEFA)	440 695	422 439	440 695	422 439
SA School Investment Fund (SASIF)	431 012	368 992	-	-
Deposits with the Treasurer - at call	40 386	14 373	40 386	14 373
Cash at bank and on hand	36 673	32 107	520	672
Section 21 Deposit Accounts	387	385	387	385
Total cash and cash equivalents	949 153	838 296	481 988	437 869

Cash is measured at nominal amounts.

Deposits with the Treasurer

The department has two deposit accounts with the Treasurer, a general operating account and an Accrual Appropriation Excess Funds Account (AAEFA). Although the department controls the money in AAEFA its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

SA School Investment Fund

Represents the amount held in schools SASIF accounts at 31 December 2016, adjusted to account for additional grant revenue and other material movements that occurred between the school's calendar year and the department's financial year.

The physical amount held in schools and units SASIF accounts as at 30 June 2017 was \$457.4 million (\$392.6 million) and does not include \$34.5 million (\$32.3 million) held in the account for preschools and some units as these have been treated as transactions with third parties.

Department for Education and Child Development
Notes to and forming part of the financial statements

19 Receivables

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Current				
Fees, charges and other receivables	33 672	35 654	21 823	22 929
GST recoverable from the ATO	11 349	11 302	7 328	8 726
Prepayments	4 851	11 019	2 725	9 172
Accrued revenues	3 985	2 970	3 157	3 842
Allowance for doubtful debts	(5 101)	(4 761)	(258)	(100)
Loan receivables	-	-	675	650
Total current receivables	48 756	56 184	35 450	45 219
Non-current				
Workers compensation receivable	518	870	518	870
Loan receivables	15	15	3 573	4 465
Total non-current receivables	533	885	4 091	5 335
Total receivables	49 289	57 069	39 541	50 554

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movement in the allowance for doubtful debts (impairment loss)	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	4 761	4 210	100	125
Increase in the allowance	2 131	2 623	207	61
Amounts written off	(1 791)	(2 072)	(49)	(86)
Carrying amount at 30 June	5 101	4 761	258	100

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the department will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 38 for further information on risk management.

Department for Education and Child Development
Notes to and forming part of the financial statements

20 Inventories

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current				
Materials at net realisable value	6 735	5 870	6	147
Total current inventories	6 735	5 870	6	147
Total inventories	6 735	5 870	6	147

The amount of any inventory write-down to net realisable value or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense.

21 Other financial assets

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current				
Term deposits	2 255	2 016	-	-
Total current investments	2 255	2 016	-	-
Non-current				
Term deposits	84	98	-	-
Total non-current investments	84	98	-	-
Total other financial assets	2 339	2 114	-	-

The term deposits are carried at cost and are to be held to their maturity.

Department for Education and Child Development
Notes to and forming part of the financial statements

22 Non-current assets classified as held for sale

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Land	7 310	8 940	7 310	8 940
Buildings and improvements	1 907	2 779	1 907	2 779
Buses	92	-	92	-
Total non-current assets classified as held for sale	9 309	11 719	9 309	11 719

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 within one year from the date of classification.

As a result of school and pre-school closures and amalgamations, the land and buildings located at these sites are surplus to requirements. It is anticipated the land and buildings will be sold within the next 12 months.

Buses that have reached the end of their useful lives and are no longer economically viable are held for sale at auction.

The following table shows the movement of non-current assets classified as held for sale:

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Land held for Sale				
Carrying amount at the beginning of the period	8 940	2 991	8 940	2 991
Asset disposals	(8 690)	(2 991)	(8 690)	(2 991)
Assets reclassified to/(from) assets held for sale	7 060	8 940	7 060	8 940
Carrying amount at the end of the period	7 310	8 940	7 310	8 940
Buildings and improvements				
Carrying amount at the beginning of the period	2 779	4 305	2 779	4 305
Asset derecognition / disposals	(2 683)	(4 305)	(2 683)	(4 305)
Assets reclassified to/(from) assets held for sale	1 811	2 779	1 811	2 779
Carrying amount at the end of the period	1 907	2 779	1 907	2 779
Buses				
Assets reclassified to/(from) assets held for sale	92	-	92	-
Carrying amount at the end of the period	92	-	92	-
Total non-current assets classified as held for sale	9 309	11 719	9 309	11 719

Department for Education and Child Development
Notes to and forming part of the financial statements

23 Property, plant and equipment

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Land				
Land	1 429 138	1 367 488	1 428 739	1 367 089
Total land	1 429 138	1 367 488	1 428 739	1 367 089
Buildings and improvements				
Buildings and improvements	7 686 088	6 061 652	7 685 200	6 060 840
Accumulated depreciation	(4 894 217)	(3 737 570)	(4 893 860)	(3 737 275)
Total buildings and improvements	2 791 871	2 324 082	2 791 340	2 323 565
Residential accommodation housing				
Residential accommodation housing	-	36 788	-	36 788
Accumulated depreciation	-	(15 584)	-	(15 584)
Total residential accommodation housing	-	21 204	-	21 204
Buildings under finance lease				
Buildings under finance lease	207 986	189 755	207 986	189 755
Accumulated amortisation	(23 829)	(18 382)	(23 829)	(18 382)
Total buildings under finance lease	184 157	171 373	184 157	171 373
Construction work in progress				
Construction work in progress	42 280	21 552	42 280	21 552
Total construction work in progress	42 280	21 552	42 280	21 552
Leasehold improvements				
Leasehold improvements	28 736	39 962	28 736	39 962
Accumulated amortisation	(21 416)	(31 224)	(21 416)	(31 224)
Total leasehold improvements	7 320	8 738	7 320	8 738
Buses / motor vehicles				
Buses / motor vehicles	61 222	64 294	47 533	51 353
Accumulated depreciation	(26 923)	(29 688)	(18 345)	(21 665)
Total buses / motor vehicles	34 299	34 606	29 188	29 688
Computing, communications, furniture and equipment				
Computing, communications, furniture and equipment	59 977	57 565	13 345	14 207
Accumulated depreciation	(38 810)	(36 391)	(12 478)	(12 937)
Total computing, communications, furniture and equipment	21 167	21 174	867	1 270
Other assets				
Other assets	10 963	11 060	3 452	4 138
Accumulated depreciation	(7 667)	(7 821)	(3 432)	(4 058)
Total other assets	3 296	3 239	20	80
Total property, plant and equipment	4 513 528	3 973 456	4 483 911	3 944 559

23 Property, plant and equipment (continued)

Valuation of non-current assets

The independent valuation of land held for education related services was performed by the Valuer-General as at 30 June 2017.

Buildings and improvements are valued at current replacement cost less accumulated depreciation. Current replacement cost information on asset holdings was obtained from the Strategic Asset Management Information System (SAMIS) maintained by the Department of Planning, Transport and Infrastructure. Replacement costs have been established by reference to quantity surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 30 June 2017, paved areas are current as at 30 June 2017 and swimming pools are current as at 30 June 2015. The building data excludes landscaping, infrastructure, pergolas, playground equipment, fencing and some paving, sheds and outdoor learning areas because they either cannot be reliably measured or no information is recorded in SAMIS.

The independent valuation of buildings under finance lease was performed as at 30 June 2017 by Fred Taormina, B.App.Sc. (Val), A.A.P.I. Certified Practicing Valuer of Valcorp Australia Pty Ltd. The valuer adopted depreciated replacement cost when valuing the buildings due to there not being an active market for purchasing such buildings. The depreciated replacement cost considered the need for ongoing provision of government services; the specialised nature of the assets including the restricted use of the assets; size, condition, location and current use of the asset. The valuation was based on cost data from construction manuals and projects costs of buildings recently erected.

The independent valuation of leasehold improvements was performed by Fred Taormina, B.App.Sc. (Val), A.A.P.I. Certified Practicing Valuer of Valcorp Australia Pty Ltd as at 30 June 2017. The valuer adopted depreciated replacement cost when valuing the assets as quoted prices in an active liquid market was not available.

Bus values are determined on an internal estimate of current depreciated replacement cost for each bus category based on recent acquisitions, a review of useful lives and residual values as at 30 June 2015.

All computing, communications, furniture and equipment and other assets had a fair value at time of acquisition that was less than \$1 million and have not been revalued in accordance with APF III. The carrying values of these assets are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their fair value, except for management assumptions about condition and remaining useful life.

Impairment of non-current assets

Land, buildings and improvements for 11 disused sites were written down to their fair value less cost of disposal. An impairment loss of \$11.1m was recognised. The valuations were provided by independent certified practising valuers and were based on observable market data.

There were no other indications of impairment of property, plant and equipment at 30 June 2017.

Department for Education and Child Development
Notes to and forming part of the financial statements

23 Property, plant and equipment (continued)

The following table shows the movement of property, plant and equipment during 2016-17.

RECONCILIATION OF NON-CURRENT ASSETS										
DECD 2016-17										
DECD 2016-17	Land \$'000	Buildings and Improvements \$'000	Buildings under Finance Lease \$'000	Residential Accommodation Housing \$'000	Construction Work In Progress \$'000	Leasehold Improvements \$'000	Buses / Motor Vehicles \$'000	Computing, Communications, Furniture and Equipment \$'000	Other Assets \$'000	Tangible Assets Total \$'000
Carrying amount at the beginning of the period	1 367 089	2 323 565	171 373	21 204	21 552	8 738	29 688	1 270	80	3 944 559
Additions	4 098	488	-	-	50 838	-	1 890	127	-	57 441
Disposals	(146)	(153)	-	-	-	-	(110)	-	-	(409)
Assets derecognised	-	(2 546)	-	-	-	-	(15)	(2)	(18)	(2 581)
Assets reclassified to assets held for sale	(7 060)	(1 811)	-	-	-	-	(92)	-	-	(8 963)
Transfers (from)/to WIP	-	30 110	-	-	(30 110)	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-
increment/(decrement)	80 809	545 083	11 975	-	-	156	-	-	-	638 023
Reversal of revaluation decrement	-	-	4 101	-	-	120	-	-	-	4 221
Impairment to revaluation surplus	(935)	(10 196)	-	-	-	-	-	-	-	(11 131)
Depreciation and amortisation	-	(94 539)	(3 292)	(268)	-	(996)	(2 173)	(376)	(35)	(101 679)
Assets recognised for the first time	225	1 339	-	-	-	-	-	12	-	1 576
Disposal through administrative restructure	(15 341)	-	-	(20 936)	-	(698)	-	(164)	(7)	(37 146)
Carrying amount at the end of the period	1 428 739	2 791 340	184 157	-	42 280	7 320	29 188	867	20	4 483 911

The above reconciliation of non-current assets is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

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Department for Education and Child Development
Notes to and forming part of the financial statements

23 Property, plant and equipment (continued)

The following table shows the movement of property, plant and equipment during 2015-16.

RECONCILIATION OF NON-CURRENT ASSETS										
DECD 2015-16										
	Land	Buildings and Improvements	Buildings under Finance Lease	Residential Accommodation Housing	Construction Work In Progress	Leasehold Improvements	Buses / Motor Vehicles	Computing, Communications, Furniture and Equipment	Other Assets	Tangible Assets Total
DECD 2015-16	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	1 338 723	2 396 674	174 665	22 806	14 704	10 349	26 254	1 612	150	3 985 937
Additions	-	344	-	-	34 947	-	5 566	107	-	40 964
Disposals	(5 136)	(4 834)	-	(780)	-	-	(193)	-	-	(10 943)
Assets derecognised	-	(2 153)	-	-	-	-	-	(49)	-	(2 202)
Assets reclassified to/(from) assets held for sale	(8 940)	(2 779)	-	-	-	-	-	-	-	(11 719)
Transfers (from)/to WIP	-	28 042	-	4	(28 099)	53	-	-	-	-
Revaluation	41 689	-	-	-	-	-	-	-	-	41 689
increment/(decrement)	-	(95 168)	(3 292)	(822)	-	(1 664)	(1 939)	(419)	(70)	(103 374)
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-
Assets recognised for the first time	2 353	3 439	-	-	-	-	-	16	-	5 808
Transfers (to)/from third parties	(1 600)	-	-	-	-	-	-	3	-	(1 597)
Other changes	-	-	-	(4)	-	-	-	-	-	(4)
Carrying amount at the end of the period	1 367 089	2 323 565	171 373	21 204	21 552	8 738	29 688	1 270	80	3 944 559

The above reconciliation of non-current assets is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

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Department for Education and Child Development
Notes to and forming part of the financial statements

24 Intangible assets

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Internally developed computer software				
Internally developed computer software	4 354	12 668	4 354	12 668
Accumulated amortisation	(4 354)	(10 172)	(4 354)	(10 172)
Total internally developed computer software	-	2 496	-	2 496
Externally provided software				
Externally provided software	139	139	139	139
Accumulated amortisation	(64)	(37)	(64)	(37)
Total externally provided software	75	102	75	102
Service right for the right to use equipment				
Service right for equipment	23 945	23 945	23 945	23 945
Accumulated amortisation	(5 271)	(4 425)	(5 271)	(4 425)
Total service right for the right to use equipment	18 674	19 520	18 674	19 520
Total intangible assets	18 749	22 118	18 749	22 118

The internally developed computer software relates to the department's human resource management system (Valeo) and the Connected Client and Case Management System (C3MS) for case management of children to 31 October 2016.

The service right to use equipment relates to the provision, maintenance and replacement of equipment under the PPP over the period of the agreement. The service right is amortised over the remaining period of the PPP agreement. The PPP arrangements have been detailed in note 2(m).

Impairment

There were no indications of impairment on intangible assets as at 30 June 2017.

The following tables show the movement of intangible assets:

RECONCILIATION OF INTANGIBLE ASSETS				
DECD 2016-17				
DECD 2016-17	Internally Developed Computer Software \$'000	Other Computer Software \$'000	Service Right for Equipment \$'000	Total \$'000
Carrying amount at the beginning of the period	2 496	102	19 520	22 118
Amortisation	(251)	(27)	(846)	(1 124)
Disposal through administrative restructure	(2 245)	-	-	(2 245)
Carrying amount at the end of the period	-	75	18 674	18 749
The above reconciliation of intangible assets is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.				

Department for Education and Child Development
Notes to and forming part of the financial statements

RECONCILIATION OF INTANGIBLE ASSETS				
DECD 2015-16				
DECD 2015-16	Internally Developed Computer Software	Other Computer Software	Service Right for Equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the period	3 251	129	19 214	22 594
Additions	-	-	1 254	1 254
Amortisation	(755)	(27)	(948)	(1 730)
Carrying amount at the end of the period	2 496	102	19 520	22 118
The above reconciliation of intangible assets is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.				

25 Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The department categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

<i>Fair value measurements at 30 June 2017</i>	DECD Level 2	DECD Level 3	DECD Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land	1 428 739	-	1 428 739
Buildings and improvements	2 779	2 788 561	2 791 340
Buildings under finance lease	-	184 157	184 157
Leasehold improvements	-	7 320	7 320
Buses/Motor vehicles	-	29 188	29 188
Computing, communications, furniture and equipment	-	867	867
Other assets	-	20	20
Total recurring fair value measurements	1 431 518	3 010 113	4 441 631
Non-recurring fair value measurements			
Land held for sale	7 310	-	7 310
Buildings and improvements held for sale	1 907	-	1 907
Buses held for sale	92	-	92
Total non-recurring fair value measurements	9 309	-	9 309
Total fair value measurements	1 440 827	3 010 113	4 450 940

The above disclosure of fair value measurement is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

Department for Education and Child Development
Notes to and forming part of the financial statements

<i>Fair value measurements at 30 June 2016</i>	DECD	DECD	DECD
	Level 2	Level 3	Total
	\$'000	\$'000	\$'000
Recurring fair value measurements			
Land	1 367 089	-	1 367 089
Buildings and improvements	-	2 323 565	2 323 565
Residential accommodation housing	21 204	-	21 204
Buildings under finance lease	-	171 373	171 373
Leasehold improvements	-	8 738	8 738
Buses/Motor vehicles	-	29 688	29 688
Computing, communications, furniture and equipment	-	1 270	1 270
Other assets	-	80	80
Total recurring fair value measurements	1 388 293	2 534 714	3 923 007
Non-recurring fair value measurements			
Land held for sale	8 940	-	8 940
Buildings and improvements held for sale	2 779	-	2 779
Total non-recurring fair value measurements	11 719	-	11 719
Total fair value measurements	1 400 012	2 534 714	3 934 726

The above disclosure of fair value measurement is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

The department has measured land and buildings held for sale at fair value less costs to sell in accordance with AASB5 because the assets' fair value less costs to sell is lower than its carrying amount. Refer to Note 22.

The department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive level 2 and 3 fair values are at Note 23.

During 2017 and 2016, the department had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

Department for Education and Child Development
Notes to and forming part of the financial statements

RECONCILIATION OF RECURRING FAIR VALUE MEASUREMENT - LEVEL 3						
DECD 2016-17						
	Buildings and Improvements \$'000	Buildings under Finance Lease \$'000	Leasehold Improvements \$'000	Buses / Motor Vehicles \$'000	Computing, Communications, Furniture and Equipment \$'000	Other Assets \$'000
Opening balance at the beginning of the period	2 323 565	171 373	8 738	29 688	1 270	80
Additions	488	-	-	1 890	127	-
Disposals	(153)	-	-	(110)	-	-
Assets derecognised	(2 546)	-	-	(15)	(2)	(18)
Assets reclassified to assets held for sale	(1 811)	-	-	(92)	-	-
Transfers from WIP	30 110	-	-	-	-	-
Assets recognised for the first time	1 339	-	-	-	12	-
Transfer out of level 3 ¹	(2 779)	-	-	-	-	-
Disposal through administrative restructure	-	-	(698)	-	(164)	(7)
Depreciation and amortisation	(94 539)	(3 292)	(996)	(2 173)	(376)	(35)
Revaluation increment/(decrement)	545 083	11 975	156	-	-	-
Reversal of revaluation decrement	-	4 101	120	-	-	-
Impairment to revaluation surplus	(10 196)	-	-	-	-	-
Closing balance at the end of the period	2 788 561	184 157	7 320	29 188	867	20

The above reconciliation of non-current assets is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

¹ In 2017 certain buildings and improvements that were considered to be impaired were transferred from level 3 (existing use basis) to level 2 (market value basis) due to the assets being revalued to market value via an independent valuation based on observable market data.

Department for Education and Child Development
Notes to and forming part of the financial statements

RECONCILIATION OF RECURRING FAIR VALUE MEASUREMENT - LEVEL 3						
DECD 2015-16						
	Buildings and Improvements \$'000	Buildings under Finance Lease \$'000	Leasehold Improvements \$'000	Buses / Motor Vehicles \$'000	Computing, Communications, Furniture and Equipment \$'000	Other Assets \$'000
Opening balance at the beginning of the period	2 396 674	174 665	10 349	26 254	1 612	150
Additions	344	-	-	5 566	107	-
Disposals	(4 834)	-	-	(193)	-	-
Assets derecognised	(2 153)	-	-	-	(49)	-
Assets reclassified to assets held for sale	(2 779)	-	-	-	-	-
Transfers from WIP	28 042	-	53	-	-	-
Assets recognised for the first time	3 439	-	-	-	16	-
Transfers from third parties	-	-	-	-	3	-
Depreciation and amortisation	(95 168)	(3 292)	(1 664)	(1 939)	(419)	(70)
Closing balance at the end of the period	2 323 565	171 373	8 738	29 688	1 270	80
The above reconciliation of non-current assets is for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.						

Department for Education and Child Development
Notes to and forming part of the financial statements

26 Payables

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current				
Creditors	44 986	37 531	56 506	62 436
Employment on-costs	41 787	44 231	41 804	44 223
Accrued expenses	19 216	12 744	9 380	4 466
Accrued interest on PPP finance lease	2 911	2 964	2 911	2 964
Paid Parental Leave Scheme payable	323	402	323	402
Total current payables	109 223	97 872	110 924	114 491
Non-current				
Employment on-costs	50 505	56 850	50 505	56 850
Accrued interest on PPP finance lease	9 541	7 872	9 541	7 872
Total non-current payables	60 046	64 722	60 046	64 722
Total payables	169 269	162 594	170 970	179 213

Creditors include all unpaid invoices received relating to the normal operations of the department.

Employment on-costs include payroll tax, ReturnToWorkSA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, country incentive leave, annual leave and skills and experience retention leave.

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

As a result of an actuarial assessment performed by Department of Treasury and Finance, the percentage of long service leave taken as leave changed from the 2016 rate (62%) to 61% and the average factor for the calculation of employer superannuation has also changed from the 2016 rate (10.2%) to 10.1%. These rates are used in the employment on-cost calculation.

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

The Paid Parental Leave Scheme payable represents amounts which the department has received from the Commonwealth Government to forward onto eligible employees via the department's standard payroll processes. That is, the department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits 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.

For further information on risk management refer to note 38.

Department for Education and Child Development
Notes to and forming part of the financial statements

27 Borrowings

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current				
Obligations under finance leases - PPP ¹	1 821	1 628	1 821	1 628
Obligations under finance leases - other	-	2	-	-
Borrowings	44	37	-	-
Total current borrowings	1 865	1 667	1 821	1 628
Non-current				
Obligations under finance leases - PPP ¹	167 502	169 323	167 502	169 323
Obligations under finance leases - other	-	4	-	-
Borrowings	48	71	-	-
Advance account ²	-	285	-	285
Total non-current borrowings	167 550	169 683	167 502	169 608
Total borrowings	169 415	171 350	169 323	171 236

¹ This finance lease is related to the public private partnership agreement and is interest bearing.

² The advance was to establish the FSA imprest account and is non-interest bearing. The liability has been transferred to DCP as part of the administrative restructure as at 1 November 2016.

The department measures financial liabilities including borrowings/debt at historical cost.

The interest rate implied, based on the total payments due over the life of the PPP Finance lease, is 11.26%. Refer to note 32(a)(ii).

For further information on risk management refer to note 38.

28 Employee benefits

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current				
Annual leave	110 768	116 106	109 707	115 031
Long service leave	56 989	62 121	56 929	62 073
Skills and experience retention leave	20 758	20 402	20 758	20 402
Accrued salaries and wages	12 553	8 768	11 893	8 199
Country incentive leave	251	358	251	358
Total current employee benefits	201 319	207 755	199 538	206 063
Non-current				
Long service leave	441 663	489 443	438 463	486 365
Country incentive leave	2 854	2 840	2 854	2 840
Total non-current employee benefits	444 517	492 283	441 317	489 205
Total employee benefits	645 836	700 038	640 855	695 268

Department for Education and Child Development
Notes to and forming part of the financial statements

28 Employee benefits (continued)

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department for Treasury and Finance has provided the basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (1.75%) to 2017 (2.5%).

This increase in bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease of \$28.6 million in total long service leave liability and a decrease of \$31.9 million in the total employee benefits expense (which includes on-costs). The impact on future periods is impracticable to estimate as long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by Department for Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result there is no net financial effect resulting from changes in the salary inflation rate.

29 Provisions

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Current				
Provision for workers compensation	19 879	29 715	19 879	29 715
Provision for legal claims	706	911	706	911
Provision for fire claims	-	-	238	513
Total current provisions	20 585	30 626	20 823	31 139
Non-current				
Provision for workers compensation	52 317	62 785	52 317	62 785
Provision for legal claims	2 946	4 906	2 946	4 906
Total non-current provisions	55 263	67 691	55 263	67 691
Total provisions	75 848	98 317	76 086	98 830

Movements in provisions

Provision for workers compensation				
Carrying amount at 1 July	92 500	101 397	92 500	101 397
Reductions arising from payments	(20 710)	(30 407)	(20 710)	(30 407)
Additional provision recognised	18 657	21 510	18 657	21 510
Transfer out due to restructure	(18 251)	-	(18 251)	-
Carrying amount at 30 June	72 196	92 500	72 196	92 500

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

Department for Education and Child Development
Notes to and forming part of the financial statements

29 Provisions (continued)

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Movements in provisions				
Provision for legal claims				
Carrying amount at 1 July	5 817	4 485	5 817	4 485
Reductions arising from payments	(1 067)	(612)	(1 067)	(612)
Reversal of over provision	(3 119)	(1 242)	(3 119)	(1 242)
Additional provision recognised	2 116	3 186	2 116	3 186
Transfer out due to restructure	(95)	-	(95)	-
Carrying amount at 30 June	3 652	5 817	3 652	5 817
Provision for fire claims				
Carrying amount at 1 July	-	-	513	351
Reductions arising from payments	-	-	(73)	(38)
Reversal of over provision	-	-	(403)	(91)
Additional provision recognised	-	-	201	291
Carrying amount at 30 June	-	-	238	513

30 Other liabilities

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Current				
Unearned revenue	11 677	13 531	281	822
Deposits	15 382	14 072	14 925	13 527
Other liabilities	2 098	2 995	269	450
Equipment service right	436	532	436	532
Total current other liabilities	29 593	31 130	15 911	15 331
Non-current				
Equipment service right	21 464	21 900	21 464	21 900
Other liabilities	638	730	470	470
Deposits	509	527	-	-
Total non-current other liabilities	22 611	23 157	21 934	22 370
Total other liabilities	52 204	54 287	37 845	37 701

31 Equity

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Retained earnings	2 342 727	2 247 172	1 844 809	1 808 021
Revaluation surplus	2 093 803	1 476 884	2 093 616	1 476 697
Total equity	4 436 530	3 724 056	3 938 425	3 284 718

The revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent they offset one another within each asset class. Relevant amounts are transferred to retained earnings when an asset is disposed.

Department for Education and Child Development
Notes to and forming part of the financial statements

32 Unrecognised contractual commitments

(a) Public private partnership related commitments

In July 2009 the State of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd under the Partnerships SA policy, for the financing, design, construction and maintenance of six schools.

The construction of all six schools was completed and achieved commercial acceptance during the 2010-11 financial year, at which point the State assumed responsibility for education provision, staffing, curriculum and teacher practice.

(i) PPP operations and maintenance commitments

Future operations and maintenance commitments are payable in nominal terms as follows:

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Within one year	5 731	5 623	5 731	5 623
Later than one year but not later than five years	24 395	23 932	24 395	23 932
Later than five years	135 700	142 815	135 700	142 815
Total PPP operations and maintenance commitments	165 826	172 370	165 826	172 370

(ii) PPP Finance lease commitments

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

	2017 Minimum lease payments \$'000	2017 Present value of lease payments \$'000	2016 Minimum lease payments \$'000	2016 Present value of lease payments \$'000
Within one year	21 009	18 892	21 011	18 891
Later than one year but not later than five years	83 998	58 331	84 014	58 312
Later than five years	358 808	92 100	379 801	93 748
Total minimum lease payments	463 815	169 323	484 826	170 951
Less amounts representing finance charges	294 492	-	313 875	-
Present value of minimum lease payments	169 323	169 323	170 951	170 951

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Included in the financial statements as:				
Current borrowings (note 27)	1 821	1 628	1 821	1 628
Non-current borrowings (note 27)	167 502	169 323	167 502	169 323
Total included in borrowings	169 323	170 951	169 323	170 951

The PPP arrangements have been detailed in note 2(m) above. The weighted average interest rate implicit in the leases is 11.26%.

Department for Education and Child Development
Notes to and forming part of the financial statements

(b) Capital commitments

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

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Within one year	84 024	11 564	84 024	11 564
Later than one year but not later than five years	38 700	-	38 700	-
Total capital commitments	122 724	11 564	122 724	11 564

The department's capital commitments are for commitments under the investing program.

(c) Operating lease commitments for vehicles

Commitments in relation to operating leases for vehicles contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Within one year	3 203	5 769	3 203	5 769
Later than one year but not later than five years	1 572	4 409	1 572	4 409
Total operating lease commitments for vehicles	4 775	10 178	4 775	10 178

The department has non-cancellable operating lease commitments for the provision of vehicles to senior executive officers or sections (ie pool vehicles) with SAFA through their agent LeasePlan Australia Ltd. There are no purchase options available to the department.

(d) Operating lease commitments for facilities

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017	2016	2017	2016
	Consolidated	Consolidated	DECD	DECD
	\$'000	\$'000	\$'000	\$'000
Within one year	9 736	16 605	9 736	16 605
Later than one year but not later than five years	33 978	33 574	33 978	33 574
Later than five years	336	5 852	336	5 852
Total operating lease commitments for facilities	44 050	56 031	44 050	56 031

The department has entered into a number of operating leases for the provision of office accommodation and facilities used for the provision of educational services. Office accommodation is leased from DPTI. The property leases include both cancellable and non-cancellable leases and are for varied terms. Contingent rentals are based upon changes in market rental rates, the CPI or a specified rate of increase in the rental payments. Options exist to renew the leases at the end of the lease term. Some leases have no option to renew.

33 Contingent assets and liabilities

On 29 February 2012 the High Court of Australia determined that contract teachers and temporary relieving teachers in the period 1972 to 2005 should have been appointed under the same section of the Education Act as permanent teachers. The State Government has allocated a capped \$15 million for once-off discretionary payments to teachers who would be affected by amendments to the Education Act 1972. The application process for claims closed in December 2016. A sufficiently reliable estimate of the potential liability has not been made as it is dependent on completion of the calculations for each of the eligible claimants.

Department for Education and Child Development
Notes to and forming part of the financial statements

34 Transferred Functions

Transferred out

On 27 October 2016 the Governor established the Department for Child Protection and designated the Minister for Education and Child Development as the Minister responsible for the new Agency.

The proclamation came into effect on 1 November 2016.

On creation of the new Agency, the following assets and liabilities were transferred:

	2017	2017
	Consolidated	DECD
	\$'000	\$'000
Current assets		
Cash	16 324	16 324
Receivables	5 577	5 577
Property plant and equipment	37 146	37 146
Intangible assets	2 245	2 245
Total assets	61 292	61 292
Current liabilities		
Payables	29 506	29 506
Borrowings	285	285
Employee benefits	43 940	43 940
Provisions	18 346	18 346
Other liabilities	3	3
Total liabilities	92 080	92 080
Total net liabilities transferred	(30 788)	(30 788)

Assets transferred by the department as a result of the administrative restructure are the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to transfer.

35 Remuneration of board and committee members

	2017	2016
	Number	Number
The number of members whose remuneration received/receivable falls within the following bands:		
\$0	47	63
\$1 - \$9 999	23	13
\$10 000 - \$19 999	1	1
Total number of members	71	77

Members of the boards and committees during the 2016-17 financial year were:

Animal Ethics Committee

Mr John Hatch

Mr Manfred Heide

Dr David Mason

Ms Kay McGrath

Mr Matthew Mercorella ¹

Dr Denise Noonan

Ms Linda Olifent ¹

Ms Patricia Sprague

Mr Ross Templeman ¹

Ms Margy Wright

Ms Sally Nance (appointed 1 July 2017)

Department for Education and Child Development
Notes to and forming part of the financial statements

35 Remuneration of board and committee members (continued)

Child Death and Serious Injury Review Committee (1 July to 31 October 2016)*

Mr Michael Ahern ² (appointed 14 July 2016)	Dr Deepa Jeyaseelan ²
Ms Angela Davis	Dr Margaret Kyrkou ²
Ms Dymphna Eszenyi	Mr Thomas Osborn ¹
Dr Mark Fuller ²	Mr Philip Robinson ¹ (appointed 1 July 2016)
Ms Diane Gursanksy	Ms Kerrie Sellen (appointed 6 October 2016)
Ms Ann-Marie Hayes ¹ (appointed 1 July 2016)	Dr Nigel Stewart ²
Ms Pamela Hemphill ¹ (appointed 1 July 2016)	Ms Barbara Tiffin ¹

DECD Audit and Risk Committee

Ms Angela Allison (resigned 30 December 2016)	Mr Etienne Scheepers ¹ (resigned 30 November 2016)
Ms Jayne Johnston ¹ (resigned 30 December 2016)	Dr Tom Stubbs (appointed 1 July 2016)
Ms Julieann Riedstra ¹	Mr Ben Temperly ¹
Mr Coenraad Robberts ¹	Ms Ann Millard ¹ (appointed 1 January 2017)
Ms Ruth Blenkinsop (appointed 1 January 2017)	Ms Audra Cooper ¹ (appointed 1 January 2017)
Ms Ann-Marie Hayes ¹ (appointed 1 January 2017)	

Council for the Care of Children Committee (1 July to 31 October 2016)*

Ms Sonja Brown (resigned 9 October 2016)	Mr Rick Persse ¹
Ms Elisabeth Burtnik	Ms Kelly Ryan
Ms Barbara (Jane) Chapman	Ms Nerida Saunders ¹
Ms Jesse Frick	Mr Simon Schrapel
Ms Gerardine Mulhearn	Professor Phillip Slee
Mr Anthony Harrison ¹	Mr David Swan ¹ (resigned 1 September 2016)
Ms Vickie Kaminski ¹ (appointed 1 October 2016)	Mr Roland Wilson
Mr Thomas Manning	

SA Institute for Education Leadership – Board dissolved as at 31 March 2017

Ms Asha Crozier ¹	Mr David Tonkin
Ms Vonnie Dolling ¹	Ms Penny Tranter ¹
Mr John Hill	Dr Niki Vincent ¹
Ms Pam Kent ¹	Ms Tammy Williams ¹
Mr Tim McLeod ¹	

All board tenures expired 31 March 2017

SA Teacher Certification Committee

Mr Michael Kenny (resigned 30 June 2016)	Dr Janette Patterson
Dr Lynda MacLeod (resigned 30 June 2016)	Ms Lynda Seacombe
Ms Susan Miels ¹	Mr Bruno Viecele (resigned 31 December 2016)
Ms Monica Conway (appointed 31 December 2016)	Mr Adrian Dilger (appointed 31 December 2016)
Mrs Belinda Radcliffe ¹ (appointed 31 December 2016)	Ms Elizabeth Sexton (appointed 31 December 2016)

* These committees are now reported in administered items.

¹ Government employee who did not receive any remuneration for board/committee duties during the financial year in accordance with DPC Circular 16.

² Part-time government employee who gained approval to receive remuneration for board/committee duties during the financial year.

Department for Education and Child Development
Notes to and forming part of the financial statements

35 Remuneration of board and committee members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration, including employer superannuation contributions, received or receivable by members was \$41 721 (\$31 238).

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

36 Related party transactions

The department is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of the department include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

There were no significant transactions with government related entities with exception of the restructure disclosed in note 34. All transactions have been adequately disclosed elsewhere in the financial statements.

Collectively, but not individually, significant transactions with government related entities.

Quantitative information about transactions and balances between the department and other SA Government controlled entities are disclosed at notes 40 and 41.

Key Management Personnel

Key management personnel of the department include the Minister, the Chief Executive Officer and the other members of the Senior Executive Team who have responsibility for the strategic direction and management of the department.

The compensation detailed below excludes salaries and other benefits the Minister for Education and Child Development receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2017
	\$'000
Salaries and other short term employee benefits	3 574
Post-employment benefits (employer contributed superannuation)	323
Other long-term employment benefits	191
Termination benefits	307
Total compensation	4 395

Transactions with Key Management Personnel and other related parties

There are no transactions to disclose for key management personnel and related parties.

Department for Education and Child Development
Notes to and forming part of the financial statements

37 Cash flow reconciliation

	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 DECD \$'000	2016 DECD \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:				
Cash and cash equivalents disclosed in the Statement of Financial Position	949 153	838 296	481 988	437 869
Balance as per Statement of Cash Flows	949 153	838 296	481 988	437 869
Reconciliation of net cash provided by/(used in) operating activities to net cost of providing services				
Net cash provided by operating activities	166 689	15 323	91 704	(29 674)
Revenues from SA Government	(2 524 087)	(2 682 345)	(2 524 087)	(2 682 345)
Payments to SA Government	-	60 899	-	60 899
Non-cash items				
Depreciation and amortisation expense	(109 112)	(111 477)	(102 803)	(105 104)
Bad and doubtful debts	(2 131)	(2 623)	(207)	(61)
Non-current assets derecognised/written off	(2 581)	(2 202)	(2 581)	(2 202)
Donated assets	-	(1 600)	-	(1 600)
Assets recognised for the first time	5 797	5 808	5 797	5 808
Net gain from disposal of non-current assets	5 466	(6 277)	5 570	(6 412)
Adjustment on restructure	(86 218)	-	(86 218)	-
Contributed assets	-	3	-	3
Movements in assets and liabilities				
Increase/(decrease) in receivables	(5 649)	14 292	(9 939)	8 327
Increase/(decrease) in inventories	865	124	(141)	(24)
(Increase)/decrease in payables	3 446	19 751	18 364	8 336
(Increase)/decrease in employee benefits	54 202	27 502	54 413	27 540
(Increase)/decrease in provisions	22 469	7 565	22 744	7 403
(Increase)/decrease in other liabilities	1 551	(2 684)	(676)	(2 397)
Net cost of providing services	(2 469 293)	(2 657 941)	(2 528 060)	(2 711 503)

38 Financial risk management / financial instruments

38.1 Financial risk management

Risk management is managed by the department's corporate services section and Departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

There have been no changes in risk exposure since the last reporting period

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with the Department of Treasury and Finance to determine the cash flows associated with its government approved program of work and to ensure funding is provided through the SA Government budgetary processes to meet the expected cash flows.

Refer to note 26 and 27 for further information.

Department for Education and Child Development
Notes to and forming part of the financial statements

Credit risk and market risk

The department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

The department does not trade foreign currency, enter into transactions for speculative purposes, nor for hedging. The department does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI23 Management of Foreign Currency Exposures.

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

Refer notes 18, 19 and 21 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The department's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency of other price risks.

There have been no changes in risk exposure since the last reporting period.

Allowances for impairment of financial assets are calculated on past experience and current and expected changes in client credit rating. Other than receivables, there is no evidence to indicate that financial assets are impaired. Refer note 19 for information on the allowance for impairment in relation to receivables.

The following table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets.

Table 38.1 Ageing analysis of financial assets (DECD)

	Carrying amount \$'000	Not past due and not impaired \$'000	Past due but not impaired			Impaired financial assets \$'000
			Overdue for less than 30 days \$'000	Overdue for 30 - 60 days \$'000	Overdue for more than 60 days \$'000	
2017						
Receivables ⁽¹⁾	28 970	21 807	5 866	106	1 449	(258)
Total financial assets	28 970	21 807	5 866	106	1 449	(258)
2016						
Receivables ⁽¹⁾	31 786	19 530	10 097	92	2 167	(100)
Total financial assets	31 786	19 530	10 097	92	2 167	(100)

⁽¹⁾ Receivable amounts disclosed here exclude amounts relating to statutory receivables (amounts owing to Government). They are carried at cost.

38.2 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 or the respective financial asset/financial liability note.

Refer Table 38.2 for the carrying amounts of each of the following categories of financial assets and liabilities: Cash and cash equivalents; receivables; and financial liabilities measured at cost.

Department for Education and Child Development
Notes to and forming part of the financial statements

38.2 Categorisation of financial instruments (continued)

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2,19 and 26).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer notes 2 and 27).

The following tables are for the DECD entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

Table 38.2 Categorisation and maturity analysis of financial assets and liabilities (DECD)

Category of financial asset and financial liability	Notes	2017 Carrying amount/fair value \$'000	2016 Carrying amount/fair value \$'000	2017 Contractual maturities		
				Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalent						
- Cash and cash equivalent	18	481 988	437 869	-	-	-
Loans and receivables						
- Receivables ⁽¹⁾⁽²⁾	19	28 970	31 786	25 397	2 686	887
Total financial assets		510 958	469 655	25 397	2 686	887
Financial liabilities						
Financial liabilities held at cost						
- Payables ⁽¹⁾	26	78 176	77 563	68 635	9 541	-
- Borrowings	27	169 323	171 236	1 821	9 717	157 785
- Other liabilities	30	37 845	37 701	15 911	4 866	17 068
Total financial liabilities		285 344	286 500	86 367	24 124	174 853

⁽¹⁾ Receivables 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 levies, tax and equivalents 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).

⁽²⁾ Receivables amounts disclosed here exclude prepayments. Prepayments are presented in note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

39 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

Department for Education and Child Development
Notes to and forming part of the financial statements

39 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

		Original Budget [*] 2017 \$'000	Consolidated Actual 2017 \$'000	Variance 2017 \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits expenses	a	2 519 996	2 270 333	(249 663)
Supplies and services		673 743	674 556	813
Grants and subsidies		197 980	164 130	(33 850)
Depreciation and amortisation expense		109 148	109 112	(36)
Borrowing costs		22 514	22 439	(75)
Other expenses		4 597	7 015	2 418
Total Expenses		3 527 978	3 247 585	(280 393)
Income				
Commonwealth revenues		500 675	498 403	(2 272)
Student and other fees and charges		145 653	160 511	14 858
Other revenues		50 111	65 098	14 987
Other grants and contributions		8 158	39 300	31 142
Interest revenues		(1 650)	9 514	11 164
Net (loss)/gain from disposal of non-current assets		48 749	5 466	(43 283)
Total Income		751 696	778 292	26 596
Net cost of providing services	a	2 776 282	2 469 293	(306 989)
Revenues from / (Payments to) SA Government				
Revenues from SA Government		2 778 732	2 524 087	(254 645)
Payments to SA Government		-	-	-
Net Revenues from / (payments to) SA Government		2 778 732	2 524 087	(254 645)
Net result		2 450	54 794	52 344
Other Comprehensive Income				
Changes in revaluation surplus	b	-	626 892	626 892
Total comprehensive result	c	2 450	681 686	679 236

^{*} The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

- a. The variation in employee benefits expenses and in net cost of providing services is predominantly due to the transfer of the former Families SA budget from 1 November 2016 to the new Department for Child Protection and movement in long service leave and worker's compensation liabilities based on actuarial calculations.
- b. Variance reflects the outcome of the valuation of assets undertaken in 2016-17.
- c. Variance mainly reflects the outcome of the valuation of assets undertaken 2016-17 and the impact of employee related expenses.

Department for Education and Child Development
Notes to and forming part of the financial statements

39 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

		Original Budget *	Actual	Variance
		2017	2017	2017
		\$'000	\$'000	\$'000
Investing expenditure summary				
Total new projects	d	38 400	13 038	(25 362)
Total existing projects	e	74 047	32 385	(41 662)
Total annual programs	f	7 869	19 333	11 464
Total investing expenditure		120 316	64 756	(55 560)

* The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

d. The variation is predominantly due to timing of expenditure for the Science, Technology, Engineering and Maths (STEM) project. A timing adjustment has been approved as part of the 2017/18 budget process.

e. The variation is predominantly due to timing of expenditure for various investing projects.

f. Additional expenditure on annual programs primarily relates to expenditure in relation to the provision of transportable buildings.

Department for Education and Child Development
Notes to and forming part of the financial statements

40 Transactions with SA Government – Consolidated

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty / transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000
Expenses							
Employee benefits expenses	5						
Salaries and wages (including annual leave)		-	-	1 896 702	1 865 310	1 896 702	1 865 310
Employment on-costs - superannuation		-	-	192 171	196 435	192 171	196 435
Employment on-costs - payroll tax		103 804	106 387	-	-	103 804	106 387
Long service leave		-	-	32 124	98 147	32 124	98 147
Workers Compensation		1 968	2 462	18 657	21 511	20 625	23 973
Skills and experience retention leave		-	-	11 522	11 978	11 522	11 978
Targeted voluntary separation payments		-	-	10 140	6 559	10 140	6 559
Other employee related expenses		-	-	2 988	2 611	2 988	2 611
Country incentive leave		-	-	218	373	218	373
Board and committee fees		-	-	39	29	39	29
Supplies and services	6						
Minor works maintenance and equipment		96 777	96 668	39 075	45 888	135 852	142 556
Printing postage and consumables		18	9	83 357	77 073	83 375	77 082
Other supplies and services		1 503	1 686	80 599	73 935	82 102	75 621
Utilities		12 679	16 701	28 077	25 629	40 756	42 330
Cleaning		242	485	38 375	37 318	38 617	37 803
Vehicle and travelling expenses		6 003	9 293	26 510	26 286	32 513	35 579
Rentals and leases		21 457	29 301	4 917	5 208	26 374	34 509
Student learning materials		-	-	29 316	29 035	29 316	29 035
Contractors and other outsourced services		908	1 049	33 323	26 193	34 231	27 242
Bus contractors		14	14	25 786	25 093	25 800	25 107
Excursions and camps		-	-	22 720	22 227	22 720	22 227

Department for Education and Child Development
Notes to and forming part of the financial statements

40 Transactions with SA Government - Consolidated (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000
Supplies and services (continued)	6						
Computer communications		435	472	20 129	19 653	20 564	20 125
Telecommunications		2 608	2 911	12 557	15 284	15 165	18 195
Management fees and charges		12 862	14 969	4 555	3 034	17 417	18 003
Shared Services SA charges		13 438	15 085	-	-	13 438	15 085
Cost of goods sold		-	-	15 000	14 895	15 000	14 895
Training and development		289	264	11 824	10 652	12 113	10 916
Security		5 065	4 283	1 514	1 832	6 579	6 115
Insurance (including self insurance)		7 886	5 995	-	-	7 886	5 995
PPP Service Fee		-	-	5 615	5 841	5 615	5 841
Copyright		-	-	4 296	4 124	4 296	4 124
Legal costs		2 098	1 635	1 599	1 281	3 697	2 916
Residential and client related costs		(92)	241	1 222	2 582	1 130	2 823
Grants and subsidies	7						
Recurrent grants paid to other organisations		6 990	2 889	152 506	239 331	159 496	242 220
Recurrent grants paid to preschools		4 634	5 925	-	-	4 634	5 925
Depreciation and amortisation expense	8						
Buildings and improvements		-	-	94 601	95 225	94 601	95 225
Computing, communication, furniture and equipment		-	-	5 287	5 078	5 287	5 078
Buildings under finance lease		-	-	3 292	3 292	3 292	3 292
Buses and motor vehicles		-	-	2 991	2 718	2 991	2 718
Leasehold improvements		-	-	996	1 664	996	1 664
Other depreciation		-	-	553	947	553	947
Service right for equipment		-	-	846	948	846	948

Department for Education and Child Development
Notes to and forming part of the financial statements

40 Transactions with SA Government - Consolidated (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000
Depreciation and amortisation expense (continued)	8						
Residential accommodation housing		-	-	268	823	268	823
Internally developed computer software		-	-	251	755	251	755
Externally provided software		-	-	27	27	27	27
Borrowing costs	9						
Finance lease costs		-	-	22 289	22 591	22 289	22 591
Interest paid/payable on short-term and long-term borrowings		-	-	150	60	150	60
Other expenses	10						
Non-current assets written off		-	-	2 581	2 202	2 581	2 202
Allowance for doubtful debts and debt write-offs		-	-	2 131	2 623	2 131	2 623
Emergency Services Levy		1 355	1 341	-	-	1 355	1 341
Auditor's remuneration – other		-	-	1 004	982	1 004	982
Auditor's remuneration – Auditor-General's Department *		485	559	-	-	485	559
Other expenses		50	1 462	147	-	197	1 462
Other insurance		800	1 056	(1 538)	2 410	(738)	3 466
Donated assets		-	1 600	-	-	-	1 600
Total expenses		304 276	324 742	2 943 309	3 057 692	3 247 585	3 382 434
Income							
Commonwealth revenues	11	-	-	498 403	479 126	498 403	479 126
Student and other fees and charges	12						
Student enrolment fees and charges		-	-	115 173	107 949	115 173	107 949
Other user fees and charges		106	171	15 564	12 593	15 670	12 764
Canteen sales		-	-	15 458	15 753	15 458	15 753
Sales/fee for service revenue		365	409	13 845	13 304	14 210	13 713

Department for Education and Child Development
Notes to and forming part of the financial statements

40 Transactions with SA Government - Consolidated (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000
Other grants and contributions	13						
Grants and subsidies revenue		12 899	12 338	25 717	15 676	38 616	28 014
Donations		-	-	684	734	684	734
Interest revenues	14						
Other interest		-	-	9 480	8 905	9 480	8 905
Interest from entities within the SA Government		34	66	-	-	34	66
Net (loss)/gain from disposal of non-current and other assets	15						
Total proceeds from disposal		-	-	17 533	12 066	17 533	12 066
Total value of assets disposed		-	-	(12 067)	(18 343)	(12 067)	(18 343)
Other revenues	16						
Other revenue		1 266	2 353	44 906	39 471	46 172	41 824
Fundraising revenue		-	-	7 526	7 420	7 526	7 420
Revaluation increment of buildings under finance lease and leasehold improvement assets		-	-	4 221	-	4 221	-
Recoveries - other		25	197	3 815	7 291	3 840	7 488
Commission received		-	-	1 763	1 203	1 763	1 203
Assets recognised for the first time		-	-	1 576	5 808	1 576	5 808
Contributed assets		-	3	-	-	-	3
Revenues from / payments to SA Government	17						
Revenues from SA Government		2 524 087	2 682 345	-	-	2 524 087	2 682 345
Payments to SA Government		-	(60 899)	-	-	-	(60 899)
Total income		2 538 782	2 636 983	763 597	708 956	3 302 379	3 345 939
Net result		2 234 506	2 312 241	(2 179 712)	(2 348 736)	54 794	(36 495)

Department for Education and Child Development
Notes to and forming part of the financial statements

40 Transactions with SA Government – Consolidated (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000
Financial assets							
Cash and cash equivalents	18						
Deposits with the Treasurer (AAEFA)		440 695	422 439	-	-	440 695	422 439
SA School Investment Fund (SASIF)		-	-	431 012	368 992	431 012	368 992
Deposits with the Treasurer - at call		40 386	14 373	-	-	40 386	14 373
Cash at bank and on hand		-	-	36 673	32 107	36 673	32 107
Section 21 Deposit Accounts		387	385	-	-	387	385
Receivables	19						
Fees, charges and other receivables		2 749	2 150	30 923	33 504	33 672	35 654
GST recoverable from the ATO		-	-	11 349	11 302	11 349	11 302
Prepayments		2	5 858	4 849	5 161	4 851	11 019
Accrued revenues		56	104	3 929	2 866	3 985	2 970
Allowance for doubtful debts		(83)	(83)	(5 018)	(4 678)	(5 101)	(4 761)
Workers compensation receivable		-	-	518	870	518	870
Loan receivable		-	-	15	15	15	15
Other financial assets	21						
Term deposits		-	-	2 339	2 114	2 339	2 114
Total financial assets		484 192	445 226	516 589	452 253	1 000 781	897 479

Department for Education and Child Development
Notes to and forming part of the financial statements

40 Transactions with SA Government – Consolidated (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000	2017 Consolidated \$'000	2016 Consolidated \$'000
Financial liabilities							
Payables	26						
Creditors		28 703	16 625	16 283	20 906	44 986	37 531
Employment on-costs		46 787	51 236	45 505	49 845	92 292	101 081
Accrued expenses		2 965	3 733	16 251	9 011	19 216	12 744
Accrued interest on PPP finance lease		-	-	12 452	10 836	12 452	10 836
Paid Parental Leave Scheme payable		-	-	323	402	323	402
Borrowings	27						
Obligations under finance leases - PPP		-	-	169 323	170 951	169 323	170 951
Obligations under finance leases - other		-	-	-	6	-	6
Borrowings		-	-	92	108	92	108
Advance account		-	285	-	-	-	285
Other liabilities	30						
Unearned revenue		100	1	11 577	13 530	11 677	13 531
Deposits		-	-	15 891	14 599	15 891	14 599
Other liabilities		-	-	2 736	3 725	2 736	3 725
Equipment service right		-	-	21 900	22 432	21 900	22 432
Total financial liabilities		78 555	71 880	312 333	316 351	390 888	388 231

Department for Education and Child Development
Notes to and forming part of the financial statements

41 Transactions with SA Government - DECD

	Note	SA Government		Non-SA Government		Total	
		2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000
Expenses							
Employee benefits expenses	5						
Salaries and wages (including annual leave)		-	-	1 860 927	1 834 884	1 860 927	1 834 884
Employment on-costs - superannuation		-	-	189 138	193 484	189 138	193 484
Employment on-costs - payroll tax		103 804	106 387	-	-	103 804	106 387
Long service leave		-	-	31 499	97 442	31 499	97 442
Workers Compensation		1 968	2 462	18 657	21 511	20 625	23 973
Skills and experience retention leave		-	-	11 522	11 978	11 522	11 978
Targeted voluntary separation payments		-	-	10 140	6 559	10 140	6 559
Other employee related expenses		-	-	2 868	2 481	2 868	2 481
Country incentive leave		-	-	218	373	218	373
Board and committee fees		-	-	39	29	39	29
Supplies and services	6						
Minor works maintenance and equipment		97 304	97 333	6 845	8 351	104 149	105 684
Printing postage and consumables		72	25	5 295	5 627	5 367	5 652
Other supplies and services		2 046	1 903	6 393	5 990	8 439	7 893
Utilities		(1 757)	16 544	7 017	3 836	5 260	20 380
Cleaning		302	597	5 330	5 431	5 632	6 028
Vehicle and travelling expenses		6 282	9 522	24 288	24 097	30 570	33 619
Rentals and leases		21 467	29 304	2 488	2 404	23 955	31 708
Contractors and other outsourced services		4 521	4 213	30 261	23 308	34 782	27 521
Bus contractors		20	16	25 786	25 093	25 806	25 109
Computer communications		457	489	12 714	14 204	13 171	14 693
Telecommunications		2 612	2 914	10 333	13 220	12 945	16 134

Department for Education and Child Development
Notes to and forming part of the financial statements

41 Transactions with SA Government – DECD (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000
Supplies and services (continued)	6						
Management fees and charges		15 094	17 723	4 555	3 034	19 649	20 757
Shared Services SA charges		13 438	15 085	-	-	13 438	15 085
Training and development		1 131	920	4 489	4 430	5 620	5 350
Security		5 065	4 283	1 084	1 328	6 149	5 611
Insurance (including self insurance)		8 009	6 023	-	-	8 009	6 023
PPP Service Fee		-	-	5 615	5 841	5 615	5 841
Copyright		-	-	4 292	4 120	4 292	4 120
Legal costs		2 098	1 635	1 599	1 281	3 697	2 916
Residential and client related costs		(91)	243	1 223	2 582	1 132	2 825
Grants and subsidies	7						
Recurrent grants paid to other organisations		6 990	2 889	152 506	239 331	159 496	242 220
Recurrent grants paid to preschools		4 634	5 925	-	-	4 634	5 925
Recurrent grants paid to schools and units		235 638	220 828	-	-	235 638	220 828
Capital grants paid to schools and units		-	3 317	-	-	-	3 317
Depreciation and amortisation expense	8						
Buildings and improvements		-	-	94 539	95 168	94 539	95 168
Computing, communication, furniture and equipment		-	-	376	419	376	419
Buildings under finance lease		-	-	3 292	3 292	3 292	3 292
Buses and motor vehicles		-	-	2 173	1 939	2 173	1 939
Leasehold improvements		-	-	996	1 664	996	1 664
Other depreciation		-	-	35	70	35	70
Service right for equipment		-	-	846	948	846	948
Residential accommodation housing		-	-	268	822	268	822
Internally developed computer software		-	-	251	755	251	755
Externally provided software		-	-	27	27	27	27

Department for Education and Child Development
Notes to and forming part of the financial statements

41 Transactions with SA Government – DECD (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000
Borrowing costs	9						
Finance lease costs		-	-	22 289	22 591	22 289	22 591
Other expenses	10						
Non-current assets written off		-	-	2 581	2 202	2 581	2 202
Allowance for doubtful debts and debt write-offs		-	-	207	61	207	61
Emergency Services Levy		1 355	1 341	-	-	1 355	1 341
Auditor's remuneration – other		-	-	944	912	944	912
Auditor's remuneration – Auditor-General's Department *		485	559	-	-	485	559
Other expenses		50	1 462	147	-	197	1 462
Other insurance		832	1 068	(1 538)	2 410	(706)	3 478
Donated assets		-	1 600	-	-	-	1 600
Total expenses		533 826	556 610	2 564 554	2 695 529	3 098 380	3 252 139
Income							
Commonwealth revenues	11	-	-	498 403	479 126	498 403	479 126
Student and other fees and charges	12						
Student enrolment fees and charges		-	-	3 861	3 419	3 861	3 419
Other user fees and charges		1 521	1 358	15 564	12 593	17 085	13 951
Sales/fee for service revenue		594	688	1 679	1 447	2 273	2 135
Other grants and contributions	13						
Grants and subsidies revenue		12 896	12 339	1 257	1 485	14 153	13 824
Donations		-	-	31	-	31	-
Interest revenues	14						
Other interest		-	-	7 401	7 401	7 401	7 401
Interest from entities within the SA Government		168	405	-	-	168	405

Department for Education and Child Development
Notes to and forming part of the financial statements

41 Transactions with SA Government – DECD (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000
Net (loss)/gain from disposal of non-current and other assets	15						
Total proceeds from disposal		-	-	17 352	11 825	17 352	11 825
Total value of assets disposed		-	-	(11 782)	(18 237)	(11 782)	(18 237)
Other revenues	16						
Other revenue		4 144	3 536	2 138	3 163	6 282	6 699
Revaluation increment of buildings under finance lease and leasehold improvement assets		-	-	4 221	-	4 221	-
Recoveries - other		575	2 697	3 815	7 291	4 390	9 988
Commission received		3 740	3 613	1 166	676	4 906	4 289
Assets recognised for the first time		-	-	1 576	5 808	1 576	5 808
Contributed assets		-	3	-	-	-	3
Revenues from / payments to SA Government	17						
Revenues from SA Government		2 524 087	2 682 345	-	-	2 524 087	2 682 345
Payments to SA Government		-	(60 899)	-	-	-	(60 899)
Total income		2 547 725	2 646 085	546 682	515 997	3 094 407	3 162 082
Net result		2 013 899	2 089 475	(2 017 872)	(2 179 532)	(3 973)	(90 057)
Financial assets							
Cash and cash equivalents	18						
Deposits with the Treasurer (AAEFA)		440 695	422 439	-	-	440 695	422 439
Deposits with the Treasurer - at call		40 386	14 373	-	-	40 386	14 373
Cash at bank and on hand		-	-	520	672	520	672
Section 21 Deposit Accounts		387	385	-	-	387	385

Department for Education and Child Development
Notes to and forming part of the financial statements

41 Transactions with SA Government – DECD (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000	2017 DECD \$'000	2016 DECD \$'000
Receivables	19						
Fees, charges and other receivables		15 550	9 773	6 273	13 156	21 823	22 929
GST recoverable from the ATO		-	-	7 328	8 726	7 328	8 726
Prepayments		2	5 858	2 723	3 314	2 725	9 172
Accrued revenues		2 912	3 543	245	299	3 157	3 842
Allowance for doubtful debts		(83)	(83)	(175)	(17)	(258)	(100)
Loan receivables		4 233	5 100	15	15	4 248	5 115
Workers compensation receivable		-	-	518	870	518	870
Total financial assets		504 082	461 388	17 447	27 035	521 529	488 423
Financial liabilities							
Payables	26						
Creditors		43 588	45 049	12 918	17 387	56 506	62 436
Employment on-costs		46 787	51 236	45 522	49 837	92 309	101 073
Accrued expenses		524	3 733	8 856	733	9 380	4 466
Accrued interest on PPP finance lease		-	-	12 452	10 836	12 452	10 836
Paid Parental Leave Scheme payable		-	-	323	402	323	402
Borrowings	27						
Obligations under finance leases - PPP		-	-	169 323	170 951	169 323	170 951
Advance account		-	285	-	-	-	285
Other liabilities	30						
Unearned revenue		100	1	181	821	281	822
Deposits		-	-	14 925	13 527	14 925	13 527
Other liabilities		-	-	739	920	739	920
Equipment service right		-	-	21 900	22 432	21 900	22 432
Total financial liabilities		90 999	100 304	287 139	287 846	378 138	388 150

Department for Education and Child Development
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	A3	1 533	1 634
Supplies and services	A4	328	227
Transfer payments	A5	1 079 599	1 044 615
Other expenses	A6	-	3
Total expenses		1 081 460	1 046 479
Income			
Revenues from SA Government	A7	250 982	244 929
Commonwealth revenue	A8	832 798	805 046
Other revenues	A9	1 485	94
Total income		1 085 265	1 050 069
Net result		3 805	3 590
Total comprehensive result		3 805	3 590

The above statement should be read in conjunction with the accompanying notes.

Department for Education and Child Development
Statement of Administered Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	A10	35 373	31 597
Receivables	A11	197	234
Total current assets		35 570	31 831
Non-current assets			
Plant and equipment	A12	1	-
Total non-current assets		1	-
Total assets		35 571	31 831
Current Liabilities			
Payables	A13	698	641
Employee benefits	A14	174	183
Total current liabilities		872	824
Non-current liabilities			
Payables	A13	30	42
Employee benefits	A14	261	362
Total non-current liabilities		291	404
Total liabilities		1 163	1 228
Net assets		34 408	30 603
Equity			
Accumulated surplus	A15	34 408	30 603
Total equity		34 408	30 603

Total equity is attributable to the SA Government as owner

Contingent assets and liabilities

A16

The above statement should be read in conjunction with the accompanying notes.

Department for Education and Child Development
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Note	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015		27 013	27 013
Net result for 2015-16		3 590	3 590
Total comprehensive result for 2015-16		3 590	3 590
Balance at 30 June 2016		30 603	30 603
Net result for 2016-17		3 805	3 805
Total Comprehensive Result for 2016-17		3 805	3 805
Balance at 30 June 2017	A15	34 408	34 408

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

The above statement should be read in conjunction with the accompanying notes.

Department for Education and Child Development
Statement of Administered Cash Flows
for the year ended 30 June 2017

		2017 \$'000	2016 \$'000
	Note	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(1 658)	(1 766)
Supplies and services		(324)	(306)
Transfer payments		(1 100 165)	(1 065 359)
Cash used in operations		(1 102 147)	(1 067 431)
Cash inflows			
Receipts from SA Government		250 982	244 929
Receipts from Commonwealth		832 798	805 046
GST recovered from the ATO		20 650	20 495
Other receipts		1 493	87
Cash generated from operations		1 105 923	1 070 557
Net cash provided by / (used in) operating activities	A18	3 776	3 126
Net increase / (decrease) in cash and cash equivalents		3 776	3 126
Cash and cash equivalents at the beginning of the period		31 597	28 471
Cash and cash equivalents at the end of the period	A10	35 373	31 597

The above statement should be read in conjunction with the accompanying notes.

Department for Education and Child Development
Schedule of Expenses and Income
attributable to Administered Activities
for the year ended 30 June 2017

	Minister's Payments and Advocacy Bodies		Minister's Salary and Allowances		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits expenses	1 189	1 317	344	317	1 533	1 634
Supplies and services	328	227	-	-	328	227
Transfer payments	1 079 599	1 044 615	-	-	1 079 599	1 044 615
Other expenses	-	3	-	-	-	3
Total expenses	1 081 116	1 046 162	344	317	1 081 460	1 046 479
Income						
Revenues from SA						
Government	250 638	244 616	344	313	250 982	244 929
Commonwealth revenue	832 798	805 046	-	-	832 798	805 046
Other revenues	1 485	94	-	-	1 485	94
Total income	1 084 921	1 049 756	344	313	1 085 265	1 050 069
Net result	3 805	3 594	-	(4)	3 805	3 590

Department for Education and Child Development
Schedule of Assets and Liabilities
attributable to Administered Activities
for the year ended 30 June 2017

	Minister's Payments and Advocacy Bodies		Minister's Salary and Allowances		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Assets						
Cash and cash equivalents	35 373	31 597	-	-	35 373	31 597
Receivables	197	234	-	-	197	234
Plant and equipment	1	-	-	-	1	-
Total assets	35 571	31 831	-	-	35 571	31 831
Liabilities						
Payables	728	683	-	-	728	683
Employee benefits	435	545	-	-	435	545
Total liabilities	1 163	1 228	-	-	1 163	1 228

Department for Education and Child Development

Notes to and forming part of the administered financial statements

A1 Summary of significant accounting policies

All Department for Education and Child Development (the department) accounting policies are contained in note 2. The policies outlined in note 2 apply to both the department and administered financial statements.

Reporting Entity

The department is responsible for the administration of specific funds on behalf of the Minister for Education and Child Development. The department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties. The Administered Financial Statements include the income, expenses, assets and liabilities of these funds.

As a result of the establishment of the Department for Child Protection on the 1 November 2016 and recommendations from the *Child Protection Systems Royal Commission: "The life they deserve"*, some ministerial committees and advocacy bodies are now reported as Administered Items.

From the 1 July 2016 a number of staff were transferred from Administered Items to the DECD controlled entity as a result of new governance arrangements.

The main administered funds are:

Minister for Education and Child Development

Funds are appropriated to the Minister for Education and Child Development and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the SACE Board of South Australia;
- the State and Commonwealth Government contributions to the operation of the Education and Early Childhood Services Registration and Standards Board of South Australia;
- payments to the Department of Planning, Transport and Infrastructure for the purposes of student travel;
- payments to Ministerial committees;
- payments to the Commissioner for Children and Young People;
- payments to the Guardian for Children and Young People;
- the State Government contribution to the operation of non-government schools, some non-government preschools, organisations and services to students with disabilities; and
- the Commonwealth Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

Minister's salary and allowances

The Minister's salary and allowances are funded by specific legislation and the department has no control over this part of the annual appropriation.

A2 Changes in accounting policies

All department changes in accounting policies are contained in note 3. Any changes outlined in note 3 apply to both the department and administered financial statements.

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A3 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	1 222	1 318
Employment on-costs - superannuation *	101	115
Annual leave	71	90
Board and committee fees	61	29
Employment on-costs - payroll tax	51	61
Long service leave	16	13
Skills and experience retention leave	10	7
Workers compensation	1	1
Total employee benefits expenses	1 533	1 634

* The superannuation employment on-cost charge represents the department's contributions to superannuation plans in respect of current services of current employees

Targeted Voluntary Separation Packages

No employees were paid TVSPs during the reporting period.

Remuneration of employees	2017	2017	2016	2016
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Executives ¹	Number of Employees	Number of Executives ¹	Number of Employees
\$147 000 to \$157 000	-	-	-	1
\$167 001 to \$177 000	-	-	1	1
Total number of executives / employees	-	-	1	2

¹ The number of executive officers disclosed in the above table includes employees appointed on a South Australian Executive Service (SAES) contract as at 30 June 2017 and 30 June 2016 respectively. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2017 and 2016.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefit tax paid or payable in respect of these benefits.

In 2016 one non-executive employee received payment for unused leave entitlements paid on retirement increasing their total remuneration to above the base executive remuneration level.

Remuneration received or due and receivable by the above employees was \$nil (\$327 000) which is included in employee benefits expenses.

Number of employees as at the reporting date

As at 30 June 2017, 21 (12) full time equivalents were employed to manage the department's administered items. Refer to note A1 for further information.

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A4 Supplies and services

	2017	2016
	\$'000	\$'000
Contractors and other outsourced services	163	156
Minor equipment and maintenance	50	2
Other supplies and services	43	44
Printing, postage and consumables	35	22
Vehicle and travelling expenses	29	3
Computer communications	4	-
Conference expenses	3	-
Fees and charges	1	-
Total supplies and services	328	227

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the department not holding a valid tax invoice or payments relating to third party arrangements.

There were no consultancy fees incurred in the 2016-17 or 2015-16 financial years.

A5 Transfer payments

	2017	2016
	\$'000	\$'000
Non-government schools	1 029 077	995 845
SACE Board of South Australia	20 285	19 447
Transport concessions	12 941	12 705
Special Schools and Education	7 726	7 601
Education and Early Childhood Services Registration and Standards Board of SA	4 794	4 876
Other organisations	2 966	1 946
Multicultural grants	1 768	1 522
Government schools	36	515
Government pre-schools	6	158
Total transfer payments	1 079 599	1 044 615

A6 Other expenses

	2017	2016
	\$'000	\$'000
Donated asset	-	3
Total other expenses	-	3

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A7 Revenues from SA Government

	2017	2016
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	250 638	244 596
Appropriations under other Acts	344	313
Transfers from contingencies	-	20
Total Revenues from SA Government	250 982	244 929

A8 Commonwealth revenues

	2017	2016
	\$'000	\$'000
Recurrent grants	832 798	805 046
Total Commonwealth revenues	832 798	805 046

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

A9 Other revenues

	2017	2016
	\$'000	\$'000
Grants and subsidies revenue	1 447	-
Recoveries	13	45
Contributed asset	1	-
Sundry revenue	24	49
Total other revenues	1 485	94

A10 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer - at call	35 373	31 597
Total cash and cash equivalents	35 373	31 597

Cash is measured at nominal amounts.

The department does not earn interest on deposits with the Treasurer.

A11 Receivables

	2017	2016
	\$'000	\$'000
Current		
GST recoverable from ATO	197	225
Accrued revenues	-	9
Total current receivables	197	234
Total receivables	197	234

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A12 Plant and equipment

	2017 \$'000	2016 \$'000
Computing, furniture and equipment		
Computing, furniture and equipment at cost	13	31
Accumulated depreciation	(12)	(31)
Total computing, furniture and equipment	1	-
Total plant and equipment	1	-

Valuation of non-current assets

Valuations of computing, furniture and equipment are based on depreciated cost (a proxy for fair value).

Fair Value

All valuations are considered to be level 3 valuations based on historical cost, useful life and condition assessments.

Reconciliation of plant and equipment

The following table shows the movement of plant and equipment

	Plant and equipment	
	2017 \$'000	2016 \$'000
Carrying amount at 1 July	-	3
Donated asset	-	(3)
Contributed asset	1	-
Carrying amount at 30 June	1	-

A13 Payables

	2017 \$'000	2016 \$'000
Current		
Creditors	670	606
Employment on-costs	24	27
Accrued expenses	4	8
Total current payables	698	641
Non-Current		
Employment on-costs	30	42
Total non-current payables	30	42
Total payables	728	683

Creditors include all unpaid invoices received relating to the normal operations of the administered activities.

Employment on-costs include payroll tax, ReturnToWorkSA levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, country incentive leave, annual leave and skills and experience retention leave.

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.

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A13 Payables (continued)

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits 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.

For further information on risk management refer to note A19.

A14 Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	102	122
Long service leave	58	34
Accrued salaries and wages	8	-
Skills and experience retention leave	6	27
Total current employee benefits	174	183
Non-current		
Long service leave	261	362
Total non-current employee benefits	261	362
Total employee benefits	435	545

A15 Equity

	2017	2016
	\$'000	\$'000
Accumulated surplus	34 408	30 603
Total equity	34 408	30 603
Accumulated Surplus		
Balance at 1 July	30 603	27 013
Net result for the year	3 805	3 590
Balance at 30 June	34 408	30 603

A16 Contingent assets and liabilities

The department is not aware of any contingent assets or liabilities and has made no guarantees in relation to its administered activities.

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A17 Remuneration of board and committee members

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

	2017 Number	2016 Number
\$0	24	26
\$1 - \$9 999	30	10
\$10 000 - \$19 999	2	1
Total number of members	56	37

Members of the boards and committees during the 2016-17 financial year were:

Ministerial Advisory Committee: Children and Students with Disability

Ms Susan Bailey	Ms Cathy Leane ¹
Dr Kerry Bissaker	Ms Deidre Le Maistre ¹
Ms Mary Carmody	Ms Deborah McInnes ¹
Ms Alice Duffield	Ms Jocelyn Neumuller
Ms Jacqui Jones ² (appointed 1 January 2017)	Ms Kerri Vowles ² (resigned 29 September 2016)
Ms Gael Little ¹	Ms Margaret Wallace

Multicultural Education and Languages Committee

Mr Edgar Bliss	Associate Professor Angela Scarino
Ms Susan Cameron ¹	Mr Mohammad Shabibi
Ms Jessica Dubois ¹	Ms Renee Singh (resigned 7 June 2017)
Ms Jacqueline Habayimana	Ms Sumeja Skaka
Mr Sean Keenihan	Ms Lia Tedesco ¹
Ms Stephanie Kosmetos (resigned 24 August 2016)	Professor John West-Sooby
Ms Binh Nguyen ¹	Mr Mark Williams ¹
Mr Hiep Nguyen	Ms Deb Dalwood (appointed 1 December 2016)
Ms Julie Presser ¹	

Council for the Care of Children Committee (from 1 November 2016 to 30 June 2017)*

Ms Elisabeth Burtnik	Mr Rick Persse ¹
Ms Barbara (Jane) Chapman	Ms Kelly Ryan
Ms Jesse Frick	Ms Nerida Saunders ¹
Mr Anthony Harrison ¹	Mr Simon Schrapel
Ms Vickie Kaminski ¹	Professor Phillip Slee
Mr Thomas Manning	Mr Roland Wilson
Ms Gerardine Mulhearn	

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A17 Remuneration of board and committee members (continued)

Child Death and Serious Injury Review Committee (from 1 November 2016 to 30 June 2017)*

Mr Michael Ahern ²	Dr Deepa Jeyaseelan ²
Ms Angela Davis	Dr Margaret Kyrkou ²
Ms Dymphna Eszenyi	Mr Thomas Osborn ¹
Dr Mark Fuller ²	Mr Philip Robinson ¹
Ms Dianne Gursansky	Ms Kerrie Sellen
Ms Ann-Marie Hayes ¹	Dr Nigel Stewart ²
Ms Pamela Hemphill ¹	Ms Barbara Tiffin ¹

¹ Government employee who did not receive any remuneration for board/committee duties during the financial year in accordance with DPC Circular 16.

² Part-time government employee who gained approval to receive remuneration for board/committee duties during the financial year.

* These committees were previously reported in the department's controlled entity.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, out of hours fees, retention fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$64 272 (\$31 164).

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

A18 Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents		
Cash and cash equivalents disclosed in the Statement of Administered Financial Position	35 373	31 597
Balance as per the Statement of Administered Cash Flows	35 373	31 597
 Reconciliation of net cash provided by / (used in) operating activities to net result:		
Net cash provided by / (used in) operating activities	3 776	3 126
Non-cash items		
Donated asset	-	(3)
Contributed asset	1	-
Movements in assets and liabilities		
Increase / (decrease) in receivables	(37)	(61)
(Increase) / decrease in payables	(45)	412
(Increase) / decrease in employee benefits	110	116
Net result	3 805	3 590

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A19 Financial risk management / financial instruments

A19.1 Financial risk management

Risk management is managed by the department's corporate services section and departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The administered activities exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

A19.2 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 or the respective financial asset/financial liability note.

Refer Table A19.3 for the carrying amounts of each of the following categories of financial assets and liabilities: Cash and cash equivalents and financial liabilities measured at cost.

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes A1 and A13).

Table A19.3 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2017 Carrying amount / Fair value \$'000	2016 Carrying amount / Fair value \$'000	2017 Contractual maturities			
				Current \$'000	Within 1 year \$'000	1 - 5 years \$'000	More than 5 years \$'000
Financial assets							
Cash and equivalent							
- Cash and cash equivalents	A10	35 373	31 597				
Total financial assets		35 373	31 597	-	-	-	-
Financial liabilities							
Financial liabilities at cost							
- Payables ¹	A13	670	606	670	670	-	-
Total financial liabilities		670	606	670	670	-	-

¹ Payable amounts disclosed here exclude amounts relating to statutory payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents 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).

A20 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A20 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

	Original Budget ⁽¹⁾ 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000
Statement of Comprehensive Income			
Expenses			
Employee benefits expenses	2 043	1 533	(510)
Supplies and services	264	328	64
Transfer payments	1 094 980	1 079 599	(15 381)
Total expenses	1 097 287	1 081 460	(15 827)
Income			
Revenues from SA Government	252 637	250 982	(1 655)
Commonwealth revenue	844 632	832 798	(11 834)
Other revenues	-	1 485	1 485
Total income	1 097 269	1 085 265	(12 004)
Net result	(18)	3 805	3 823
Total comprehensive result	(18)	3 805	3 823

⁽¹⁾ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

No variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

A21 Events after the end of the reporting period

There were no events occurring after the end of the reporting period that have material financial implications on these financial statements.

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A22 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature:

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits expenses	A3						
Salaries and wages		-	-	1 222	1 318	1 222	1 318
Annual leave		-	-	71	90	71	90
Long service leave		-	-	16	13	16	13
Skills and experience retention leave		-	-	10	7	10	7
Superannuation expense		-	-	101	115	101	115
Payroll tax expense		51	61	-	-	51	61
Workers compensation		1	1	-	-	1	1
Board and committee fees		-	-	61	29	61	29
Supplies and services	A4						
Contractors and other outsourced services		-	1	163	155	163	156
Fees and Charges		-	-	1	-	1	-
Printing postage and consumables		-	-	35	22	35	22
Minor equipment and maintenance		-	-	50	2	50	2
Computer Communications		-	-	4	-	4	-
Vehicle and travelling expenses		6	1	23	2	29	3
Conference expenses		-	-	3	-	3	-
Other supplies and services		13	-	30	44	43	44

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A22 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Transfer payments	A5						
SACE Board of South Australia		20 285	19 447	-	-	20 285	19 447
Transport concessions		12 941	12 705	-	-	12 941	12 705
Special Schools and Education		4 701	2 950	3 025	4 651	7 726	7 601
Education and Early Childhood Services Registration and Standards Board of SA		4 794	4 876	-	-	4 794	4 876
Government schools		36	515	-	-	36	515
Government pre-schools		6	158	-	-	6	158
Non-government schools		-	-	1 029 077	995 845	1 029 077	995 845
Multicultural grants		-	-	1 768	1 522	1 768	1 522
Other organisations		-	220	2 966	1 726	2 966	1 946
Other expenses	A6						
Donated asset		-	3	-	-	-	3
Total Expenses		42 834	40 938	1 038 626	1 005 541	1 081 460	1 046 479
Income							
Revenues from SA Government	A7						
Appropriations from Consolidated Account pursuant to the Appropriation Act		250 638	244 596	-	-	250 638	244 596
Appropriations under other Acts		344	313	-	-	344	313
Transfers from contingencies		-	20	-	-	-	20
Commonwealth revenues	A8						
Recurrent grants		-	-	832 798	805 046	832 798	805 046

Department for Education and Child Development
Notes to and forming part of the administered financial statements

A22 Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Other revenues	A9						
Grants and subsidies revenue		1 447	-	-	-	1 447	-
Recoveries		-	-	13	45	13	45
Contributed asset		1	-	-	-	1	-
Sundry revenue		-	-	24	49	24	49
Total Income		252 430	244 929	832 835	805 140	1 085 265	1 050 069
Net Result		209 596	203 991	(205 791)	(200 401)	3 805	3 590
Financial Assets							
Cash and cash equivalents	A10						
Deposits with the Treasurer - at call		35 373	31 597	-	-	35 373	31 597
Receivables	A11						
GST recoverable from ATO		-	-	197	225	197	225
Accrued revenues		-	-	-	9	-	9
Total Financial Assets		35 373	31 597	197	234	35 570	31 831
Financial Liabilities							
Payables	A13						
Creditors		624	342	46	264	670	606
Employment on-costs		22	29	32	40	54	69
Accrued expenses		4	8	-	-	4	8
Total Financial Liabilities		650	379	78	304	728	683

Certification of the Financial Report

We certify that the attached General Purpose Financial Statements for the Department for Education and Child Development:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the department; and
- present a true and fair view of the financial position of the department as at 30 June 2017 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Department for Education and Child Development for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Rick Persse
CHIEF EXECUTIVE

15/9/2017



Chris Bernardi
CHIEF FINANCIAL OFFICER

15/9/2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Department for Education and Child Development

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department for Education and Child Development for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Education and Child Development as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2017
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2017
- a Schedule of Assets and Liabilities attributable to administered activities as at 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Department for Education and Child Development. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

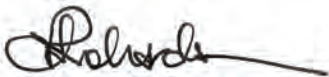
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Environment Protection Authority

Financial report
for the year ended
30 June 2017

Environment Protection Authority
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	6	22,967	23,938
Supplies and services	7	8,304	8,479
Depreciation and amortisation	8	1,052	1,084
Grants and subsidies	9	595	503
Other expenses	10	149	139
Total expenses		<u>33,067</u>	<u>34,143</u>
Income			
Revenues from fees and charges	11	43,638	38,024
Grants and contributions	12	1,195	1,511
Interest revenues	13	97	126
Net gain/(loss) from the disposal of non-current assets	14	-	(6)
Other income	15	14	30
Total income		<u>44,944</u>	<u>39,685</u>
Net cost/(benefit) of providing service		<u>(11,877)</u>	<u>(5,542)</u>
Revenues from/Payments to SA Government			
Payments to SA Government	16	5,802	6,275
Total payments to SA Government		<u>5,802</u>	<u>6,275</u>
Net result		<u>6,075</u>	<u>(733)</u>
Total comprehensive result		<u>6,075</u>	<u>(733)</u>

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

The above statement should be read in conjunction with the accompanying notes

Environment Protection Authority
Statement of Financial Position
As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	17	21,606	15,576
Receivables	18	5,804	4,800
Total current assets		27,410	20,376
Non-current assets			
Receivables	18	3	2
Property, plant and equipment	19	3,772	4,304
Intangible assets	20	2,374	2,430
Total non-current assets		6,149	6,736
Total assets		33,559	27,112
Current liabilities			
Payables	22	1,425	1,096
Employee benefits	23	2,397	2,331
Provisions	24	84	56
Other liabilities	25	88	78
Total current liabilities		3,994	3,561
Non-current liabilities			
Payables	22	522	567
Employee benefits	23	5,616	5,619
Provisions	24	158	105
Other liabilities	25	378	444
Total non-current liabilities		6,674	6,735
Total liabilities		10,668	10,296
Net assets		22,891	16,816
Equity			
Asset revaluation surplus		932	932
Retained earnings		21,959	15,884
Total equity		22,891	16,816
The total equity is attributable to the SA Government as owner			
Unrecognised contractual commitments	26		
Contingent assets and liabilities	27		

The above statement should be read in conjunction with the accompanying notes

Environment Protection Authority
Statement of Changes in Equity
For the year ended 30 June 2017

	Note	Asset Revaluation Surplus	Retained Earnings	Total Equity
		\$'000	\$'000	\$'000
Balance at 30 June 2015		932	19,888	20,820
Error Correction - Receivables	28	-	(3,271)	(3,271)
Restated Balance at 30 June 2015		932	16,617	17,549
Net result for 2015-16		-	(733)	(733)
Total comprehensive result for 2015-16		-	(733)	(733)
Balance at 30 June 2016		932	15,884	16,816
Net result for 2016-17		-	6,075	6,075
Total comprehensive result for 2016-17		-	6,075	6,075
Balance at 30 June 2017		932	21,959	22,891

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

The above statement should be read in conjunction with the accompanying notes

Environment Protection Authority

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows:			
Employee benefit payments		(22,848)	(22,789)
Payments for supplies and services		(8,082)	(9,191)
Payment of grants and subsidies		(595)	(503)
Other payments		(141)	(114)
Cash used in operations		(31,666)	(32,597)
Cash inflows:			
Fees and charges		42,653	37,573
Receipts from grants and contributions		1,195	1,511
Interest received		100	127
Other receipts		14	30
Cash generated from operations		43,962	39,241
Cash flows from SA Government			
Payments to SA Government		(5,802)	(6,275)
Cash paid to SA Government		(5,802)	(6,275)
Net cash provided by/(used in) operating activities	31	6,494	369
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(464)	(569)
Cash used in investing activities		(464)	(569)
Net cash provided by/(used in) investing activities		(464)	(569)
Net increase / (decrease) in cash and cash equivalents		6,030	(200)
Cash and cash equivalents at the beginning of the period		15,576	15,776
Cash and cash equivalents at the end of the period	17	21,606	15,576

The above statement should be read in conjunction with the accompanying notes

Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

1 Objectives of the Environment Protection Authority (the Authority)

The objectives of the Authority are to achieve a better environment for the wellbeing and prosperity of all South Australians:

- through the protection, restoration and enhancement of the environment, and the risk-based regulation of pollution, waste and noise
- by ensuring the safe use of radiation to minimise adverse impacts on human health and the environment, through the risk-based regulation of radiation.

The Authority works closely with industry, the community and government to protect our unique natural environment and promote the safe use of radiation while supporting economic growth and improving wellbeing.

2 Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987* (PFAA).

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and accounting policy statements promulgated under the provisions of the PFAA.

The Authority has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Authority is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with accounting policy statements issued pursuant to section 41 of the PFAA. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, that have been included in these financial statements:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee targeted voluntary separation package (TVSP) information
 - (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees
 - (e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

(c) Reporting Entity

The Authority comprises the following:

- the Environment Protection Authority – a statutory authority with an appointed board established by the *Environment Protection Act 1993*.
- an administrative unit also named the Environment Protection Authority established under the *Public Sector Act 2009*.
- the Environment Protection Fund (the Fund) established under the *Environment Protection Act 1993*.

Under the *Environment Protection Act 1993*, the Chief Executive of the administrative unit is also taken to be the Chief Executive of the statutory authority. The Chief Executive is subject to the control and direction of the Minister in relation to the activities of the administrative unit, and is subject to the control and direction of the Board in relation to giving effect to its policies and decisions under the *Environment Protection Act 1993*.

The statutory authority is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The statutory authority makes use of the services of the administrative unit's employees and facilities in performing its statutory obligations.

The administrative unit also has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*. The Authority's financial statements include assets, liabilities, revenues and expenses attributable to Radiation Protection. The income and expenses (excluding overheads) attributable to radiation protection are disclosed in Note 37. However assets and liabilities have not been separately disclosed as they cannot be reliably attributed to radiation protection functions.

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity being the Authority and the Fund, in accordance with AASB 10 *Consolidated Financial Statements*.

In forming the view that the Fund is controlled, the Authority considered its involvement with the entity and determined that its substantive rights give the Authority the current ability to direct the major relevant activities of the entity and the Authority is exposed or has rights to variable returns from its involvement as the entity contributes to furtherance of the Authority's objectives.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full.

The financial statements and accompanying notes include all the controlled activities of the Authority.

Administered Items

(1) Solid Waste Levies

As per section 113 of the *Environment Protection Act 1993* the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of the cash component of solid waste levies collected to Green Industries SA as per section 17 of the *Green Industries SA Act 2004*.

Previously this revenue and expenditure was captured in the Authority's financial statements, but upon further review is now considered an administered item.

(2) Local Nuisance and Litter Control Act 2016 - Dob in a Litterer Revenue

The launch of the Dob in a Litterer campaign on 1 February 2017 followed the introduction of the litter provisions in the *Local Nuisance and Litter Control Act 2016*, and a state government commitment to introduce a public litter reporting system. From 1 May 2017, fines began being imposed to those caught littering from their vehicles following a 3-month grace period where warning letters were issued in lieu of fines.

Revenue received from Dob in a Litterer must be paid into the Consolidated Account and therefore has been treated as an administered item.

The transactions and balances relating to the above administered items are not recognised as income, expense, assets and liabilities of the Authority. See Note 38 for Administered financial statements.

(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 accounting policy statements have required a change.

Where the Authority has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Position and related notes.

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

(e) Rounding

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

(f) Taxation

The Authority is not subject to income tax. The Authority is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy and land tax.

Shared Services SA prepares a Business Activity Statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, the Department of Environment, Water and Natural Resources (DEWNR) is liable for the payments and entitled to the receipts associated with GST. Therefore, the Authority's net GST receivable/payable is recorded in DEWNR's Statement of Financial Position. GST cash flows applicable to the Authority are recorded in DEWNR's Statement of Cash Flows.

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

(g) Events after the reporting period

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

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

(h) Current and non-current classification

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve 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 Authority has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

(f) 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.

Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recognised at book value i.e. the amount recorded by the transferor public authority immediately prior to the restructuring.

All non-current tangible assets with a value over \$10,000 are capitalised.

Depreciation and amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

Assets' residual values, useful lives and 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 assets 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:

<u>Class of Asset</u>	<u>Useful Life (years)</u>
Computing equipment	3-10
Intangible Assets	3-17
Infrastructure	15-50
Plant and equipment	5-15
Vehicles	10-25
Furniture and fittings	5-15
Buildings and improvements	40
Other	10

Revaluation of Non Current Assets

All non-current tangible assets are valued at 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.

At least every five years, the Authority revalues its land, buildings and infrastructure via (an independent) Certified Practising Valuer.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place. Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

Any 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

The Authority holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The Authority also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

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

The acquisition or internal development of software is capitalised only when the expenditure meets the definition criteria (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.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Authority classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

The valuation processes and fair value changes are reviewed by the Chief Financial Officer and Audit Committee at each reporting date.

In determining fair value, the Authority has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Authority's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Authority did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to note 19 and 21 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(j) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Authority has entered into operating leases.

Operating Leases

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

Lease Incentive

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

The aggregate benefit of lease incentives received by the Authority in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Employee benefits

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

Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

The annual leave liability and the skills and experience retention leave (SERL) liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

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

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

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

(k) Unrecognised contractual commitments and contingent assets and liabilities

Commitments include operating lease and expenditure 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.

The Authority has in place financial provisions which are required to cover environmental liabilities that may occur during the operating life of a licenced facility, or that may arise from or following the closure of a licensed facility. No value is assigned to these provisions for financial statement purposes as they will only be called upon in the event that the licensee fails to fulfill their obligations.

3 Financial Arrangements

DEWNR provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority.

A memorandum of understanding was signed on 7 June 2017 between DEWNR and the Authority relating to the provision of these services.

The Authority's sources of funds consist of income derived primarily from fees, levies and licences. These fees, levies and licences include:

- waste levies from landfill depots
- environmental authorisation fees
- radiation licence fees
- fines and penalties
- section 7 enquiries.

The financial activities of the Authority are primarily conducted through deposit accounts with the Department of Treasury and Finance (DTF) pursuant to Section 8 and Section 21 of the PFAA. The deposit accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

4 New and revised accounting standards and policies

The Authority did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Authority for the period ending 30 June 2017.

AASB 16 Leases will apply for the first time for the year to reporting periods beginning on or after 1 Jan 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Authority has not yet quantified the impact of applying *AASB 16 Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

AASB 15 Revenue from Contracts with Customers will replace the existing *AASB 118 Revenue* and applies to reporting periods beginning on or after 1 January 2019. *AASB 15 Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. *AASB 15 Revenue from Contracts with Customers* will generally result in increased disclosures.

AASB 1058 Income of Not-for-Profit Entities will replace a number of income recognition requirements under *AASB 1004 Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The Authority has not yet quantified the impact of applying *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities* and the resulting impact on the Statement of Comprehensive Income.

The Authority has not yet assessed the impact of other new and amended standards and Interpretations and therefore is not able to quantify the impact on accounting policies or the financial statements of the Authority.

5 Activities of the Authority

The Authority, in 2016-17 was funded by fees and charges for the provision of environment protection, policy and regulatory services. In line with the objectives of establishing the Authority to focus on environment protection activities, the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a better environment for the wellbeing and prosperity of South Australians. As the Authority conducts its services through a single program, a Statement of Disaggregated Disclosures has not been prepared.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

6 Employee benefits expenses

	2017 \$'000	2016 \$'000
Salaries and wages	17,282	17,219
TVSPs	-	100
LSL	368	1,157
Annual leave	1,723	1,664
SERL	86	96
Employment on-costs - superannuation	1,981	2,105
Employment on-costs - other	1,063	1,105
Board and committee fees	183	167
Workers compensation	230	275
Other employee related expenses	51	50
Total: Employee benefits expenses	22,967	23,938

TVSPs

Amount paid during the reporting period to separated employees:

	2017 \$'000	2016 \$'000
TVSPs	-	100
Annual leave, LSL, SERL paid to those employees	-	45
Total	-	145
Recovery from the Department of Treasury and Finance	-	-
Net cost to Environment Protection Authority	-	145

The number of employees who received a TVSP during the reporting period was

- 1

Remuneration of employees

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

	2017 No. of employees	2016 No. of employees
\$145,000 – \$147,000	n/a	1
\$157,001 – \$167,000	1	-
\$167,001 – \$177,000	1	1
\$187,001 – \$197,000	1	2
\$207,001 – \$217,000	-	2
\$217,001 – \$227,000	1	-
\$257,001 – \$267,000 *	1	-
\$307,001 – \$317,000	1	1
Total	6	7

* Includes payment of annual leave, LSL, SERL and termination benefits for an officer that left the Authority.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1.315 million (\$1.447 million)

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

7 Supplies and services

	2017 \$'000	2016 \$'000
Accommodation and property management expenses	2,559	2,434
Consultants	-	6
Contractors	157	151
Fee for service	1,562	1,944
General administration	1,367	1,184
Information technology & communication expenses	546	441
Minor works, maintenance & equipment	371	330
Monitoring fees	71	147
Scientific and technical services	444	603
Staff development	288	294
Transportation	145	151
Travel and accommodation	214	248
Vehicle and aircraft	276	300
Other	304	246
Total: Supplies and services	8,304	8,479

Consultants

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

	2017		2016	
	Number	\$'000	Number	\$'000
Below \$10,000	-	-	1	6
Total paid/payable to the consultants engaged		-		6

8 Depreciation and amortisation

	2017 \$'000	2016 \$'000
Buildings and Improvements	1	1
Computing Equipment	18	28
Furniture and Fittings	455	457
Vehicles	8	8
Infrastructure	23	23
Plant and Equipment	209	212
Intangible Assets	338	355
Total: Depreciation and Amortisation	1,052	1,084

9 Grants and subsidies

	2017 \$'000	2016 \$'000
Community Organisations and Associations	213	241
Conservation Council SA	11	11
Department of Education and Child Development	88	-
Department of Environment, Water and Natural Resources	89	98
Department of Premier and Cabinet	7	35
Local Government	187	118
Total: Grants and subsidies	595	503

10 Other expenses

	2017 \$'000	2016 \$'000
Bad and doubtful debts	8	25
Other *	141	114
Total: Other expenses	149	139

* Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA were \$0.134 million (\$0.109 million). No other services were provided by the Auditor-General's Department.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

11 Revenues from fees and charges

	2017 \$'000	2016 \$'000
Fines and Penalties	239	264
Environmental Authorisation Fees	11,082	10,852
Radiation Licence Fees	3,088	3,265
Other Licence Fees	1,209	687
Waste Levies	27,948	22,883
Other fees and charges	72	73
Total: Fees and charges	43,638	38,024

Environmental Authorisation Fees received under the *Environment Protection Act 1993* are recognised as revenue when invoiced. All other license fees, including those received under the *Radiation Protection and Control Act 1982*, are recognised as revenue upon receipt. Waste Levies are recognised by the Authority on an accrual basis.

12 Grants and contributions

		2017 \$'000	2016 \$'000
SA Government Grants	(i)	299	830
Commonwealth Government	(ii)	629	564
Private Industry and Community Grants	(iii)	267	117
Total: Grants and contributions		1,195	1,511

(i) State Government Grants and Contributions

	2017 \$'000	2016 \$'000
Department of Environment, Water and Natural Resources (DEWNR)	42	559
Department of State Development	227	271
Adelaide & Mt Lofty NRM Board	30	-
	299	830

(ii) Commonwealth Government

	2017 \$'000	2016 \$'000
Department of Industry, Innovation & Science	25	25
Department of the Environment and Energy	486	524
Murray Darling Basin Authority	118	15
	629	564

(iii) Private Industry and Community Grants

	2017 \$'000	2016 \$'000
EPA NSW	44	41
EPA Victoria	32	32
EPA Other	30	48
Other	161	(4)
	267	117

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

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

- Contributions with unconditional stipulations - this will be when the agreement becomes enforceable i.e. the earlier of when the receiving entity has formally been advised that the contribution (e.g. 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.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Contributions with conditions of expenditure

Contributions which have conditions of expenditure still to be met as at reporting date were \$7.511million (\$7.433million).

The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date these contributions relate to:

	2017 \$'000	2016 \$'000
Environment Protection Fund	6,941	7,008
AELERT	118	108
National Pollutant Inventory	9	10
Externally Funded Projects	36	53
Internally Funded Projects	407	254
	<u>7,511</u>	<u>7,433</u>

The Environment Protection Fund is established under section 24 of the *Environment Protection Act 1993*. The Fund must be kept as directed by the Treasurer. Prescribed percentages of waste levies and licence fees are paid into the Fund under section 8 of the *Environment Protection Regulations 2009*. The Fund may be applied by the Minister or by the Authority with the approval of the Minister.

13 Interest revenues

	2017 \$'000	2016 \$'000
Interest from entities within the SA Government	97	126
Total: Interest revenues	<u>97</u>	<u>126</u>

14 Net gain/(loss) from the disposal of non-current assets

	2017 \$'000	2016 \$'000
Plant and equipment:		
Proceeds from disposal	-	-
Less: Net book value of assets disposed	-	(6)
Net gain/(loss) from disposal	<u>-</u>	<u>(6)</u>
Total: Assets		
Total proceeds from disposal	-	-
Less: Total value of assets disposed	-	(6)
Total: Net gain/(loss) from disposal of assets	<u>-</u>	<u>(6)</u>

15 Other income

	2017 \$'000	2016 \$'000
Salaries and wages recoveries	3	-
Other sundry revenue	11	30
Total: Other income	<u>14</u>	<u>30</u>

16 Revenues from/Payments to SA Government

	2017 \$'000	2016 \$'000
Payments to SA Government		
Return of surplus cash pursuant to cash alignment policy	5,802	6,275
Total payments to SA Government	<u>5,802</u>	<u>6,275</u>

There were no revenues from Government received for the year ended 30 June 2017.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

17 Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposits with the Treasurer	14,660	8,563
Environment Protection Fund Deposit Account	6,941	7,008
Cash on hand/imprest accounts	5	5
Total: Cash and Cash Equivalents	21,606	15,576

Cash is measured at nominal amounts

Interest rate risk

Deposits with the Treasurer and cash on hand is non-interest bearing. The Environment Protection Fund Deposit Account earns a floating interest rate, based on daily bank deposit rates.

18 Receivables

	2017 \$'000	2016 \$'000
Current:		
Receivables	5,690	4,755
Less: Allowance for doubtful debts	(9)	(51)
	5,681	4,704
Prepayments	114	84
Accrued revenues	8	11
Workers compensation recoveries	1	1
Total: current receivables	5,804	4,800
Non-Current:		
Workers compensation recoveries	3	2
Total: non-current receivables	3	2

Movement in allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (i.e. calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

Movements in the allowance for doubtful debts (impairment loss)

	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	51	61
Increase in the allowance	8	25
Amounts written off	(50)	(35)
Carrying amount at the end of the period	9	51

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the department will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to Note 34 for further information on risk management

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

19 Property, plant and equipment

	2017 \$'000	2016 \$'000
Land		
Independent valuation	278	278
Total: Land	<u>278</u>	<u>278</u>
Buildings and improvements		
Independent valuation	40	40
Less: Accumulated depreciation	(26)	(25)
Total: Buildings and improvements	<u>14</u>	<u>15</u>
Infrastructure		
Independent valuation	551	551
Less: Accumulated depreciation	(217)	(194)
Total: Infrastructure	<u>334</u>	<u>357</u>
Capital works in progress		
Capital works in progress	26	177
Total: Capital works in progress	<u>26</u>	<u>177</u>
Vehicles		
At cost (deemed fair value)	171	171
Less: Accumulated depreciation	(116)	(108)
Total: Vehicles	<u>55</u>	<u>63</u>
Computing equipment		
At cost (deemed fair value)	252	208
Less: Accumulated depreciation	(180)	(162)
Total: Computing equipment	<u>72</u>	<u>46</u>
Furniture and fittings		
Independent valuation	5,903	5,903
Less: Accumulated depreciation	(3,902)	(3,447)
Total: Furniture and fittings	<u>2,001</u>	<u>2,456</u>
Plant and equipment		
At cost (deemed fair value)	4,613	4,324
Less: Accumulated depreciation	(3,621)	(3,412)
Total: Plant and equipment	<u>992</u>	<u>912</u>
Other		
At cost (deemed fair value)	19	19
Less: Accumulated depreciation	(19)	(19)
Total: Other	<u>-</u>	<u>-</u>
Total: Property, plant and equipment	<u><u>3,772</u></u>	<u><u>4,304</u></u>

Valuation of land

An independent valuation of land was performed in October and November 2013 by a Certified Practising Valuer from Valcorp Australia Pty Ltd, as at 1 July 2013.

The valuer arrived at fair value using the market approach. The valuation was based on recent market transactions for similar land in the area and includes factors specific to the land being valued such as size, location and current use.

Valuation of buildings and improvements, infrastructure and furniture and fittings

The valuation of buildings and improvements, infrastructure and furniture and fittings was performed in October and November 2013 by a Certified Practising Valuer from Valcorp Australia Pty Ltd, as at 1 July 2013.

As there is no active market for these, the valuer used the cost approach (i.e. depreciated replacement cost) taking into account the assets characteristics and restrictions. The valuation was based on a combination of internal records, specialised knowledge and market information about materials.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Carrying amount of other items, vehicles, computing equipment and plant and equipment

All items of vehicles, computing equipment and plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimate useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value except for management assumptions about the asset condition and remaining useful life.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2017.

Asset Movement Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment and intangible assets is displayed in the following table.

Asset Movement Reconciliation 2016-2017

	Land \$'000	Buildings and Improvements \$'000	Infrastructure \$'000	Vehicles \$'000	Computing Equipment \$'000	Furniture and Fittings \$'000
Carrying amount at beginning of the period	278	15	357	63	46	2,456
Additions	-	-	-	-	44	-
Transfers to/(from) CWIP	-	-	-	-	-	-
Subtotal	278	15	357	63	90	2,456
Gains/(losses) for the period recognised in net result:						
Depreciation / Amortisation expense	-	(1)	(23)	(8)	(18)	(455)
Subtotal	-	(1)	(23)	(8)	(18)	(455)
Carrying amount at end of the period	278	14	334	55	72	2,001

	Plant & Equipment \$'000	Capital Works in Progress \$'000	Tangible Assets Total \$'000	Intangible Assets \$'000	2017 Total \$'000
Carrying amount at beginning of the period	912	177	4,304	2,430	6,734
Additions	289	107	440	24	464
Transfers to/(from) CWIP	-	(258)	(258)	258	-
Subtotal	1,201	26	4,486	2,712	7,198
Gains/(losses) for the period recognised in net result:					
Depreciation / Amortisation expense	(209)	-	(714)	(338)	(1,052)
Subtotal	(209)	-	(714)	(338)	(1,052)
Carrying amount at end of the period	992	26	3,772	2,374	6,145

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Asset Movement Reconciliation 2015-2016

	Land \$'000	Buildings and Improvements \$'000	Infrastructure \$'000	Vehicles \$'000	Computing Equipment \$'000	Furniture and Fittings \$'000
Carrying amount at beginning of the period	278	16	350	71	74	2,913
Additions	-	-	30	-	-	-
Transfers to/(from) CWIP	-	-	-	-	-	-
Subtotal	278	16	380	71	74	2,913
Gains/(losses) for the period recognised in net result:						
Depreciation / Amortisation expense	-	(1)	(23)	(8)	(28)	(457)
Subtotal	-	(1)	(23)	(8)	(28)	(457)
Carrying amount at end of the period	278	15	357	63	46	2,456

	Plant & Equipment \$'000	Capital Works in Progress \$'000	Tangible Assets Total \$'000	Intangible Assets \$'000	2016 Total \$'000
Carrying amount at beginning of the period	858	2,154	6,714	541	7,255
Additions	272	195	497	72	569
Transfers to/(from) CWIP	-	(2,172)	(2,172)	2,172	-
Disposals	(6)	-	(6)	-	(6)
Subtotal	1,124	177	5,033	2,785	7,818
Gains/(losses) for the period recognised in net result:					
Depreciation / Amortisation expense	(212)	-	(729)	(355)	(1,084)
Subtotal	(212)	-	(729)	(355)	(1,084)
Carrying amount at end of the period	912	177	4,304	2,430	6,734

20 Intangible assets

	2017 \$'000	2016 \$'000
Internally developed intangible assets		
At cost (deemed fair value)	98	98
Less: Accumulated amortisation	(19)	(10)
Total: Internally developed intangible assets	79	88
Electronic Environment Licensing Forms (E-ELF)		
At cost (deemed fair value)	167	167
Less: Accumulated amortisation	(167)	(167)
Total: Electronic Environment Licensing Forms (E-ELF)	-	-
Integrated Information System (IIS)		
At cost (deemed fair value)	48	474
Less: Accumulated amortisation	(48)	(474)
Total: Integrated Information System (IIS)	-	-
General Environment Information System (GENI)		
At cost (deemed fair value)	1,948	1,948
Less: Accumulated amortisation	(1,660)	(1,587)
Total: General Environment Information System (GENI)	288	361

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Complaints and Reports of Environmental Significance System (CARES)		
At cost (deemed fair value)	308	308
Less: Accumulated amortisation	(293)	(279)
Total: Complaints and Reports of Environmental Significance System (CARES)	15	29
Licensing Administration Management Program (LAMP)		
At cost (deemed fair value)	1,544	1,486
Less: Accumulated amortisation	(304)	(149)
Total: Licensing Administration Management Program (LAMP)	1,240	1,337
Environment Licensing Forms (ELF)		
At cost (deemed fair value)	478	454
Less: Accumulated amortisation	(93)	(45)
Total: Environment Licensing Forms (ELF)	385	409
EMP Masterpiece Interface (EMP)		
At cost (deemed fair value)	45	45
Less: Accumulated amortisation	(9)	(4)
Total: EMP Masterpiece Interface (EMP)	36	41
Other		
At cost (deemed fair value)	1,124	498
Less: Accumulated amortisation	(793)	(333)
Total: Other	331	165
Total: Intangible Assets	2,374	2,430

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

21 Fair Value Measurement

Fair Value Hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Authority categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements as at 30 June 2017	Level 3 \$'000
Recurring fair value measurements	
Land (note 19)	278
Buildings and Improvements (note 19)	14
Infrastructure (note 19)	334
Vehicles (note 19)	55
Computer equipment (note 19)	72
Furniture and fittings (note 19)	2,001
Plant and equipment (note 19)	992
Total: recurring fair value measurements	3,746
Fair value measurements as at 30 June 2016	Level 3 \$'000
Recurring fair value measurements	
Land (note 19)	278
Buildings and Improvement (note 19)	15
Infrastructure (note 19)	357
Vehicles (note 19)	63
Computer equipment (note 19)	46
Furniture and fittings (note 19)	2,456
Plant and equipment (note 19)	912
Total: recurring fair value measurements	4,127

During 2017 and 2016, the Authority had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

22 Payables

	2017 \$'000	2016 \$'000
Current:		
Creditors	742	464
Accrued Expenses	206	176
Employment on-costs	477	456
Total: current payables	1,425	1,096
Non-Current:		
Employment on-costs	522	567
Total: non-current payables	522	567

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. The Authority 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.

As a result of an actuarial assessment performed by the DTF, the proportion of long service leave taken as leave has remained unchanged from the 2016 rate of 40%. This rate is used in the employment on-cost calculation.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefits 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.

For further information on risk management refer to Note 34.

23 Employee benefits

	2017 \$'000	2016 \$'000
Current:		
Annual Leave	1,622	1,552
Long Service Leave	330	380
Accrued Salaries and Wages	344	276
Skills and experience retention leave	101	123
Total: Current Employee benefits	2,397	2,331
Non-Current:		
Long Service Leave	5,616	5,619
Total: Non-Current Employee benefits	5,616	5,619

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the DTF has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$0.241million and employee benefits expense of \$0.241million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

24 Provisions

	2017 \$'000	2016 \$'000
Current:		
Provision for Workers Compensation	84	56
Total: Current Provisions	<u>84</u>	<u>56</u>
Non-Current:		
Provision for Workers Compensation	158	105
Total: Non-Current Provisions	<u>158</u>	<u>105</u>
 Carrying amount at the beginning of the period	 161	 40
Additional provisions recognised	81	121
Carrying amount at the end of the period	<u>242</u>	<u>161</u>

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

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

25 Other liabilities

	2017 \$'000	2016 \$'000
Current:		
Lease incentive	67	67
Other	21	11
Total: Current other liabilities	<u>88</u>	<u>78</u>
Non-Current:		
Lease incentive	378	444
Total: Non-current other liabilities	<u>378</u>	<u>444</u>

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

26 Unrecognised contractual commitments

	2017 \$'000	2016 \$'000
Operating lease commitments:		
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	2,845	2,473
Later than one year but not later than five years	7,408	10,502
Later than five years	14,696	8,718
Total: Operating lease commitments	<u>24,949</u>	<u>21,693</u>
 Representing:		
Non-cancellable operating leases	24,949	21,693
Total: Operating lease commitments	<u>24,949</u>	<u>21,693</u>

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

27 Contingent assets and liabilities

The Authority is not aware of the existence of any contingent assets or contingent liabilities as at 30 June 2017.

28 Prior period error corrections

An error correction relating to revenue from fees and charges and receivables of \$3.271 million has been reported in the Statement of Changes in Equity in respect of the 2014/15 financial year. The error correction has been retrospectively restated in accordance with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, and comprised a derecognition of a receivable.

The Authority's comparative amounts have been restated to reflect the reporting of solid waste levy revenue and transfer thereof to GISA as administered items. The amounts reported for 2015/16 in Note 38 represent the financial impact of the corrections to the Authority's comparative amounts.

29 Remuneration of Board and Committee Members

Members during the 2017 financial year were:

Board of the Environment Protection Authority (EPA)

Ms Linda Bowes
 Ms Roslyn DeGaris (resigned 22 Jan 2017)
 Mr Robert Fowler
 Mr Allan Holmes
 Dr Helen Macdonald
 Ms Christine Trenorden
 Mr Mark Withers
 Mr Tony Circelli *

Radiation Protection Committee

A/Prof Eva Bezak
 Mr Tony Circelli *
 Dr Pamela Sykes
 Ms Cara Miller
 Mr Nigel Spooner
 Mr Graeme Palmer
 Ms Sarah Constantine *
 Mr Ian Kirkwood *
 Mr Greg Marshall *
 Ms Iris O'Rourke

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

	2017	2016
	No. of members	No. of members
\$nil	11	9
\$1 - \$9,999	-	4
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	4	7
\$30,000 - \$39,999	1	-
\$40,000 - \$49,999	1	-
Total number of Board and Committee members	18	20

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, super contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$0.197million (\$0.198million).

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

30 Related Party Transactions

The Authority is a government administrative unit and is wholly owned and controlled by the Crown. Related parties of the Authority include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

The Authority had significant transactions with Green Industries SA (GISA) - refer to Note 38

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the Authority and other SA Government entities are disclosed at Note 32.

Key Management Personnel

Key management personnel of the Authority include the Minister, the Chief Executive Officer, EPA Board Members and the six members of the Executive Team who have responsibility for the strategic direction and management of the Authority. Two key management personnel left the Authority during the 2016/17 financial year. The compensation detailed below excludes salaries and other benefits the Minister receives, the Minister's remuneration and allowances set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via DTF) under section 6 the *Parliamentary Remuneration Act 1990*.

Compensation	2017 \$'000	2016 \$'000
Salaries and other short term employee benefits	1,412	n/a
Post-employment benefits	138	n/a
Termination Benefits	118	n/a
Total	1,668	N/A

31 Cash flow reconciliation

	2017 \$'000	2016 \$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	21,606	15,576
Cash and cash equivalents disclosed in the Statement of Cash Flows	21,606	15,576
Reconciliation of net cash provided by / (used in) operating activities to net benefit / (cost) of providing services		
Net cash provided by / (used in) operating activities	6,494	369
Add payments to SA Government	5,802	6,275
Add/less non cash items:		
Depreciation and amortisation expense	(1,052)	(1,084)
Net gain/(loss) on disposal of assets	-	(6)
Movement in assets and liabilities		
Increase/(decrease) in receivables	1,005	405
Decrease/(increase) in payables	(284)	378
Decrease/(increase) in employee benefits	(63)	(907)
Decrease/(increase) in provisions	(81)	(121)
Decrease/(increase) in other liabilities	56	233
Net benefit/(cost) of providing services	11,877	5,542

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

32 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Note	SA Government		Non-SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
6 Employee benefits expenses	1,068	1,111	21,899	22,827	22,967	23,938
7 Supplies and services						
Accommodation and property management	2,437	2,358	122	76	2,559	2,434
Consultants	-	-	-	6	-	6
Contractors	-	-	157	151	157	151
Fee for service	212	238	1,350	1,706	1,562	1,944
General administration	929	851	438	333	1,367	1,184
Information technology & communication	156	151	390	290	546	441
Minor works, maintenance & equipment	3	-	368	330	371	330
Monitoring fees	-	-	71	147	71	147
Scientific and technical services	70	81	374	522	444	603
Staff development	9	-	279	294	288	294
Transportation	97	-	48	151	145	151
Travel and accommodation	2	-	212	248	214	248
Vehicle and aircraft	233	260	43	40	276	300
Other	3	-	301	246	304	246
8 Depreciation and amortisation	-	-	1,052	1,084	1,052	1,084
9 Grants and subsidies	184	133	411	370	595	503
10 Other expenses						
Bad and doubtful debts	-	-	8	25	8	25
Other (excluding audit fees)	-	-	7	5	7	5
10 Auditor's remuneration	134	109	-	-	134	109
16 Payments to SA Government	5,802	6,275	-	-	5,802	6,275
Total Expenses	11,339	11,567	27,530	28,851	38,869	40,418
Income						
11 Revenues from fees and charges						
Fines and Penalties	7	10	232	254	239	264
Environmental Authorisation Fees	2,200	2,188	8,882	8,664	11,082	10,852
Radiation Licence Fees	2	361	3,086	2,904	3,088	3,265
Other Licence Fees	10	3	1,199	684	1,209	687
Waste Levies	-	-	27,948	22,883	27,948	22,883
Other fees and charges	-	-	72	73	72	73
12 Grants and contributions	299	830	896	681	1,195	1,511
13 Interest revenues	97	126	-	-	97	126
14 Net gain/(loss) from the disposal of non-current assets	-	-	-	(6)	-	(6)
15 Other income						
Salaries and wages recoveries	3	-	-	-	3	-
Other sundry revenue	2	13	9	17	11	30
Total Income	2,620	3,531	42,324	36,154	44,944	39,685
Financial Assets						
18 Receivables						
Receivables	18	3	5,663	4,701	5,681	4,704
Prepayments	-	-	114	84	114	84
Accrued revenues	8	11	-	-	8	11
Workers compensation recoveries	-	-	4	3	4	3
Total Financial Assets	26	14	5,781	4,788	5,807	4,802
Financial Liabilities						
22 Payables						
Creditors	106	138	636	326	742	464
Accrued Expenses	154	131	52	45	206	176
Employment on-costs	999	1,023	-	-	999	1,023
Total Financial Liabilities	1,260	1,293	687	370	1,947	1,663

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

33 Budgetary reporting and explanations of major variances between budget and actual amounts

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

	Original Budget ¹ 2017 \$'000	Restated Budget ² 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Employee benefits expenses	22,929	22,929	22,967	38
Supplies and services	8,425	8,425	8,304	(121)
Depreciation and amortisation	780	780	1,052	272
Grants and subsidies	28,484	727	595	(132)
Other expenses	122	122	149	27
Total expenses	60,740	32,983	33,067	84
Income				
Revenues from fees and charges	71,750	43,993	43,638	(355)
Grants and contributions	822	822	1,195	373
Interest revenues	102	102	97	(5)
Other income	-	-	14	14
Total income	72,674	44,917	44,944	27
Net cost (benefit) of providing services	(11,934)	(11,934)	(11,877)	57
Revenues from/Payments to SA Government				
Payments to SA Government	-	-	5,802	5,802
Total payments to SA Government	-	-	5,802	5,802
Net result	11,934	11,934	6,075	(5,859)
Total comprehensive result	11,934	11,934	6,075	(5,859)

Administered Items

	Original Budget ¹ 2017 \$'000	Restated Budget ² 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income				
Expenses				
Solid waste levies transferred to GISA	-	27,757	27,176	(581)
Expiation fees (Dob in a Litterer) transferred to Consolidated Account	-	-	1	1
Total expenses	-	27,757	27,177	(580)
Income				
Solid Waste Levies	-	27,757	27,467	(290)
Expiation Fees (Dob in a Litterer)	-	-	1	1
Total income	-	27,757	27,468	(289)
Net cost (benefit) of providing services	-	-	(291)	(291)
Net result	-	-	291	291
Total comprehensive result	-	-	291	291

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

¹The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

²The original budget has been restated to reflect the Authority's reporting in 2016/17 of solid waste levies and *Local Nuisance and Litter Control Act 2016* – Dobi in a Litterer revenue as administered items.

- (a) Payments to SA Government was greater than original budget due to a review of the Authority's operating account balances as at 30 June 2016 in accordance with the cash alignment policy. The amount of surplus cash as advised by the DTF was \$5.802 million.

	Note	Original budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Investing expenditure summary				
Total annual programs	b	565	464	(101)
Total investing expenditure		565	464	(101)

- (b) Investing expenditure for annual programs was under the original budget. This was mainly due to a transfer of funds to the operating budget as approved by DTF.

34 Financial risk management/Financial instruments

34.1 Financial risk management

Risk management is managed by the Authority's corporate services section and the Authority's risk management policies are in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Authority's exposure to financial risk – (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The Authority is funded principally from revenue received from licence fees and waste levies. The Authority works with DTF to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to Note 22.

Credit Risk

The Authority does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. The Authority does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in T1 23 Management of Foreign Currency Exposures.

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

Refer to Notes 17 and 18 for further information.

There have been no changes in risk exposure since the last reporting period.

34.2 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.

The carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; loan and receivables; and financial liabilities measured at cost, are detailed below:

The Authority does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 18 and 22).

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note number	2017 Carrying amount / Fair value \$'000	2016 Carrying amount / Fair value \$'000	2017 Contractual maturities			
				Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets							
Cash and equivalent							
Cash and cash equivalent	17	21,606	15,576	21,606	-	-	-
Loans and receivables							
Receivables (1) (2)	18	54	61	54	-	-	-
Total financial assets		21,660	15,637	21,660	-	-	-
Financial liabilities							
Financial liabilities at cost							
Payables (1)	22	794	509	794	-	-	-
Total financial liabilities		794	509	794	-	-	-

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (eg Commonwealth, State and Local Govt taxes, fees and charges; Auditor-General's Department audit fees). 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 levies , tax and equivalents 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).

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

35 Events after the reporting period

There were no events that occurred after the reporting period for the year ended 30 June 2017.

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

36 The Environment Protection Fund

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements, transactions between the Fund and the Authority have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Expenses		
Employee benefits	303	301
Supplies and services	3,189	2,697
Grants and subsidies	18	47
Total: Expenses	3,510	3,045
Income		
Fees and Charges	3,424	3,095
Interest revenue	97	127
Total: Income	3,521	3,222
Net result	11	177

Statement of Financial Position as at 30 June 2017

	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	6,941	7,008
Receivables	392	326
Total: Current Assets	7,333	7,334
Total: Assets	7,333	7,334
Current liabilities		
Payables	99	111
Total: Current Liabilities	99	111
Total: Liabilities	99	111
Net Assets	7,234	7,223
Equity		
Retained earnings	7,234	7,223
Total: Equity	7,234	7,223

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Statement of Changes in Equity for the year ended 30 June 2017

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	7,046	7,046
Net result for 2015-16	177	177
Balance at 30 June 2016	7,223	7,223
Net result for 2016-17	11	11
Balance at 30 June 2017	7,234	7,234

Statement of Cash Flows for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Cash inflows		
Fees and charges	3,354	3,096
Interest received	101	127
Cash generated from operations	3,455	3,223
Cash outflows		
Employee benefit payments	(303)	(301)
Payments for supplies and services	(3,201)	(2,814)
Grant and contribution payments	(18)	(47)
Cash used in operations	(3,522)	(3,162)
Net Cash Inflows (Outflows) from operating activities	(67)	61
Net increase (decrease) in cash and cash equivalents	(67)	61
Cash and cash equivalents at the beginning of the period	7,008	6,947
Cash and cash equivalents at the end of the period	6,941	7,008

37 Radiation Protection Function

The administrative unit has responsibility for radiation protection functions under the *Radiation Protection and Control Act 1982*.

The following summarises income and expenditure attributable to radiation protection functions within the administrative unit excluding the allocation of overheads. In reflecting these amounts in the Authority's financial statements, transactions between Radiation Protection and the Statutory Authority have been eliminated.

Statement of Comprehensive Income for the year ended 30 June 2017

Radiation Protection Division

	2017 \$'000	2016 \$'000
Expenses		
Employee benefits	1,460	1,375
Supplies and Services	118	88
Total: Expenses	1,578	1,463
Income		
Radiation license fees	3,088	3,265
Sales	13	19
Grants and contributions	26	25
Total: Income	3,127	3,309
Net result	1,549	1,846

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

38 Administered Items

The following is a summary of the amounts captured as Administered Items of the Authority which comprises Solid Waste Levies received and transferred to Green Industries SA and revenue received under the *Local Nuisance and Litter Control Act 2016*.

Statement of Comprehensive Income for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Expenses		
Solid waste levies transferred to GISA	27,176	22,175
Expiation fees (Dob in a Litterer) transferred to Consolidated Account	1	-
Total: Expenses	27,177	22,175
Income		
Solid waste levies	27,467	22,234
Expiation Fees (Dob in a Litterer)	1	-
Total: Income	27,468	22,234
Net result	291	59

Statement of Financial Position as at 30 June 2017

	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	1	-
Receivables	3,621	3,330
Total: Current Assets	3,622	3,330
Total: Assets	3,622	3,330
Current liabilities		
Payables	1	-
Total: Current Liabilities	1	-
Total: Liabilities	1	-
Net Assets	3,621	3,330
Equity		
Retained earnings	3,621	3,330
Total: Equity	3,621	3,330

Environment Protection Authority
Notes to and forming part of the Financial Statements
For the year ended 30 June 2017

Statement of Changes in Equity for the year ended 30 June 2017

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	3,271	3,271
Net result for 2015-16	59	59
Balance at 30 June 2016	3,330	3,330
Net result for 2016-17	291	291
Balance at 30 June 2017	<u>3,621</u>	<u>3,621</u>

Statement of Cash Flows for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Cash outflows		
Solid waste levies transferred to GISA	(27,176)	(22,175)
Cash used in operations	<u>(27,176)</u>	<u>(22,175)</u>
Cash inflows		
Solid waste levies received	27,176	22,175
Expiation fees (Dob in a Litterer)	1	-
Cash generated from operations	<u>27,177</u>	<u>22,175</u>
Net Cash provided by operating activities	<u>1</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>1</u>	<u>-</u>
Cash and cash equivalents at the beginning of the period	-	-
Cash and cash equivalents at the end of the period	<u>1</u>	<u>-</u>

Environment Protection Authority

Certification of the financial statements

We certify that the:

- financial statements of the Environment Protection Authority:
 - are in accordance with the accounts and records of the Authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- internal controls employed by the Authority over its financial reporting and its preparation of the financial statements have been effective throughout the financial year



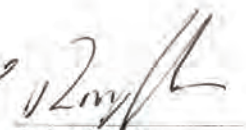
Tony Circelli
Chief Executive

12 September 2017



Linda Bowes
Presiding Member

12 September 2017



Richard Jacka
Chief Financial Officer

12 September 2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Presiding Member Environment Protection Authority

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Environment Protection Authority for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Environment Protection Authority as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member, Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Environment Protection Authority. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive and the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

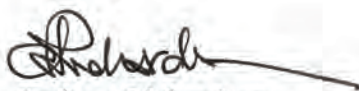
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A Richardson', with a long horizontal stroke extending to the right.

Andrew Richardson

Auditor-General

18 September 2017

Department of
Environment, Water
and Natural Resources

Financial report
for the year ended
30 June 2017

Department of Environment, Water and Natural Resources
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	5	155 455	160 552
Supplies and services	6	93 433	83 908
Grants and subsidies	7	31 954	36 352
Water recovery / acquisition	8	-	807
Depreciation and amortisation	9	25 481	20 297
Net loss from disposal of non-current assets	10	9 805	2 149
Other	11	3 136	2 491
Total expenses		319 264	306 556
Income			
Fees and charges	12	97 436	96 217
Grants	13	58 769	65 743
Interest	14	672	683
Other	15	2 215	8 456
Total income		159 092	171 099
Net cost of providing services		160 172	135 457
Revenues from / payments to SA Government			
Revenues from SA Government	16	148 986	156 140
Payments to SA Government	16	(8 273)	(13 652)
Total net revenues from SA Government		140 713	142 488
Net result		(19 459)	7 031
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in property, plant and equipment asset revaluation surplus	22	49 179	48 949
Total other comprehensive income		49 179	48 949
Total comprehensive result		29 720	55 980

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

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	17	144 329	147 428
Receivables	18	14 260	17 743
Inventories	19	2 567	2 423
Other assets	20	1 095	1 251
Total current assets		162 251	168 845
Non-current assets			
Receivables	18	33	34
Other financial assets	21	3	3
Property, plant and equipment	22	635 751	575 908
Intangible assets	23	4 971	5 273
Total non-current assets		640 758	581 218
Total assets		803 009	750 063
Current liabilities			
Payables	25	34 263	21 893
Employee benefits	26	15 181	14 381
Provisions	27	550	913
Other liabilities	28	2 236	2 286
Total current liabilities		52 230	39 473
Non-current liabilities			
Payables	25	3 198	3 287
Employee benefits	26	34 439	35 140
Provisions	27	1 260	1 936
Other liabilities	28	19 062	20 490
Total non-current liabilities		57 959	60 853
Total liabilities		110 189	100 326
Net assets		692 820	649 737
Equity			
Contributed capital	29	22 612	22 612
Retained earnings	29	282 548	287 519
Asset revaluation surplus	29	387 660	339 606
Total equity		692 820	649 737

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	34
Contingent assets and liabilities	35

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Statement of Changes in Equity
for the year ended 30 June 2017

		Contributed	Asset	Retained	
	Note	Capital	Revaluation	Earnings	Total
		\$'000	Surplus	\$'000	\$'000
		\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2015		22 612	290 657	279 351	592 620
Error correction - property, plant and equipment	22	-	-	2 142	2 142
Error correction - receivables	18	-	-	(374)	(374)
Restated balance at 30 June 2015		22 612	290 657	281 119	594 388
Net result for 2015-16		-	-	7 031	7 031
Gain on revaluation of property, plant and equipment		-	48 949	-	48 949
Total comprehensive result for 2015-16		-	48 949	7 031	55 980
Balance at 30 June 2016		22 612	339 606	288 150	650 368
Error correction - property, plant and equipment	22	-	-	(631)	(631)
Restated balance at 30 June 2016	29	22 612	339 606	287 519	649 737
Opening balance at 1 July 2016		22 612	339 606	287 519	649 737
Error correction - Groundwater monitoring wells	22	-	-	13 363	13 363
Restated opening balance at 1 July 2016		22 612	339 606	300 882	663 100
Net result for 2016-17		-	-	(19 459)	(19 459)
Equity transfer on asset disposal		-	(1 125)	1 125	-
Gain on revaluation of property, plant and equipment		-	49 179	-	49 179
Total comprehensive results for 2016-17		-	48 054	(18 334)	29 720
Balance at 30 June 2017	29	22 612	387 660	282 548	692 820

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

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(156 156)	(154 005)
Payments for supplies and services		(102 201)	(102 041)
Payments of grants and subsidies		(37 913)	(38 342)
Water recovery / acquisition expenses		-	(807)
Other payments		(760)	(365)
Cash provided by (used in) operations		(297 030)	(295 560)
Cash inflows			
Fees and charges		105 113	92 164
Receipts from grants		60 972	68 810
Interest received		678	712
GST recovered from the Australian Taxation Office		11 646	11 886
Other receipts		2 429	9 923
Cash generated from operations		180 838	183 495
Cash flows from SA government			
Receipts from SA government		148 986	156 140
Payments to SA government		(8 273)	(13 652)
Cash generated from SA government		140 713	142 488
Net cash provided by operating activities	31	24 521	30 423
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(27 654)	(17 475)
Cash used in investing activities		(27 654)	(17 475)
Cash inflows			
Proceeds from the sale of property, plant and equipment		34	30
Cash generated from investing activities		34	30
Net cash used in investing activities		(27 620)	(17 445)
Net increase in cash and cash equivalents		(3 099)	12 978
Cash and cash equivalents at the beginning of the period		147 428	134 450
Cash and cash equivalents at 30 June	17	144 329	147 428

Department of Environment, Water and Natural Resources
Disaggregated Disclosures – Expenses and Income
for the year ended 30 June 2017

	Sustainability		Water		Parks and Public Assets		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses								
Employee benefits	54 207	58 150	38 227	37 912	63 021	64 490	155 455	160 552
Supplies and services	24 228	25 177	32 383	24 023	36 822	34 708	93 433	83 908
Grants and subsidies	4 295	2 274	24 158	32 018	3 501	2 060	31 954	36 352
Water recovery / acquisition	-	-	-	807	-	-	-	807
Depreciation and amortisation	4 255	3 329	6 931	5 358	14 295	11 610	25 481	20 297
Net loss from disposal of non-current assets	3 422	301	927	78	5 456	1 770	9 805	2 149
Other	770	365	777	1 285	1 589	841	3 136	2 491
Total expenses	91 177	89 596	103 403	101 481	124 684	115 479	319 264	306 556
Income								
Fees and charges	40 013	33 374	32 856	35 233	24 567	27 610	97 436	96 217
Grants	8 397	8 055	45 017	51 747	5 355	5 941	58 769	65 743
Interest	6	7	644	650	22	26	672	683
Other	535	6 440	1 588	1 939	92	77	2 215	8 456
Total income	48 951	47 876	80 105	89 569	30 036	33 654	159 092	171 099
Net cost of providing services	42 226	41 720	23 298	11 912	94 648	81 825	160 172	135 457
Revenues from/payments to SA Government								
Revenues from SA Government	59 739	65 535	18 031	18 579	71 216	72 026	148 986	156 140
Payments to SA Government	(3 359)	(2 396)	(910)	(8 622)	(4 004)	(2 634)	(8 273)	(13 652)
Total net revenues from SA Government	56 380	63 139	17 121	9 957	67 212	69 392	140 713	142 488
Net result	14 154	21 419	(6 177)	(1 955)	(27 436)	(12 433)	(19 459)	7 031

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

1 Objectives of the Department of Environment, Water and Natural Resources

The Department of Environment, Water and Natural Resources (DEWNR) purpose is to help South Australians conserve, sustain and prosper. DEWNR achieves this by being:

- a facilitator of community involvement in, and shared responsibility for, the environment
- a steward of the state's natural resources to enable sustainable development
- the custodian of public places (parks, gardens, heritage places and Crown lands) for public benefit and enjoyment, and their intrinsic value
- an authority on the state's environment and natural resources to help governments, businesses and individuals make good long-term decisions.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

DEWNR has applied Australian Accounting Standards that are applicable to not-for-profit entities, as DEWNR is a not for profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- The use of certain accounting estimates and requires management to exercise its judgement in the process of applying DEWNR's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- The selection and application of accounting policies in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- Compliance with Accounting Policy Statements issued pursuant to Section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Standards require the following note disclosures, that have been included in these financial statements:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items may be utilised. DEWNR 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, that is financial assets and financial liabilities relating to SA Government have been separately disclosed
 - (b) expenses incurred as a result of engaging consultants
 - (c) employee targeted voluntary separation package information

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(b) Basis of preparation (continued)

- (d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the 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 financial statements have been prepared based on a 12 month period and presented in Australian currency.

(c) Reporting entity

DEWNR is a government department of the State of South Australia and operates within the *Public Sector Act 2009*. DEWNR is an administrative unit acting on behalf of the Crown.

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

(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 accounting policy statements have required a change.

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

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

(e) Rounding

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

(f) Taxation

DEWNR is not subject to income tax. DEWNR is liable for payroll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

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

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

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

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(f) Taxation (continued)

DEWNR prepares a Business Activity Statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, DEWNR is liable for the GST payments and entitled to the GST receipts associated with these entities and items. The GST applicable forms part of the receivables and payables recorded in DEWNR's Statement of Financial Position and the GST cash flows recorded in DEWNR's.

(g) Events after the reporting period

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

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

(h) Current and non-current classification

Assets and liabilities that are to be 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, DEWNR has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(i) 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 after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value; that is the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

Minor assets with an individual value of less than \$10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of Groundwater Monitoring Wells due to the significant number and long useful lives of the assets contained within this class. All assets for this class have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

Depreciation and amortisation

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

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(i) Non-current assets (continued)

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 is not depreciated.

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

Class of asset	Useful life (years)
Property, plant and equipment	
Buildings and improvements	5-188
Groundwater monitoring wells	10-50
Regulators and embankments	5-200
Park infrastructure	3-120
Patawalonga seawater circulation and Barcoo Outlet	6-99
Plant and equipment	3-40
Roads, tracks and trails	4-41
Salinity disposal schemes	15-99
Surface water monitoring network	40-80
Waste disposal stations	50-400
Sand pumping infrastructure	10-50
Leasehold improvements	12
Other	45-60
Intangible assets	
Externally acquired	3-10
Internally acquired	3-12
War services leases	44

Revaluation of non-current assets

All non-current tangible assets are valued at 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.

DEWNR revalues its land, buildings and improvements, and other infrastructure assets via a Certified Practising Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

If at any time, management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

For all property, plant and equipment assets that have been subject to an independent revaluation both the replacement cost and the associated accumulated depreciation have been presented on a gross basis.

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

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(i) Non-current assets (continued)

Impairment

DEWNR holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible. Accordingly, the recoverable amount will be close to or greater than fair value.

DEWNR also expects for all other non-current tangible assets that any costs of disposal would be negligible and the recoverable amount to be close to or greater than fair value.

Heritage assets

In accordance with APF III *Asset Accounting Framework*, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land

Land comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

DEWNR is also custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and land held by the Minister, either as freehold or reverted land is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Intangible assets

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

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

For the War Services Leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

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 *Intangible Assets* are expensed.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(i) Non-current assets (continued)

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

DEWNR classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

In determining fair value, DEWNR has taken into account the characteristic of the asset (for example condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

DEWNR's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As DEWNR did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer notes 22 and 24 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

(j) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. DEWNR has entered into operating leases.

Operating leases

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

Lease incentives

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

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

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

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.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

2 Significant accounting policies (continued)

(j) Liabilities (continued)

Salaries and wages, annual leave, skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

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

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

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

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

3 New and revised accounting standards and policies

DEWNR did not voluntarily change any of its accounting policies during 2016-17.

Accounting standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by DEWNR for the period ending 30 June 2017.

AASB 16 *Leases* will apply for the first time for the year to reporting periods beginning on or after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases.

The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

3 New and revised accounting standards and policies (continued)

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

DEWNR has not yet quantified the impact of applying AASB 16 *Leases* to its operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

The changes in revenue recognition requirements may result in changes to the timing and amount of revenue from sales of DEWNR's goods and services. Some revenue may need to be deferred to a later reporting period to the extent that DEWNR has received cash but has not yet met the associated performance obligations.

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

DEWNR has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the statement of comprehensive income.

DEWNR has not assessed the impact of other new and amended standards and interpretations and therefore is not able to quantify the impact on accounting policies or the financial statements of DEWNR.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

4 Activities of DEWNR

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

Activity 1: Sustainability

Ensure the effective management of the state's natural resources through strategic planning, state-wide policy and frontline service delivery for the benefit of the community, our economy and ecosystems.

Activity 2: Water

Ensure good quality, sustainable water supplies and management of the River Murray and state water resources for the benefit of our economy, community and environment.

Activity 3: Parks and public assets

Conserve, sustain and build the state's reserve system to enhance visitor experiences, improve management practices and help mitigate against the impacts of bushfire.

The disaggregated disclosures schedules presents expenses and income information attributable to each of the activities for the years ended 30 June 2017 and 30 June 2016.

AASB 1052 *Disaggregated Disclosures* requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DEWNR cannot currently reliably attribute assets and liabilities across activities. Hence this disclosure has not been made.

5 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	119 835	119 152
Annual leave	11 150	11 023
LSL	2 337	6 078
SERL	608	618
Employment on-costs - superannuation*	13 416	13 507
Employment on-costs - other	7 403	9 458
TVSPs (refer below)	131	113
Board and committees fees	234	253
Other employee related expenses	341	350
Total employee benefits expenses	155 455	160 552

*The superannuation employment on-cost charge represents DEWNR's contributions to superannuation plans in respect of current services of current employees.

	2017	2016
	\$'000	\$'000
Amounts paid during the reporting period to separated employees:		
TVSPs	131	113
Annual leave, LSL and SERL paid to those employees	88	75
	219	188
Net cost to DEWNR	219	188
Number of employees who received a TVSP during the reporting period	2	1

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

5 Employee benefits expenses (continued)

Remuneration of employees

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

	2017	2016
	Number	Number
\$147 001 – 157 000	5	4
\$157 001 – 167 000	5	4
\$167 001 – 177 000	3	5
\$177 001 – 187 000	5	3
\$187 001 – 197 000	1	4
\$197 001 – 207 000	1	1
\$207 001 – 217 000	3	1
\$217 001 – 227 000	2	1
\$227 001 – 237 000	1	-
\$237 001 – 247 000	1	-
\$247 001 – 257 000	-	2
\$257 001 – 267 000	-	1
\$287 001 – 297 000	-	1
\$297 001 – 307 000	1	-
\$317 001 – 327 000	-	1
\$337 001 – 347 000	-	1
\$357 001 – 367 000	1	1
\$467 001 – 477 000	1	-
Total	30	30

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$6.062 million (2016: \$6.127 million).

6 Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation and property management	14 011	16 812
Bore drilling services	4 299	1 733
Consultants	282	243
Contractors	1 789	3 822
Cost of goods sold	1 553	1 634
Fee for service	19 765	17 664
General administration	12 341	10 669
Information technology & communication	9 758	9 513
Minor works, maintenance & equipment	10 285	4 621
Monitoring fees	245	110
Sand replenishment	6 087	4 948
Scientific and technical services	307	334
Transportation	459	334
Travel and accommodation	1 961	1 874
Vehicle and aircraft	4 710	4 790
Staff development	1 482	1 401
Other	4 099	3 406
Total supplies and services	93 433	83 908

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

6 Supplies and services (continued)

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	8	13	41	52
Above \$10 000	8	5	241	191
Total paid/payable to consultants engaged	16	18	282	243

7 Grants and subsidies

	2017	2016
	\$'000	\$'000
Administration of the <i>Animal Welfare Act 1985</i>	1 077	1 051
Building upgrade finance	885	20
Coorong, Lower Lakes and Murray Mouth - Long Term Plan	1 219	3 903
Goyder Institute	2 000	2 000
Great Artesian Basin Sustainability Initiative	-	2 166
Marine parks	780	1 051
Murray Darling Basin Authority	19 444	19 054
Nilpena Station Ediacaran Fossil site	1 730	-
River Murray Improvement Program	-	2 000
Other	4 819	5 107
Total grants and subsidies	31 954	36 352

Grants and subsidies paid/payable to entities within the SA Government

Coorong, Lower Lakes and Murray Mouth - Long Term Plan	-	545
Marine parks	300	285
River Murray Improvement Program	-	2 000
Other	410	1 310
Total grants and subsidies - SA Government entities	710	4 140

8 Water recovery / acquisition expenses

	2017	2016
	\$'000	\$'000
Environmental water purchase	-	807
Total water recovery / acquisition expenses	-	807

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

9 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Depreciation		
Buildings and improvements	4 935	3 069
Park infrastructure	3 896	4 141
Roads, tracks and trails	5 636	4 396
Groundwater monitoring wells	2 271	2 259
Salinity disposal schemes	445	458
Patawalonga seawater circulation and Barcoo outlet	610	688
Sand pumping infrastructure	1 006	1 006
Surface water monitoring network	157	159
Waste disposal stations	168	168
Regulators and embankments	1 272	69
Plant and equipment	2 442	2 465
Leasehold improvements	1 788	307
Other	18	18
Total depreciation	24 644	19 203
Amortisation		
Application software - internally generated	555	832
Application software - externally purchased	260	240
Other - war services leases	22	22
Total amortisation	837	1 094
Total depreciation and amortisation expense	25 481	20 297

Revision of accounting estimates

DEWNR altered the useful lives of various assets in accordance with normal periodic assessment procedures. In accordance with AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the resulting adjustments have been applied prospectively in the current year.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

10 Net loss from disposal of non-current assets

	2017	2016
	\$'000	\$'000
Land		
Proceeds from disposal	-	-
Less net book value of assets disposed *	(706)	-
Net (loss)/gain from disposal	(706)	-
Buildings and improvements		
Proceeds from disposal	-	1
Less net book value of assets disposed *	(1 532)	(87)
Net (loss)/gain from disposal	(1 532)	(86)
Park infrastructure		
Proceeds from disposal	-	-
Less net book value of assets disposed *	(260)	(376)
Net (loss)/gain from disposal	(260)	(376)
Roads, tracks and trails		
Proceeds from disposal	-	-
Less net book value of assets disposed *	(3 024)	(840)
Net (loss)/gain from disposal	(3 024)	(840)
Plant and equipment		
Proceeds from disposal	34	29
Less net book value of assets disposed *	(217)	(876)
Net (loss)/gain from disposal	(183)	(847)
Waste disposal stations		
Proceeds from disposal	-	-
Less net book value of assets disposed	(156)	-
Net (loss)/gain from disposal	(156)	-
Groundwater monitoring wells		
Proceeds from disposal	-	-
Less Net book value of assets disposed *	(2 692)	-
Net (loss)/gain from disposal	(2 692)	-
Salinity disposal schemes		
Proceeds from disposal	-	-
Less Net book value of assets disposed	(1 252)	-
Net loss from disposal	(1 252)	-
Total assets		
Total proceeds from disposal	34	30
Less total net book value of assets disposed	(9 839)	(2 179)
Total net (loss) from disposal of non-current assets	(9 805)	(2 149)

Losses on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

10 Net loss from disposal of non-current assets (continued)

***Assets transferred free of charge**

During the current year, assets to the value of \$1.379 million (2016: \$1.44 million) were transferred to the Board of the Botanic Gardens and State Herbarium, assets to the value of \$0.706 million were transferred to Crown Lands, assets to the value of \$3.014 million were transferred to the Renmark Paringa Council and assets to the value of \$2.593 million were transferred to Pastoralists in the Great Artesian Basin Region. The prior year included assets to the value of \$0.244 million transferred to the Murray Darling Basin Authority free of charge.

	2017	2016
	\$'000	\$'000
Land	706	-
Buildings and improvements	1 346	-
Park infrastructure	-	376
Roads, tracks and trails	3 014	840
Plant and equipment	33	468
Groundwater monitoring wells	2 593	-
Total assets transferred free of charge	7 692	1 684

11 Other expenses

	2017	2016
	\$'000	\$'000
Bad and doubtful debts	592	60
Capital project costs not capitalised	1 325	2 153
Audit fees *	489	405
Movement in Inventory	(133)	(129)
Impairment loss	862	-
Other	1	2
Total other expenses	3 136	2 491

*Audit fees paid / payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.415 million (2016: \$0.405 million). No other services were provided by the Auditor-General's Department.

12 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Admissions and guided tours	9 283	8 882
Fees, levies and licences	2 622	2 499
NRM Board salary recovery	30 040	30 544
Other salary recoveries	1 828	1 887
Property rental and related income	5 857	6 082
Taxation revenue - River Murray rehabilitation levy	286	1 453
Service recoveries	17 995	17 556
Sale of goods	3 991	3 892
Sale of professional services	5 725	8 117
Sale of support services	18 804	14 263
Sale of spatial information	783	840
Sale of freehold titles	222	202
Total revenues from fees and charges	97 436	96 217

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

13 Grant revenues

	2017	2016
	\$'000	\$'000
Grant revenues from the Commonwealth		
Constraints Management Strategy Implementation	-	830
Coorong, Lower Lakes and Murray Mouth - Long Term Plan	14 413	5 003
Flows for the future	1 800	-
Great Artesian Basin Sustainability Initiative	4 281	2 698
Implementing the Murray Darling Basin reform	1 486	2 043
Murray Futures - Riverine Recovery	584	7 875
National Bushfire Mitigation Program	449	907
National framework for compliance and enforcement systems	-	778
National Partnership Agreement - Bioregional Assessment Lake Eyre Basin	-	250
Nature Links	364	351
SA Riverland Floodplain Infrastructure Program	15 000	25 000
SA State Priority Project Design Funding	713	1 965
The Living Murray - Chowilla	1 002	1 015
The Living Murray - Lower Lakes, Coorong and Murray Mouth	828	888
Tourism Demand Driver Infrastructure	739	959
Other	115	287
Total grant revenues from the Commonwealth	41 774	50 849
Grant revenues from SA Government		
Adelaide Living Beaches strategy	2 655	2 590
Botanic Gardens - Aquifer Storage and Recovery	655	655
Community Emergency Services Funding	3 194	3 321
Compliance and Monitoring	781	690
Highbury Aqueduct fire prevention	375	282
One million trees	-	250
Water Industry Act	165	200
Other	5 628	5 155
Total grant revenues from SA Government	13 453	13 143
Grant revenues from private industry and local government		
Implementing the Limestone Coast and Coorong Coastal Action Plan	486	489
Other	3 056	1 262
Total grant revenues from private industry and local government	3 542	1 751
Total grant revenues	58 769	65 743

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

Generally, DEWNR has obtained control or the right to receive:

- Contributions with unconditional stipulations – this will be when the agreement becomes enforceable; that is the earlier of when the receiving entity has formally been advised that the contribution (for example grant application) has been approved; agreement/contract is executed; and/or the contribution is received.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

13 Grant revenues (continued)

- Contributions with conditional stipulations – that is 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.

Contributions with conditions of expenditure

DEWNR received grants from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2017 \$76.509 million (2016: \$84,113 million) of grants, which have been recognised as revenues in the Statement of Comprehensive Income, are yet to be spent in the manner specified by the contributors.

14 Interest revenues

	2017	2016
	\$'000	\$'000
Interest	672	683
Total interest revenues	672	683

15 Other income

	2017	2016
	\$'000	\$'000
Insurance recoveries	34	28
Salaries and wages recoveries	88	68
Sponsorships, donations, commissions and bequests	117	114
Water sales	1 540	8 007
Other sundry revenue	436	239
Total other income	2 215	8 456

16 Revenue from / payments to SA Government

	2017	2016
	\$'000	\$'000
Revenues from SA Government		
Appropriations from Consolidated Account pursuant to the Appropriation Act	144 698	155 185
Appropriations from contingency funds	4 288	955
Total revenues from SA Government	148 986	156 140
Payments to SA Government		
Return to consolidated account	(701)	(9 932)
Return of surplus cash	(7 572)	(3 720)
Total payments to SA Government	(8 273)	(13 652)

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

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of DEWNR and the appropriation is recorded as contributed equity.

Total revenues from government consist of \$138.526 million (2016: \$144.049 million) for operational funding and \$10.460 million (2016: \$12.091 million) for capital projects. There was no material variance between the amount appropriated and the expenditure associated with this appropriation.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

17 Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	144 150	147 246
Imprest account / cash on hand	179	182
Total cash and cash equivalents	144 329	147 428

Cash is measured at nominal amounts.

Deposits with the Treasurer

DEWNR has two deposit accounts with the Treasurer, a General Operating Account and an Accrual Appropriation Excess Funds Account. Although DEWNR controls the money in the Accrual Appropriation Excess Funds Account its use must be approved by the Treasurer.

18 Receivables

	2017	2016
	\$'000	\$'000
Current		
Receivables	10 197	14 104
Less allowance for doubtful debts	(738)	(489)
	9 459	13 615
Accrued revenues	55	58
GST input tax recoverable	4 741	4 056
Workers compensation recoveries	5	14
Total current receivables	14 260	17 743
Non-current		
Workers compensation recoveries	33	34
Total non-current receivables	33	34

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is 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 for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	489	435
Amounts written off	-	(6)
Increase in the allowance	249	60
Carrying amount at the end of the period	738	489

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

18 Receivables (continued)

Interest rate and credit risk

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

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that DEWNR will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 38 for further information on risk management.

Error correction

An error correction of \$0.374 million has been disclosed in the Statement of Changes in Equity in respect of the 2012-13 financial year. As a consequence, receivables were overstated. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a de-recognition of a receivable. Total impact on equity was \$0.374 million (receivables \$0.374 million).

19 Inventories

	2017 \$'000	2016 \$'000
Inventories held for distribution at no or nominal amount		
Inventories held for distribution - at cost	632	507
Total inventories held for distribution at no or nominal amount	632	507
Inventories held for resale - at cost		
Finished goods held for resale - at cost	1 935	1 916
Total inventories held for resale - at cost	1 935	1 916
Total inventories	2 567	2 423

Inventories include goods held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred.

20 Other assets

	2017 \$'000	2016 \$'000
Current		
Prepaid supplies and services	1 094	1 245
Other	1	6
Total other current assets	1 095	1 251

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

21 Other financial assets

	2017	2016
	\$'000	\$'000
Non-current		
Equity in unlisted entities	3	3
Total non-current other financial assets	3	3

22 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Land		
Independent valuation ⁽ⁱ⁾	259 055	258 890
At cost ⁽ⁱⁱ⁾	8 140	8 245
Total land	267 195	267 135
Buildings and improvements		
Independent valuation ⁽ⁱ⁾	192 726	145 491
At cost ⁽ⁱⁱ⁾	2 542	9 805
Less accumulated depreciation	(131 060)	(107 598)
Total buildings and improvements	64 208	47 698
Park infrastructure		
Independent valuation ⁽ⁱ⁾	210 168	174 267
At cost ⁽ⁱⁱ⁾	8 777	31 154
Less accumulated depreciation	(192 130)	(167 787)
Total park infrastructure	26 815	37 634
Roads, tracks and trails		
Independent valuation ⁽ⁱ⁾	228 019	194 721
At cost ⁽ⁱⁱ⁾	10 549	12 214
Less accumulated depreciation	(215 237)	(183 560)
Total roads, tracks and trails	23 331	23 375
Groundwater monitoring wells		
Independent valuation ⁽ⁱ⁾	223 231	130 256
At cost ⁽ⁱⁱ⁾	-	4 679
Less accumulated depreciation	(147 118)	(90 548)
Total groundwater monitoring wells	76 113	44 387
Salinity disposal schemes		
Independent valuation ⁽ⁱ⁾	43 067	44 314
At cost ⁽ⁱⁱ⁾	-	568
Less accumulated depreciation	(13 502)	(13 620)
Total salinity disposal schemes	29 565	31 262
Patawalonga seawater circulation and Barcoo outlet		
Independent valuation ⁽ⁱ⁾	45 452	45 451
Less accumulated depreciation	(15 293)	(14 682)
Total Patawalonga seawater circulation and Barcoo outlet	30 159	30 769

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

	2017 \$'000	2016 \$'000
Sand pumping infrastructure		
At cost ⁽ⁱⁱ⁾	20 544	20 544
Less accumulated depreciation	(4 443)	(3 437)
Total sand pumping infrastructure	16 101	17 107
Surface water monitoring network		
Independent valuation ⁽ⁱ⁾	12 622	8 469
At cost ⁽ⁱⁱ⁾	-	1 051
Less accumulated depreciation	(5 490)	(4 024)
Total surface water monitoring network	7 132	5 496
Waste disposal stations		
Independent valuation ⁽ⁱ⁾	6 839	7 752
At cost ⁽ⁱⁱ⁾	1 532	638
Less accumulated depreciation	(2 205)	(2 829)
Total waste disposal stations	6 166	5 561
Regulators and embankments		
Independent valuation ⁽ⁱ⁾	20 559	13 760
At cost	17 469	-
Less accumulated depreciation	(16 782)	(6 880)
Total Regulators and embankments	21 246	6 880
Plant and equipment		
At cost (deemed fair value) ⁽ⁱⁱⁱ⁾	35 043	38 737
Less accumulated depreciation	(21 092)	(25 158)
Total plant and equipment	13 951	13 579
Leasehold improvements		
At cost (deemed fair value) ⁽ⁱⁱⁱ⁾	21 459	21 459
Less accumulated depreciation	(2 086)	(298)
Total leasehold improvements	19 373	21 161
Other		
At cost (deemed fair value) ⁽ⁱⁱⁱ⁾	1 867	1 867
Less accumulated depreciation	(686)	(668)
Total other	1 181	1 199
Capital works in progress		
Capital works in progress	33 215	22 665
Total capital works in progress	33 215	22 665
Total property, plant and equipment	635 751	575 908

22 Property, plant and equipment (continued)

Carrying amounts of property, plant and equipment

Classes of property, plant and equipment are valued as follows:

i. Independent valuation:

Generic assets are valued using the Data Dictionary model. Unique assets are items which cannot be categorised within the standard Data Dictionary groups. These assets are valued separately by independent professional valuers. Refer to note 2(i) for further details.

ii. At cost (acquisition cost):

This class includes one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation.

iii. At cost (deemed fair value):

These assets have an acquisition cost below \$1 million or have an estimated useful life of less than three years, and have not been revalued in accordance with APF III and are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Asset Revaluations

Independent valuations were performed of the following asset classes during the reporting period:

- Buildings and improvements
- Park infrastructure
- Roads, tracks and trails
- Groundwater monitoring wells, and
- Surface water monitoring network

Specific details relating to the revalued asset classes follow:

Generic (or 'standard' designed) Buildings and improvements, Park infrastructure, and Roads, tracks and trails were revalued using a Data Dictionary approach. The data dictionary model is contained within DEWNR's Asset Register and Management Information System (ARAMIS). The revaluation was undertaken from May – July 2017, and applied as at 1 July 2016. Asset useful lives are also contained in the data dictionary, although these warranted no adjustments. The revaluation was undertaken by Certified Practising Valuer, Mr F Taormina, B.App.Sc (Val), AAPI, of Valcorp Australia Pty Ltd.

The data dictionary model calculates a value for an asset based on its asset type class, name, description, grade/composition, condition and size/quantity. The model value is adjusted by a locality factor to take into account climatic conditions. Data dictionary unit costs were updated based on replacement cost or reproduction cost. In making valuation determinations, the valuer had regard to cost data from Construction handbooks, data published from the Australian Institute of Quantity Surveyors (AIQS) and had regard to project costs of assets erected in the past few years of comparable style buildings/assets and other actual costs of privately developed assets. The application of the data dictionary model resulted in the classification of these assets into level 3 as the measurements / outputs from the model are deemed unobservable.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

'Unique' Buildings and improvements and Park infrastructure are assets for which application of the Data Dictionary is considered inappropriate. Generally, these assets were constructed following specific fit-for purpose designs. Revaluations were undertaken from May – August 2017, and applied as at 1 July 2016. Revaluations of assets in the Adelaide region, metropolitan Adelaide, Kangaroo Island and the South East of South Australia were undertaken by Certified Practising Valuer, Mr P Tilley, FAPI, AREI, CREI (Val) of Herron Todd White. Revaluations of assets in the northern, western and Riverland regions of South Australia were undertaken by Certified Practising Valuers, Mr G Martin B.Bus Property (Valuation), AAPI, Ms K Tynan, B.Bus Property (Valuation), AAPI and Mr M Ekonomopoulos, B.Bus Property (Valuation), AAPI each of Maloney Field Services (Australia) Pty. Ltd..

The fair value of unique assets was determined by utilising the Market approach or the Cost approach. Assets situated on freehold land and which do not exhibit any particular degree of specialisation were valued with reference to the market approach where there is appropriate market evidence. Depreciable assets situated on reserve or leasehold land were valued using the cost approach. The application of the valuations resulted in the classification of these assets into level 3 as the measurements / outputs from the model are deemed unobservable.

DEWNR's Groundwater monitoring wells were revalued during the period May – August 2017, applied as at 30 June 2017. The independent valuation also included a review of the asset's useful lives, although these warranted no adjustments. The Chief Valuer was Mr D Mollison of Jacobs Group (Australia) Pty. Ltd.

As there is no active market for Groundwater monitoring wells the asset's fair value was determined by assessing the optimised replacement cost, by gathering and applying market evidence of material supply and construction costs for mobilisation and drilling, well construction, lithological and geophysical logging, tender and contract administration, supervision and inspection. Significant assumptions underpinning the valuation are:

- the valuation is based on available asset information only, as provided by DEWNR;
- valuation estimates are based on current practices in design and construction; future asset replacements may vary in their application of design and construction techniques;
- valuation estimates treat replacement of each asset as a distinct exercise; and
- all assets are adequately maintained as per relevant operation and maintenance standards.

The application of the valuations resulted in the classification of these assets into level 3 as the measurements / outputs from the model are deemed unobservable.

DEWNR's Surface water monitoring network assets were revalued during the period May – July 2017, applied as at 30 June 2017. The independent valuation also included a review of the asset's useful lives, although these warranted no adjustments. The revaluation was undertaken by Certified Practising Valuer, Mr F Taormina, B.App.Sc (Val), AAPI, of Valcorp Australia Pty Ltd.

As there is no active market for Surface water monitoring network assets, the asset's fair value was determined by assessing the optimised replacement cost, and gathering and applying market evidence of material supply and construction costs for the major component relevant to each asset (e.g. control structure, float well, instrument housing and instrumentation), tender and contract administration, supervision and inspection. Significant assumptions underpinning the valuation are:

- the valuation is based on available asset information, underpinned by a high degree of familiarity from previous physical inspections of a sample of assets;
- valuation estimates are based on current practices in design and construction; future asset replacements may vary in their application of design and construction techniques;
- valuation estimates treat replacement of each asset as a distinct exercise; and
- all assets are adequately maintained as per relevant operation and maintenance standards.

The application of the valuations resulted in the classification of these assets into level 3 as the measurements / outputs from the model are deemed unobservable.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

The following table lists details of asset classes subject to independent revaluations:

Class of Asset	Date of Last Independent revaluation	Name of Valuer
Land	1 July 2015	State Valuation Office
Buildings and improvements (data dictionary)	1 July 2016	Valcorp Aust. Pty Ltd
Buildings and improvements (unique assets)	1 July 2016	Herron Todd White and Maloney Field Services
Park infrastructure (data dictionary)	1 July 2016	Valcorp Aust. Pty Ltd
Park infrastructure (unique assets)	1 July 2016	Herron Todd White and Maloney Field Services
Roads, tracks and trails	1 July 2016	Valcorp Aust. Pty Ltd
Groundwater monitoring wells	30 June 2017	Jacobs Australia Ltd
Salinity disposal schemes	1 July 2014	Valcorp Aust. Pty Ltd
Patawalonga seawater circulation and Barcoo outlet	1 July 2014	Valcorp Aust. Pty Ltd
Sand pumping infrastructure *	-	-
Surface water monitoring network	30 June 2017	Valcorp Aust. Pty Ltd
Waste disposal stations	30 June 2014	Valcorp Aust. Pty Ltd
Regulators and embankments	30 June 2014	Valcorp Aust. Pty Ltd

* First capitalised less than 6 years ago, not yet independently revalued.

Other items of Significance

Recast of an asset class: Regulators and Embankments

During the reporting period DEWNR reclassified assets from the 'Lower Murray Embankments' and 'Park Infrastructure' asset classes into a new class, 'Regulators and Embankments'. The terminology of this new asset class is considered a more appropriate reflection of relevant assets' functions and purposes, being either:

- regulators manage water levels in a watercourse (river, stream etc.). Assets moved into this new class, from Park Infrastructure, are regulators and associated components constructed along the Murray River in the Riverland geographical region of South Australia. These assets were largely constructed in the past 1-3 years, funded pursuant to the Riverine Recovery Project, which in turn is a component of the Murray Futures Program. This Program aims to achieve measurable long term improvements in the health of the riverine environment between Wellington and the South Australian border.
- embankments contain or keep water within the confines of a watercourse (in DEWNR's case, this is most prominently, but not exclusively, within the Murray River). All assets in the previously named Lower Murray Embankments have been moved to the new asset class, along with several other embankments and levees from Park Infrastructure.

Impairment

South Australia experienced a series of severe weather events in 2016/17, in particular several storm events in September 2016. These storm events damaged or impacted the service capacity of several hundred DEWNR assets across the state. Assets impacted by the storm events include buildings, campgrounds, fencing, and roads, tracks and trails. Significant remedial works were undertaken over the course of 2016/17, bringing many of the assets back to a pre-storm service capacity. However, given the severity and geographical reach of the storms, numerous DEWNR assets are awaiting remedial works as at reporting date. Subject to funding, remedial works will continue into 2017/18 and likely beyond. The estimated cost of completing remedial works is currently \$9.1 million.

As at reporting date an impairment loss of \$0.862 million has been recognised in the Statement of Comprehensive Income, primarily relating to assets damaged in the September 2016 storms.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

Many of DEWNR's assets that are still to be repaired, particularly roads, tracks and trails, have previously been fully written down and no longer subject to an impairment write-down. For revalued assets, impairment losses have been initially offset against the respective revaluation surplus.

Movement reconciliation of property, plant and equipment

	Buildings & Land improvements	Park Infrastructure	Roads, tracks & trails	Groundwater Monitoring Wells	Salinity Disposal Schemes
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	267 135	47 698	37 634	23 375	44 387
Acquisitions	650	367	14	13	-
Initial recognition	-	-	-	13 363	-
Transfer between classes	(590)	(143)	(12 771)	13	-
Disposals - transfers for nil consideration	(706)	(1 346)	-	(3 014)	(2 593)
Disposals	-	(186)	(260)	(10)	(99)
Transfers to/(from) capital works in progress	706	3 256	1 716	6 212	2 831
Impairment loss	-	(862)	-	-	-
Capital WIP - expensed in current period	-	-	-	-	-
Subtotal	60	1 086	(11 301)	3 214	13 502
Gains/(losses) for the period recognised in net result:					
Depreciation expense	-	(4 935)	(3 896)	(5 636)	(2 271)
Subtotal	-	(4 935)	(3 896)	(5 636)	(2 271)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation (decrement)/increment	-	20 359	4 378	2 378	20 495
Subtotal	-	20 359	4 378	2 378	20 495
Carrying amount at the end of period	267 195	64 208	26 815	23 331	76 113

	Patawalonga Seawater Circulation	Sand pumping infrastructure	Surface Water Monitoring Network	Waste Disposal Stations	Regulators and embankments
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	30 769	17 107	5 496	5 561	6 880
Acquisitions	-	-	-	-	-
Initial recognition	-	-	-	-	-
Transfer between classes	-	-	-	-	13 491
Disposals - transfers for nil consideration	-	-	-	-	-
Disposals	-	-	-	(156)	-
Transfers to/(from) capital works in progress	-	-	224	929	2 147
Impairment loss	-	-	-	-	-
Capital WIP - expensed in current period	-	-	-	-	-
Subtotal	-	-	224	773	15 638
Gains/(losses) for the period recognised in net result:					
Depreciation expense	(610)	(1 006)	(157)	(168)	(1 272)
Subtotal	(610)	(1 006)	(157)	(168)	(1 272)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation (decrement)/increment	-	-	1 569	-	-
Subtotal	-	-	1 569	-	-
Carrying amount at the end of period	30 159	16 101	7 132	6 166	21 246

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

Property, plant and equipment (continued)						
	Plant & equipment	Leasehold improvements	Other	Capital work in progress	Total	
2017	\$'000	\$'000	\$'000	\$'000	\$'000	
Carrying amount at the start of period	13 579	21 161	1 199	22 665	575 908	
Acquisitions	1 167	-	-	32 295	34 506	
Initial recognition	-	-	-	-	13 363	
Transfer between classes	-	-	-	-	-	
Disposals - transfers for nil consideration	(33)	-	-	-	(7 692)	
Disposals	(184)	-	-	-	(2 147)	
Transfers to/(from) capital works in progress	1 864	-	-	(20 420)	(535)	
Impairment loss	-	-	-	-	(862)	
Capital WIP - expensed in current period	-	-	-	(1 325)	(1 325)	
Subtotal	2 814	-	-	10 550	35 308	
Gains/(losses) for the period recognised in net result:						
Depreciation expense	(2 442)	(1 788)	(18)	-	(24 644)	
Subtotal	(2 442)	(1 788)	(18)	-	(24 644)	
Gains/(losses) for the period recognised in other comprehensive income:						
Net revaluation (decrement)/increment	-	-	-	-	49 179	
Subtotal	-	-	-	-	49 179	
Carrying amount at the end of period	13 951	19 373	1 181	33 215	635 751	
	Land	Buildings & improvements	Park infrastructure	Roads, tracks & trails	Groundwater Monitoring Wells	Salinity Disposal Schemes
2016	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	217 892	49 742	31 343	24 569	44 210	31 720
Acquisitions	294	-	-	-	-	-
Initial recognition	-	-	-	-	-	-
Transfer between classes	-	-	29	(29)	-	-
Disposals - transfers for nil consideration	-	-	(376)	(840)	-	-
Disposals	-	(87)	-	-	-	-
Transfers to/(from) capital works in progress	-	1 112	10 779	4 071	2 436	-
Capital WIP - expensed in current period	-	-	-	-	-	-
Subtotal	294	1 025	10 432	3 202	2 436	-
Gains/(losses) for the period recognised in net result:						
Depreciation expense	-	(3 069)	(4 141)	(4 396)	(2 259)	(458)
Subtotal	-	(3 069)	(4 141)	(4 396)	(2 259)	(458)
Gains/(losses) for the period recognised in other comprehensive income:						
Net revaluation (decrement)/increment	48 949	-	-	-	-	-
Subtotal	48 949	-	-	-	-	-
Carrying amount at the end of period	267 135	47 698	37 634	23 375	44 387	31 262

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

	Patawalonga Seawater Circulation	Sand pumping infrastructure	Surface Water Monitoring Network	Waste Disposal Stations	Lower Murray Embankments
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	31 457	18 113	5 637	5 729	6 949
Acquisitions	-	-	-	-	-
Initial recognition	-	-	-	-	-
Transfer between classes	-	-	-	-	-
Disposals - transfers for nil consideration	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers to/(from) capital works in progress	-	-	18	-	-
Capital WIP - expensed in current period	-	-	-	-	-
Subtotal	-	-	18	-	-
Gains/(losses) for the period recognised in net result:					
Depreciation expense	(688)	(1 006)	(159)	(168)	(69)
Subtotal	(688)	(1 006)	(159)	(168)	(69)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation (decrement)/increment	-	-	-	-	-
Subtotal	-	-	-	-	-
Carrying amount at the end of period	30 769	17 107	5 496	5 561	6 880

	Plant & equipment	Leasehold improvements	Other	Capital work in progress	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of period	11 172	-	1 217	34 176	513 926
Acquisitions	1 469	-	-	14 519	16 282
Initial recognition	-	21 468	-	-	21 468
Transfer between classes	-	-	-	-	-
Disposals - transfers for nil consideration	(468)	-	-	-	(1 684)
Disposals	(408)	-	-	-	(495)
Transfers to/(from) capital works in progress	4 279	-	-	(23 877)	(1 182)
Capital WIP - expensed in current period	-	-	-	(2 153)	(2 153)
Subtotal	4 872	21 468	-	(11 511)	32 236
Gains/(losses) for the period recognised in net result:					
Depreciation expense	(2 465)	(307)	(18)	-	(19 203)
Subtotal	(2 465)	(307)	(18)	-	(19 203)
Gains/(losses) for the period recognised in other comprehensive income:					
Net revaluation (decrement)/increment	-	-	-	-	48 949
Subtotal	-	-	-	-	48 949
Carrying amount at the end of period	13 579	21 161	1 199	22 665	575 908

Error correction

An error correction of \$2.142 million (property, plant and equipment) in respect of the 2014-15 financial year has been disclosed in the Statement of Changes in Equity. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a net increase to the carrying values of property, plant and equipment assets. The error correction relates to first time recognition of assets following an extensive asset verification process.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

22 Property, plant and equipment (continued)

In addition, an error correction of \$0.631 million has been disclosed in the Statement of Changes in Equity in respect of the 2015-16 financial year. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a net decrease to leasehold improvements and total equity. The error correction related to an overstatement to the capitalisation of the leasehold improvements in respect to DEWNR's CBD accommodation.

23 Intangible assets

	2017 \$'000	2016 \$'000
Internally developed intangible assets		
Computer software - at cost (deemed fair value)	12 169	20 500
Less accumulated amortisation	(11 135)	(19 378)
Total internally generated computer software	1 034	1 122
Externally acquired intangible assets		
Computer software and water licences	3 938	4 449
Less accumulated amortisation	(750)	(1 069)
Total externally acquired intangible assets	3 188	3 380
Other		
Revenue stream (War services freehold leases) - at cost (deemed fair value)	1 000	1 000
Less accumulated amortisation	(251)	(229)
Total other	749	771
Total intangible assets	4 971	5 273

DEWNR recognises the following intangible assets:

Computer software

The internal development of software is capitalised by DEWNR when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$10 000, in accordance with APF III *Asset Accounting Framework* APS 2.15. All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed. Subsequent expenditure on intangible assets has not been capitalised. DEWNR has capitalised the internal development of software for the Crown Lands System, Water Information and Licensing and Management Application system (WILMA) and ARAMIS Solution Software. In addition, certain costs have been capitalised in respect of the Water Connect Portal (Natural Resources Management Information System) and other software specific to DEWNR's core activities. Some intangibles are currently included in work in progress. Externally acquired computer software relates to ARCGIS software.

Water licenses – acquired at no cost

An intangible asset for water licences has been recognised. The asset was initially acquired for nil consideration prior to 1 July 2005. A reliable fair value at the time of acquisition was not available. The assets were recognised for the first time at fair value as at 30 June 2006. Fair value was determined by observing prices in the water trading market as at 30 June 2006.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

23 Intangible assets (continued)

Revenue stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian War Service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by DEWNR was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Intangible asset movement reconciliation schedule

	Internally developed	Externally acquired	Revenue stream	Total
2017	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of the period	1 122	3 380	771	5 273
Transfers from capital works in progress	467	68	-	535
Amortisation	(555)	(260)	(22)	(837)
Carrying amount at the end of the period	1 034	3 188	749	4 971

	Internally developed	Externally acquired	Revenue stream	Total
2016	\$'000	\$'000	\$'000	\$'000
Carrying amount at the start of the period	1 692	2 700	793	5 185
Transfers from capital works in progress	262	920	-	1 182
Amortisation	(832)	(240)	(22)	(1 094)
Carrying amount at the end of the period	1 122	3 380	771	5 273

Assets Not Recognised

Acquisition of Water Licences for Environmental Flows

While DEWNR recognises certain water licences controlled by the Minister for the River Murray as intangible assets at 30 June 2013, the acquisition and / or transfer of water licences for environmental purposes is generally expensed when such expenditure is incurred.

The decision not to capitalise these expenditures is linked to the provisions of two Intergovernmental Agreements to which the state of South Australia is a party as follows:

- (i) The Intergovernmental Agreement on Addressing Water Over-allocation and Achieving Environmental Objectives in the Murray-Darling Basin (June 2004) gives effect to a decision by the southern Murray-Darling Basin jurisdictions to commit \$500 million over five years to address water over-allocation in the Murray-Darling Basin with an initial focus on achieving specific environmental outcomes for six significant ecological assets along the River Murray.
The Living Murray Business Plan provided for under Clause 13 of the above Agreement describes how the actions and milestones in the Agreement in relation to the acquisition and transfer of water licences are to be achieved.
- (ii) The Agreement on Murray-Darling Basin Reform (July 2008) gives effect that a Commonwealth-State National Management Partnership will be in a form of a bilateral agreement between the Commonwealth and each Basin jurisdiction known as the National Partnership Agreement on Water for the Future (Partnership Agreement). The Implementation Plan for Augmentation of the Adelaide Desalination Plant is created subject to the provisions of the Partnership Agreement.

The Implementation Plan describes the actions and milestones in relation to the acquisition of water licences and the establishment of an Environmental Provision for environmental purposes.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

23 Intangible assets (continued)

The transactions pertaining to the acquisition of water licences and subsequent application of these licences have been expensed on the basis that the future economic benefits attached to these transactions are not expected to flow directly to DEWNR.

24 Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. DEWNR categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

Fair value measurement at 30 June 2017

	Level 3
	\$'000
Recurring fair value measurements	
Land	267 195
Buildings and improvements	64 208
Park infrastructure	26 815
Roads, tracks and trails	23 331
Groundwater monitoring wells	76 113
Salinity disposal schemes	29 565
Patawalonga seawater circulation and Barcoo outlet	30 159
Surface water monitoring network	7 132
Waste disposal stations	6 166
Regulators and embankments	21 246
Sand pumping infrastructure	16 101
Plant and equipment	13 951
Leasehold improvements	19 373
Other	1 181
Total recurring fair value measurements	602 536

Fair value measurement at 30 June 2016

	Level 3
	\$'000
Recurring fair value measurements	
Land	267 135
Buildings and improvements	47 698
Park infrastructure	37 634
Roads, tracks and trails	23 375
Groundwater monitoring wells	44 387
Salinity disposal schemes	31 262
Patawalonga seawater circulation and Barcoo outlet	30 769
Surface water monitoring network	5 496
Waste disposal stations	5 561
Lower Murray embankments	6 880
Sand pumping infrastructure	17 107
Plant and equipment	13 579
Leasehold improvements	21 161
Other	1 199
Total recurring fair value measurements	553 243

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

24 Fair value measurements (continued)

DEWNR's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

DEWNR had no valuations categorised into level 1 or level 2 during 2016 and 2017.

Valuation techniques and inputs

Valuation techniques used to derive level 3 fair values together with the reconciliation of level 3 fair value measurements are detailed at note 22. There were no changes in valuation techniques during 2017.

25 Payables

	2017 \$'000	2016 \$'000
Current		
Accrued expenses	1 030	915
Creditors	30 057	18 120
Employment on-costs ^a	3 135	2 833
Paid Parental Leave Scheme payable	41	25
Total current payables	34 263	21 893
Non-current		
Employment on-costs	3 198	3 287
Total non-current payables	3 198	3 287

^aEmployment on-costs include payroll tax, WorkCover levies and superannuation contributions. DEWNR makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the proportion of long service leave taken as leave remains unchanged from the 2016 rate (40%). This rate is used in the employment on-cost calculation.

The Paid Parental Leave Scheme payable represents amounts which DEWNR has received from the Commonwealth Government to forward onto eligible employees via DEWNR's standard payroll processes. That is, DEWNR is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Interest rate and credit risk

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

For further information on risk management refer to note 38

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

26 Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Accrued salaries and wages	2 054	1 731
Annual leave	9 712	9 551
Long service leave	2 530	2 161
Skills and experience retention leave	885	938
Total current employee benefits	15 181	14 381
Non-current		
Long service leave	34 439	35 140
Total non-current employee benefits	34 439	35 140

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave. AASB 119 *Employee Benefits* requires the use of yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (2.00%) to 2017 (2.50%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$1.497 million and employee benefit expense of \$1.497 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

27 Provisions

	2017	2016
	\$'000	\$'000
Current		
Provision for workers compensation	550	913
Total current provisions	550	913
Non-current		
Provision for workers compensation	1 260	1 936
Total non-current provisions	1 260	1 936
Provision movement		
Carrying amount at the beginning of the period	2 849	2 430
Reductions resulting from re-measurement or settlement without cost	(1 039)	-
Additional provisions recognised	-	419
Carrying amount at the end of the period	1 810	2 849

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

27 Provisions (continued)

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

DEWNR is responsible for the payment of workers compensation claims.

28 Other liabilities

	2017	2016
	\$'000	\$'000
Current		
Lease incentive	1 910	1 931
Unearned revenue	204	101
Other	122	254
Total current other liabilities	2 236	2 286
Non-current		
Lease incentive	18 597	20 025
Deposits held	465	465
Total non-current other liabilities	19 062	20 490

29 Equity

	2017	2016
	\$'000	\$'000
Contributed capital	22 612	22 612
Retained earnings	282 548	287 519
Asset revaluation surplus	387 660	339 606
Total equity	692 820	649 737

The asset revaluation surplus is used to record increments and decrements in the fair value of property, plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

30 Related Party Transactions

DEWNR is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of DEWNR include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between DEWNR and other SA Government controlled entities are disclosed at note 32

Key Management Personnel

Key management personnel of DEWNR include the Minister, the Chief Executive Officer and the 7 members of the Executive Team who have responsibility for the strategic direction and management of the department. There were 2 key management personnel that left DEWNR during the 2016-17 financial year. The compensation detailed below excludes salaries and other benefits the Minister for Sustainability, Environment and Conservation receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2017
Compensation	\$'000
Salaries and other short term employee benefits	1 621
Post-employment benefits	182
Total compensation	1 803

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

31 Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	144 329	147 428
Balance as per the Statement of Cash Flows	144 329	147 428
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	24 521	30 423
Less revenues from SA Government	(148 986)	(156 140)
Add payments to SA Government	8 273	13 652
Add/less non-cash items		
Depreciation and amortisation	(25 481)	(20 297)
Capital work-in-progress expensed	(1 325)	(2 153)
Impairment of non-current assets	(862)	-
Loss on disposal of non-current assets	(9 805)	(2 149)
Movements in assets and liabilities		
(Decrease)/increase in receivables	(3 484)	5 256
Increase in inventories	144	58
(Decrease) in other assets	(156)	(6)
(Increase)/decrease in payables	(5 429)	2 065
(Increase) in employee benefits	(99)	(5 378)
Decrease/(increase) in provisions	1 039	(419)
Decrease/(increase) in other liabilities	1 478	(369)
Net cost of providing services	(160 172)	(135 457)

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

32 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits	5	-	-	155 455	160 552	155 455	160 552
Supplies and services	6						
Accommodation and property management		12 475	12 401	1 536	4 411	14 011	16 812
Bore drilling services		-	-	4 299	1 733	4 299	1 733
Consultants		-	-	282	243	282	243
Contractors		-	-	1 789	3 822	1 789	3 822
Cost of goods sold		-	-	1 553	1 634	1 553	1 634
Fee for service		6 077	2 950	13 688	14 714	19 765	17 664
General administration		8 242	8 180	4 099	2 489	12 341	10 669
Information technology & communication		2 062	3 033	7 696	6 480	9 758	9 513
Minor works, maintenance & equipment		2 853	378	7 432	4 243	10 285	4 621
Monitoring fees		-	-	245	110	245	110
Sand replenishment		-	-	6 087	4 948	6 087	4 948
Scientific and technical services		-	-	307	334	307	334
Transportation		-	-	459	334	459	334
Travel and accommodation		-	-	1 961	1 874	1 961	1 874
Vehicle and aircraft		3 030	3 507	1 680	1 283	4 710	4 790
Staff development		562	-	920	1 401	1 482	1 401
Other		492	-	3 607	3 406	4 099	3 406
Grants and subsidies	7	710	4 140	31 244	32 212	31 954	36 352
Water recovery / acquisition	8	-	-	-	807	-	807
Depreciation and amortisation	9	-	-	25 481	20 297	25 481	20 297
Net loss from the disposal of non-current assets	10	-	-	9 805	2 149	9 805	2 149
Other	11						
Bad and doubtful debts		199	-	393	60	592	60
Capital project costs not capitalised		277	-	1 048	2 153	1 325	2 153
Audit fees		415	405	74	-	489	405
Movement in Inventory		-	-	(133)	(129)	(133)	(129)
Impairment loss		-	-	862	-	862	-
Other		-	-	1	2	1	2
Total expenses		37 394	34 994	281 870	271 562	319 264	306 556

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

32 Transactions with SA Government (continued)

		SA Government		Non-SA Government		Total	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Income							
Fees and charges	12						
Admissions and guided tours		-	-	9 283	8 882	9 283	8 882
Fees, levies and licences		-	-	2 622	2 499	2 622	2 499
NRM Board salary recovery		30 040	30 544	-	-	30 040	30 544
Other salary recoveries		1 378	1 514	450	373	1 828	1 887
Property rental and related income		210	250	5 647	5 832	5 857	6 082
Taxation revenue - River Murray rehabilitation levy		286	1 290	-	163	286	1 453
Service recoveries		17 995	17 556	-	-	17 995	17 556
Sale of goods		-	-	3 991	3 892	3 991	3 892
Sale of professional services		2 432	5 279	3 293	2 838	5 725	8 117
Sale of support services		16 410	11 133	2 394	3 130	18 804	14 263
Sale of spatial information		109	148	674	692	783	840
Sale of freehold titles		-	-	222	202	222	202
Grants	13	13 453	13 143	45 316	52 600	58 769	65 743
Interest	14	672	683	-	-	672	683
Other	15						
Insurance recoveries		-	-	34	28	34	28
Salaries and wages recoveries		-	-	88	68	88	68
Sponsorships, donations, commissions and bequests		-	-	117	114	117	114
Water sales		-	-	1 540	8 007	1 540	8 007
Other sundry revenue		-	-	436	239	436	239
Net Revenues from SA Government	16	140 713	142 488	-	-	140 713	142 488
Total income		223 698	224 028	76 107	89 559	299 805	313 587
Financial assets							
Receivables	18						
Receivables		5 166	7 218	4 293	6 397	9 459	13 615
Accrued revenues		-	-	55	58	55	58
GST input tax recoverable		-	-	4 741	4 056	4 741	4 056
Workers compensation recoveries		-	-	38	48	38	48
Other financial assets	20						
Prepaid supplies and services		-	-	1 094	1 245	1 094	1 245
Other		-	-	1	6	1	6
Equity in unlisted entities	21	-	-	3	3	3	3
Total financial assets		5 166	7 218	10 225	11 813	15 391	19 031
Financial liabilities							
Payables	25						
Accrued expenses		410	412	620	503	1 030	915
Creditors		14 943	4 552	15 114	13 568	30 057	18 120
Employment on-costs		3 051	3 049	3 282	3 071	6 333	6 120
Paid Parental Leave Scheme payable		-	-	41	25	41	25
Other liabilities	28						
Lease incentive		20 507	21 956	-	-	20 507	21 956
Unearned revenue		-	-	204	101	204	101
Deposits held		-	-	465	465	465	465
Other		-	-	122	254	122	254
Total financial liabilities		38 911	29 969	19 848	17 987	58 759	47 956

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

33 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to financial statement information.

These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes. The budget process is not subject to audit.

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

		Original budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000
Statement of Comprehensive Income	Note			
Expenses				
Employee benefits		161 933	155 455	(6 478)
Supplies and services		79 744	93 433	13 689
Grants and subsidies		31 183	31 954	771
Depreciation and amortisation		20 998	25 481	4 483
Net loss from disposal of non-current assets		-	9 805	9 805
Other		3 449	3 136	(313)
Total expenses		297 307	319 264	21 957
Income				
Fees and charges		91 232	97 436	6 204
Grants	a	97 813	58 769	(39 044)
Interest		124	672	548
Other		2 208	2 215	7
Total income		191 377	159 092	(32 285)
Net cost of providing services		105 930	160 172	54 242
Revenues from / payments to SA government				
Revenues from SA government		144 698	148 986	4 288
Payments to SA government		-	(8 273)	(8 273)
Total net revenues from SA Government		144 698	140 713	(3 985)
Net result		38 768	(19 459)	(58 227)
Other comprehensive income				
Items that will not be reclassified to net result				
Changes in property, plant and equipment asset revaluation surplus	b	-	49 179	49 179
Total other comprehensive income		-	49 179	49 179
Total comprehensive result		38 768	29 720	(9 048)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

33 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

- a. The variance is mainly due to a reduction in funding for Commonwealth programs (for example South Australian Riverland Floodplain Integrated Infrastructure Program).
- b. The variance is due to the non-budgeting of the revaluation of property, plant and equipment.

		Original budget ¹	Actual	Variance
		2017	2017	2017
		\$'000	\$'000	\$'000
Investing expenditure summary				
Total existing projects	c	82 391	23 480	(58 911)
Total annual program		8 187	11 030	2 843
Total investing expenditure		90 578	34 510	(56 068)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

- c. The variation was due largely to carryovers and the reprofiling of funds for Commonwealth programs including the Coorong, Lower Lakes and Murray Mouth, South Australian Riverland Floodplains Integrated Infrastructure and the Riverine Recovery Program.

34 Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017	2016
	\$'000	\$'000
Within one year	6 882	8 583
Later than one year but not longer than five years	25 801	25 327
Later than five years	37 098	42 608
Total operating lease commitments	69 781	76 518

The operating leases held by DEWNR are related to property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and DEWNR has the right of renewal. There are no existing or contingent rental provisions.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:

	2017	2016
	\$'000	\$'000
Within one year	352	8 474
Total capital commitments	352	8 474

DEWNR's capital commitments include amounts associated with the Coorong, Lower Lakes and Murray Mouth (CLMM) project (\$0.260 million) and the Tennyson Dunes Coast Park Discovery Trail project (\$0.092 million). In 2015-16 capital commitments comprised South Australian Riverland Floodplains Integrated Infrastructure Program (SARFIIP) (\$7.324 million) and the Kangaroo Island Multi-Day Walk (\$1.150 million).

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

34 Unrecognised contractual commitments (continued)

Expenditure commitments

Expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017	2016
	\$'000	\$'000
Within one year	22 784	19 444
Later than one year but not longer than five years	66 731	50 117
Total expenditure commitments	89 515	69 561

DEWNR's expenditure commitments are for contributions to the Murray Darling Basin Authority.

35 Contingent assets and liabilities

DEWNR is not aware of the existence of any contingent assets.

At the time of this report the outcomes of any pending legal cases are not known and the effects are not quantifiable.

The Minister has a statutory obligation under the *Upper South East Dryland Salinity and Flood Management Act 2002* (USE Act) to consider landholders' requests for compensation and pay landholders, if it is deemed that they are entitled to compensation. As at reporting date, the outcomes of any compensation claims that have been lodged by eligible landholders are not known and the effects are not quantifiable.

36 Remuneration of board and committee members

Members during 2016-17 financial year were:

Animal Welfare Advisory Committee

Mr D K B Basham (retired 1 December 2016)
 Mr M S Doroudi* (appointed 19 June 2017)
 Ms R F Evers (appointed 19 June 2017)
 Mr M J Greenslade (appointed 7 December 2016)
 Ms S J Hazel
 Ms S A Joppich (appointed 7 December 2016)
 Ms A G Lewis (retired 6 April 2017)
 Ms K D Moses (retired 29 October 2016)
 Mr R I Mussell
 Ms D E Noonan
 Mr M D Peters* (observer)
 Mr A J Tilbrook* (retired 28 April 2017)
 Mr P S Warren

Arabana Parks Advisory Committee

Ms F J Gill* (Chair)
 Ms K J Blaylock*
 Mr E J Bravington (appointed 1 May 2017)
 Mr K Buzzacott (appointed 1 May 2017)
 Mr T B Gotch*
 Mr D A Leek* (appointed 1 May 2017)
 Ms F Singer (appointed 1 May 2017)
 Mr A C Stuart (retired 30 April 2017)
 Mr D Stuart (retired 30 April 2017)
 Mr J Warren (retired 30 April 2017)

Kangaroo Management Reference Group

Mr Q L B Agius
 Mr R Borda
 Ms N D De Preu
 Mr P Dean* (ex-officio)
 Mr A Freebairn* (ex-officio)
 Mr T Gerschwitz* (ex-officio)
 Ms A G Lewis
 Mr M Moore*
 Mr J H Neal
 Mr J Stringer* (ex-officio)
 Mr G W Tansell
 Mr T Wigg* (ex-officio)
 Ms S L Williams

Premier's Climate Change Council

Ms K J Bellette (retired 30 April 2017)
 Mr B J Carter (retired 30 April 2017)
 Ms R H Degaris (retired 30 April 2017)
 Mr B J Foster (retired 30 April 2017)
 Ms N Halsey (retired 30 April 2017)
 Mr J K O'Brien (retired 30 April 2017)
 Ms S J Pitcher* (retired 30 April 2017)
 Mr D E Russell* (retired 30 April 2017)
 Mr J Scales (retired 30 April 2017)
 Ms M Tucker (retired 31 March 2017)

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

36 Remuneration of board and committee members (continued)

Witjira National Park Board of Management

Mr G A Pelton* (Chair)
 Mr A Ah Chee
 Ms M R Ah Chee
 Ms V T N Fuschtei
 Mr A B Magor*
 Ms V C Mckenzie (deputy member)
 Ms H Miller* (retired 3 September 2016)
 Mr R Tjami
 Ms K A Villiers* (appointed 1 November 2016)

South Australian Heritage Council

Ms J M Carr* (Chair)
 Ms S L Beazley
 Ms A Ben Kahn (acting member)
 Mr R T Donaldson
 Mr G W M Hobbs (appointed 28 November 2016)
 Mr G J Leydon
 Ms D M Lindsay (appointed 28 November 2016)
 Ms A G Mackinnon
 Mr M W Queale (retired 31 August 2016)
 Mr J Schulz
 Ms C A Wigg

YYPa Committee Coongie Lakes National Park

Mr R Singleton* (Chair)
 Mr C R Allen
 Mr E S Dahl*
 Ms T J Elliot
 Ms T J Gallo
 Ms J Gates*
 Ms J Gregg-Smith*
 Ms V M Linton*

**Vulkathunha-Gammon Ranges National Park
 Cooperative Management Committee**

Ms P J McKenzie (Chair)
 Mr M F G Anderson
 Ms J M Coulthard
 Mr P J Coulthard (deputy member)
 Mr K W Johnson
 Ms L M Loan*
 Mr T L Naismith*
 Mr S A M Paul*
 Ms M Toscano*

Ngaut Ngaut Conservation Park Co-management Board

Ms I M Campbell (Chair)
 Ms I L Campbell
 Ms S T Dominelli*
 Mr P G Gillen*
 Ms A B Hunter (deputy member)
 Ms C M Hutchinson
 Ms J Tesoriero*

Flinders Ranges National Park Co-Management Board

Mr J E Schutz** (Chair)
 Ms M Barker*
 Ms G M Coulthard
 Mr T C Coulthard
 Ms L M Loan*
 Mr S A M Paul*
 Ms C I Waye
 Mr A L Wilton

**Nullarbor Wilderness Protection Area Co-Management
 Advisory Committee**

Mr C Lawrie (Chair)
 Mr M J Anderson*
 Ms S F Keen*
 Ms K Kerdel*
 Ms D Miller
 Mr N Miller (deputy member)
 Mr J P Peel
 Ms P J Richter* (appointed 1 February 2017)
 Mr M J Ward*

Parks and Wilderness Council

Ms A McEwen (Presiding member, appointed 17 October 2016)
 Mr M I Bossley (appointed 17 October 2016)
 Ms G M Coulthard (appointed 17 October 2016)
 Mr C B Daniels (appointed 17 October 2016)
 Ms E Forster (appointed 17 October 2016)
 Ms K James (appointed 17 October 2016)
 Mr W D F MacKenzie (appointed 17 October 2016)
 Mr W R McIntosh (appointed 17 October 2016)
 Mr J E Schutz** (Ex Officio, appointed 17 October 2016)

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

36 Remuneration of board and committee members (continued)

Yumbarra Conservation Park Co-management Board

Mr M J Ward* (Chair)
 Mr M J Anderson*
 Ms S R Haseldine
 Ms S F Keen*
 Mr L G Miller
 Ms W Miller
 Mr W J Newchurch (deputy member)
 Ms P J Richter* (appointed 7 November 2016)
 Mr E Roberts
 Ms M Smart (deputy member)

DEWNR Risk Management and Audit Committee

Mr W T M Goodes* (Chair, retired 1 February 2017)
 Ms J C Grant* (Chair)
 Mr A D Copus*
 Ms P Martin
 Ms R Parker-Benton*
 Mr S Spadavecchia
 Mr A Swanson*
 Ms M Swart*

Pastoral Board

Mr G D Mills (Presiding member)
 Ms A L Barclay* (appointed 5 December 2016)
 Ms K J Bellette
 Mr M A Fennell (appointed 28 September 2016)
 Mr A W Johnson* (retired 28 August 2016)
 Mr G R Johnston (deputy member, appointed 28 January 2017)
 Mr D G Lillecrapp (retired 28 August 2016)
 Ms V M Linton* (retired 28 August 2016)
 Ms J A Mould (retired 28 August 2016)
 Ms A S Oldfield (deputy member)
 Mr K L Slade (appointed 28 September 2016)
 Ms J M Treloar (deputy member, appointed 28 September 2016)
 Ms A K Tschirner (appointed 28 September 2016)
 Ms S L Williams (deputy member, retired 28 August 2016)

* Denotes government employees

** Denotes statutory employee

The number of members whose remuneration received/receivable falls within the following bands:

	2017	2016
	Number of	Number of
	members	members
\$nil	59	60
\$1 - \$9 999	71	69
\$10 000 - \$19 999	8	6
\$20 000 - \$29 999	-	1
Total number of members	138	136

Individuals may be members of more than one Board, Committee or Group associated with DEWNR.

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and super contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$194 000 (2016: \$196 000).

* In accordance with the Premier and Cabinet's Circular Number 16, government employees did not receive any remuneration for board/committee duties during the financial year. Unless otherwise disclosed, transactions between members and DEWNR are on conditions no more favourable than those that it is reasonable to expect DEWNR would have adopted if dealing with the related party at arm's length in the same circumstances.

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

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

37 Events after the reporting period

DEWNR is not aware of any event occurring after balance date that would materially affect the financial statements.

38 Financial risk management/financial instruments

38.1 Financial risk management

Risk management is managed by DEWNR's corporate services section and departmental risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

DEWNR's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

DEWNR is funded principally from appropriations by the SA Government. DEWNR works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to note 25 for further information.

Credit and market risk

DEWNR has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

DEWNR does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. DEWNR does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the Government's risk management strategy articulated in TI 23 *Management of Foreign Currency Exposures*.

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

Refer notes 17, 18 and 21 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities. DEWNR's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

38.2 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 or the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: Held-to-maturity investments; receivables; and financial liabilities measured at cost are detailed below:

DEWNR does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 18 and 25).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer notes 2 and 21).

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

38 Financial risk management/financial instruments (continued)

Category of financial asset and financial liability	Notes	2017 Carrying amount/fair value \$'000	2017 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	17	144 329	144 329	-	-	-
Receivables ⁽¹⁾⁽²⁾	18	9 514	9 514	-	-	-
Financial assets	21	3	-	3	-	-
Total financial assets		153 846	153 843	3	-	-
Financial liabilities						
Payables ⁽¹⁾	25	30 677	30 677	-	-	-
Total financial liabilities		30 677	30 677	-	-	-

Category of financial asset and financial liability	Notes	2016 Carrying amount/fair value \$'000	2016 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets						
Cash and cash equivalents	17	147 428	147 428	-	-	-
Receivables ⁽¹⁾⁽²⁾	18	13 673	13 673	-	-	-
Financial assets	21	3	-	3	-	-
Total financial assets		161 104	161 101	3	-	-
Financial liabilities						
Payables ⁽¹⁾	25	18 623	18 623	-	-	-
Total financial liabilities		18 623	18 623	-	-	-

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Govt taxes, fees and charges; Auditor-General's Department audit fees. 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 levies, tax and equivalents 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).

⁽²⁾ Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 20 as prepaid supplies and services in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

39 South Australian Heritage Fund

The South Australian Heritage Fund (formerly the "State Heritage Fund") was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEWNR's financial statements. When incorporating these amounts into DEWNR's financial statements all transactions between the Fund and DEWNR have been eliminated.

Statement of Comprehensive Income for the Year Ended 30 June 2017	2017	2016
	\$'000	\$'000
Expenses		
Supplies and services	-	1
	-	1
Net cost of providing services	-	1
Revenues from SA Government	-	-
Net result	-	(1)

Statement of Financial Position as at 30 June 2017	2017	2016
	\$'000	\$'000
Current assets		
Cash	349	349
	349	349
Total assets	349	349
Net assets	349	349
Equity		
Retained earnings	349	349
Total equity	349	349

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

39 South Australian Heritage Fund (continued)

Statement of Changes in Equity for the Year Ended 30 June 2017

	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2015	350	350
Net result for 2015-16	(1)	(1)
Balance at 30 June 2016	349	349
Net result for 2016-17	-	-
Balance at 30 June 2017	349	349

Statement of Cash Flows for the Year Ended 30 June 2017

	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Cash outflows		
Payments for supplies and services	-	(1)
Total Cash used in operations	-	(1)
Cash generated from SA Government	-	-
Net cash (used in)/provided by operating activities	-	(1)
Cash at the beginning of the period	349	350
Cash at the end of the period	349	349

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

40 General Reserves Fund

The General Reserves Fund (the Fund) was established under section 45 of the *National Parks and Wildlife Act 1972* (the Act) to perform duties in relation to the development and management of reserves. Reserves include any national park, conservation park, game reserve, recreation park or regional reserve constituted under the Act. The functions of the Fund are to undertake programs that are directed to achieving the objectives prescribed in section 37 of the Act, through the operation of a Fund account. The Fund provisions are used as the mechanism to provide expanded visitor facilities and services to the park. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEWNR's financial statements. When incorporating these amounts into DEWNR's financial statements all transactions between the Fund and DEWNR have been eliminated.

Statement of Comprehensive Income for the Year Ended 30 June 2017	2017	2016
	\$'000	\$'000
Expenses		
Supplies and services	8	9
Grants and subsidies	14 366	13 860
Other	-	9
	14 374	13 878
Income		
Fees and charges	14 339	13 838
Interest	21	26
Other	14	14
	14 374	13 878
Net cost of providing services	-	-
Net result	-	-

Statement of Financial Position as at 30 June 2017	2017	2016
	\$'000	\$'000
Current assets		
Cash and cash equivalents	1 526	1 360
Receivables	739	999
Total current assets	2 265	2 359
Total assets	2 265	2 359
Current liabilities		
Payables	-	9
Other	-	85
Total current liabilities	-	94
Total liabilities	-	94
Net assets	2 265	2 265
Equity		
Retained earnings	2 265	2 265
Total equity	2 265	2 265

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

40 General Reserves Fund (continued)

Statement of Changes in Equity for the Year Ended 30 June 2017	Retained Earnings \$'000	Total \$'000
Balance at 1 July 2015	2 265	2 265
Net result for 2015-16	-	-
Balance at 30 June 2016	2 265	2 265
Net result for 2016-17	-	-
Balance at 30 June 2017	2 265	2 265

Statement of Cash Flows for the Year Ended 30 June 2016	2017 \$'000	2016 \$'000
Cash flows from operating activities		
Cash outflows		
Payments for supplies and services	(17)	(9)
Payments of grants and subsidies	(14 366)	(13 860)
Other payments	-	(9)
Total Cash used in operations	(14 383)	(13 878)
Cash inflows		
Fees and charges	14 514	13 555
Interest received	21	27
Other receipts	14	14
Total Cash used in operations	14 549	13 596
Net cash (used in)/provided by operating activities	166	(282)
Cash at the beginning of the period	1 360	1 642
Cash at the end of the period	1 526	1 360

Department of Environment, Water and Natural Resources
Statement of Administered Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits		350	323
Supplies and services		438	122
Grants and subsidies	A5	49 493	48 614
Expenses associated with joint operation	A13	11 115	10 494
Other		1 009	2 093
Total expenses		62 405	61 646
Income			
Fees and charges	A6	17 129	14 605
Grants	A7	13 612	14 112
Income associated with joint operation	A13	7 109	21 888
Interest		65	100
Assets received free of charge	A12	706	-
Net gain from the disposal of non-current assets	A9	4 618	692
Total Income		43 239	51 397
Net cost of providing services		19 166	10 249
Revenues from / payments to SA Government			
Revenues from SA Government	A8	19 056	19 179
Payments to SA Government	A8	(8 361)	(1 676)
Total net revenues from SA Government		10 695	17 503
Net result		(8 471)	7 254
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus	A12	17 988	16 254
Total other comprehensive income		17 988	16 254
Total comprehensive result		9 517	23 508

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

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Statement of Administered Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	A10	10 360	6 434
Receivables	A11	4 910	6 525
Total current assets		15 270	12 959
Non-current assets			
Property, plant and equipment	A12	1 369 164	1 358 351
Intangibles	A13	151 973	148 097
Total non-current assets		1 521 137	1 506 448
Total assets		1 536 407	1 519 407
Current liabilities			
Payables	A14	4 407	510
Total current liabilities		4 407	510
Total liabilities		4 407	510
Net assets		1 532 000	1 518 897
Equity			
Asset revaluation surplus		195 792	177 804
Retained earnings		1 336 208	1 341 093
Total equity		1 532 000	1 518 897

The total equity is attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Statement of Administered Changes in Equity
for the year ended 30 June 2017

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total equity \$'000
Balance at 30 June 2015		157 701	777 406	935 107
Error correction - property, plant and equipment		1 931	(546)	1 385
Error correction - receivables	A11	-	44	44
Error correction - payables	A14	-	3 009	3 009
Restated balance at 30 June 2015		159 632	779 913	939 545
Opening balance at 1 July 2015		159 632	779 913	939 545
Error correction - Crown lands		1 918	553 926	555 844
Restated opening balance at 1 July 2015		161 550	1 333 839	1 495 389
Net result for 2015-16		-	7 254	7 254
Changes in property, plant and equipment asset revaluation surplus	A12	16 254	-	16 254
Total comprehensive result for 2015-16		16 254	7 254	23 508
Balance at 30 June 2016		177 804	1 341 093	1 518 897
Opening balance at 30 June 2016				
Error correction - Crown lands	A12	-	3 586	3 586
Restated opening balance at 1 July 2016		177 804	1 344 679	1522 483
Net result for 2016-17		-	(8 471)	(8 471)
Changes in property, plant and equipment asset revaluation surplus	A12	17 988	-	17 988
Total comprehensive result for 2016-17		17 988	(8 471)	9 517
Balance at 30 June 2017		195 792	1 336 208	1 532 000

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

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Statement of Administered Cash Flows
for the year ending 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(350)	(323)
Payments for supplies and services		(432)	(122)
Payments of grants and subsidies		(50 209)	(48 009)
Cash used in operations		(50 991)	(48 454)
Cash inflows			
Fees and charges		17 736	14 605
Receipts from grants		13 611	14 250
Interest received		65	100
Cash generated from operations		31 412	28 955
Cash flows from SA government			
Receipts from SA government		19 056	19 179
Payments to SA government		(3 755)	(1 676)
Cash generated from SA government		15 301	17 503
Net cash (used in) operating activities	A10	(4 278)	(1 996)
Cash flows from investing activities			
Proceeds from the sale of property, plant and equipment		8 204	1 925
Net cash provided by investing activities		8 204	1 925
Net increase/(decrease) in cash and cash equivalents		3 926	(71)
Cash and cash equivalents at the beginning of the period		6 434	6 505
Cash and cash equivalents at the end of the period	A10	10 360	6 434

The above statement should be read in conjunction with the accompanying notes

Department of Environment, Water and Natural Resources
Schedule of Administered Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	Crown Lands		Minister's Other Payments		Special Acts Allocation	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	-	-	-	-	350	323
Supplies and services	438	122	-	-	-	-
Grants and subsidies	-	157	16 145	15 787	-	-
Expenses associated with joint operation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenses	438	279	16 145	15 787	350	323
Income						
Fees and charges	8	19	-	-	-	-
Grants	-	-	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Assets received free of charge	706	-	-	-	-	-
Net gain from disposal of non-current assets	4 618	692	-	-	-	-
Total income	5 332	711	-	-	-	-
Net cost of / (benefit from) providing services	(4 894)	(432)	16 145	15 787	350	323
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	16 214	15 836	350	318
Payments to SA Government	(8 361)	(1 676)	-	-	-	-
Total net revenues from SA Government	(8 361)	(1 676)	16 214	15 836	350	318
Net result	(3 467)	(1 244)	69	49	-	(5)
Other comprehensive income						
Changes in property, plant and equipment asset revaluation surplus	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive result	(3 467)	(1 244)	69	49	-	(5)

Department of Environment, Water and Natural Resources
Schedule of Administered Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	National Landcare Program		Natural Heritage Trust		NRM Fund	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Grants and subsidies	13 729	14 248	128	-	19 491	18 422
Expenses associated with joint operation	-	-	-	-	-	-
Other	-	-	-	-	1 009	2 093
Total expenses	13 729	14 248	128	-	20 500	20 515
Income						
Fees and charges	-	-	-	-	17 136	14 590
Grants	13 612	14 112	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	13	11	-	-	52	88
Assets received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Total income	13 625	14 123	-	-	17 188	14 678
Net cost of / (benefit from) providing services	104	125	128	-	3 312	5 837
Revenues from / payments to SA Government						
Revenues from SA Government	-	-	-	-	2 478	3 011
Payments to SA Government	-	-	-	-	-	-
Total net revenues from SA Government	-	-	-	-	2 478	3 011
Net result	(104)	(125)	(128)	-	(834)	(2 826)
Other comprehensive income						
Changes in property, plant and equipment asset revaluation surplus	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive result	(104)	(125)	(128)	-	(834)	(2 826)

Department of Environment, Water and Natural Resources
Schedule of Administered Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	Pastoral Board		National Action Plan for Salinity and Water Quality		Qualco Sunlands	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses						
Employee benefits	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-
Grants and subsidies	-	-	-	-	-	-
Expenses associated with joint operation	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total expenses	-	-	-	-	-	-
Income						
Fees and charges	-	-	-	-	-	-
Grants	-	-	-	-	-	-
Income associated with joint operation	-	-	-	-	-	-
Interest	-	-	-	1	-	-
Assets received free of charge	-	-	-	-	-	-
Net gain from disposal of non-current assets	-	-	-	-	-	-
Total income	-	-	-	1	-	-
Net cost of / (benefit from) providing services	-	-	-	(1)	-	-
Revenues from / payments to SA Government						
Revenues from SA Government	14	14	-	-	-	-
Payments to SA Government	-	-	-	-	-	-
Total net revenues from SA Government	14	14	-	-	-	-
Net result	14	14	-	1	-	-
Other comprehensive income						
Changes in property, plant and equipment asset revaluation surplus	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-
Total comprehensive result	14	14	-	1	-	-

Department of Environment, Water and Natural Resources
Schedule of Administered Expenses and Income Attributable to Administered Activities
for the year ended 30 June 2017

	DEWNR Corporate Admin Items		Total	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Expenses				
Employee benefits	-	-	350	323
Supplies and services	-	-	438	122
Grants and subsidies	-	-	49 493	48 614
Expenses associated with joint operation	11 115	10 494	11 115	10 494
Other	-	-	1 009	2 093
Total expenses	11 115	10 494	62 405	61 646
Income				
Fees and charges	(15)	(4)	17 129	14 605
Grants	-	-	13 612	14 112
Income associated with joint operation	7 109	21 888	7 109	21 888
Interest	-	-	65	100
Assets received free of charge	-	-	706	-
Net gain from disposal of non-current assets	-	-	4 618	692
Total income	7 094	21 884	43 239	51 397
Net cost of / (benefit from) providing services	4 021	(11 390)	19 166	10 249
Revenues from / payments to SA Government				
Revenues from SA Government	-	-	19 056	19 179
Payments to SA Government	-	-	(8 361)	(1 676)
Total net revenues from SA Government	-	-	10 695	17 503
Net result	(4 021)	11 390	(8 471)	7 254
Other comprehensive income				
Changes in property, plant and equipment asset revaluation surplus	17 988	16 254	17 988	16 254
Total other comprehensive income	17 988	16 254	17 988	16 254
Total comprehensive result	13 967	27 644	9 517	23 508

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Administered items of the Department of Environment, Water and Natural Resources

A1 Reporting entities and strategic context

The activities of the administered items are:

Crown Lands

Crown Lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus South Australian government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance's Consolidated Account.

Minister's other payments

Grants and subsidies payments of \$16.145 million (2016: \$15.787 million) approved by the Minister for Sustainability, Environment and Conservation were made to community organisations, associations and local government. This includes grants made to Zoo SA \$5.604 million (2016: \$5.486 million); Adelaide City Council \$1.505 million (2016: \$1.486 million); Stormwater Management Authority \$5.120 million (2016: \$4.995 million); South Eastern Water Conservation and Drainage Board \$2.293 million (2016: \$2.237 million); Native Vegetation Fund \$1.108 million (2016: \$1.080 million); Coast Protection Fund \$0.515 million (2016: \$0.503 million).

Special Acts Allocation

This item comprises salary and allowance payments for the Minister for Sustainability, Environment and Conservation.

National Landcare Program

The National Landcare Program is administered by the Commonwealth and South Australia Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Commonwealth) and Section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Commonwealth).

The program is fully Commonwealth funded and disbursed based on Commonwealth approval.

Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the *Natural Resources Management Act 2004* (NRM Act). The Minister for Sustainability, Environment and Conservation administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRM Act. This may also include making any payment required, or authorised by or under the NRM Act or any other law. The balance of the NRM Fund at 30 June was \$3.475 million (2016: \$2.317 million).

Some activities have been restructured to assist in the interpretation of the financial transactions relating to the NRM Fund.

Natural Resources Management Boards

The Natural Resources Management Boards (NRM Boards) were established pursuant to subsection 23(1) of the NRM Act. DEWNR administers various revenues and expenses on account of the NRM Boards.

Specific provisions of the NRM Act require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRM Act:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A1 Reporting entities and strategic context (continued)

(i) Government appropriations

DEWNR receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRM Act.

	2017 \$'000	2016 \$'000
Regional NRM Board		
Alinyjara Wilurara NRM Board	1 058	1 029
Kangaroo Island NRM Board	1 058	1 029
South Australian Arid Lands NRM Board	363	953
	2 479	3 011

(ii) Water levies

Water levies are collected for prescribed water resources under section 101 of the NRM Act. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRM Act.

(iii) Penalties

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRM Act.

(iv) Expiation fees and other penalties

Expiation fees and penalties are recovered in respect of offences against the NRM Act (that is for unlawful possession of animals or plants). Unlike penalties declared under section 115 of the NRM Act, they are not required to be paid to regional NRM Boards.

Pastoral Board

The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Board provides advice to the Minister for Sustainability, Environment and Conservation on the policies that should govern the administration of pastoral land.

National Action Plan for Salinity and Water Quality

The National Action Plan (NAP) is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments make progressive contributions to a single holding account.

Disbursement of funds from the account is by agreement between the parties. Funding for NAP ceased on 30 June 2008 with the majority of projects completed by 31 December 2009.

The Commonwealth requested that the Commonwealth share of unspent funds held be returned and elected to allocate remaining funds held in the NAP holding account to existing State agency and Natural Resources Management Board competitive projects approved under the Caring for our Country Program in accordance with clause 13.2c and 20.4 of the 'Transitional Arrangement and Financial Agreement between the Australian Government and State of South Australia for implementation of Caring for our Country' during 2011-12.

Qualco Sunlands

The *Ground Water (Qualco-Sunlands) Control Act 2000* established a scheme managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. Upon request from the Trust, DEWNR provides a temporary grant, sourced from the Department of Treasury and Finance (DTF), to carry out the specified works. The Trust facilitates the required work, and recharges irrigators for the work undertaken. Once fully collected, the Trust returns the temporary funds to DEWNR for on-passing back to DTF.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A2 Administered item's financial arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the *Public Finance and Audit Act 1987*. The financial activities of Administered Items that do not have their own deposit account are conducted through the DEWNR's deposit account.

DEWNR conducts a large number of activities directed towards meeting the administered items objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within DEWNR who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered Financial Statements.

A3 Administered item's summary of significant accounting policies

The Administered Financial Statements detail the sum of the individual administered items revenues, expenses, assets, liabilities, changes in equity and cash flows. As such the principles of consolidation have not been applied in preparing the financial statements as the definition of an economic entity has not been satisfied. Accordingly, transactions between the individual administered items have not been eliminated.

In general, the administered items adopt the accounting policies of DEWNR, as detailed in note 2 of DEWNR's financial statements. Deviations from these policies are as follows:

Property, plant and equipment

Property, plant and equipment includes land. DEWNR is the custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and held by the Minister, either as freehold or reverted land, is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Refer to note A12 for further information on the treatment and valuation of land.

Employee benefits

In general, administered items utilise the services of contractors or DEWNR employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DEWNR employees are provided free of charge. If, however, the services provided by DEWNR employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee for service (cost recovery) basis. The liability for employee benefits arising from services rendered by DEWNR employees is not recognised in the administered financial statements as DEWNR is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DEWNR's financial statements.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A4 Budgetary reporting and explanations of major variances between budget and actual amounts

The following are brief explanations of variances between restated budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10 per cent of the restated budgeted amount and 5 per cent of budgeted total expenses.

		Original ¹		
		Budget	Actual	Variance
		2017	2017	2017
Statement of Administered Comprehensive Income	Note	\$'000	\$'000	\$'000
Expenses				
Employee benefits		357	350	(7)
Supplies and services		629	438	(191)
Grants and subsidies		47 187	49 493	2 306
Expenses associated with joint operation	a	-	11 115	11 115
Other	b	9 697	1 009	(8 688)
Total expenses		57 870	62 405	4 535
Income				
Fees and charges		14 679	17 129	2 450
Grants		13 715	13 612	(103)
Income associated with joint operation	a	-	7 109	7 109
Interest		-	65	65
Assets received free of charge		-	706	706
Net gain from the disposal of non-current assets	c	-	4 618	4 618
Other		250	-	(250)
Total income		28 644	43 239	14 595
Net cost of providing services		29 226	19 166	(10 060)
Net revenues from / payments to SA Government				
Revenues from SA government		19 550	19 056	(494)
Payments to SA government	b	-	(8 361)	(8 361)
Total net revenues from SA Government		19 550	10 695	(8 855)
Net result		(9 676)	(8 471)	1 205
Other comprehensive income				
Items that will not be reclassified to net result				
Changes in property, plant and equipment asset revaluation surplus	d	-	17 988	17 988
Total comprehensive income		-	17 988	17 988
Total comprehensive result		(9 676)	9 517	19 193

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements.

- a. This variance is due to the non-budgeting of recognition of South Australia's share of income and expenses associated with the joint operation.
- b. The budget includes an amount of \$9.6 million in receipts paid to Consolidated Account. The actual figure for this item is reported under Payments to SA Government.
- c. The variance is due to the non-budgeting of the net gain from the disposal of Crown Land during 2016-17.
- d. The variance is due to the non-budgeting of South Australia's share of the gain on revaluation of joint operation property, plant and equipment.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A4 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

	Original ¹		
	Budget	Actual	Variance
	2017	2017	2017
	\$'000	\$'000	\$'000
Investing expenditure summary			
Total new projects	e 293	-	(293)
Total annual program	4	-	(4)
Total investing expenditure	297	-	(297)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

- e. The variance was due to the postponement of the transfer of Monarto native vegetation land from PIRSA to DEWNR.

A5 Grants and subsidies

	2017	2016
	\$'000	\$'000
Caring for our Country	13 729	14 248
Crown Lands	-	157
Minister's Other Payments	16 145	15 787
Payments to Natural Resource Management Boards	19 491	18 422
Total grants and subsidies	49 493	48 614

A6 Revenues from fees and charges

	2017	2016
	\$'000	\$'000
Water levies received from licence holders	16 354	14 055
Penalties	782	535
Crown Lands	8	19
DEWNR Corporate Administered Items	(15)	(4)
Total revenues from fees and charges	17 129	14 605

A7 Grants revenues

	2017	2016
	\$'000	\$'000
National Landcare Program	13 612	14 112
Total grant revenues	13 612	14 112

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A8 Revenues from / payments to SA Government

	2017	2016
	\$'000	\$'000
Recurrent Appropriations	19 056	19 179
Payments to Consolidated Account	(8 361)	(1 676)
Total revenues from / payments to SA Government	10 695	17 503

A9 Net gain from the disposal of non-current assets

	2017	2016
	\$'000	\$'000
Crown land		
Proceeds from disposal	8 204	1 925
Less net book value of assets disposed	(3 586)	(1 233)
Net gain from disposal	4 618	692
Total assets		
Total proceeds from disposal	8 204	1 925
Less total net book value of assets disposed	(3 586)	(1 233)
Total net gain from disposal of non-current assets	4 618	692

A10 Administered cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
National Landcare Program	431	536
Crown Lands	5 140	1 192
Natural Heritage Trust	14	142
Natural Resource Management Fund	3 475	2 317
Pastoral Board	99	85
National Action Plan for Salinity and Water Quality	36	36
Adelaide Dolphin Sanctuary	1	1
The Department's Corporate Administrative Items	1 164	2 125
Cash and cash equivalents disclosed in the Statement of Financial Position	10 360	6 434
Balance as per administered cash flows	10 360	6 434
Reconciliation of net cash provided by / used in operating activities to net result		
Net cash used in operating activities	(4 278)	(1 996)
Less revenues from SA Government	(19 056)	(19 179)
Add payments to SA Government	8 361	1 676
Add/(less) Non-cash Items		
Expenses associated with joint operation	(11 115)	(10 494)
Income associated with joint operation	7 109	21 888
Assets received free of charge	706	-
Net gain from disposal of non-current assets	4 618	692
Movements in assets and liabilities		
(Decrease)/increase in receivables	(1 615)	(2 231)
(Increase)/decrease in payables	(3 896)	(605)
Net cost of providing services	(19 166)	(10 249)

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A11 Receivables

	2017 \$'000	2016 \$'000
Receivables reflected as current assets at 30 June comprised the following		
Water levies	1 230	1 460
Penalties	4 032	4 884
Accrued interest	5	5
Other	326	740
Less Allowance for doubtful debts	(683)	(564)
Total receivables	4 910	6 525

Error correction

An error correction of \$0.044 million has been disclosed in the Statement of Changes in Equity in respect of the 2014-15 financial year. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a net increase to receivables. The error correction related to historical variances in the Water Licensing subsidiary ledger (WILMA).

A12 Property, plant and equipment

	2017 \$'000	2016 \$'000
Crown Land		
Independent valuation	590 555	589 849
Total Crown Land	590 555	589 849
Pastoral Land		
Independent valuation	54 116	54 116
Total Pastoral Land	54 116	54 116
Buildings and improvements		
At cost	19	19
Accumulated depreciation	(19)	(19)
Total buildings and improvements	-	-
Park infrastructure		
At cost	88	88
Accumulated depreciation	(88)	(88)
Total park infrastructure	-	-
Roads, tracks and trails		
At cost	6	6
Accumulated depreciation	(6)	(6)
Total roads, tracks and trails	-	-
Joint operation property, plant and equipment		
Joint operation property, plant and equipment	724 493	714 386
Total property, plant and equipment	1 369 164	1 358 351

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A12 Property, plant and equipment (continued)

Asset Revaluations

Crown Land

During the previous reporting period DEWNR independently revalued its Crown Land. The independent revaluation was undertaken by Certified Practising Valuers, Mr Mark Kay, Chief Valuer, State Valuation Office and Mr Greg McCloud, Acquisition & Procurement Valuer, State Valuation Office. A market based method was used by comparing property data to that of similar sales with consideration of restrictions on use and/or zoning, property size and shape, topography, location, sale date and market movement, if any, and other relevant factors specific to the land being valued.

Movement reconciliation of property, plant and equipment

2017			Joint operation	2017
	Crown Land	Pastoral Land	PP&E	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	589 849	54 116	714 386	1 358 351
Error correction - Crown Lands	3 586	-	-	3 586
Restated opening balance at 1 July	593 435	54 116	714 386	1 361 937
Assets received for nil consideration	706	-	-	706
Disposals	(3 586)	-	-	(3 586)
Joint operations net additions, disposal, other movements	-	-	(7 881)	(7 881)
Subtotal	(2 880)	-	(7 881)	(10 761)
Gains/(losses) for the period recognised in other comprehensive income:				
Net revaluation increment/(decrement)	-	-	17 988	17 988
Subtotal	-	-	17 988	17 988
Carrying amount at 30 June	590 555	54 116	724 493	1 369 164

2016			Joint operation	2016
	Crown Land	Pastoral Land	PP&E	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	35 238	54 116	705 402	794 756
Adjustment for Crown Lands not previously recognised	555 844	-	-	555 844
Restated opening balance at 1 July	591 082	54 116	705 402	1 350 600
Disposals	(1 233)	-	-	(1 233)
Joint operations net additions, disposal, other movements	-	-	(7 270)	(7 270)
Subtotal	(1 233)	-	(7 270)	(8 503)
Gains/(losses) for the period recognised in other comprehensive income:				
Net revaluation increment/(decrement)	-	-	16 254	16 254
Subtotal	-	-	16 254	16 254
Carrying amount at 30 June	589 849	54 116	714 386	1 358 351

Error correction

An error correction of \$3.586 million adjusted against retained earnings at 1 July 2016 has been disclosed in the Administered Statement of Changes in Equity. The error correction is in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises an increase in the carrying value of Crown Land assets.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A12 Property, plant and equipment (continued)

The error correction was required to recognise Crown Land that had previously been under the dedication and control of other entities, including other Government agencies and holders of leases, including Pastoral leases. Information was not available to be comprehensively verified nor valued in prior reporting periods, hence DEWNR determined it was impractical to apply retrospective restatement of prior year Crown Land balances in either the Statement of Administered Financial Position or the Administered Statement of Changes in Equity.

A13 Interest in joint operation

The Minister, on behalf of the State of South Australia has an interest in a joint operation, the Murray-Darling Basin Authority (MDBA) represented by the River Murray Operations and the Living Murray Initiative.

On 3 July 2008, the Commonwealth Government and the Government of New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (the participants) entered into the Intergovernmental agreement for the *Murray-Darling Basin Forms* (the Reform IGA). The Reform involved the government participants entering into a new *Murray-Darling Basin Agreement* (MDB Agreement) and the Intergovernmental Agreement on *Murray-Darling Basin Reform - referral* (the Referral IGA).

The MDB Agreement essentially dissolved the Murray-Darling Basin Commission (MDBC) and established the Murray-Darling Basin Authority (MDBA), Ministerial Council, Basin Officials Committee and the Basin Community Committee. Under the revised arrangement, the participants have a joint interest in the infrastructure assets and water rights. The state of South Australia's interest in the arrangement is 26.67 percent.

The MDBA was established under the Commonwealth *Water Act 2007* as an independent, expertise based statutory agency and are responsible for developing, implementing and monitoring the Basin Plans. The MDBA undertakes activities that support the sustainable and integrated management of the water resources of the Murray-Darling Basin in a way that meets the social, economic and environmental needs of the Basin and its communities.

Two unincorporated joint arrangements were established under the MDBA to hold assets on behalf of the participants through separate agreements called the "Asset Agreement for River Murray Operations Assets" (RMO) and the "Further Agreement on Addressing Over Allocation and Achieving Environmental Objectives in the Murray-Darling Basin - Control and Management of Living Murray Assets" (LMI). The principal place of the operation is in Australia. The participants are obliged to provide funding to the MDBA for the management of the RMO and LMI assets and operations.

The agreements in relation to the Murray Darling Basin Agreement joint arrangement require unanimous consent from all parties for all relevant activities. The participants own the infrastructure assets and water rights of the joint arrangements, which are being managed through the RMO and LMI and there are no liabilities held for either RMO and LMI. The arrangement is therefore classified as a joint operation and DEWNR recognises, on behalf of the state, its direct right to the jointly held assets, revenues and expenses based on the percentage interest as described in the table below.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A13 Interest in joint operation (continued)

Name of entity	Principal activity	Country of incorporation	Ownership interest	
			2017 %	2016 %
Murray Darling Basin Authority	To undertake activities that support the sustainable and integrated management of water resources of the Murray-Darling Basin	Australia	26.67%	26.67%
Joint operation assets, income and expenses accounted for using the proportionate consolidation method are detailed below				
			2017 \$'000	2016 \$'000
Murray Darling Basin Authority				
Non-current assets				
Property, plant and equipment				
Infrastructure Assets			700 858	692 935
Work in Progress			18 224	15 970
Other property, plant and equipment assets			5 411	5 481
Intangibles - Water entitlements			151 973	148 097
Total non-current assets			876 466	862 483
Total assets			876 466	862 483
Income			7 109	21 888
Expenses			11 115	10 494

Refer note 7 of the DEWNR Controlled financial statements for details of the State's grant payment made to the MDBA.

The 2016 and 2017 figures were based on the audited RMO and LMI financial statements.

Contingencies and commitments

There are no contingencies or commitments arising from DEWNR's interest in the joint operation.

A14 Payables

	2017 \$'000	2016 \$'000
Current		
Accrued expenses	6	-
Creditors	4 184	165
Other	217	345
Total current payables	4 407	510

Error correction

An error correction of \$3.009 million has been disclosed in the Statement of Changes in Equity in respect of the 2014-15 financial year. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a net decrease to payables. The error correction related to the over-accrual of payables within the NRM Fund in previous financial years.

Department of Environment, Water and Natural Resources
Notes to and forming part of the financial statements
for the year ended 30 June 2017

A15 Contingent assets and liabilities

A contingent asset is acknowledged whereby the Minister for Water and the River Murray has an exclusive right to access 40ML per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. DEWNR is not aware of the existence of any other contingent liabilities.

Department of Environment, Water and Natural Resources Certification of the Financial Statements

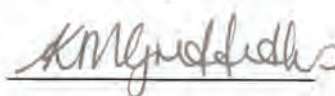
We certify that the attached general purpose financial statements for the Department of Environment, Water and Natural Resources:

- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the department; and
- present a true and fair view of the financial position of the Department of Environment, Water and Natural Resources as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Department of Environment, Water and Natural Resources for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Ben Bruce
A/Chief Executive
Department of Environment,
Water and Natural Resources
14 September 2017



Michelle Griffiths
Chief Financial Officer
Department of Environment,
Water and Natural Resources
14 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Department of Environment, Water and Natural Resources

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department of Environment, Water and Natural Resources for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department of Environment, Water and Natural Resources as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- Disaggregated Disclosures - Expenses and Income for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2017
- a Statement of Administered Financial Position as at 30 June 2017
- a Statement of Administered Changes in Equity for the year ended 30 June 2017
- a Statement of Administered Cash Flows for the year ended 30 June 2017
- a Schedule of Administered Expenses and Income attributable to administered activities for the year ended 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information for administered items
- a Certificate from the Acting Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Department of Environment, Water and Natural Resources. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

21 September 2017

Flinders University of South Australia

Financial report
for the year ended
31 December 2016

Income Statement for the year ended 31 December 2016

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Income from continuing operations					
Australian Government financial assistance					
Australian Government grants	3	234,041	230,381	234,041	230,381
HELP - Australian Government payments	3	98,477	93,349	98,477	93,349
State and local Government financial assistance	4	8,434	9,613	8,466	9,613
HECS-HELP - Student payments		7,541	8,111	7,541	8,111
Fees and charges	5	94,070	82,801	93,994	82,628
Investment revenue	6	6,399	7,825	5,958	8,505
Royalties, trademarks & licences	7	1,293	3,049	921	2,766
Consultancy and contracts	8	8,698	9,152	8,081	8,746
Other revenue	9	26,107	21,319	14,806	11,514
Gains on disposal of assets		1,263	-	1,263	-
Share of profit or loss on investments accounted for using the equity method	21	976	281	-	-
Other investment income	6	2,510	-	2,642	-
Other income	9	386	427	386	427
Total income from continuing operations		490,195	466,308	476,576	456,040
Expenses from continuing operations					
Employee related expenses	10	313,526	297,881	302,997	288,908
Depreciation and amortisation	11	33,869	29,961	33,522	29,711
Repairs and maintenance	12	12,533	13,359	12,302	13,215
Borrowing Costs	13	276	370	276	370
Impairment of assets	14	528	305	1,022	384
Losses on disposal of assets		-	5,998	-	6,001
Investment losses	6	-	1,359	-	1,807
Other expenses	15	101,877	102,727	99,051	99,051
Total expenses from continuing operations		462,609	451,960	449,170	439,447
Net result for the year		27,586	14,348	27,406	16,593
Net result attributable to non-controlling interest		(99)	(6)	-	-
Net result attributable to members of The Flinders University of South Australia		27,685	14,354	27,406	16,593

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income for the year ended 31 December 2016

	Note	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Net result for the year		27,586	14,348	27,406	16,593
Items that maybe reclassified to profit or loss					
Gain / (loss) on value of available for sale financial assets	29	1,902	7,142	484	5,381
Total		1,902	7,142	484	5,381
Items that will not be reclassified to profit or loss					
Gain / (loss) on revaluation of land, buildings, library and artwork	29	9,884	-	9,884	-
Total		9,884	-	9,884	-
Total comprehensive income		39,372	21,490	37,774	21,974
Total comprehensive income attributable to non-controlling interest		(99)	(6)	-	-
Total comprehensive income attributable to the University		39,471	21,496	37,774	21,974
Total comprehensive income attributable to members of The Flinders University of South Australia		39,372	21,490	37,774	21,974

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 31 December 2016

		Consolidated		University	
	Note	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Assets					
Current assets					
Cash and cash equivalents	16	56,142	47,582	55,003	45,576
Receivables	17	18,882	22,319	17,826	22,072
Inventories	18	338	387	195	241
Other financial assets	19	19,658	9,375	19,658	9,375
Other non-financial assets	20	8,927	8,167	8,821	8,063
Total current assets		103,947	87,830	101,503	85,327
Non-current assets					
Receivables	17	46,928	48,927	46,928	48,927
Investments accounted for using the equity method	21	976	300	-	-
Other financial assets	19	60,968	56,305	61,156	58,198
Property, plant and equipment	23	602,093	587,761	600,381	586,199
Investment property	22	8,800	8,300	8,800	8,300
Intangible assets	24	19,215	17,762	18,231	16,992
Other non-financial assets	20	4,059	4,022	4,059	4,022
Total non-current assets		743,039	723,377	739,555	722,638
Total assets		846,986	811,207	841,058	807,965
Liabilities					
Current liabilities					
Trade and other payables	25	34,131	35,518	31,330	33,325
Borrowings	26	1,743	1,643	1,743	1,643
Provisions	27	23,654	23,491	22,793	22,603
Other liabilities	28	12,522	9,892	12,850	10,722
Total current liabilities		72,050	70,544	68,716	68,293
Non-current liabilities					
Trade and other payables	25	3,594	4,081	3,417	3,904
Borrowings	26	2,450	4,193	1,850	3,593
Provisions	27	70,901	73,768	70,848	73,722
Total non-current liabilities		76,945	82,042	76,115	81,219
Total liabilities		148,995	152,586	144,831	149,512
Net assets		697,991	658,621	696,227	658,453
Equity					
University interest					
Reserves	29	162,780	150,994	166,113	155,745
Retained earnings	29	535,144	507,459	530,114	502,708
University interest		697,924	658,453	696,227	658,453
Non-controlling interest		67	168	-	-
Total equity		697,991	658,621	696,227	658,453

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 December 2016

	Reserves \$'000	Retained Earnings \$'000	Total Group Interest \$'000	Non- controlling Interest \$'000	Total \$'000
Consolidated					
Balance as at 1 January 2015	143,852	493,105	636,957	552	637,509
Net result	-	14,354	14,354	(6)	14,348
Gain on revaluation of available-for-sale financial assets	7,142	-	7,142	-	7,142
Total comprehensive income	7,142	14,354	21,496	(6)	21,490
Recognition of non-controlling interest	-	-	-	(378)	(378)
Balance at 31 December 2015	150,994	507,459	658,453	168	658,621
 Balance at 1 January 2016	 150,994	 507,459	 658,453	 168	 658,621
Net result	-	27,685	27,685	(99)	27,586
Gain on revaluation of land, buildings, infrastructure, library and artwork	9,884	-	9,884	-	9,884
Gain on revaluation of available-for-sale financial assets	1,902	-	1,902	-	1,902
Total comprehensive income	11,786	27,685	39,471	(99)	39,372
Recognition of non-controlling interest	-	-	-	(2)	(2)
Balance at 31 December 2016	162,780	535,144	697,924	67	697,991
 University					
Balance as at 1 January 2015	150,364	486,115	636,479		
Net result	-	16,593	16,593		
Gain on revaluation of available-for-sale financial assets	5,381	-	5,381		
Total comprehensive income	5,381	16,593	21,974		
Balance at 31 December 2015	155,745	502,708	658,453		
 Balance at 1 January 2016	 155,745	 502,708	 658,453		
Net result	-	27,406	27,406		
Gain on revaluation of land, buildings, infrastructure, library and artwork	9,884	-	9,884		
Gain on revaluation of available-for-sale financial assets	484	-	484		
Total comprehensive income	10,368	27,406	37,774		
Balance at 31 December 2016	166,113	530,114	696,227		

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 31 December 2016

		<i>Consolidated</i>		<i>University</i>	
	<i>Note</i>	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Cash flows from operating activities					
Inflows:					
Australian Government Grants	3(g)	336,900	318,032	336,900	318,032
OS-HELP (net)	3(g)	1,141	835	1,141	835
Superannuation Supplementation	3(g)	3,295	2,848	3,295	2,848
State Government Grants		9,163	11,166	9,195	11,166
Local Government Grants		43	12	43	12
HECS-HELP – Student payments		7,541	8,111	7,541	8,111
Receipts from student fees and other customers		137,055	119,548	124,053	108,458
Dividends received		2,118	1,860	1,708	1,422
Interest received		2,180	3,401	2,149	3,369
Other investment income		2,722	3,104	2,722	3,173
GST recovered / (paid)		6,871	10,037	6,871	10,037
Outflows:					
Payments to suppliers and employees (inclusive of GST)		(445,783)	(421,803)	(432,807)	(409,909)
Interest and other costs of finance		(276)	(370)	(276)	(370)
Net cash provided by / (used in) operating activities	40	62,970	56,781	62,535	57,184
Cash flows from investing activities					
Inflows:					
Proceeds from sale of property, plant & equipment		1,603	282	1,603	282
Proceeds from sale of financial assets		4,591	42,372	4,591	41,967
Repayment of loans by related parties		-	170	-	170
Increase/(Decrease) in funds held on behalf of other entities		(1,035)	-	(1,035)	-
Outflows:					
Payments for property, plant and equipment		(42,220)	(77,078)	(41,361)	(76,596)
Payments for financial assets		(15,706)	(2,510)	(15,263)	(2,510)
Net cash provided by / (used in) investing activities		(52,767)	(36,764)	(51,465)	(36,687)
Cash flows from financing activities					
Inflows:					
Proceeds from borrowings		-	600	-	-
Outflows:					
Repayment of finance leases		(1,643)	(1,549)	(1,643)	(1,549)
Net cash provided by / (used in) financing activities		(1,643)	(949)	(1,643)	(1,549)
Net increase/ (decrease) in cash and cash equivalents		8,560	19,068	9,427	18,948
Cash and cash equivalents at beginning of the financial year		47,582	28,514	45,576	26,628
Cash and cash equivalents at the end of the financial year	1(g), 16	56,142	47,582	55,003	45,576
Financing arrangements	26				
Non-cash financing and investing activities	41				

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented unless otherwise stated. The financial statements include separate statements for Flinders University as the parent entity and Flinders University and its subsidiaries as the Consolidated entity.

The principal address of Flinders University is:

Sturt Road
Bedford Park
South Australia 5042

(a) Basis of preparation

The annual financial statements represent the audited general purpose financial statements of Flinders University. They have been prepared on an accrual basis and comply with the Australian Accounting Standards.

Flinders University applies Tier 1 reporting requirements.

Additionally, the statements have been prepared in accordance with the following statutory requirements:

- *Higher Education Support Act 2003* (Financial Statement Guidelines)
- *relevant provisions of the Treasurer's Instructions issued pursuant to the Public Finance and Audit Act 1987 and the Accounting Policy Framework issued pursuant to the Treasurer's Instructions, except where they conflict with the Department of Education and Training Guidelines.*

Flinders University is a not-for-profit entity and these statements have been prepared on that basis. Some of the Australian Accounting Standards requirements for not-for-profit entities are inconsistent with the IFRS requirements.

The financial report has been prepared based on a twelve month operating cycle and is presented in Australian dollars.

Date of authorisation for issue

The financial statements were authorised for issue by the Council members of Flinders University on 11 May 2017.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The main items with critical assumptions are superannuation receivable and provision, valuation of property, plant and equipment, long service leave liability and depreciation.

(b) Basis of consolidation

(i) Subsidiaries

The Consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December 2016 and the results of all subsidiaries for the year then ended. The University and its subsidiaries together are referred to in this financial report as the Group or the Consolidated entity.

The financial statements of the Consolidated entity comprise the accounts of Flinders University (the Parent entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of subsidiaries is contained in Note 35.

Intercompany transactions, balances and unrealised gains on transactions between members of the Consolidated entity are eliminated to the extent of the Consolidated entity's interest in the subsidiaries. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the Consolidated statement of comprehensive income, statement of financial position and statement of changes in equity respectively.

(ii) Associates

Associates are all entities over which the Consolidated entity has significant influence but not control. If material, investments in associates are accounted for in the University's financial statements using the cost method and in the Consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

(iii) Joint Arrangements

Under AASB 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

The University has an interest in a number of joint operations. The University's share of assets, liabilities, revenue and expenses have been incorporated in the University's financial statements under the appropriate headings. Details of joint operations are set out in Note 36.

Joint ventures

The University has an interest in a number of joint venture entities.

If material, the interest in a joint venture entity is accounted for in the Consolidated financial statements using the equity method and is carried at cost by the University. Under the equity method, the share of profits or losses of the entity is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the statement of comprehensive income and the statement of changes in equity. Details relating to the entities are set out in Note 36.

Note 1 Summary of significant accounting policies

(c) Foreign currency translation***(i) Functional and presentation currency***

The Consolidated financial statements are presented in Australian dollars which is the Consolidated entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement. Note 42 discloses foreign currency monetary items outstanding at balance date.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

(i) Government grants

Grant revenue is recognised in the year that the University gains control of the revenue which is generally when it is received. Where the University obtains control of the right to receive the grant and when revenue recognition criteria are met, the grant revenue is recognised in the period to which it relates.

Note disclosure is made in Notes 3 & 4.

(ii) Student fees and charges

Student tuition fees and charges are recognised as income in the year in which the service is provided. Note disclosure is made in Note 5.

(iii) Consultancy and contract research

Revenue from consultancy and contract research is recognised in the period in which the consultancies/contract services are provided. Research grant revenue is recognised as revenue when received. Note disclosure is made in Note 8.

(iv) Donations

Donations are received in cash and non-cash forms. Non cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in Note 9.

(v) Investment revenue and income

Interest revenue is recognised as it accrues. Dividend revenue and imputation credits are recognised only when declared before the 31 December reporting date.

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as "financial assets at fair value through profit and loss" are included in the Net Operating Result. For "Available for sale investments" and investments classified as "Other financial assets", realised gains are included in the Net Operating Result while unrealised gains and losses are taken to the Available for Sale Revaluation Surplus for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in Note 6.

(e) Leases***(i) University as lessee***

Leases of property, plant and equipment where the Consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are classified as borrowings. Note disclosure is made in Note 26. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term. Note disclosure is made in Note 23.

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates. Note disclosure is made in Note 33(b).

(ii) University as lessor

The University leases space in its investment property to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff. The leases are all classified as operating leases.

Note disclosure is made in Note 33(b).

(f) Impairment of assets

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where impairment exists, the University recognises an impairment loss in the Income Statement. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(g) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank accounts are recognised at nominal amounts. Note disclosure is made in Note 16.

(h) Receivables

Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in Note 17.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that amounts due according to the original terms will not be able to be collected. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency

Note 1 Summary of significant accounting policies

in payments are considered indicators that the trade receivable is impaired.

Details regarding the receivable from the Australian Government relating to the State Super Scheme are disclosed in Note 1(u)(v) Superannuation.

(i) Investments and other financial assets

(i) Recognition

Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the Consolidated financial statements and the cost method in the University's financial statements.

In accordance with AASB 139 *Financial Instruments: Recognition and Measurement* other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. In the case of assets classified as held-to-maturity, the University re-evaluates this designation at each reporting date.

(ii) Financial assets at fair value through profit or loss

The Consolidated entity has classified certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

(iii) Loans and receivables

Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value. Note disclosure for other financial assets (investments) is made in Note 19.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Consolidated entity's management has the positive intention and ability to hold to maturity.

Interest on term deposits is recognised at balance date based on the proportion of the term that has elapsed.

(v) Available-for-sale financial assets

Certain shares held are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period. This category includes investments classified as "Available-for-sale" and any investments that do not fit the definitions for inclusion in the previous categories. Consequently it should not be assumed that the University has plans to dispose of these assets.

They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Fair value

The fair value of investments and other financial assets are based on quoted prices in an active market. If the market for a financial asset is not active (and for unlisted securities), the Consolidated entity establishes fair value by using valuation techniques that maximise the use of relevant data. These include reference to the estimated price in an orderly transaction that would take place between market participants at the measurement date. Other valuation techniques used are the cost approach and the income approach based on the characteristics of the asset and the assumptions made by market participants.

(j) Derivatives

The Consolidated entity enters into foreign currency hedges (derivative financial instruments) to manage its exposure to movements in exchange rates for library purchases and certain equipment acquisitions.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at balance date. Changes in the fair value of derivatives are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Where the maturity date of a hedge is more than 12 months, the asset and liability are classified as non-current, otherwise they are classified as current.

(k) Property, plant and equipment

Property, plant and equipment are shown on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the asset class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in Note 23.

(i) Land

Land is owned by the University in its own right and by the State and Northern Territory Governments. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied. Land controlled by the University was independently revalued as at 31 December 2016 by Richard Wood B.App.Sc (Val) AAPI CPV, of Opteon Pty Ltd. Comprehensive independent land valuations are undertaken triennially with an annual update based on relevant price movements if material. There have been no material valuation movements since 2016.

(ii) Buildings and infrastructure

Buildings and above ground infrastructure controlled by the University were independently revalued as at 31 December 2016 by Richard Wood B.App.Sc (Val) AAPI CPV of Opteon Pty Ltd. Comprehensive independent valuations are undertaken triennially with an annual update based on relevant price movements if material.

Below ground Infrastructure is not included as an asset as the value is not able to be reliably estimated.

Buildings under construction are measured at cost.

(iii) Leased Buildings

The University has entered into various arrangements with other entities to occupy buildings on land not owned by the University.

Note 1 Summary of significant accounting policies

The University initially recognises a lease asset as the value of its contribution to construction costs plus any future amounts payable under the lease agreement and revalues it to fair value each year. The University depreciates the asset over the shorter of their useful life or the remaining life of the lease.

(iv) Leasehold improvements

Leasehold improvements are capitalised and amortised over the shorter of their useful life or the remaining life of the lease.

(v) Library collection

The Library collection was internally revalued on 31 December 2016 to fair value based on the written down cost of the most recent price inputs. The University has determined that subsequent acquisitions are measured at historical cost which approximates fair value with the University no longer revaluing the library collection. The value is depreciated over a 10 year period on a straight-line basis.

(vi) Equipment

This class of assets includes computer hardware (not software), furniture, vehicles, marine and general equipment. Individual items costing \$10,000 or more are capitalised and recorded in the Statement of Financial Position initially at cost. Items costing less than \$10,000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

Leased equipment is capitalised and amortised over the shorter of their useful life or the remaining life of the lease.

(vii) Works of art

The value of the Works of Art collection is assessed annually at fair value at Council valuation. The last independent valuation was conducted as at 31 December 2013 by Helen Miller BA SYD AVAA CPV NCJV (Fine Arts Division) Rodney Hyman Asset Services Pty Ltd.

(viii) Revaluations

Increases in the carrying amounts arising on revaluation of land, buildings & infrastructure, library and works of art are recognised, under revaluation surplus. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset class are also recognised in under revaluation surplus to the extent of the remaining reserve attributable to the asset class. All other decreases are charged to the Income Statement.

(l) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development

expenditure is recognised in the Income Statement as an expense when incurred.

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Partners Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Partners Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined; and
- for projects expected to be financially viable, to offset future revenue.

Development costs are capitalised and are included in the Consolidated Statement of Financial Position under Project costs carried forward. Note disclosure is made in Note 24.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the Net Operating Result.

(ii) Software costs

The University capitalises certain software costs with a purchase price greater than \$40,000 and an expected useful life greater than 12 months, together with costs associated with implementation. These are recorded on the basis of cost less amortisation once the system is operational. Impairment is assessed annually. IT development in progress relates to costs incurred in the development of IT software projects. On project completion the balances are transferred to software costs.

Note disclosure is made in Note 24.

(m) Depreciation and amortisation

The basis for depreciation and the depreciation rates are reviewed annually. Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. Where material, buildings are componentised and the individual components are depreciated over their useful lives. The following rates are based on the estimated useful life of the assets to the University:

Item	Percentage
Depreciation:	
Buildings and infrastructure	1.6 - 20.0
Equipment	
- Motor vehicles	20.0
- General equipment	10.0 - 33.3
- Computer hardware	16.6 - 33.3
- Furniture	10.0
- Aircraft	10.0
- Marine	10.0
Library collection	10.0
Amortisation:	
Computer software	20.0
Leased Equipment	20.0

Note 1 Summary of significant accounting policies

Leasehold Improvements 5.0 - 20.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 23. Depreciation and amortisation expense by asset class is shown in Note 11.

(n) Repairs and Maintenance

Repairs and maintenance costs are recognised as expenses as incurred, except where they relate to the replacements of a component of an asset, in which case, the costs are capitalised and depreciated. Other routine operating maintenance, repair and minor renewal costs are also recognised as expenses, as incurred.

(o) Investment property

Investment properties exclude properties held to meet service delivery objectives of the University. The University holds an investment property which is measured on a fair value basis, based on active market prices of similar properties, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices in less active markets or discounted cash flow projections are used.

Independent valuations are undertaken annually. At each reporting date, the reported value is reviewed to ensure that it does not differ materially from the property's fair value at that date. Changes to fair value are recorded in the Income Statement as other income.

The investment property was independently valued at fair value as at 31 December 2016 by Richard Wood AAPI CPV, B.App.Sc (Val) of Opteon Pty Ltd.

Rental revenue from the leasing of investment properties is recognised in the Income Statement in the periods in which it is receivable, as this represents the pattern of service rendered through the provision of the properties. Note disclosure is made in Note 22.

(p) Payables

Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in Note 25. The amounts are unsecured and the standard University terms of trade is payment within 30 days of invoice.

(q) Borrowings

Finance leases are allocated under borrowings as prescribed by the Department of Education and Training Guidelines. The current liability portion represents the amount expected to be paid in the following 12 months with the balance greater than 12 months reported in the non-current portion. Note disclosure is made in Note 26.

(r) Borrowing costs

Finance charges in respect of finance leases represent the interest charges implicit in the finance lease and are included in the definition of borrowing costs. Note disclosure is made in Note 13.

(s) Interest bearing liabilities

The University has no loans. However the University receives deposits from subsidiaries, certain joint ventures and related external entities for group investment along with University funds

and shares the investment income with those entities. Note disclosure is made in Note 28.

(t) Other liabilities: Funds held on behalf of external entities

Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in Note 28.

(u) Employee benefits

Employee expenses expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. Oncosts on the leave liabilities accruing to employees are recognised as provisions and on costs not accruing to employees are classed as payables as required under SA State Government Accounting Policy Framework - Part IV (APS 5.25). Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on costs.

(i) Salaries

Liabilities for short-term employee benefits including salaries, non-monetary benefits and bonuses due to be settled within 12 months after the end of the period are measured at the amount expected to be paid when the liability is settled and recognised in Trade and other payables.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119 Employee Benefits. The last update was performed at 31 December 2016 by Stuart Mules, FIAA, of Mercer (Australia) Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 2.5% pa (2015: 2.4%) pa. salary inflation rate of 3.0% pa (2015: 3.0%).
- on costs have been applied at the rate of 16.4% (2015: 16.2%).
- the proportion of leave taken in service is 65% (2015: 73%), the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 25 and 27.

(iii) Annual leave

The calculation to measure the value of annual leave has assumed a 3.0 % salary inflation factor. The provision for annual leave is classified as a current liability as the University does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Note disclosure is made in Notes 25 and 27.

(iv) Sick leave

No provision has been made for sick leave as all sick leave is non vesting and the average sick leave taken each year is expected to be less than the annual entitlement for sick leave.

Note 1 Summary of significant accounting policies

(v) Superannuation

Superannuation schemes

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging costs from unfunded schemes are expensed in the Income Statement. Except in the case of multi-employer schemes such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation scheme's accrued benefits and the net market value of the scheme's assets. Note 44 provides details in respect of the individual schemes.

Unfunded superannuation - State Superannuation Scheme

An arrangement exists between the Australian Government and the State Government to share the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987*, *Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Statement of Financial Position under Provisions with a corresponding asset recognised under Receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Consolidated entity. Refer to Note 44 (ii).

Superannuation Supplementation funding received from the Australian Government must not be shown as revenue as this is a partial settlement of an asset recognised in accordance with AASB 119.116. The net difference between the gross expense and the amount received from the Australian Government is shown as an expense within employee related expenses.

(vi) Severance

Provision is made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The current portion represents the amount expected to be paid in the following 12 months. Severance payments are included under Salaries within Employee related expenses. Note disclosure of the provision is made in Note 27.

(vii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. The University recognises the expense when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing redundancy benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value. Expenses are disclosed in Note 10. Amounts unpaid at balance are included under Trade and Other Payables.

(viii) Redundancy benefits

Redundancy benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The University recognises redundancy benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without

possibility of withdrawal or providing redundancy benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance date are discounted to present value. Expenses are disclosed in Note 10. Amounts unpaid at balance are included under Trade and Other Payables.

(v) Workers' compensation

The University is responsible for payments of workers' compensation and is registered with ReturnToWorkSA as an exempt employer. Lawsons Risk Management Services Pty Ltd administers workers' compensation arrangements on behalf of the University.

The provision for workers' compensation liability is actuarially determined each year. The valuation as at 31 December 2016 was performed by Laurie Brett, FIA, FIAA. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers' compensation is disclosed in Note 27.

(w) Inventories

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in Note 18.

(x) Website costs

Costs in relation to website contents are charged as expenses in the period in which they are incurred.

(y) Goods and services tax (GST)

The University recognises revenues, expenses and assets net of the amount of associated (GST), except where the amount of GST incurred by the University is not recoverable from the Australian Taxation Office (ATO). In this case, it is recognised as part of the cost acquisition of the asset or as part of the expense.

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

Cash flows included in the Statement of Cash Flows are 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 operating cash flows.

Commitments and contingencies are disclosed net of GST recoverable from or payable to the ATO.

(z) Income tax status

The University does not provide for Australian income tax as it is exempt under the provisions of Division 50 of the *Income Tax Assessment Act 1997*.

Whilst University's major subsidiaries are exempt from income tax, smaller entities within the group pay income tax when it is incurred.

The University is subject to fringe benefits tax, the goods & services tax and payroll tax.

Note 1 Summary of significant accounting policies

(aa) Current and non-current classification

Assets and liabilities are characterised as either current or non-current. The University and the Consolidated entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

(ab) Rounding to the nearest \$'000

Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.

(ac) New or revised Australian Accounting Standards and Interpretations

Certain new Accounting Standards and Interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The University has not early adopted these standards.

The University has assessed the impact of the new and amended standards and interpretations and has determined there is no material impact.

There are no material impacts from new or revised Australian Accounting Standards and Interpretations for the reporting period ending 31 December 2016.

(ad) Comparative figures

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

In 2012 the University recognised a \$2.7m payment to the FMC Foundation as a lease prepayment for a facility the foundation was funding and predominantly to provide the University with space for Cancer research. As there was no formal contract in place the University has derecognised the lease prepayment which reduced opening prepayments and retained earnings accordingly. The 2015 operating result has been adjusted upwards by \$56k.

In 2016, following independent expert advice, the University reclassified FCD Health from a jointly controlled entity to a controlled entity. The impact was an increase to 2015 opening equity of \$0.4m. The University's interest in FCD Health remains unchanged at 50%.

(ae) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The University has elected not to early adopt any of these standards. The University's assessment of the impact of these new standards and interpretations is set out below:

AASB 16 Leases - Effective date 1 January 2019: Requires a lessee to recognise assets and liabilities for leases of greater than 12 months duration unless the asset is of low value. Based on existing operating leases the impact would be an increase to assets and liabilities of approximately \$18.5m with no impact on expenses or the operating result.

Certain existing leases taken by the University at less than commercial rates will be recognised as leased assets at fair value

with a corresponding adjustment to opening retained earnings of \$21m and an increase in lease expenses of \$0.8m.

AASB 1058 Income of Not-for-Profit Entities - Effective date 1 January 2019: Simplifies the income recognition requirements for not-for-profit entities in conjunction with AASB 15 *Revenue from Contracts with Customers* relating to timing of the transaction giving rise to a liability or other performance obligation or contribution by owners related to an asset received by an entity. The revenue impact in future years has yet to be determined as it will depend on contracts in place at that time.

AASB 9 Financial Instruments - Effective date 1 January 2018: Incorporates classification and measurement requirements for financial assets and liabilities and recognition and derecognition requirements for financial instruments. Impairment requirements are to be based on an "expected loss model" rather than the current "incurred loss" model in relation to long-term or life-time expected credit loss and Hedge accounting has been simplified. The University is yet to determine the impact with an expectation it will be minimal.

Note 2 Disaggregated information

The University operates in the field of higher education in Australia and its primary activities are the provision of teaching and research services. It has no material offshore operations.

		Consolidated		University	
		2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000
Note 3 Australian Government financial assistance including Australian Government loan programs (HELP)					
(a) Commonwealth Grant Scheme and Other Grants					
	47.a				
Commonwealth Grant Scheme (CGS) ^{#1}		145,328	141,800	145,328	141,800
Indigenous Support Program		705	664	705	664
Higher Education Participation Program ^{#2}		4,352	4,367	4,352	4,367
Disability Support Program		282	250	282	250
Promotion of Excellence in Learning and Teaching		231	527	231	527
Total Commonwealth Grant Scheme and Other Grants		150,898	147,608	150,898	147,608
(b) Higher Education Loan Programs					
	47.b				
HECS-HELP		87,290	83,987	87,290	83,987
FEE-HELP ^{#3}		9,200	7,436	9,200	7,436
SA-HELP	47.h	1,987	1,926	1,987	1,926
Total Higher Education Loan Programs		98,477	93,349	98,477	93,349
(c) Scholarships					
	47.c				
Australian Postgraduate Awards		4,519	4,554	4,519	4,554
International Postgraduate Research Scholarship		343	337	343	337
Commonwealth Education Cost Scholarships ^{#4}		30	25	30	25
Commonwealth Accommodation Scholarships ^{#4}		21	41	21	41
Indigenous Access Scholarships		34	39	34	39
Total Scholarships		4,947	4,996	4,947	4,996
(d) EDUCATION Research					
	47.d				
Joint Research Engagement Program		6,802	6,715	6,802	6,715
JRE Engineering Cadetships		33	-	33	-
Research Training Scheme		10,883	10,977	10,883	10,977
Research Infrastructure Block Grants		2,881	3,003	2,881	3,003
Sustainable Research Excellence in Universities		2,196	2,140	2,196	2,140
Total EDUCATION Research Grants		22,795	22,835	22,795	22,835

^{#1} Includes the basic CGS grant amount, CGS - Regional Loading, CGS - Enabling Loading, CGS-Medical Student Loading

^{#2} Includes Access and Participation Fund and National Priorities Pool.

^{#3} Program is in respect of FEE-HELP for Higher Education only

^{#4} Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively

		Consolidated		University	
		2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000

Note 3 Australian Government financial assistance including Australian Government loan programs (HELP) (continued)

(e) Australian Research Council

(i) Discovery 47.e (i)

Project		3,108	2,990	3,108	2,990
Fellowships ^{#5}		3,186	3,068	3,186	3,068
Indigenous Researchers Development		18	-	18	-
Total Discovery		6,312	6,058	6,312	6,058

(ii) Linkages 47.e (ii)

Infrastructure		745	783	745	783
Projects		1,601	1,190	1,601	1,190
Total Linkages		2,346	1,973	2,346	1,973

(iii) Networks and Centres 47.e (iii)

Centres		5	207	5	207
Total Networks and Centres		5	207	5	207

Special Research Initiatives 47.e (iii)

		149	130	149	130
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Total Australian Research Council

		8,812	8,368	8,812	8,368
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(f) Other Australian Government financial assistance

Non-capital

National Health and Medical Research Council		9,705	9,689	9,705	9,689
Other Research		16,724	18,232	16,724	18,232
Other Non-Research		19,846	18,130	19,846	18,130
Commonwealth Scholarships		314	523	314	523
Total non-capital		46,589	46,574	46,589	46,574

Capital

Capital programs		-	-	-	-
Total Capital		-	-	-	-

Total other Australian Government financial assistance

		46,589	46,574	46,589	46,574
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Total Australian Government financial assistance

		332,518	323,730	332,518	323,730
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Reconciliation

Australian Government grants (a+c+d+e+f)

		234,041	230,381	234,041	230,381
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Higher Education Loan Programs (b):

HECS-HELP payments		87,290	83,987	87,290	83,987
FEE-HELP payments		9,200	7,436	9,200	7,436
SA-HELP payments		1,987	1,926	1,987	1,926

Total Australian Government financial assistance

		332,518	323,730	332,518	323,730
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^{#5} Includes Early Career Researcher Award

		Consolidated		University	
		2016	2015	2016	2015
	Note	\$'000	\$'000	\$'000	\$'000
Note 3 Australian Government financial assistance including Australian Government loan programs (HELP) (continued)					
(g) Australian Government Grants received - cash basis					
CGS and Other EDUCATION Grants	47.a	155,576	141,768	155,576	141,768
Higher Education Loan Programs	47.b	98,507	93,147	98,507	93,147
Scholarships	47.c	5,026	5,123	5,026	5,123
EDUCATION Research	47.d	22,795	22,835	22,795	22,835
ARC grants - Discovery	47.e (i)	6,220	5,936	6,220	5,936
ARC grants - Linkages	47.e (ii)	1,956	2,122	1,956	2,122
ARC grants - Networks and Centres	47.e (iii)	-	-	-	-
Other Australian Government Grants		46,820	47,101	46,820	47,101
Total Australian Government Grants received - cash basis		336,900	318,032	336,900	318,032
OS-HELP (Net)	47.f	1,141	835	1,141	835
Superannuation Supplementation	47.g	3,295	2,848	3,295	2,848
Total Australian Government funding received - cash basis		341,336	321,715	341,336	321,715

Note 4 State and Local Government financial assistance

Non-Capital

South Australian Government

Research financial assistance		3,380	3,159	3,380	3,159
Scholarships - State		85	271	85	271
Reimbursements		2,335	2,729	2,367	2,729
Non-research		1,508	2,174	1,508	2,174
South Australian State Government financial assistance		7,308	8,333	7,340	8,333
South Australian Local Government financial assistance		43	12	43	12
Other State/Territory Governments financial assistance		1,083	1,268	1,083	1,268
Total State and Local Government financial assistance		8,434	9,613	8,466	9,613

Note 5 Fees and charges

Course fees and charges

Fee-paying onshore overseas students		63,369	51,751	63,369	51,751
Fee-paying offshore overseas students		5,008	6,193	5,008	6,193
Fee-paying domestic postgraduate students		3,918	3,615	3,918	3,615
Fee-paying domestic undergraduate students		4,682	4,681	4,682	4,681
Fee-paying domestic non-award students		109	145	109	145
Other domestic course fees and charges		2,532	2,665	2,532	2,665
Total course fees and charges		79,618	69,050	79,618	69,050

Other non-course fees and charges

Student Services and Amenities Fees from students	47.h	2,375	2,148	2,375	2,148
Student accommodation		6,941	6,946	6,941	6,946
Rental charges		1,444	1,193	1,364	1,056
Other student charges		432	341	432	341
Other hire fees		181	208	181	208
Parking fees		2,518	2,320	2,518	2,320
Other fees and charges		561	595	565	559
Total other fees and charges		14,452	13,751	14,376	13,578
Total fees and charges		94,070	82,801	93,994	82,628

	<i>Consolidated</i>		<i>University</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>

Note 6 Investment revenue and other investment income**Investment revenue**

Dividends from equity investments				
Other entities	1,505	1,901	1,095	1,463
Total Dividends	1,505	1,901	1,095	1,463
Interest income	2,172	2,820	2,141	2,788
Managed funds distributions	1,547	1,908	1,547	3,058
Investment property rental revenue	1,175	1,196	1,175	1,196
Total investment revenue	6,399	7,825	5,958	8,505
Other investment gains / (losses)				
Net gain/(loss) arising on financial assets designated at fair value through profit or loss	1,642	(436)	1,774	(884)
Realised gain/(loss) on disposal of investments	368	(20)	368	(20)
Movements in fair value of investment properties	500	(903)	500	(903)
Total investment income gains / (losses)	2,510	(1,359)	2,642	(1,807)
Total investment income	8,909	6,466	8,600	6,698

Note 7 Royalties, trademarks and licences

Total royalties, trademarks and licences	1,293	3,049	921	2,766
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Note 8 Consultancy and contracts

Consultancy	2,092	2,059	1,514	1,425
Contract research	6,606	7,093	6,567	7,321
Total consultancy and contracts	8,698	9,152	8,081	8,746

Note 9 Other revenue and other income**Other revenue**

Donations and bequests	1,475	535	1,775	1,063
Scholarships and prizes	684	761	684	761
Non-government grants	4,721	4,870	4,464	4,650
Contribution of assets	54	291	54	291
Reimbursements	2,202	2,551	2,261	2,597
Sales and other charges	14,271	10,066	4,771	1,615
Other revenue	2,700	2,245	797	537
Total other revenue	26,107	21,319	14,806	11,514
Other income	386	427	386	427
Total other revenue and income	26,493	21,746	15,192	11,941

	Consolidated		University	
	2016	2015	2016	2015
Note	\$'000	\$'000	\$'000	\$'000
Note 10 Employee related expenses				
Academic				
Salaries	123,332	120,129	123,332	120,129
Contributions to superannuation and pension schemes				
Contributions to funded schemes	17,805	17,505	17,805	17,505
Contributions to unfunded schemes	131	141	131	141
Payroll tax	7,457	7,061	7,457	7,061
Workers' compensation	360	372	360	372
Long service leave expense	2,234	3,519	2,234	3,519
Annual leave	8,429	9,481	8,429	9,481
Redundancy expenses	6,670	-	6,670	-
Total academic	166,418	158,208	166,418	158,208
Non-academic				
Salaries	108,059	105,130	98,539	97,530
Contributions to superannuation and pension schemes				
Contributions to funded schemes	15,823	16,131	14,956	15,427
Contributions to unfunded schemes	33	35	33	35
Payroll tax	5,745	6,394	5,800	5,927
Workers' compensation	304	323	284	303
Long service leave expense	1,672	2,635	1,651	2,617
Annual leave	7,262	8,630	7,106	8,466
Redundancy expenses	8,210	395	8,210	395
Total non-academic	147,108	139,673	136,579	130,700
Total employee related expenses	313,526	297,881	302,997	288,908

Note 11 Depreciation and amortisation

Depreciation				
Buildings	16,670	14,566	16,633	14,566
Infrastructure	1,078	957	1,078	957
Plant and equipment	6,269	6,071	5,985	5,849
Leased Equipment	1,649	1,649	1,649	1,649
Library	3,662	3,758	3,662	3,758
Total depreciation	29,328	27,001	29,007	26,779
Amortisation				
Software	3,856	2,354	3,830	2,326
Leasehold Improvements	685	606	685	606
Total amortisation	4,541	2,960	4,515	2,932
Total depreciation and amortisation	33,869	29,961	33,522	29,711

Note 12 Repairs and maintenance

Buildings and grounds	7,792	6,718	7,577	6,577
Minor new works	1,985	2,912	2,009	2,947
Equipment and artwork	2,756	3,729	2,716	3,691
Total repairs and maintenance	12,533	13,359	12,302	13,215

Note 13 Borrowing Costs

Finance charges in respect of finance leases
Total borrowing costs expensed

Note	Consolidated		University	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	276	370	276	370
	<u>276</u>	<u>370</u>	<u>276</u>	<u>370</u>

Note 14 Impairment of assets

Bad and doubtful debts
Impairment of assets
Total impairment of assets

269	312	911	312
259	(7)	111	72
<u>528</u>	<u>305</u>	<u>1,022</u>	<u>384</u>

Note 15 Other expenses

Scholarships, grants & prizes
Non-capitalised equipment
Advertising, marketing & promotional expenses
Fees & charges
Consultancy fees
General consumables
Printing & photocopying
Operating lease rental expenses
Telecommunications
Travel, staff development and entertainment
Utilities
Student related expenditure
Library
Software
Postage & freight
Insurance
Miscellaneous
Total other expenses

14,826	14,671	14,826	14,671
5,476	6,793	5,574	6,755
4,389	3,934	4,394	3,940
13,245	13,980	13,248	13,719
3,759	4,835	2,610	3,922
6,211	6,783	6,540	7,148
1,344	1,195	1,327	1,180
3,819	4,619	3,897	4,549
3,788	3,632	3,772	3,684
14,049	14,311	13,914	14,234
6,494	5,703	6,338	5,508
8,974	6,838	9,109	6,803
2,190	1,844	2,190	1,844
6,328	5,135	6,232	5,032
732	819	724	813
1,378	1,352	1,287	1,300
4,875	6,283	3,069	3,949
<u>101,877</u>	<u>102,727</u>	<u>99,051</u>	<u>99,051</u>

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
Note	\$'000	\$'000	\$'000	\$'000

Note 16 Cash and cash equivalents

Cash at bank and on hand	31,142	47,582	30,003	45,576
Term deposits with a maturity term of less than 90 days	25,000	-	25,000	-
Total cash and cash equivalents	56,142	47,582	55,003	45,576

40

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the year as shown in the statement of cash flows as follows:

Balances as above	56,142	47,582	55,003	45,576
Less: Bank overdrafts	-	-	-	-
Balance per statement of cash flows	56,142	47,582	55,003	45,576

(b) Cash at bank and on hand

Cash on hand is non-interest bearing. Cash at bank earns floating interest rates between 1.25% and 1.80% (2015 - 1.75% and 2.30%).

(c) Deposits at call

The deposits are bearing floating interest rates between 2.20% and 2.80% (2015 - 3.00% and 3.05%). These deposits have an average maturity of 114 days.

Note 17 Receivables

Current

Student fees	1,042	1,656	1,042	1,656
Less: Provision for impaired receivables	(256)	(400)	(256)	(400)
	786	1,256	786	1,256
Trade receivables	11,006	9,936	10,391	9,369
Less: Provision for impaired receivables	(201)	(303)	(106)	(208)
	10,805	9,633	10,285	9,161
Subsidiary debtors	-	-	762	696
Less: Provision for impaired receivables	-	-	(737)	(95)
	-	-	25	601
Sub total	11,591	10,889	11,096	11,018
Accrued income	3,607	8,253	3,046	7,877
Deferred government benefit for superannuation	3,684	3,177	3,684	3,177
Total current receivables	18,882	22,319	17,826	22,072

44

Non-current

Deferred government benefit for superannuation	46,928	48,927	46,928	48,927
Total non-current receivables	46,928	48,927	46,928	48,927
Total receivables	65,810	71,246	64,754	70,999

44

As at 31 December 2016 current receivables of the Group with a nominal value of \$3.492m (2015: \$3.277m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

Note	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000

Note 17 Receivables (continued)**Student Fees**

3 to 6 months	400	617	400	617
6 to 12 months	33	62	33	62
over 12 months	-	9	-	9
Total past due but not impaired current receivables	433	688	433	688

Trade receivables

3 to 6 months	5	208	5	208
6 to 12 months	9	3	9	3
over 12 months	-	16	-	16
Total past due but not impaired current receivables	14	227	14	227

Total past due but not impaired receivables

447	915	447	915
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(a) Impaired receivables

As at 31 December 2016 current receivables of the Group with a nominal value of \$0.457m (2015: \$0.703m) were impaired. The provision is based on an aged analysis of the debt types based on collectability. The ageing of these receivables is as follows:

Student Fees

3 to 6 months	52	162	52	162
6 to 12 months	110	33	110	33
over 12 months	94	159	94	159
Total current impaired Student receivables	256	354	256	354

Trade receivables

3 to 6 months	3	51	3	51
6 to 12 months	37	30	37	30
over 12 months	-	172	-	77
Total current impaired Trade receivables	40	253	40	158

Subsidiary receivables

3 to 6 months	-	-	10	-
6 to 12 months	-	-	35	-
over 12 months	-	-	171	95
Total current impaired Subsidiary receivables	-	-	216	95

Total current impaired receivables

296	607	512	607
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Movements in the provision for impaired receivables are as follows:

At 1 January provision for impairment	703	814	703	814
Provision for impairment recognised during the year	269	316	911	316
Receivables written off during the year as uncollectible	(129)	-	(129)	-
Unused amount reversed	(386)	(427)	(386)	(427)
At 31 December	457	703	1,099	703

The creation and release of the provision for impaired receivables has been included in "Impairment of Assets" in the Income statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The other amounts within receivables do not contain impaired assets and are not past due. Based on credit history, it is expected that these amounts will be received when due.

Note	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000

Note 18 Inventories**Current**

Inventories held for other than distribution	338	387	195	241
Total current inventories	338	387	195	241
Total inventories	338	387	195	241

Note 19 Other financial assets**Current**

Held-to-maturity - Term deposits greater than 90 days	19,658	9,375	19,658	9,375
Total current other financial assets	19,658	9,375	19,658	9,375

Non-current**Available-for-sale**

Interests in business undertakings:					
· Subsidiaries at Council valuation	35	-	-	3,912	5,330
· Other entities ⁽¹⁾		11,102	9,200	11,102	9,200
Australian equities		3,724	3,437	-	-
Total available-for-sale		14,826	12,637	15,014	14,530

Fair value through profit or loss [^]

Managed Funds					
· JBVere		3,971	4,791	3,971	4,791
		3,971	4,791	3,971	4,791

Equities					
· Australian equities		32,992	28,244	32,992	28,244
· International equities		9,179	10,633	9,179	10,633
Total fair value through profit or loss		46,142	43,668	46,142	43,668

Total non-current other financial assets		60,968	56,305	61,156	58,198
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Total other financial assets		80,626	65,680	80,814	67,573
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[^] Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue and income in the Income Statement and disclosed in Note 6 Investment revenue and other investment income.

⁽¹⁾ Education Australia has been revalued to \$11.0m (2015 \$9.2m).

Note 20 Other non-financial assets**Current**

Prepayments	8,927	8,167	8,821	8,063
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Non Current

Prepayments	4,059	4,022	4,059	4,022
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Total other non-financial assets	12,986	12,189	12,880	12,085
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Note 21 Investments accounted for using the equity method

Associates

Flinders Reproductive Medicine (FRM)

FRM provides a high quality comprehensive infertility investigatory and treatment service. The University has a 50% interest in Flinders Reproductive Medicine (FRM) which is Trustee for the Flinders Charitable Trust. The Trust fully distributes its surpluses each year following a declaration by the trustees. The Trustees have not made a distribution declaration for the 2016 financial year.

GPEX Ltd

GPEX Ltd was formed in 2015 to develop and deliver quality education and training services to general practice registrars. The company began operations in October 2015 therefore the financials include 15 months in the 2016 financial year.

Summarised financial information for these associates is set out below:

	FRM		GPEX	
	Ownership interest		Ownership interest	
	2016	2015	2016	2015
	50%	50%	50%	50%
	Consolidated		Consolidated	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Financial Position				
Current assets	4,523	4,468	3,705	-
Non-current assets	2,109	1,657	-	-
Total assets	6,632	6,125	3,705	-
Current Liabilities	6,115	5,406	2,024	-
Non-current liabilities	97	120	79	-
Total Liabilities	6,212	5,526	2,103	-
Net Assets	420	599	1,602	-
Share of associate's net assets	210	300	801	-
Reconciliation of carrying amounts				
Balance as at 1 January	300	546	-	-
Share of profit for the year	210	282	801	-
Distribution to the beneficiary	(300)	(528)	-	-
Additions/(Disposals)	-	-	-	-
Balance as at 31 December	210	300	801	-
Financial Performance				
Income	5,174	4,536	17,851	-
Expenses	4,754	3,972	16,249	-
Profit/(loss)	420	564	1,602	-
Share of associate's profit/(loss)	210	282	801	-

Note 21 Investments accounted for using the equity method (continued)**(b) Associate****Re-Time Pty Ltd**

Re-Time was formed in 2010 to help people re-time their body clocks and improve sleep. The investment in Re-Time Pty Ltd is held by Flinders Partners and is accounted for using the equity method of accounting. Re-Time was a partly owned subsidiary of Flinders Partners until 19 December 2012 at which time it was determined that Flinders Partners had a loss of control of the entity, by virtue of the reduction in the percentage of share capital held, and the that fact only significant influence (34.7%) was held by Flinders Partners over the entity.

Summarised financial information for this associate is set out below:

		Re-Time	
		Ownership interest	
		2016	2015
		35%	35%
		Consolidated	
		2016	2015
		\$'000	\$'000
Financial Position			
Current assets		515	512
Non-current assets		64	266
Total assets		579	778
Current Liabilities		204	101
Non-current liabilities		-	-
Total Liabilities		204	101
Net Assets		375	677
Share of associate's net assets		130	235
Reconciliation of carrying amounts			
Balance as at 1 January		235	249
Share of profit for the year		130	(12)
Distribution		-	(2)
Additions/(Disposals)		-	-
Balance as at 31 December		365	235
Financial Performance			
Income		318	774
Expenses		419	809
Profit/(loss)		(101)	(35)
Share of associate's profit/(loss)		(35)	(12)

Note 22 Investment property**At Fair value:**

Opening balance at 1 January
 Net gain/(loss) from fair value adjustments
Closing balance at 31 December

<i>Consolidated</i>		<i>University</i>	
<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
8,300	9,203	8,300	9,203
500	(903)	500	(903)
8,800	8,300	8,800	8,300

(a) Amounts recognised in profit or loss for investment properties

Rental Income
 Direct operating expenses (rent generating properties)
 Other direct operating expenses

Total recognised in profit or loss

1,175	1,196	1,175	1,196
(494)	(306)	(494)	(306)
(114)	(188)	(114)	(188)
567	702	567	702

For fair value hierarchy categorisation of investment properties see note 43(b).

(b) Valuation basis

The investment property is valued at fair value being the estimated price that would be received to sell the property in an orderly transaction between market participants at the valuation date.

(c) Non-current assets pledged as security

No non-current assets have been pledged.

(d) Contractual obligations

There are no capital commitments for the investment property.

(e) Leasing arrangements

The future minimum lease payments under non-cancellable operating leases in the aggregate and for each of the following periods:

Not later than one year	392	69	392	69
Later than one year and not later than 5 years	472	144	472	144
Later than 5 years	-	-	-	-
Total lease commitments as lessor	864	213	864	213

In 2000 the University purchased the Mark Oliphant building in Science Park as an investment property. As at 31 December 2016, 95% (2015: 95%) of the building is leased or available for lease to entities outside the Consolidated entity. 0% (2015: 0%) was leased to entities outside the University but within the Consolidated entity.

	<i>Consolidated</i>		<i>University</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Note 23 Property, plant and equipment				
Land, buildings and infrastructure				
Crown Land:				
2016 Independent valuation	31,040	31,040	31,040	31,040
Net book amount	31,040	31,040	31,040	31,040
Freehold Land:				
2016 Independent valuation	6,875	5,352	6,875	5,352
At cost	-	2,584	-	2,584
Net book amount	6,875	7,936	6,875	7,936
Total Land	37,915	38,976	37,915	38,976
Buildings:				
2016 Independent valuation	460,420	282,553	460,420	282,553
At cost	402	136,972	-	136,778
Total Buildings	460,822	419,525	460,420	419,331
Infrastructure:				
2016 Independent valuation	35,568	24,414	35,568	24,414
At cost	-	4,828	-	4,828
Total Infrastructure	35,568	29,242	35,568	29,242
Total Buildings and infrastructure	496,390	448,767	495,988	448,573
Less: Accumulated depreciation	(45)	(26,003)	-	(25,995)
Total Buildings and infrastructure net book amount	496,345	422,764	495,988	422,578
Leasehold Improvements				
Leasehold Improvements at cost	5,886	5,886	5,886	5,886
Less: Accumulated amortisation	(1,584)	(899)	(1,584)	(899)
Net book amount	4,302	4,987	4,302	4,987
Construction in progress	5,733	63,554	5,733	63,554
Total Land, buildings and infrastructure net book amount	544,295	530,281	543,938	530,095
Library collection				
At fair value	37,066	33,189	37,066	33,189
Less: Accumulated depreciation	(17,165)	(15,134)	(17,165)	(15,134)
Net book amount	19,901	18,055	19,901	18,055
Equipment				
At fair value	73,291	71,841	69,984	68,709
Less: Accumulated depreciation	(44,877)	(43,422)	(42,925)	(41,666)
Net book amount	28,414	28,419	27,059	27,043
Leased Equipment				
At fair value	8,245	8,245	8,245	8,245
Less: Accumulated depreciation	(4,947)	(3,298)	(4,947)	(3,298)
Net book amount	3,298	4,947	3,298	4,947
Works of Art				
2013 Independent valuation	5,654	5,528	5,654	5,528
At Council valuation	531	531	531	531
Net book amount	6,185	6,059	6,185	6,059
Total property, plant and equipment	602,093	587,761	600,381	586,199

Note 23 Property, plant and equipment (continued)

Valuations of land and buildings

Land, buildings and infrastructure were revalued as at 31 December 2016 by Richard Wood B.App.Sc (Val) AAPV CPV of Opteon Pty Ltd. The basis of the valuation was written down current value (existing use). The basis of valuation of land, buildings and infrastructure is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are as follows:

	Land	Buildings	Infra- structure	Construction in progress	Leasehold Improvements	Library	Equipment	Leased Equipment	Works of Art	Total
	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000
Consolidated										
Year ended 31 December 2015										
Opening net book amount	37,466	386,477	25,140	39,373	2,176	17,100	25,909	6,596	5,808	546,045
Additions	-	186	-	61,732	-	4,713	8,441	-	251	75,323
Reclassification	2,500	27,834	3,667	(37,551)	3,417	-	133	-	-	-
Disposals ^A	(990)	(4,564)	(447)	-	-	-	-	-	-	(6,001)
Depreciation/amortisation charge	-	(14,572)	(957)	-	(606)	(3,758)	(6,064)	(1,279)	-	(27,236)
Finance costs on leased equipment	-	-	-	-	-	-	-	(370)	-	(370)
Closing net book amount	38,976	395,361	27,403	63,554	4,987	18,055	28,419	4,947	6,059	587,761
Year ended 31 December 2016										
Opening net book amount	38,976	395,361	27,403	63,554	4,987	18,055	28,419	4,947	6,059	587,761
Additions	-	2,566	114	20,051	-	5,508	7,908	-	4	36,151
Reclassification	-	71,296	6,454	(77,872)	-	-	-	-	122	-
Disposals	-	(46)	-	-	-	-	(1,644)	-	-	(1,690)
Revaluation increment / (decrement)	(1,061)	8,270	2,675	-	-	-	-	-	-	9,884
Depreciation/amortisation charge	-	(16,670)	(1,078)	-	(685)	(3,662)	(6,269)	(1,373)	-	(29,737)
Finance costs on leased equipment	-	-	-	-	-	-	-	(276)	-	(276)
Closing net book amount	37,915	460,777	35,568	5,733	4,302	19,901	28,414	3,298	6,185	602,093
University										
Year ended 31 December 2015										
Opening net book amount	37,466	386,470	25,140	39,373	2,176	17,100	24,590	6,596	5,808	544,719
Additions	-	-	-	61,732	-	4,713	8,170	-	251	74,866
Reclassification	2,500	27,834	3,667	(37,551)	3,417	-	133	-	-	-
Disposals ^A	(990)	(4,564)	(447)	-	-	-	-	-	-	(6,001)
Depreciation/amortisation charge	-	(14,565)	(957)	-	(606)	(3,758)	(5,850)	(1,279)	-	(27,015)
Finance costs on leased equipment	-	-	-	-	-	-	-	(370)	-	(370)
Closing net book amount	38,976	395,175	27,403	63,554	4,987	18,055	27,043	4,947	6,059	586,199
Year ended 31 December 2016										
Opening net book amount	38,976	395,175	27,403	63,554	4,987	18,055	27,043	4,947	6,059	586,199
Additions	-	2,358	114	20,051	-	5,508	7,681	-	4	35,716
Reclassification	-	71,296	6,454	(77,872)	-	-	-	-	122	-
Disposals	-	(46)	-	-	-	-	(1,680)	-	-	(1,726)
Revaluation increment / (decrement)	(1,061)	8,270	2,675	-	-	-	-	-	-	9,884
Depreciation/amortisation charge	-	(16,633)	(1,078)	-	(685)	(3,662)	(5,985)	(1,373)	-	(29,416)
Finance costs on leased equipment	-	-	-	-	-	-	-	(276)	-	(276)
Closing net book amount	37,915	460,420	35,568	5,733	4,302	19,901	27,059	3,298	6,185	600,381

Note: The University has restrictions imposed on the real property listed in this Note under *The Flinders University of South Australia Act, 1966*. Section 3 (5) of the Act states;

"The University must not alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor."

The University also occupies various sites in the Northern Territory on Crown Land. The value of these properties is \$16.9m (2015 \$17.4m).

^A Includes transfer of Lincoln Marine Science Centre with a net book value of \$6m (Buildings & Infrastructure \$5m and Land \$1m) to State Government for Nil consideration.

Note 24 Intangible assets

Non-current

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
Note	\$'000	\$'000	\$'000	\$'000
Software costs	30,220	26,078	30,220	26,078
Less: accumulated amortisation and impairment	(16,006)	(12,301)	(16,006)	(12,301)
	14,214	13,777	14,214	13,777
IT development in progress	4,017	3,215	4,017	3,215
Net book value of software costs	18,231	16,992	18,231	16,992
Project costs carried forward (development costs)	984	770	-	-
Net book value of project costs	984	770	-	-
Net book amount	19,215	17,762	18,231	16,992

	<i>Consolidated</i>			<i>University</i>	
	Software costs	Project costs	Total	Software costs	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2015					
Cost	14,204	1,636	15,840	14,204	14,204
Accumulated amortisation and impairment	(10,453)	(832)	(11,285)	(10,453)	(10,453)
Net book amount	3,751	804	4,555	3,751	3,751
Year ended 31 December 2015					
Opening net book amount	3,751	804	4,555	3,751	3,751
Additions	12,352	-	12,352	12,352	12,352
Disposals	-	(34)	(34)	-	-
Amortisation charge	(2,326)	-	(2,326)	(2,326)	(2,326)
Closing net book amount	13,777	770	14,547	13,777	13,777
At 31 December 2015					
Cost	26,556	1,602	28,158	26,556	26,556
Accumulated amortisation and impairment	(12,779)	(832)	(13,611)	(12,779)	(12,779)
Net book amount	13,777	770	14,547	13,777	13,777
Year ended 31 December 2016					
Opening net book amount	13,777	770	14,547	13,777	13,777
Additions	4,267	569	4,836	4,267	4,267
Disposals	-	(355)	(355)	-	-
Amortisation charge	(3,830)	-	(3,830)	(3,830)	(3,830)
Closing net book amount	14,214	984	15,198	14,214	14,214
At 31 December 2016					
Cost	30,823	1,816	32,639	30,823	30,823
Accumulated amortisation and impairment	(16,609)	(832)	(17,441)	(16,609)	(16,609)
Net book amount	14,214	984	15,198	14,214	14,214

Note 25 Trade and other payables**Current**

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Creditors	11,927	11,246	10,338	9,707
OS-HELP Liability to Australian Government	1,787	695	1,787	695
Accrued expenses	16,734	19,800	15,522	19,146
Annual leave on costs	3,002	3,072	3,002	3,072
Long service leave on costs	681	705	681	705
Total current trade and other payables	34,131	35,518	31,330	33,325

Non-current

Creditors	177	177	-	-
Long service leave on costs	3,417	3,904	3,417	3,904
Total non-current trade and other payables	3,594	4,081	3,417	3,904
Total trade and other payables	37,725	39,599	34,747	37,229

(a) Foreign currency risk

There are no material exposures to foreign currency in the carrying amounts of the Consolidated entity and University's payables.

Note 26 Borrowings**Current**

Finance lease liabilities	1,743	1,643	1,743	1,643
Total current borrowings	1,743	1,643	1,743	1,643

Non-Current

Finance lease liabilities	1,850	3,593	1,850	3,593
Long Term Borrowings	600	600	-	-
Total Non-current borrowings	2,450	4,193	1,850	3,593
Total Borrowings	4,193	5,836	3,593	5,236

The above finance lease liability is for network equipment over a five year period commencing January 2014.

The amounts payable are denoted in Australian dollars and do not vary with interest rate movements.

(a) Assets pledged as security

There are no assets pledged as security.

(b) Financing arrangements

The Group has the following arrangements in place –

Overdraft facility ⁽¹⁾	500	500	500	500
Amount used	-	-	-	-
Unused overdraft facility	500	500	500	500
Credit card facility ⁽¹⁾	4,560	4,560	4,500	4,500
Amount used	(587)	(551)	(555)	(518)
Unused credit cards facility	3,973	4,009	3,945	3,982

⁽¹⁾ These facilities are unsecured.

Note 27 Provisions

Current provisions expected to be settled within 12 months

		<i>Consolidated</i>		<i>University</i>	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Annual leave		10,526	10,650	10,176	10,310
Long service leave		4,077	4,436	3,860	4,237
Defined benefit obligation	44	3,684	3,177	3,684	3,177
Severance (contract employees)		956	840	663	500
Workers' compensation		450	247	449	238
Sub total		19,693	19,350	18,832	18,462

Current provisions expected to be settled after more than 12 months

Annual leave		3,961	4,141	3,961	4,141
Total current provisions		23,654	23,491	22,793	22,603

Non-current provisions

Long service leave		23,273	24,234	23,220	24,188
Defined benefit obligation	44	46,928	48,927	46,928	48,927
Severance (contract employees)		265	144	265	144
Workers' compensation		435	463	435	463
Total non-current provisions		70,901	73,768	70,848	73,722
Total provisions		94,555	97,259	93,641	96,325

Movements in Provisions

	<i>Annual leave/ Long Service leave</i>	<i>Defined benefit obligation</i>	<i>Severance</i>	<i>Workers' compensation</i>
	\$'000	\$'000	\$'000	\$'000
Consolidated - current				
Carrying amount at start of year	19,227	3,177	840	247
Additional/(reductions in) provisions recognised	(663)	507	116	203
Carrying amount at the end of the year	18,564	3,684	956	450
Consolidated - non-current				
Carrying amount at start of year	24,234	48,927	144	463
Additional/(reductions in) provisions recognised	(961)	(1,999)	121	(28)
Carrying amount at the end of the year	23,273	46,928	265	435
University - current				
Carrying amount at start of year	18,688	3,177	500	238
Additional/(reductions in) provisions recognised	(691)	507	163	211
Carrying amount at the end of the year	17,997	3,684	663	449
University - non-current				
Carrying amount at start of year	24,188	48,927	144	463
Additional/(reductions in) provisions recognised	(968)	(1,999)	121	(28)
Carrying amount at the end of the year	23,220	46,928	265	435

Annual and long service leave

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Refer to note 1(u)(ii) & (iii).

Workers' compensation provision

Provision is made based on an actuarial assessment of workers' compensation estimated claims liability for future years. Refer to note 1(v)

Note 28 Other liabilities**Current**

	Consolidated		University	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Income received in advance				
Fees & charges	10,886	7,978	10,886	7,978
Other	1,121	385	468	213
Total Income received in advance	12,007	8,363	11,354	8,191
Australian Government unspent financial assistance	-	-	-	-
Total current other liabilities	12,007	8,363	11,354	8,191
Interest-bearing funds held on behalf of external entities				
Student entities	10	9	991	1,011
Other entities	505	1,520	505	1,520
Total current unsecured interest bearing liabilities	515	1,529	1,496	2,531
Total current other liabilities	12,522	9,892	12,850	10,722
Total other liabilities	12,522	9,892	12,850	10,722

Interest bearing liabilities consist of funds held at the request of related entities. These are not borrowings. The University invests these funds and provides an investment return to those entities. Funds held are at call. The University has no assets pledged as security for interest bearing liabilities.

		Consolidated		University	
	Notes	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Note 29 Reserves and retained earnings					
(a) Reserves					
Asset revaluation surplus					
Property, plant and equipment revaluation surplus		152,314	142,430	152,833	142,949
Available-for-sale investments revaluation surplus		10,466	8,564	13,280	12,796
Total reserves		162,780	150,994	166,113	155,745
Movements in reserves					
Property, Plant and Equipment					
Balance 1 January		142,430	142,430	142,949	142,949
Increment/ (decrement) on revaluation of Property, plant and equipment	23	9,884	-	9,884	-
Balance 31 December		152,314	142,430	152,833	142,949
Available-for-sale investments revaluation surplus					
Balance 1 January		8,564	1,422	12,796	7,415
Increment/ (decrement) on revaluation		1,902	7,142	484	5,381
Balance 31 December		10,466	8,564	13,280	12,796
Movements in retained earnings were as follows:					
Retained earnings at 1 January		507,459	493,105	502,708	486,115
Net result for the period		27,685	14,354	27,406	16,593
Retained earnings at 31 December		535,144	507,459	530,114	502,708

(b) Nature and purpose of reserves*(1) Property, plant and equipment reserve*

The property, plant and equipment revaluation surplus records revaluation in land, buildings, infrastructure, library and artwork.

(2) Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation surplus records revaluations in available-for-sale investments.

Note 30 Key management personnel disclosures

30.1 Responsible persons

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of the *Flinders University of South Australia Act*, 1966. Council members include University employees who may be ex-officio members or elected staff members.

(a) Names of responsible persons and executive officers:

The following persons were responsible persons and executive officers of Flinders University during the financial year:

COUNCIL MEMBERS IN 2016

Persons listed were all Council members for the full year unless otherwise indicated. An asterisk indicates University employees.

Members ex officio

Chancellor

Mr Stephen Gerlach AM

Vice-Chancellor

*Professor Colin Stirling

Presiding member of the Academic Senate

*Professor Eimear Muir-Cochrane

Members appointed by the Council

Mrs Leonie Clyne OAM

Mr Douglas Gautier AM

Ms Kathryn Gramp

Mr Stephen Hains

Mrs Peggy Lau Flux

Ms Elizabeth Perry

Mr Austin Taylor

Professor Brenda Wilson

Mrs Christine Zeitz

Member co-opted and appointed by the Council

Professor Goran Roos (to 30/6/16)

Members elected by the academic staff

*Dr Grant Banfield (from 1/2/16 to 18/11/16)

*Professor Leon Lack (to 31/1/16)

*Dr Clare McCarty (to 11/6/16)

Members elected by the non-academic staff

*Ms Debra Hackett (to 24/6/16)

*Ms Pamela Smith (to 9/8/16)

Student members elected by the students

Dr Kwan Leung Chia

Ms Simone Jowett

Mr Caleb Pattinson

UNIVERSITY SENIOR MANAGEMENT IN 2016

Professor John Beynon (from 1/7/2016)

Professor Nancy Cromar (to 3/6/16)

Professor Michael Kidd

Professor Warren Lawrance (to 30/6/16)

Professor Richard Maltby

Mr Stuart Mossman

Professor Andrew Parkin

Mr Richard Porter

Professor Clare Pollock (from 18/1/16)

Mr Sebastian Raneskold (from 1/4/16)

Professor Robert Saint

Professor Colin Stirling

Professor Phyllis Tharenou

Ms Callista Thillou

Note 30 Key management personnel disclosures (continued)

30.1 Responsible persons (continued)

(b) Remuneration of Council members

The following table comprises total remuneration that falls within the prescribed bandwidths for Council members. Remuneration for Executive Officers who are also Council members is shown as zero in this table, with their total remuneration shown under Remuneration of University senior management. Some members of Council are employees of the University and they receive no additional remuneration above their normal entitlements for being a Council member. University Council members receive no remuneration for being a Council member but may receive remuneration for board membership of subsidiaries.

	Consolidated		University	
	2016	2015	2016	2015
	Number	Number	Number	Number
Nil	20	19	21	21
\$20,000 - \$29,999	1	2	-	-
Number of members	21	21	21	21
Aggregate remuneration of Council members (\$'000)	24	48	Nil	Nil

30.2 Key management personnel

(a) Remuneration of University Senior Management

The remuneration includes salary, bonuses, employer's superannuation costs and other benefits, including the associated fringe benefits tax. No loans have been provided to key management personnel and any other transaction between personnel and the University has been undertaken on a normal commercial basis. No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

The table comprises total remuneration that falls within the prescribed bandwidths for executives:

	2016	2015
	Number of staff	
\$140,000 - \$149,999	1	-
\$190,000 - \$199,999	1	-
\$200,000 - \$209,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	-	1
\$260,000 - \$269,999	1	-
\$280,000 - \$289,999	-	2
\$290,000 - \$299,999	2	-
\$300,000 - \$309,999	-	1
\$310,000 - \$319,999	1	-
\$360,000 - \$369,999	-	1
\$380,000 - \$389,999	-	1
\$390,000 - \$399,999	-	2
\$400,000 - \$409,999	2	-
\$410,000 - \$419,999	1	1
\$430,000 - \$439,999	1	-
\$470,000 - \$479,999	1	-
\$520,000 - \$529,999	-	1
\$1,040,000 - \$1,049,999	1	-
\$1,190,000 - \$1,199,999	-	1
	**	
	14	12
Aggregate remuneration of Executives (\$'000)	5,116	5,014

**The number of executives has increased by two from 2015. There is a net increase of one executive post. There is also a temporary increase of one person as a result of staff movements occurring part way through the year, with more than one person being included for a single position.

Note 30 Key management personnel disclosures (continued)**30.2 Key management personnel (continued)****(a) Remuneration of key management personnel (continued)****Senior University Management compensation**

	2016 \$'000	2015 \$'000
Short-term employee benefits	4,360	4,070
Post-employment benefits	665	593
Other long-term benefits	91	167
Termination benefits	-	184
Total key management personnel compensation	5,116	5,014

The Department of Education and Training Guidelines specify that: "For the purposes of AASB 124, key management personnel are persons having authority and responsibility for planning, directing and controlling the activities of the University, directly or indirectly, including any director (whether executive or otherwise) of the University". The Department of Education guidelines provide further guidance on the definition of key management personnel applicable to Universities by stating that "such persons should have authority and responsibility for planning, directing and controlling the activities of the whole University, and not just a faculty".

30.3 Related party transactions

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis. The University may employ close family members of senior management. When this occurs it follows normal recruitment practice.

In 2016 the following transactions occurred between the University and entities in which Council members have declared an interest:

Entity	Nature of goods/services	Value \$000	Council members interest
Bedford Phoenix Group	Grounds maintenance	56	Director
North Adelaide Local Area Health Network	Health related	42	Director
ACH Group	Health related	47	Director

Consolidated		University	
2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000

Note 31 Remuneration of auditors

During the year, the following fees were paid for services provided by the auditor of the University, its related practices and non-related audit firms:

Audit of the financial statements

Fees paid to the South Australian Auditor-General's Department	308	303	308	303
Edwards Marshall	21	33	-	-
Total paid for audit	329	336	308	303

Other audit and assurance services

Fees paid to Deloitte	247	297	247	297
Fees paid to Others	55	60	55	58
Total paid for audit and assurance	302	357	302	355
Total remuneration for audit services	631	693	610	658

Fees paid for other audit and assurance services include payment for internal audit (Deloitte and KPMG), audit of the Higher Education Research Data Collection (Messenger Zerner) and grant reporting, and medical grant programs (Australian Independent Audit Services).

Note 32 Contingencies

Contingent assets

There were no contingent assets.

Contingent liabilities

The University is an exempt employer for ReturnToWorkSA purposes. The University is required by ReturnToWorkSA to have a bank guarantee in place for the purposes of covering workers compensation liabilities in the event that the University was unable to pay them. As at 31 December 2016 the University had a bank guarantee facility of \$1.616m in place (2015: \$1.01m).

Consolidated		University	
2016	2015	2016	2015
\$'000	\$'000	\$'000	\$'000

Note 33 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Property, Plant and Equipment

Within one year	6,890	13,830	6,839	13,780
Between one and five years	1,231	1,608	1,231	1,608
Later than five years	-	-	-	-
	8,121	15,438	8,070	15,388

Intangible assets

Within one year	861	164	861	164
Between one and five years	-	-	-	-
Later than five years	-	-	-	-
	861	164	861	164

Total Capital commitments

8,982	15,602	8,931	15,552
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(b) Lease commitments

Operating leases

The University has various operating leases of property and equipment. Lease amounts have only been included in the table where there is a non-cancellable commitment.

University as lessee

Total lease payments recognised as an expense during the reporting period	3,819	4,675	3,897	4,605
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Commitments

Commitments in relation to leases contracted for as at the reporting date but not recognised as liabilities are payable as follows:

Within one year	3,198	2,473	3,126	2,473
Between one and five years	5,863	3,300	5,655	3,300
Later than 5 years	9,712	5,066	9,712	5,066
Total future minimum lease payments	18,773	10,839	18,493	10,839

University as lessor

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within one year	753	626	753	626
Between one and five years	929	1,223	929	1,223
Later than 5 years	375	117	375	117
Total lease commitments as lessor	2,057	1,966	2,057	1,966

The University has accommodation for 560 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The above table includes Investment Property operating leases. Refer to note 22, Investment Property.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff.

Note 33 Commitments (continued)**(c) Other expenditure commitments**

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	<i>Consolidated</i>		<i>University</i>	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Within one year	13,956	15,305	13,931	15,305
Between one year and five years	8,216	4,196	8,141	4,196
Later than five years	1,140	41	1,140	41
Total other expenditure commitments	23,312	19,542	23,212	19,542

Note 34 Related parties**(a) Parent entity**

The ultimate parent entity within the group is Flinders University.

(b) Subsidiaries, joint operations and associates

Interests in subsidiaries are set out in Note 35, interests in joint operations are set out in Note 36 and interests in associates are set out in Note 38.

(c) Council members and senior management

Disclosures relating to the University Council Members and Senior Management are detailed in Note 30.

(d) Students at the Flinders University

From time to time, Council members will have members of their immediate family who are students at the University. Such students are subject to the same fee structure and scholarships as any other students. This also applies to members of Council who are enrolled as students.

(e) Loans to/(from) Subsidiaries

	<i>University</i>	
	2016	2015
	\$'000	\$'000
Beginning of the year	515	500
Loans advanced	250	250
Loans repayments received	(250)	(250)
Interest charged	22	22
Interest received	(7)	(7)
End of year	530	515

Note 35 Subsidiaries

Flinders University is the Parent entity or ultimate Parent entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of entity	Principal activities	Ownership interest	
		2016 %	2015 %
Flinders Bioremediation Pty Ltd	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies	100	100
Flinders Campus Community Services Inc.	Provides on-campus services and support for students	100	100
Flinders Partners Pty Ltd	Commercialisation of University sourced intellectual property and conduct of commercial consultancies	100	100
Strategiize Pty Ltd (formerly Flinders MediTech Pty Ltd) (subsidiary of Flinders Partners Pty Ltd)	Software development company	100	100
InRemedy Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Healthcare consultancy	100	100
uniPartners Ltd (subsidiary of Flinders Partners Pty Ltd)	Creates new growth companies from University research in South Australia	62	62
FCD Health ^	Operate the Palmerston GP Super Clinic providing placements for medical students in NT	50	50
Clevertar Pty Ltd (subsidiary of Flinders Partners Pty Ltd)	Software development company	51	51
Lung Health Diagnostics Pty Ltd	Biotech development company	60	60
National Institute of Labour Studies (NILS) Foundation Inc. ^^^	Supports the activities of NILS	-	-
Flinders Consulting Pty Ltd ^^	Consulting, subsumed by Flinders Partners.	-	-

^ FCD Health cannot pay dividends and on wind-up, the assets cannot be distributed to the University.

^^ NILS Foundation was liquidated during 2015 and its assets distributed to the University and held for the benefit of NILS.

^^^ Flinders Consulting was liquidated during 2015 and net assets have been distributed.

The principal place of business for all subsidiaries is in Australia.

Note 36 Joint Operations

		Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
(a) Joint operations		Ownership interest			
Entity name	Principal activity	2016		2015	
		%	%		
Centre for Remote Health	Provision of health education and research to remote areas	100	50		
Assets					
Cash at bank		-	918	-	918
Receivables		-	33	-	33
Property Plant and equipment		-	2,485	-	2,485
Total assets		-	3,436	-	3,436
Liabilities					
Payables		-	40	-	40
Provisions		-	213	-	213
Total liabilities		-	253	-	253
Share of net assets employed in the joint venture		-	3,183	-	3,183

The University has taken over 100% ownership of the Centre of Remote Health from 1st January 2016.

Jointly controlled operations		Ownership interest	
Entity name	Principal activity	<i>2016</i>	<i>2015</i>
		<i>%</i>	<i>%</i>
Rubuntja Building, Alice Springs Hospital	Education and research services providing health services to local & remote Indigenous populations.	41	41
Assets			
Property, plant and equipment		984	1,038
Share of net assets employed in the joint venture		984	1,038

Entity name	Principal activity	Ownership interest	
		<i>2016</i>	<i>2015</i>
		<i>%</i>	<i>%</i>
University Research Repositories of South Australia	Provision of storage area for library materials from three South Australian Universities	28	28

University Research Repository of South Australia (URRSA)

Assets			
Property, plant and equipment		1,532	1,338
Share of net assets employed in the joint venture		1,532	1,338

Note 36 Joint Operations (continued)

(a) Joint operations (continued)

The assets employed in the above jointly controlled operations are detailed below. The amounts are included in the financial statements under their respective categories.

The University's joint operations have contingent liabilities of \$nil as at 31 December 2016 (2015: \$nil).

Other

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

(b) Joint ventures

The University participates in a number of joint ventures for which the University's interest is not considered to be material. Accordingly they have not been taken up in the University's accounts.

Relevant disclosures are as follows:-

(U) Unincorporated

(I) Incorporated

Name of entity	Reporting date	Principal activity	Ownership interest	
			2016	2015
			%	%
eRSA	(I) 31-Dec	Supports and promotes the use of advanced and high-performance computing and communications.	33	33
South Australian Tertiary Admission Centre (SATAC)	(U) 31-Dec	Agent for tertiary institutions in Adelaide for receiving & processing applications for admission to tertiary level courses.	25	25

(c) Other information

(1) Capital expenditure commitments- No material capital expenditure commitments.

(2) Contingent liabilities - No material contingent liabilities.

(3) After balance date events- No material after balance date events.

Note 37 Cooperative Research Centres (CRC)

The University participates in a number of Cooperative Research Centres (CRC) Programme. A CRC is a research initiative of the Australian Government established to pursue specific areas of research and supports industry-led collaborations between researchers, industry and the community. Flinders University participates in the below listed CRCs but does not control or have any significant influence in these entities that require the University to record them as either Joint Operations or Associates. The University does not record any of the CRC entities as investments in the financial statements.

Name of Entity	Principal Activity
Alertness CRC Ltd	To promote the prevention and control of sleep loss and sleep disorders and to develop new tools and products for individuals and organisations to improve alertness, productivity and safety.
Australian Seafood CRC	To assist end-users of its research to profitably deliver safe, high-quality, nutritious Australian seafood products to premium markets - domestically and overseas.
Bushfire & Natural Hazards CRC	To explore the causes, consequences and mitigation of natural disasters.
Innovative Manufacturing CRC	To lead Australia's transition into high value, high knowledge based manufacturing through support and facilitation of innovative manufacturing organisations.
Low Carbon Living CRC	We work towards lowering carbon emissions in the built environment while driving competitive advantage for Australian industry.
Pork CRC	To maintain local pork production of high quality food for a reasonable price and return on production capital invested, without negatively impacting pig welfare, the environment or the health of the consumer.
The CRC for Remote Economic Participation	To deliver solutions to the economic challenges that affect remote Australia.
The Lowitja Institute	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.
The Young and Well CRC	To unite young people with researchers, practitioners and policy makers from over 75 partner organisations across the non-profit, academic, government and corporate sectors.

Note 38 Associates

The University has significant influence but not control over the following associates.

Name of entity	Reporting date	Principal activity	Ownership interest	
			2016 %	2015 %
Flinders Reproductive Medicine (FRM)	30-Jun	FRM provides a high quality comprehensive infertility investigatory and treatment service.	50	50
GPEX Ltd	31-Dec	GPEX Ltd was formed in 2015 to develop and deliver quality education and training services to general practice registrars.	50	50
Re-Time Pty Ltd	30-Jun	Re-Time Pty Ltd was formed in 2010 to help people re-time their body clocks and improve sleep.	35	35
SABRENet Ltd	30-Jun	Delivers high capacity broadband network services to the education and research sector.	25	25

FRM, GPEX Ltd and Re-Time Pty Ltd are accounted for using the equity method. Refer to note 21.

SABRENet Ltd is established to be a non-profit institution to further use of advanced data networking for the conduct of research and education in South Australia. The founding members are the three South Australian Universities and the South Australian Government. The Defence Science and Technology Organisation (DSTO) is a contractual partner. SABRENet Ltd is not accounted for using the equity method as this is considered to be immaterial. The University has no rights to the residual assets of SABRENet Ltd.

Note 39 Events occurring after the end of the reporting period

On 24 January 2017 the Vice-Chancellor announced a decision to consolidate the existing Faculty and school structure into six colleges and to align professional services accordingly. It is expected the change will be in place from 1 July 2017.

The University has long term investments in Australian and International equities managed by professional fund managers. The value of these investments fluctuates broadly in line with indicators of equity market movements and any adjustments to these values are taken up as unrealised gains or losses in the Income Statement. Note 19 has information about the value of these investments as at 31 December 2016.

Note 40 Reconciliation of net result to net cash provided by / (used in) operating activities

	Notes	Consolidated		University	
		2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000
Net result for the period		27,586	14,348	27,406	16,593
Non-cash items:					
Depreciation and amortisation		33,869	29,961	33,522	29,711
Net (gain)/loss on sale of non-current assets		(1,263)	5,998	(1,263)	6,001
Net contribution of assets		(54)	(291)	(54)	(291)
Fair value gains on other financial assets at fair value through profit or loss		(2,406)	(615)	(2,274)	(167)
Distributions		(300)	955	(300)	(1,081)
Impairment of Assets		259	(7)	111	72
Investment expenses paid direct from funds		153	165	57	165
Other		(1,245)	1,166	(368)	2,102
Total non-cash items		29,013	37,332	29,431	36,512
Change in assets and liabilities					
Decrease/(Increase) in receivables		6,036	(22)	6,545	127
Decrease/(Increase) in inventories		49	47	46	9
(Increase)/Decrease in other operating assets		(797)	(62)	(795)	16
Increase/(Decrease) in payables		121	5,327	(577)	4,478
(Decrease)/Increase in other provisions		(2,704)	(1,206)	(2,684)	(1,436)
Increase/(Decrease) in other operating liabilities		3,666	1,017	3,163	885
Net cash provided by / (used in) operating activities		62,970	56,781	62,535	57,184

Cash balances not available for use

All cash balances are available for use (2015: all available).

Tax status

The activities of the University are exempt from income tax. Certain subsidiaries may pay tax but as the amount is immaterial it is included under other expenses.

Note 41 Non-cash investing and financing activities

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$0.054million (2015: \$0.291 million) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

Note 42 Financial risk management

The Consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The University has policies that manage financial instrument risk.

Investments tend to be largely held in term deposits with banking institutions, with a policy requirement that no more than 60% of short term investments are held with a single financial institution. Debtors are spread across a large number of customers and are predominantly public sector. The University's policy on short term investments requires investments to have a minimum Standard & Poors' or equivalent short-term credit rating of A-1. The University invests in Australian and International equities, mostly through professional fund managers. The University utilises derivative instruments such as forward exchange contracts solely to hedge foreign currency cash flow exposures. Investment funds managers used by the University also utilise derivative instruments in accordance with their respective risk policies which have been reviewed and accepted by the University. The University holds funds on behalf of other entities associated with the University and these funds are invested with University investments with the entities receiving a share of the investment returns.

<i>Recognised financial instruments</i>	<i>Notes</i>	<i>Accounting Policies</i>	<i>Terms and Conditions</i>
(i) Financial assets			
Cash at bank	1(g), 16	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Deposits within 3 days	16	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Term deposits	16, 19	Recognised at nominal amounts.	Interest accrued credited to revenue in the period it is earned.
Equities	19	Recognised at market value.	Carrying amount of investments adjusted to market value monthly.
Managed funds	19	Recognised at market value.	Accrued distributions credited to revenue monthly. Investments adjusted to market value monthly.
Interest in business undertakings	19	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Receivables	17	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (Provision for doubtful debts).	Credit is allowed for a 30 day term.
Derivative Instruments - Hedge Receivable	17	Recognised at fair value in revenue.	The gross payable and receivable values are recognised in the balance sheet. The net fair value is recognised as revenue or expense for the reporting period.
(ii) Financial liabilities			
Trade and other Payables	25	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the Consolidated entity.	The University standard terms of trade is payment 30 days after receipt of invoice.
Interest bearing liabilities	28	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short term investments reduced by a nominal administration fee.
Income in advance	28	Carried at their nominal amounts.	Income is recognised in the period in which it is earned.
Non-interest bearing liabilities	28	Carried at their nominal amounts.	Nil

The Consolidated Entity uses forward exchange contracts to manage foreign currency cash flow risk, however other types of derivative financial instruments such as interest rate swaps are not directly used. The Consolidated Entity has approved the use of derivatives by its appointed Fund Managers within the bounds of their risk management policies. The main risks the Consolidated Entity is exposed to through its financial instruments are interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk.

Note 42 Financial risk management (continued)**(a) Market risk****(i) Foreign exchange risk**

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Consolidated entity's exposure to foreign exchange risk includes its investments in international equities of \$9.179m in 2016 (2015: \$10.633m), foreign currency cash holdings of \$308k in AUD equivalent (2015: \$82k) and there is the equivalent of AUD \$730k (2015: \$31k) denoted in foreign currency receivables. There are \$NIL (2015: \$NIL) of trade and other payables denoted in foreign currency as per Note 25. The University utilised cash flow hedges to manage currency risk exposures. The net gain on cash flow hedges in 2016 was \$54k (2015: loss \$128k).

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to the volatility of its share price. The Consolidated entity's exposure to price risk is limited to its shareholdings in Australian companies of \$44.094m in 2016 (2015: \$37.444m).

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Consolidated Entity has a finance lease with a fixed implicit interest rate with no other borrowings and therefore its interest rate risk exposure relates to income only. As at 31 December 2016 the Consolidated Entity held \$44.658m (2015: \$9.375m) in term deposits and short-term deposits earning interest at market rates. Refer Notes 16 and 19. The Consolidated Entity also held \$3.716m (2015: \$4.592m) in fixed interest managed funds. Refer Note 19.

(iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Consolidated Entity's financial assets and financial liabilities to interest rate risk, foreign exchange risk and price

31 December 2016	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Price risk			
		-1%		+1%		-1%		+1%		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets													
- Cash & cash equivalents	56,142	(558)	(558)	558	558	(3)	(3)	3	3	-	-	-	-
- Receivables	65,810	-	-	-	-	(7)	(7)	7	7	-	-	-	-
- Other financial assets	80,552	(236)	(236)	236	236	(92)	(92)	92	92	(533)	(533)	533	533
Financial liabilities													
- Payables	37,061	-	-	-	-	-	-	-	-	-	-	-	-
- Other liabilities	515	(5)	(5)	5	5	-	-	-	-	-	-	-	-
Total increase /(decrease)	164,928	(799)	(799)	799	799	(102)	(102)	102	102	(533)	(533)	533	533

31 December 2015	Carrying amount \$'000	Interest rate risk				Foreign exchange risk				Price risk			
		-1%		+1%		-1%		+1%		-1%		+1%	
		Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000	Result \$'000	Equity \$'000
Financial assets													
- Cash & cash equivalents	47,582	(475)	(475)	475	475	(1)	(1)	1	1	-	-	-	-
- Receivables	71,246	-	-	-	-	-	-	-	-	-	-	-	-
- Other financial assets	65,680	(142)	(142)	142	142	(106)	(106)	106	106	(481)	(481)	481	481
Financial liabilities													
- Payables	39,599	-	-	-	-	-	-	-	-	-	-	-	-
- Other liabilities	1,529	(15)	(15)	15	15	-	-	-	-	-	-	-	-
Total increase /(decrease)	143,380	(632)	(632)	632	632	(107)	(107)	107	107	(481)	(481)	481	481

The interest rate risk on other financial liabilities not included above is nil as these funds are invested on behalf of related entities and they bear the interest rate risk. For foreign exchange risk, a 1% movement in exchange rates would vary investments by \$92k and receivables by \$7k.

The above sensitivity analysis has been prepared on the assumption that all other variables remain constant.

Note 42 Financial risk management (continued)**(b) Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and Notes to the financial statements. Except for the following concentration of credit risk, the Consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Consolidated entity:

• Superannuation receivable from EDUCATION of \$50.612m (2015: \$52.490m).

(c) Liquidity risk

Liquidity risk is the risk that financial obligations will not be able to be met when they fall due. The University manages liquidity risk by monitoring forecast cash flows and maintains sufficient cash to maintain short term flexibility and enable the University to meet financial commitments in a timely manner.

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

The Consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

31 December 2016	<i>Average Interest Rate</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>5+ Years</i>	<i>Non-interest bearing</i>	<i>Total</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial assets						
Cash and cash equivalents	2.10%	55,814	-	-	328	56,142
Receivables	-	-	-	-	65,810	65,810
Other financial assets	2.85%	20,852	1,185	1,592	56,997	80,626
Total financial assets	2.33%	76,666	1,185	1,592	123,135	202,578
Financial liabilities						
Payables	-	-	-	-	37,548	37,548
Other liabilities	2.21%	515	-	-	-	515
Total financial liabilities	2.21%	515	-	-	37,548	38,063
Net financial assets	-	76,151	1,185	1,592	85,587	164,515
31 December 2015						
	<i>Average Interest Rate</i>	<i>Less than 1 Year</i>	<i>1 to 5 Years</i>	<i>5+ Years</i>	<i>Non-interest bearing</i>	<i>Total</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Financial assets						
Cash and cash equivalents	2.24%	47,479	-	-	103	47,582
Receivables	-	-	-	-	71,246	71,246
Other financial assets	3.84%	12,368	1,033	765	51,514	65,680
Total financial assets	2.61%	59,847	1,033	765	122,863	184,508
Financial liabilities						
Payables	-	-	-	-	39,599	39,599
Other liabilities	2.29%	1,529	-	-	-	1,529
Total financial liabilities	2.29%	1,529	-	-	39,599	41,128
Net financial assets	-	58,318	1,033	765	83,264	143,380

Note 43 Fair value measurements

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Due to the short-term nature of the current receivables, their carrying value approximates their fair value and based on credit history it is expected that the receivables that are neither past due nor impaired will be received when due.

The consolidated carrying amounts and aggregate fair values of financial assets and liabilities at balance date are:

	Notes	Consolidated			
		Carrying Amount		Fair Value	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial Assets					
Cash and cash equivalents	16	56,142	47,582	56,142	47,582
Receivables	17	65,810	71,246	65,810	71,246
Investments using the equity method	21	976	300	976	300
Other financial assets					
Held to maturity	19	19,658	9,375	19,658	9,375
Available-for-sale	19	14,826	12,637	14,826	12,637
Financial assets at fair value through profit or loss	19	46,142	43,668	46,142	43,668
Total Financial Assets		203,554	184,808	203,554	184,808
Non-Financial assets					
Other non-financial assets	20	12,986	12,189	12,986	12,189
Total Non-Financial assets		12,986	12,189	12,986	12,189
Financial Liabilities					
Payables	25	37,548	39,599	37,548	39,599
Borrowings	26	4,193	5,836	4,193	5,836
Other financial liabilities	28	515	1,529	515	1,529
Total Financial Liabilities		42,256	46,964	42,256	46,964

The Consolidated entity measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss
- Available-for-sale financial assets
- Land, buildings and infrastructure
- Investment property

Note 43 Fair value measurements (continued)

(b) Fair Value hierarchy

The Consolidated entity categorises assets and liabilities measured at fair value into a hierarchy based on the level of inputs used in measurement.

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

Recognised fair value measurements

Fair value measurements recognised in the Statement of Financial Position are categorised into the following levels at 31 December 2016.

Fair value measurements at 31 December 2016	Notes	Consolidated			
		2016	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements					
Financial assets					
Fair value through profit or loss					
Equity securities	19	45,895	1,906	40,265	3,724
Debt securities	19	3,971	-	3,971	-
Available for sale					
Other entities	19	11,102	-	-	11,102
Investments using the equity method	21	976	-	-	976
Total Financial Assets		61,944	1,906	44,236	15,802
Non Financial Assets					
Investment property	22	8,800	-	-	8,800
Land, buildings and infrastructure	23	538,562	-	-	538,562
Library	23	19,901	-	-	19,901
Works of Art	23	6,185	-	-	6,185
Total Non Financial Assets		573,448	-	-	573,448
Financial Liabilities					
Derivatives used for hedging		54	-	54	-
Total Financial Liabilities		54	-	54	-
Total Fair Value measurements at 31 December 2016		635,338	1,906	44,182	589,250

Fair value measurements at 31 December 2015	Notes	Consolidated			
		2015	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements					
Financial assets					
Fair value through profit or loss					
Equity securities	19	42,314	1,877	37,000	3,437
Debt securities	19	4,791	-	4,791	-
Available for sale					
Other entities	19	9,200	-	-	9,200
Investments using the equity method	21	300	-	-	300
Total Financial Assets		56,605	1,877	41,791	12,937
Non Financial Assets					
Investment property	22	8,300	-	-	8,300
Land, buildings and infrastructure	23	466,727	-	-	466,727
Library	23	18,055	-	-	18,055
Works of Art	23	6,059	-	-	6,059
Total Non Financial Assets		499,141	-	-	499,141
Financial Liabilities					
Derivatives used for hedging		128	-	128	-
Total Financial Liabilities		128	-	128	-
Total Fair Value measurements at 31 December 2015		555,618	1,877	41,663	512,078

Note 43 Fair value measurements (continued)

(c) Valuation techniques used to derive level 2 and level 3 fair values

Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, managed investments and cash flow hedges) are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The Consolidated entity uses quoted market prices or dealer quotes based on market conditions existing at each balance date. All of the resulting fair value estimates are included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and investments accounted for using the equity method.

An independent valuation was performed in December 2016 on investment properties and on freehold land and building (classified as property, plant and equipment). All properties are revalued independently at least every three years. At the end of each reporting period, the Consolidated entity updates their assessment of the fair value of each property, taking into account the most recent independent valuations. The Consolidated entity determines the property's value within a range of reasonable fair value estimates.

The best evidence of fair value is the current price in an active market for similar properties. Where such information is not available the Consolidated entity considers information from a variety of sources, including:

- current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence

All resulting fair value estimates for properties are included in level 3.

(d) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See (c) above for the valuation techniques adopted.

Description	Fair value at 31 Dec 2016	Unobservable inputs	Range of inputs (probability weighted average)	Relationship of unobservable inputs to fair value
	\$'000			
Unlisted equity securities	14,826	Earnings growth factor	Net asset position and future earnings	Increase in net assets and increase in future earnings would result in higher fair value. Decrease in net assets and decrease in future earnings would result in lower fair value.

Note 43 Fair value measurements (continued)**(e) Fair value measurements using significant unobservable inputs (level 3)**

The following table is a reconciliation of level 3 items for the periods ended 31 December 2016 and 2015:

Consolidated

Level 3 Fair Value Measurements 2016	Unlisted equity securities	Land, Buildings and Infrastructure	Library	Works of Art	Investment Property	Other financial assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance 1 January 2016	12,637	466,727	18,055	6,059	8,300	300	512,078
Gains or (losses) in profit or loss							
Additions	-	80,430	5,508	126	-	976	87,040
Disposals	-	(46)	-	-	-	(300)	(346)
Depreciation recognised in net result	-	(18,433)	(3,662)	-	-	-	(22,095)
Total gains or (losses) in profit or loss	-	61,951	1,846	126	-	676	64,599
Gains or (losses) in comprehensive income:							
Gain/(Loss) in other comprehensive income	1,902	-	-	-	-	-	1,902
Revaluation increment or (decrement)	287	9,884	-	-	500	-	10,671
Total gains or (losses) in other comprehensive income	2,189	9,884	-	-	500	-	12,573
Closing balance 31 December 2016	14,826	538,562	19,901	6,185	8,800	976	589,250

Consolidated

Level 3 Fair Value Measurements 2015	Unlisted equity securities	Land, Buildings and Infrastructure	Library	Works of Art	Investment Property	Other financial assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance 1 January 2015	5,054	451,259	17,100	5,808	9,203	411	488,835
Gains or (losses) in profit or loss							
Additions	-	37,604	4,713	251	-	417	42,985
Disposals/Distribution	-	(6,001)	-	-	-	(528)	(6,529)
Depreciation recognised in net result	-	(16,135)	(3,758)	-	-	-	(19,893)
Total gains or (losses) in profit or loss	-	15,468	955	251	-	(111)	16,563
Gains or (losses) in comprehensive income:							
Gain/(Loss) in other comprehensive income	7,142	-	-	-	-	-	7,142
Revaluation increment or (decrement)	441	-	-	-	(903)	-	(462)
Total gains or (losses) in other comprehensive income	7,583	-	-	-	(903)	-	6,680
Closing balance 31 December 2015	12,637	466,727	18,055	6,059	8,300	300	512,078

Note 44 Defined benefit plans

The University contributes to the following employee superannuation funds:

(i) UniSuper Limited Superannuation Schemes

(a) UniSuper Defined Benefit Plan or Accumulation 2

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7% of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2016 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

In 2006 the UniSuper Trust Deed was amended so that in the event UniSuper assets are insufficient to provide for the benefits payable the Trustee must consider whether to reduce member benefits on a fair and equitable basis instead of requesting additional payments from employers. While remaining a defined benefits plan under superannuation law, the change in the UniSuper Trust Deed effectively alters the nature of the scheme to a defined contribution scheme under AASB 119.

As set out under paragraph 28 of AASB119 a defined benefit contribution plan is a plan where the employer's legal or constructive obligation is limited to the amount it agrees to contribute to the fund and the actuarial risk and investment risk fall on the employee.

As at 30 June 2016 the assets of the Defined Benefit Division (DBD) in aggregate were estimated to be:

- * \$2,252 million (June 2015: \$1,479m) above vested benefits. The vested benefits are benefits which are not conditional upon continued membership (or any factor other than leaving the service of the participating institution) and include the value of indexed pensions being provided by the DBD.
- * \$3,757 million (June 2015: \$3,377m) above accrued benefits. The accrued benefits have been calculated as the present value of expected future benefit payments to members and indexed pensioners which arise from membership of UniSuper up to the reporting date.

The vested benefit and accrued benefit liabilities were determined by the Fund's actuary using the actuarial demographic assumptions outlined in their report on the actuarial investigation of the DBD as at 1 July 2016. The financial assumptions used were:

	<i>Vested Benefits</i>	<i>Accrued Benefits</i>
Gross of tax investment return:		
- Defined Benefit Division pensions	5.30%	6.90%
- Commercial rate indexed pensions	3.70%	3.70%
Net of tax investment return - non pensioner members	4.60%	6.10%
Consumer Price Index	2.50%	2.50%
Inflationary salary increases long term	3.50%	3.50%

Assets have been included at their net market value, ie allowing for realisation costs.

At 30 June 2016 the Vested Benefit Index (VBI) was 112.2% (2015: 108.8%) and the Accrued Benefit Index (ABI) was 122.2% (2015: 122.6%). As a result of the VBI being greater than 100% at 30 June 2016, the monitoring period and process set out in Clause 34 of the Trust Deed has not been instigated.

Clause 34 of the Trust Deed provides a mechanism for reducing benefits if after initially falling below specified threshold levels and after a period of at least four years, the ABI and VBI are below those thresholds (100% and 95% respectively).

Clause 34 was initiated following the 31 December 2008, 30 June 2011, 30 June 2012 and 30 June 2013 actuarial investigations. The monitoring period commencing on 30 June 2013 is still in place.

Note 44 Defined Benefit Plans (continued)**(i) UniSuper (continued)****(a) UniSuper Defined Benefit Plan or Accumulation 2 (continued)**

Following the end of the monitoring period commenced in relation to the 31 December 2008 actuarial investigation, the UniSuper Limited Board made a decision not to reduce accrued benefits but to reduce the rate at which benefits accrue in respect of the DBD membership after 1 January 2015.

After the four year monitoring periods ending on 30 June 2015, 30 June 2016 and 30 June 2017, if the ABI and/or VBI are below the specified thresholds (or the level of contribution is such that they are expected to decline to below those thresholds) the Trustee must consider if it is in the interests of members of Division A and Division B as a whole to reduce the benefits payable and if so must do so on a fair and equitable basis.

(b) UniSuper Award Plus Plan

UniSuper Management Pty Ltd administers the scheme and TESS Superannuation Ltd is the Trustee. The University contributes to the scheme at a rate determined by the trust deed. The scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the scheme for employee benefits arising under the Superannuation Guarantee Legislation.

(ii) South Australian Superannuation Scheme**a) Fund specific disclosure**

The University has 71 (2015: 73) present and former employees who are members of closed State Government Pension and Lump Sum superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth Government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State government.

The University's superannuation liability with respect to future benefits for current employees and pensioners was assessed as at 31 December 2016. This assessment was performed by PricewaterhouseCoopers Securities Ltd Actuaries on information that was provided by the Director Superannuation, South Australian Department of Treasury and Finance. The University's superannuation liability was assessed as being \$50.6 million (2015: \$52.1 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (see Note 17). Recognition of the receivable from the Commonwealth is in accordance with Department of Education and Training Guidelines and reflects an assessment that while there is no specific legislated requirement, the Commonwealth has committed to funding the University's emerging costs.

The University expects to make a contribution of \$3.7 million (2015: \$3.1 million) to the defined benefit plan during the next financial year.

The weighted average duration of the defined benefit obligation is 14.02 years (2015: 14.47 years). The expected maturity analysis of undiscounted benefit obligations is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation - 31 Dec 2016	3,647	3,136	9,568	66,092	82,443
Defined benefit obligation - 31 Dec 2015	3,139	3,548	9,662	69,447	85,796

b) Categories of plan assets

	2016		2015	
	%	%	%	%
	Active Market	No Active Market	Active Market	No Active Market
Cash and cash equivalents	2.4%	0.0%	3.3%	0.0%
Equity instruments	48.1%	0.0%	49.6%	0.0%
Debt instruments	2.8%	0.0%	2.0%	0.0%
Property	2.5%	11.8%	2.6%	11.8%
Diversified strategies growth	0.8%	10.2%	0.7%	9.0%
Diversified strategies income	15.7%	0.0%	13.8%	0.0%
Inflation linked securities	0.0%	5.7%	0.0%	7.2%
Total	72.3%	27.7%	72.0%	28.0%

Note 44 Defined Benefit Plans (continued)

(ii) South Australian Superannuation Scheme (continued)

b) Categories of plan assets (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2016	2015
	%	%
Discount rate	3.1	3.2
Expected rate of salary increase	4.0	4.0
Long term CPI Increases	2.5	2.5

c) Actuarial assumptions and sensitivity

The sensitivity of the defined benefit obligation to changes in the significant assumptions is:

Assumption	Increase in assumption	Impact on DBO liability	Decrease in assumption	Impact on DBO liability
	+	%	-	%
Discount rate	0.50%	(5.30%)	(0.50%)	5.80%
Expected rate of salary increase	0.50%	0.30%	(0.50%)	(0.30%)

The above sensitivity analyses are based on a change in an assumption while holding all the other assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the defined benefit liability recognised in the Statement of Financial Position.

d) Statement of Financial Position amounts

Reconciliation of the present value of the defined benefit obligation

	2016	2015
	\$'000	\$'000
Present value of defined benefit obligations		
Opening defined benefit obligation	55,998	58,868
Current Service Cost	206	133
Interest expense	1,742	1,776
	57,946	60,777
Remeasurements		
Actuarial losses/(gains) arising from changes in demographic assumptions	-	-
Actuarial losses/(gains) arising from changes in financial assumptions	648	(869)
Experience (gains)/losses	(1,298)	(540)
	57,296	59,368
Benefits paid	(2,470)	(3,370)
Closing defined benefit obligation	54,826	55,998
Net Liability Reconciliation		
Defined Benefit Obligation	54,826	55,998
Fair value of plan assets	(4,214)	(3,894)
Net Liability	50,612	52,104
Present value of obligation		
Opening defined benefit obligation	52,104	55,207
Current service costs	1,818	1,798
Remeasurements	(816)	(1,507)
Employer contributions	(2,494)	(3,394)
Total net liability/(asset) in balance sheet	50,612	52,104

Note 45 Entity information

Flinders University is a body corporate established by an Act of the South Australian Parliament, *Flinders University of South Australia Act*, 1966. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

Note 46 Acronyms and abbreviations

AASB	Australian Accounting Standards Board
ARC	Australian Research Council
ATO	Australian Taxation Office
CGS	Commonwealth Grants Scheme
CPI	Consumer Price Index
CRC	Cooperative Research Centre
EDUCATION	Australian Government Department of Education and Training
FEE-HELP	Fee Higher Education Loan Programme (financial support for full-fee paying domestic students)
GST	Goods and Services Tax
HECS-HELP	Higher Education Contribution Scheme - Higher Education Loan Program
HESA	Higher Education Support Act
IFRS	International Financial Reporting Standards
JRE	Joint Research Engagement
NHMRC	National Health & Medical Research Council
NILS	National Institute of Labour Studies
OS-HELP	Overseas - Higher Education Loan Program
SA-HELP	Student Amenities Fee - Higher Education Loan Program

Note 47 Acquittal of Australian Government financial assistance

47.a Education - CGS and Other Education Grants

Note	Commonwealth Grant Scheme ^[1]		University ONLY Indigenous Support Program		Higher Education Participation Program ^[2]	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	150,475	137,048	705	664	3,883	3,279
Net accrual adjustments	(5,147)	4,752	-	-	469	1,088
Revenue for the period	145,328	141,800	705	664	4,352	4,367
Surplus/ (deficit) from the previous year	-	-	-	-	1,267	1,167
Total revenue including accrued revenue	145,328	141,800	705	664	5,619	5,534
Less expenses including accrued expenses	145,328	141,800	705	664	4,979	4,267
Surplus/ (deficit) for reporting period	-	-	-	-	640	1,267

[1] Includes the basic CGS grant amount, CGS-Regional loading, CGS-Enabling loading and CGS Medical student loading.

[2] Includes Access and Participation Fund and National Priorities Pool. \$4k is to be returned to the Department.

Note	Disability Support Program		University ONLY Promotion of Excellence in Learning and Teaching		Total	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	282	250	231	527	155,576	141,768
Net accrual adjustments	-	-	-	-	(4,678)	5,840
Revenue for the period	282	250	231	527	150,898	147,608
Surplus/ (deficit) from the previous year	-	-	563	716	1,830	1,883
Total revenue including accrued revenue	282	250	794	1,243	152,728	149,491
Less expenses including accrued expenses	282	250	428	680	151,722	147,661
Surplus/ (deficit) for reporting period	-	-	366	563	1,006	1,830

Note 47 Acquittal of Australian Government financial assistance (continued)

47.b Higher Education Loan Programs (excl OS-HELP)

		University ONLY					
		HECS-HELP (Australian Government payments only) ^[1]		FEE-HELP ^[2]		SA-HELP ^[3]	
Note		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Cash Payable / (Receivable) at beginning of year	1,683	1,930	74	66	18	(19)
	Financial assistance received in CASH during the reporting period	87,416	83,740	9,330	7,444	1,761	1,963
	Cash available for period	89,099	85,670	9,404	7,510	1,779	1,944
	Revenue earned	87,290	83,987	9,200	7,436	1,987	1,926
3(b)	Cash Payable / (Receivable) at end of year	1,809	1,683	204	74	(208)	18

[1] HECS-HELP - \$549k to be returned to the Department

[2] Program is in respect of FEE-HELP for Higher Education only. This includes \$204k to be returned to the Department

[3] SA-HELP - \$208k additional funding to be provided by the Department

		<i>University ONLY</i>	
		Total	
Note		2016 \$'000	2015 \$'000
	Cash Payable / (Receivable) at beginning of year	1,775	1,977
	Financial assistance received in CASH during the reporting period	98,507	93,147
	Cash available for period	100,282	95,124
	Revenue earned	98,477	93,349
3(b)	Cash Payable / (Receivable) at end of year	1,805	1,775

Note 47 Acquittal of Australian Government financial assistance (continued)

47.c Scholarships

Note	University ONLY					
	Australian Postgraduate Awards		International Postgraduate Research Scholarships		Commonwealth Education Cost Scholarships ^[1]	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	4,519	4,554	343	337	62	96
Net accrual adjustments	-	-	-	-	(32)	(71)
Revenue for the period	4,519	4,554	343	337	30	25
Surplus/ (deficit) from the previous year	988	973	-	-	47	58
Total revenue including accrued revenue	5,507	5,527	343	337	77	83
Less expenses including accrued expenses	4,611	4,539	343	337	40	36
Surplus/ (deficit) for reporting period	896	988	-	-	37	47

Note	University ONLY			
	Commonwealth Accommodation Scholarships ^[1]		Indigenous Access Scholarships	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	68	97	34	39
Net accrual adjustments	(47)	(56)	-	-
Revenue for the period	21	41	34	39
Surplus/ (deficit) from the previous year	30	38	-	-
Total revenue including accrued revenue	51	79	34	39
Less expenses including accrued expenses	13	49	34	39
Surplus/ (deficit) for reporting period	38	30	-	-

Note	University ONLY	
	Total	
	2016 \$'000	2015 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	5,026	5,123
Net accrual adjustments	(79)	(127)
Revenue for the period	4,947	4,996
Surplus/ (deficit) from the previous year	1,065	1,069
Total revenue including accrued revenue	6,012	6,065
Less expenses including accrued expenses	5,041	5,000
Surplus/ (deficit) for reporting period	971	1,065

[1] Includes Grandfathered Scholarships, National Priority and National Accommodation Priority Scholarships respectively. Commonwealth Accommodation Scholarships includes \$47k and Commonwealth Education Cost Scholarships includes \$30k to be returned to the Department.

Note 47 Acquittal of Australian Government financial assistance (continued)

47.d Education Research ⁽¹⁾

		<i>University ONLY</i>					
		Joint Research Engagement		Joint Research Engagement Cadetships		Research Training Scheme	
Note		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	6,802	6,715	33	-	10,883	10,977
	Net accrual adjustments	-	-	-	-	-	-
3(d)	Revenue for the period	6,802	6,715	33	-	10,883	10,977
	Surplus/ (deficit) from the previous year	-	-	-	-	-	-
	Total revenue including accrued revenue	6,802	6,715	33	-	10,883	10,977
	Less expenses including accrued expenses	6,802	6,715	-	-	10,883	10,977
	Surplus/ (deficit) for reporting period	-	-	33	-	-	-

		<i>University ONLY</i>			
		Research Infrastructure Block Grants		Sustainable Research Excellence in Universities	
Note		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	2,881	3,003	2,196	2,140
	Net accrual adjustments	-	-	-	-
3(d)	Revenue for the period	2,881	3,003	2,196	2,140
	Surplus/ (deficit) from the previous year	-	-	-	-
	Total revenue including accrued revenue	2,881	3,003	2,196	2,140
	Less expenses including accrued expenses	2,881	3,003	2,196	2,140
	Surplus/ (deficit) for reporting period	-	-	-	-

		<i>University ONLY</i>	
Note	Total	2016 \$'000	2015 \$'000
	Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	22,795	22,835
	Net accrual adjustments	-	-
3(d)	Revenue for the period	22,795	22,835
	Surplus/ (deficit) from the previous year	-	-
	Total revenue including accrued revenue	22,795	22,835
	Less expenses including accrued expenses	22,762	22,835
	Surplus/ (deficit) for reporting period	33	-

(1) The reported surplus for Joint Research Engagement Cadetships of \$33k will be rolled over into the 2017 Research Support Program.

Note 47 Acquittal of Australian Government financial assistance (continued)**47.e Australian Research Council Grants****(i) Discovery**

		University ONLY					
		Projects		Fellowships ⁽¹⁾		Indigenous Researchers Development	
<i>Note</i>		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	3,034	2,868	3,186	3,068	-	-
	Net accrual adjustments	74	122	-	-	18	-
	Revenue for the period	3,108	2,990	3,186	3,068	18	-
3(e)(i)	Surplus/ (deficit) from the previous year	1,748	1,190	2,632	2,479	-	-
	Total revenue including accrued revenue	4,856	4,180	5,818	5,547	18	-
	Less expenses including accrued expenses	2,933	2,432	3,108	2,915	-	-
	Surplus/ (deficit) for reporting period	1,923	1,748	2,710	2,632	18	-

[1] Includes Early Career Researcher Award.

		University ONLY	
		Total Discovery	
<i>Note</i>		2016	2015
		\$'000	\$'000
	Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	6,220	5,936
	Net accrual adjustments	92	122
	Revenue for the period	6,312	6,058
3(e)(i)	Surplus/ (deficit) from the previous year	4,380	3,669
	Total revenue including accrued revenue	10,692	9,727
	Less expenses including accrued expenses	6,041	5,347
	Surplus/ (deficit) for reporting period	4,651	4,380

(ii) Linkages

		University ONLY					
		Infrastructure		Projects		Total Linkages	
<i>Note</i>		2016	2015	2016	2015	2016	2015
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	500	860	1,456	1,262	1,956	2,122
	Net accrual adjustments	245	(77)	145	(72)	390	(149)
	Revenue for the period	745	783	1,601	1,190	2,346	1,973
3(e)(ii)	Surplus/ (deficit) from the previous year	297	138	940	770	1,237	908
	Total revenue including accrued revenue	1,042	921	2,541	1,960	3,583	2,881
	Less expenses including accrued expenses	813	624	1,284	1,020	2,097	1,644
	Surplus/ (deficit) for reporting period	229	297	1,257	940	1,486	1,237

Note 47 Acquittal of Australian Government financial assistance (continued)

(iii) Networks and Centres and Special Research Initiatives

Note	University ONLY					
	Centres		Special Research Initiatives		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the program)	-	-	-	-	-	-
Net accrual adjustments	5	207	149	130	154	337
Revenue for the period	5	207	149	130	154	337
Surplus/ (deficit) from the previous year	263	151	369	548	632	699
Total revenue including accrued revenue	268	358	518	678	786	1,036
Less expenses including accrued expenses	188	95	156	309	344	404
Surplus/ (deficit) for reporting period	80	263	362	369	442	632

47.f OS-HELP ⁽¹⁾

Note	University ONLY	
	2016 \$'000	2015 \$'000
Cash received during the reporting period	3,786	2,533
Cash Spent during the reporting period	2,645	1,698
Net cash received	1,141	835
Cash Surplus / (deficit) from the previous period	646	(189)
Cash Surplus / (deficit) for reporting period	1,787	646

⁽¹⁾ OS-HELP is not included in income. The University effectively acts as a transfer agency with regard to the OS-HELP monies received from the Australian Government.

Note	University ONLY	
	2016 \$'000	2015 \$'000
47.g Higher Education Superannuation Program		
Cash received during the reporting period	3,295	2,848
University contribution in respect of current employees	164	174
Cash available	3,459	3,022
Cash Surplus / (deficit) from the previous period	(490)	(475)
Cash available for current period	2,969	2,547
Contributions to specified defined benefit funds	2,739	3,037
Cash Surplus / (deficit) this period	230	(490)

Note	University ONLY	
	2016 \$'000	2015 \$'000
47.h Student Services and Amenities Fee		
Unspent / (overspent) revenue from previous period	3,646	3,318
SA-HELP Revenue Earned	1,987	1,926
Student Services and Amenities Fees direct from Students	2,375	2,148
Total revenue expendable in period	8,008	7,392
Student Services expenses during period	4,313	3,746
Unspent / (overspent) Student Services revenue	3,695	3,646

Financial Statements 2016

FLINDERS UNIVERSITY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

To the best of our knowledge and belief –

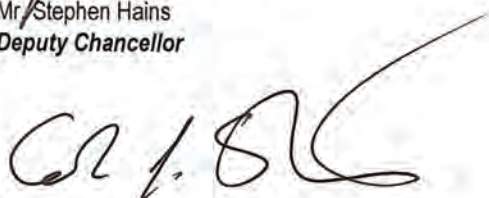
- the attached General Purpose Financial Report for Flinders University presents a true and fair view, in accordance with the Treasurer's Instructions issued under Section 41 of the Public Finance and Audit Act 1987, applicable Australian Accounting Standards and other mandatory professional reporting requirements in Australia, and to conform to the Department of Education and Training Financial Statement Guidelines for Australian Higher Education Providers for the 2016 Reporting Period, the financial position of Flinders University as at 31 December 2016, the results of its operations and its cash flows for the financial year;
- the attached financial statements are in accordance with the accounts and records of the University;
- internal controls over financial reporting and the general purpose financial report have been effective throughout the reporting period;
- at the time of signing of this statement, there are reasonable grounds to believe that the University will be able to pay its debts as and when they become due and payable;
- the amount of Australian Government financial assistance expended during the reporting period was for the purposes for which it was intended; and
- Flinders University has complied with applicable legislation, contracts, agreements and program guidelines in making expenditure.
- Flinders University charged Student Services and Amenities Fees strictly in accordance with the *Higher Education Support Act 2003* and the Administration Guidelines made under the Act. Revenue from the fee was spent strictly in accordance with the Act and only on services and amenities specified in subsection 19-38(4) of the Act.

Signed in accordance with a resolution of the Council



Mr. Stephen Hains
Deputy Chancellor

25 May 2017



Professor Colin Stirling
Vice-Chancellor

25 May 2017



Mr Richard Porter
Chief Financial Officer

25 May 2017

ABN 65 542 596 200

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chancellor The Flinders University of South Australia

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27 (2) of the *Flinders University of South Australia Act 1966*, I have audited the financial report of the Flinders University of South Australia and the consolidated entity comprising the Flinders University of South Australia (the University) and its controlled entities for the financial year ended 31 December 2016.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the University and its controlled entities as at 31 December 2016, their financial performance and their cash flows for the year ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Support Act 2003* and Australian Accounting Standards.

The consolidated financial report comprises:

- a Statement of Comprehensive Income for the year ended 31 December 2016
- a Statement of Financial Position as at 31 December 2016
- a Statement of Changes in Equity for the year ended 31 December 2016
- a Statement of Cash Flows for the year then ended 31 December 2016
- notes, comprising significant accounting policies and other explanatory information for administered items.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of Flinders University of South Australia and its controlled entities. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Conduct for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Vice-Chancellor and Council for the financial report

The Vice-Chancellor is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the *Higher Education Support Act 2003* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Council is responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

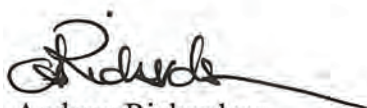
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Vice-Chancellor
- conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern

- conclude on the appropriateness of the entity's use of the going concern basis of accounting based on the audit evidence obtained up to the date of my auditor's report
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial statements described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from these statements.

I communicate with the those charged with governance and the Vice-Chancellor about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

1 June 2017

Department for
Health and Ageing

Financial report
for the year ended
30 June 2017

THE DEPARTMENT FOR HEALTH AND AGEING
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2017

	Note	Consolidated		Parent	
		2017	2016	2017	2016
		\$ '000	\$ '000	\$ '000	\$ '000
Expenses					
Employee benefit expenses	4	3,643,237	3,665,163	189,855	195,528
Supplies and services	5	1,736,082	1,721,628	479,347	492,193
Depreciation and amortisation expense	6	174,682	188,791	16,221	19,068
Grants and subsidies	7	39,199	34,765	4,403,396	4,213,224
Borrowing costs	8	15,106	3,377	1,059	1,325
Net loss from disposal of non-current and other assets	14	22,397	3,669	2,212	176
Other expenses	9	104,044	159,815	36,436	29,268
Total expenses		5,734,747	5,777,208	5,128,526	4,950,782
Income					
Revenue from fees and charges	10	592,498	573,697	360,208	318,842
Grants and contributions	11	1,709,031	1,656,145	1,350,022	1,323,969
Interest revenue	12	7,924	8,838	4,715	5,061
Resources received free of charge	13	26,484	23,825	23,616	60,222
Other revenue	15	69,784	61,281	2,911	3,196
Total income		2,405,721	2,323,786	1,741,472	1,711,290
Net cost of providing services		3,329,026	3,453,422	3,387,054	3,239,492
Revenues from SA Government					
Revenue from SA Government	16	3,400,798	3,120,528	3,400,798	3,120,528
Payments to SA Government	16	-	(43,636)	-	(43,636)
Total revenues from/payments to SA Government		3,400,798	3,076,892	3,400,798	3,076,892
Net result		71,772	(376,530)	13,744	(162,600)
Other comprehensive income					
Items that will not be reclassified to net result					
Changes in property, plant and equipment asset revaluation surplus		(5,980)	(17,960)	-	-
Items that will be reclassified subsequently to net result when specific conditions are met					
Gains/(losses) recognised directly in equity		39,946	(29,593)	-	-
Total other comprehensive income		33,966	(47,553)	-	-
Total comprehensive result		105,738	(424,083)	13,744	(162,600)

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

The above statement should be read in conjunction with the accompanying notes.

THE DEPARTMENT FOR HEALTH AND AGEING
STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	Consolidated 2017 \$ '000	2016 \$ '000	Parent 2017 \$ '000	2016 \$ '000
Current assets					
Cash and cash equivalents	18	469,727	429,591	286,243	182,274
Receivables	19	303,981	310,522	170,200	167,440
Other financial assets	20	102,504	89,524	-	-
Inventories	21	51,599	53,748	20,999	22,675
Other assets		13	4	-	-
		927,824	883,389	477,442	372,389
Non-current assets classified as held for sale	22	18,519	32,582	2,594	32,582
Total current assets		946,343	915,971	480,036	404,971
Non-current assets					
Receivables	19	4,337	5,067	8,059	12,449
Other financial assets	20	5,999	6,422	-	-
Property, plant and equipment	23	5,725,336	2,919,303	55,298	53,853
Investment property	24	21,567	18,679	-	-
Intangible assets	25	138,336	111,705	68,312	78,149
Total non-current assets		5,895,575	3,061,176	131,669	144,451
Total assets		6,841,918	3,977,147	611,705	549,422
Current liabilities					
Payables	27	347,424	357,283	168,069	151,931
Borrowings	28	38,316	6,353	3,546	3,033
Employee benefits	29	534,588	515,493	25,601	24,360
Provisions	30	47,524	54,265	15,090	16,989
Other liabilities	31	74,928	68,681	461	454
Total current liabilities		1,042,780	1,002,075	212,767	196,767
Non-current liabilities					
Payables	27	28,570	31,469	13,321	16,782
Borrowings	28	2,770,301	37,355	6,915	10,460
Employee benefits	29	586,665	633,789	32,486	33,867
Provisions	30	146,062	167,731	91,739	108,018
Other liabilities	31	5,046	4,927	2,000	1,750
Total non-current liabilities		3,536,644	875,271	146,461	170,877
Total liabilities		4,579,424	1,877,346	359,228	367,644
Net assets		2,262,494	2,099,801	252,477	181,778
Equity					
Contributed capital		1,700,853	1,643,898	1,700,853	1,643,898
Asset revaluation surplus		271,797	278,246	35,401	35,401
Other reserves		43,896	8,705	-	-
Retained earnings		245,948	168,952	(1,483,777)	(1,497,521)
Total equity		2,262,494	2,099,801	252,477	181,778
The total equity is attributable to the SA Government as owner					
Unrecognised contractual commitments	32				
Contingent assets and liabilities	35				

THE DEPARTMENT FOR HEALTH AND AGEING
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

CONSOLIDATED

Note	Asset			Retained earnings	Total equity
	Contributed capital	revaluation surplus	Other reserves		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 30 June 2015	1,465,650	311,250	38,298	530,438	2,345,636
Net result for 2015-16	-	-	-	(376,530)	(376,530)
Gain/(loss) on revaluation of land and buildings	23	-	(17,925)	-	(17,925)
Gain/(loss) on revaluation of plant and equipment	23	-	(35)	-	(35)
Gain/(loss) on revaluation of other financial assets	-	-	(904)	-	(904)
Gain/(loss) on revaluation of defined benefit fund liability	29	-	(28,689)	-	(28,689)
Total comprehensive result for 2015-16	-	(17,960)	(29,593)	(376,530)	(424,083)
Transfer between equity components	-	(15,044)	-	15,044	-
Transactions with SA Government as owner					
Equity contributions from the Department of Treasury and Finance	178,248	-	-	-	178,248
Balance at 30 June 2016	1,643,898	278,246	8,705	168,952	2,099,801
Net result for 2016-17	-	-	-	71,772	71,772
Gain/(loss) on revaluation of land and buildings	23	-	(5,980)	-	(5,980)
Gain/(loss) on revaluation of other financial assets	-	-	53	-	53
Gain/(loss) on revaluation of defined benefit fund liability	29	-	39,893	-	39,893
Total comprehensive result for 2016-17	-	(5,980)	39,946	71,772	105,738
Transfer between equity components	-	(469)	(4,755)	5,224	-
Transactions with SA Government as owner					
Equity contributions from the Department of Treasury and Finance	56,955	-	-	-	56,955
Balance at 30 June 2017	1,700,853	271,797	43,896	245,948	2,262,494

PARENT

Note	Asset			Retained earnings	Total equity
	Contributed capital	revaluation surplus	Other reserves		
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Balance at 30 June 2015	1,465,650	35,549	-	(1,341,103)	160,096
Net result for 2015-16	-	-	-	(162,600)	(162,600)
Total comprehensive result for 2015-16	-	-	-	(162,600)	(162,600)
Transfer between equity components	-	(148)	-	148	-
Transactions with SA Government as owner					
Equity contributions from the Department of Treasury and Finance	178,248	-	-	-	178,248
Net assets received from an administrative restructure	34	-	-	(716)	(716)
Net assets transferred as a result of an administrative restructure	34	-	-	6,750	6,750
Balance at 30 June 2016	1,643,898	35,401	-	(1,497,521)	181,778
Net result for 2016-17	-	-	-	13,744	13,744
Total comprehensive result for 2016-17	-	-	-	13,744	13,744
Transactions with SA Government as owner					
Equity contributions from the Department of Treasury and Finance	56,955	-	-	-	56,955
Balance at 30 June 2017	1,700,853	35,401	-	(1,483,777)	252,477

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

The above statement should be read in conjunction with the accompanying notes.

THE DEPARTMENT FOR HEALTH AND AGEING
STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

Note	Consolidated		Parent	
	2017	2016	2017	2016
	\$ '000	\$ '000	\$ '000	\$ '000
Cash flows from operating activities				
Cash outflows				
Employee benefit payments	(3,646,495)	(3,498,639)	(193,378)	(186,870)
Payments for supplies and services	(1,922,221)	(1,835,395)	(528,850)	(539,600)
Payments for grants and subsidies	(60,625)	(75,524)	(4,416,328)	(4,215,725)
Interest paid	(2,914)	(3,377)	(1,059)	(1,325)
Residential aged care bonds refunded	(16,299)	(10,227)	-	-
Payments for paid parental leave scheme	(11,182)	(11,730)	(373)	(382)
Other payments	(31,719)	(97,032)	(13,961)	(5,478)
Cash used in operations	(5,691,455)	(5,531,924)	(5,153,949)	(4,949,380)
Cash inflows				
Fees and charges	583,380	537,077	360,376	288,461
Grants and contributions	1,726,949	1,659,029	1,350,022	1,323,969
Interest received	6,301	7,037	4,782	4,761
GST recovered	152,120	161,378	58,974	48,581
Residential aged care bonds received	23,717	27,225	-	-
Receipts for paid parental leave scheme	11,137	11,538	378	383
Other receipts	68,819	63,214	3,504	3,339
Cash generated from operations	2,572,423	2,466,498	1,778,036	1,669,494
Cash flows from SA Government				
Receipts from SA Government	3,400,798	3,120,528	3,400,798	3,120,528
Payments to SA Government	-	(43,636)	-	(43,636)
Total cash flows from SA Government	3,400,798	3,076,892	3,400,798	3,076,892
Net cash provided by operating activities	281,766	11,466	24,885	(202,994)
Cash flows from investing activities				
Cash outflows				
Purchase of property, plant and equipment	(303,988)	(211,256)	(9,738)	(666)
Purchase of intangibles	(14,958)	(24,215)	(3,967)	(12,094)
Purchase of investments	(17,561)	(31,147)	-	-
Cash used in investing activities	(336,507)	(266,618)	(13,705)	(12,760)
Cash inflows				
Proceeds from sale of property, plant and equipment	35,597	7,310	35,043	6,642
Proceeds from sale/maturities of investments	8,678	9,181	-	-
Cash generated from investing activities	44,275	16,491	35,043	6,642
Net cash provided by/(used in) investing activities	(292,232)	(250,127)	21,338	(6,118)

THE DEPARTMENT FOR HEALTH AND AGEING
STATEMENT OF CASH FLOWS
For the year ended 30 June 2017

	Note	Consolidated		Parent	
		2017	2016	2017	2016
		\$ '000	\$ '000	\$ '000	\$ '000
Cash flows from financing activities					
Cash outflows					
Repayment of finance leases		(3,320)	(3,099)	-	-
Repayment of borrowings		(3,033)	(2,568)	(3,032)	(2,569)
Cash used in financing activities		(6,353)	(5,667)	(3,032)	(2,569)
Cash inflows					
Capital contributions from Government		56,955	178,248	56,955	178,248
Proceeds from receipt of loan repayments		-	-	3,823	2,682
Cash generated from financing activities		56,955	178,248	60,778	180,930
Net cash provided by/(used in) financing activities		50,602	172,581	57,746	178,361
Net increase/(decrease) in cash and cash equivalents		40,136	(66,080)	103,969	(30,751)
Cash and cash equivalents at the beginning of the period		429,591	495,671	182,274	213,025
Cash and cash equivalents at the end of the period	18	469,727	429,591	286,243	182,274
Non-cash transactions	36				

The above statement should be read in conjunction with the accompanying notes.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

1 Objectives of the Department for Health and Ageing

SA Health is committed to protecting and improving the health of all South Australians by providing leadership in health reform, public health services, health and medical research, policy development and planning, with an increased focus on wellbeing, illness prevention, early intervention and quality care.

SA Health is the brand name for the health portfolio of services and agencies (i.e. Consolidated Entity) responsible to the Minister for Health, the Minister for Mental Health and Substance Abuse and the Minister for Ageing.

The Department for Health and Ageing (i.e. Parent Entity) assists the Minister for Health, the Minister for Mental Health and Substance Abuse and the Minister for Ageing to set the policy framework and strategic direction for SA Health.

The Department for Health and Ageing (the Department) supports the delivery of public health services, formulates health policy, facilitates public and consumer consultation on health issues, and monitors the performance of South Australia's health system by providing timely advice, research and administrative support.

There are three divisions within the Department:

- Finance and Corporate Services;
- System Performance and Service Delivery; and
- Transforming Health.

1.1 Reporting entity

The Consolidated Entity - SA Health

The Consolidated Entity known as SA Health, consists of the following controlled entities:

- The Department for Health and Ageing (Parent);
- Central Adelaide Local Health Network Incorporated (includes the subsidiary Medvet Science Pty Ltd (Medvet));
- Country Health SA Local Health Network Incorporated (includes the Health Advisory Councils (HACs));
- Northern Adelaide Local Health Network Incorporated;
- Southern Adelaide Local Health Network Incorporated;
- Women's and Children's Health Network Incorporated; and
- SA Ambulance Service Inc (includes SA Ambulance Development Fund).

Refer to Note 37 for information on the Consolidated Entity's joint arrangements (ventures and operations) and structured entity.

The Consolidated Entity operates within the *Public Sector Act 2009* and the *Health Care Act 2008*.

The consolidated financial statements have been prepared in accordance with AASB 10 *Consolidated Financial Statements*. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the Consolidated Entity have been eliminated in full.

The Department - Parent Entity

The Department is a government department of the State of South Australia, established pursuant to the *Public Sector Act 2009*. The Department is an administrative unit acting on behalf of the Crown.

Administered items

The Department has administered activities and resources. Transactions and balances relating to administered resources are not recognised as Departmental controlled income, expenses, assets and liabilities. As administered items are insignificant in relation to the Department's overall financial performance and position, they are disclosed in the Schedule of Administered Financial Statements following the 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 the Department and Consolidated Entity transactions.

1.2 Activities of the Department

In achieving its objectives, the Consolidated Entity provides a range of goods and services classified into the following activities:

Policy, Clinical Services, System Transformation and Administration

Responsible for health policy and promotion, clinical services and administration associated with the provision of health services across South Australia.

This Activity largely reflects the activities of the Department itself (refer to Parent column on the face of the Statements and also the Notes accompanying the Statements).

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Health Services

The provision of hospital-based tertiary care and other acute services as well as rehabilitation, mental health and other community health services within the metropolitan and country areas, the provision of grants to non-government organisations for the provision of health services, and responsibility for Aboriginal controlled primary health services in Ceduna, Port Augusta and surrounding areas.

This Activity largely reflects the activities of the Local Health Networks (LHNs) and SA Ambulance Service (SAAS), refer to the Consolidated Entity column less the Parent column on the face of the Statements and the Notes accompanying the Statements.

Accordingly, additional disaggregated disclosure schedules by major class of income, expense, asset and liability have not been included in the financial statements, as information can be reliably determined from the face of the Statements and the Notes accompanying the Statements. It is noted that there are minor and immaterial variances between the two Activities due to inter-entity eliminations upon consolidation, with the exceptions of supplies and services and grants (expenditure), fees and charges (income), inter-entity loans receivable (asset) and workers compensation payable (liability) - refer to Notes 5, 7, 10, 19 and 27 respectively for further information.

2 Significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and accounting policy statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Consolidated Entity has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Consolidated Entity is a not-for-profit entity.

2.2 Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, that have been included in this financial report:
 - a) revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants;
 - c) employee targeted voluntary separation package (TVSP) information;
 - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths), and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and
 - e) board/committee member and remuneration information, where a board/committee member is entitled to receive income from membership other than direct out of pocket reimbursement.

The financial statements have been prepared based on a 12 month period presented in Australian currency; and have used the historical cost convention unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis. Any transactions in foreign currency are translated into Australian dollars at the exchange rates at the date the transaction occurs.

2.3 Comparative information

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

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

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

2.4 Rounding

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

2.5 Taxation

The Consolidated Entity is not subject to income tax. The Consolidated Entity is liable for fringe benefits tax (FBT) and goods and services tax (GST). The Department is additionally liable for payroll tax and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (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; 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.

2.6 Continuity of operations

As at 30 June 2017, the Consolidated Entity had working capital deficiency of \$96.437 million (\$86.104 million deficiency). The SA Government is committed and has consistently demonstrated a commitment to the ongoing funding of the Consolidated Entity to enable it to perform its functions.

2.7 Events after the reporting period

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

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

Refer to Note 42 for further information on events after balance date.

2.8 Current and non-current classification

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

2.9 Non-current assets

a. Acquisition and recognition of non-current assets

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 after allowing for 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. Where assets are acquired at no or nominal value as part of a restructure of administrative arrangements, the assets are recorded at the value held by the transferor public authority prior to the restructure.

The Consolidated Entity capitalises all non-current tangible property, plant and equipment and intangible assets that it controls valued at or greater than \$10,000. Assets recorded as works in progress represent projects physically incomplete as at the reporting date. Componentisation of complex assets is generally performed when the complex asset's fair value at the time of acquisition is equal to or greater than \$5 million for infrastructure assets and \$1 million for other assets.

b. Depreciation and amortisation of non-current assets

All non-current assets, that have a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

The useful lives, depreciation and amortisation methods of all major assets held by the Consolidated Entity are reassessed on an annual basis.

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

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and improvements including under finance lease	1 - 200
Leasehold improvements	Life of lease
Plant and equipment:	
• Medical, surgical, dental and biomedical equipment and furniture	2 - 25
• Computing equipment	3 - 5
• Vehicles	2 - 25
• Other plant and equipment	3 - 50
• Under finance lease	Life of lease
Intangibles	5 - 30

c. Revaluation of non-current assets

All non-current tangible assets are valued at fair value (written down cost).

The Consolidated Entity revalues all land, buildings and site improvements triennially via a Certified Practising Valuer. A triennial revaluation of other non-current assets by a Certified Practising Valuer is only performed when the asset's fair value at the time of acquisition is greater than \$1 million and the estimated useful life exceeds three years.

If at any time management considers that the carrying amount of an asset greater than \$1 million materially differs from its fair value, then the asset will be revalued regardless of when the last revaluation 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.

Revaluation increases and revaluation decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class, but are not offset in respect of assets in different classes.

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 asset revaluation surplus relating to that asset is transferred to retained earnings.

d. Impairment

The Consolidated Entity holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be closer to or greater than fair value. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. The amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. For revalued assets, an impairment loss is offset against the revaluation surplus for that class of assets, to the extent that the impairment loss does not exceed the amount in the respective asset revaluation surplus.

e. Intangible assets

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

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

The Consolidated Entity has intangibles with indefinite useful lives. Amortisation is not recognised against these intangible assets.

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.

Capitalised software is amortised over the useful life of the asset.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

f. Fair value measurement

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Consolidated Entity classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 – traded in active markets, and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market, and are derived from inputs (inputs other than quoted prices included within Level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market, and are derived from unobservable inputs.

In determining fair value, the Consolidated Entity has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible and financially feasible).

The Consolidated Entity's current use is the highest and best use of the asset unless other factors suggest an alternative use. As the Consolidated Entity did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to Notes 23, 24 and 26 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

2.10 Liabilities – Employee benefits

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

Salaries, wages, annual leave, skills and experience retention leave (SERL) and sick leave

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

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

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

Long service leave (LSL)

The liability for LSL was determined through an actuarial assessment undertaken by Mercer Consulting (Australia) Pty Ltd, in accordance with AASB 119 *Employee Benefits*.

The estimated liability for LSL is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the health sector across government.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Superannuation funds

A significant number of SAAS employees are members of the SA Ambulance Service Superannuation Scheme (the "Scheme"). These employees are eligible to receive a benefit from the Scheme. A benefit is payable on retirement, death, disablement or leaving SAAS. The South Australian Superannuation Board was appointed Trustee of the Scheme effective 1 July 2006. The Scheme was closed to new members as at 30 June 2008. The Scheme provides lump sum benefits based on a combination of defined benefits which depend on years of service and final salary and accumulation benefits which depend on the accumulation of member and employer contributions adjusted for appropriate earnings and expenses. The liability for this Scheme has been determined via an actuarial valuation by Mercer Investment Nominees Limited using the projected unit credit method.

The expected payment to settle the obligation has been determined using national government bond market yields with terms and conditions that match, as closely as possible, to estimated cash outflows. Refer to Note 29.

For those employees who are not members of the Scheme, the Consolidated Entity pays contributions in accordance with the relevant award or contract of employment to other nominated Superannuation funds in compliance with the superannuation guarantee legislation. Contributions are charged as expenditure as they are made. Members are not required to make contributions to these funds.

2.11 Equity

The Consolidated Entity uses the asset revaluation surplus 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.

Other reserves includes Branch Reserves, Country Capital Reserves, Defined Benefit Fund Remeasurement and investment revaluation reserve to record unrealised gains or losses on available for sale investments. During 2016-17 \$4.755 million was transferred from the Country Capital Reserves to retained earnings to deliver the SAAS stretcher replacement program.

2.12 Public Private Partnership

A 35 year contract was entered into in June 2011 with SA Health Partnership Consortium trading as Celsus to finance, design, build, operate and maintain the new Royal Adelaide Hospital (new RAH). Under the arrangement, Celsus will maintain and provide non-medical support services including facilities management by Spotless and information and communication technology (ICT) support and maintenance by DXC Technology for the duration of the contract. This arrangement is referred to as a Public Private Partnership (PPP). Commercial acceptance was achieved on 13 June 2017.

Under the PPP agreement, the Consolidated Entity pays the operator over the period of the arrangement, subject to specified performance criteria being met.

The PPP costs are disclosed as:

- a component accounted for as finance lease payment for the buildings and furniture, fitting and equipment provided under the agreement; and
- a component related to the ongoing operation and maintenance of the facilities accounted for as PPP operating costs, which are expensed in the Statement of Comprehensive Income.

At the conclusion of the contract in 2046, the Consolidated Entity will take ownership of the new RAH. Celsus have an obligation to deliver the new RAH in a condition fit for its intended purpose and fully maintained in accordance with the agreed asset management plan.

2.13 Correction of a prior period error

Prior period reclassification

The 2016 comparative information for the Consolidated Entity has been amended to better reflect the nature of the transactions. Reclassification of \$21.534 million has occurred from funding to non-government organisations (Note 7 grants and subsidies) to contract of services (Note 5 supplies and services). The amendments made had no impact on reported equity.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

3 New and revised accounting standards and policies

The Consolidated Entity did not voluntarily change any of its accounting policies during 2016-17.

Accounting Standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Consolidated Entity for the period ending 30 June 2017. The Consolidated Entity 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 Consolidated Entity, except as outlined below.

Reference	Title and date of Standard application	Summary	Impact on Financial Statements	Application date for agency
AASB 15	<i>Revenue from Contracts with Customers</i> 1 January 2019	AASB 15 is the new standard for revenue recognition and replaces AASB 111 <i>Construction Contracts</i> and AASB 118 <i>Revenue</i> . It establishes a comprehensive framework for determining whether, how and when revenue is recognised. The principle in the new standard is 'when control of a good or service transfers to a customer' rather than 'when the risk and rewards of ownership reside'.	SA Health is currently assessing the impact of AASB 15 and has identified there could be a potential impact on the timing of the recognition of revenue from fees and charges. At this stage, SA Health is not able to estimate the impact of AASB 15 on its financial statements. SA Health will make a more detailed assessment of the impact over the next 12 months.	1 July 2019
AASB 16	<i>Leases</i> 1 January 2019	This new standard introduces a single accounting model for lessees. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments. In effect, the majority of leases currently classified as operating leases will be reported on the Statement of Financial Position. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.	This new standard is a significant change from the past 30 years of accounting for leases. It will require the Consolidated Entity to record almost all operating leases arrangements on the Statement of Financial Position. There will be significant work for the Consolidated Entity to report these assets and liabilities due to the large scale of its leasing activities. The Consolidated Entity has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating lease arrangements.	1 July 2019

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Reference	Title and date of Standard application	Summary	Impact on Financial Statements	Application date for agency
AASB 1058	<i>Income of Not-for-Profit Entities</i> 1 January 2019	This standard clarifies and simplifies the income recognition requirements that apply to not-for-profit entities in conjunction with AASB 15. AASB 15 and 1058 will supersede the majority of income recognition requirements relating to public sector not-for-profit entities, previously in AASB 1004. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation or a contribution by owners related to an asset received by the entity.	SA Health is currently assessing the impact of AASB 1058 and has identified there could be a potential impact on the timing of the recognition of grant revenue and disclosures relating to volunteer services, whether recognised or not. At this stage, SA Health is not able to estimate the impact of AASB 1058 on its financial statements. SA Health will make a more detailed assessment of the impact over the next 12 months.	1 July 2019

4 Employee benefit expenses

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Salaries and wages	2,943,378	2,845,449	136,035	132,027
TVSP (refer below)	2,527	3,884	672	1,991
Long service leave (LSL)	51,871	162,435	3,555	9,303
Annual leave	282,532	268,171	12,679	11,579
Skills and experience retention leave (SERL)	13,921	12,774	794	669
Employment on-costs - superannuation*	305,196	301,888	15,787	16,165
Employment on-costs - other	6,202	6,384	5,923	6,145
Workers compensation	23,016	49,232	3,665	6,696
Board and committee fees	703	804	219	263
Other employee related expenses	13,891	14,142	10,526	10,690
Total employee benefit expenses	3,643,237	3,665,163	189,855	195,528

* The superannuation employment on-cost charge represents the Consolidated Entity's contribution to superannuation plans in respect of current services of the Consolidated Entity's current employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole-of-government financial statements except for SAAS staff who are members of the SAAS defined benefit scheme (refer to note 2.10).

Expenses recognised in profit and loss for the Consolidated Entity in respect of the defined benefit scheme was \$11.963 million (\$9.665 million), comprising current service cost of \$9.070 million (\$9.033 million) and interest cost of \$0.525 million (\$0.632 million).

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Targeted voluntary separation packages (TVSPs)				
Amount paid during the reporting period to separated employees:				
TVSPs	2,527	3,884	672	1,991
Annual leave, LSL and SERL paid to those employees	1,269	2,336	370	1,408
Net cost to the entity	3,796	6,220	1,042	3,399
Number of employees who received a TVSP during the reporting period	32	49	9	24

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Remuneration of employees The number of employees whose remuneration received or receivable falls within the following bands:	Consolidated		Parent	
	2017 Total Number	2016 Total Number	2017 Total Number	2016 Total Number
\$145,000 - \$147,000*	na	98	na	3
\$147,001 - \$157,000	505	425	18	16
\$157,001 - \$167,000	393	288	12	9
\$167,001 - \$177,000	267	230	6	7
\$177,001 - \$187,000	213	160	2	2
\$187,001 - \$197,000	149	119	3	6
\$197,001 - \$207,000	135	97	2	3
\$207,001 - \$217,000	105	86	1	-
\$217,001 - \$227,000	97	90	1	3
\$227,001 - \$237,000	82	62	3	3
\$237,001 - \$247,000	71	69	3	5
\$247,001 - \$257,000	61	44	4	-
\$257,001 - \$267,000	36	34	1	3
\$267,001 - \$277,000	46	34	2	2
\$277,001 - \$287,000	54	38	3	3
\$287,001 - \$297,000	42	34	1	2
\$297,001 - \$307,000	45	44	4	1
\$307,001 - \$317,000	38	49	1	1
\$317,001 - \$327,000	56	45	2	2
\$327,001 - \$337,000	52	39	1	1
\$337,001 - \$347,000	44	45	1	-
\$347,001 - \$357,000	44	35	-	2
\$357,001 - \$367,000	48	42	2	1
\$367,001 - \$377,000	47	45	1	1
\$377,001 - \$387,000	36	50	-	-
\$387,001 - \$397,000	39	41	-	1
\$397,001 - \$407,000	50	44	-	-
\$407,001 - \$417,000	33	39	-	-
\$417,001 - \$427,000	29	25	1	1
\$427,001 - \$437,000	35	36	1	-
\$437,001 - \$447,000	36	28	-	-
\$447,001 - \$457,000	29	27	-	-
\$457,001 - \$467,000	29	24	-	1
\$467,001 - \$477,000	27	28	-	-
\$477,001 - \$487,000	20	24	1	-
\$487,001 - \$497,000	24	23	-	-
\$497,001 - \$507,000	18	25	-	2
\$507,001 - \$517,000	27	15	-	-
\$517,001 - \$527,000	18	15	-	-
\$527,001 - \$537,000	15	19	1	-
\$537,001 - \$547,000	11	13	-	-
\$547,001 - \$557,000	16	12	1	-
\$557,001 - \$567,000	7	10	-	-
\$567,001 - \$577,000	7	9	-	-
\$577,001 - \$587,000	17	13	-	-
\$587,001 - \$597,000	11	9	-	-
\$597,001 - \$607,000	8	6	-	-
\$607,001 - \$617,000	8	5	-	-
\$617,001 - \$627,000	3	7	-	-
\$627,001 - \$637,000	6	5	-	-
\$637,001 - \$647,000	7	9	-	-
\$647,001 - \$657,000	8	2	-	-
\$657,001 - \$667,000	2	3	-	-
\$667,001 - \$677,000	3	3	-	-
\$677,001 - \$687,000	2	4	-	-

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Remuneration of employees The number of employees whose remuneration received or receivable falls within the following bands:	Consolidated		Parent	
	2017 Total Number	2016 Total Number	2017 Total Number	2016 Total Number
\$687,001 - \$697,000	-	1	-	-
\$697,001 - \$707,000	-	3	-	-
\$707,001 - \$717,000	2	-	-	-
\$717,001 - \$727,000	1	-	-	-
\$727,001 - \$737,000	2	1	-	-
\$747,001 - \$757,000	2	-	-	-
\$757,001 - \$767,000	-	1	-	-
\$777,001 - \$787,000	2	1	-	-
\$817,001 - \$827,000	1	-	-	-
\$847,001 - \$857,000	-	1	-	-
\$957,001 - \$967,000	1	-	-	-
Total number of employees	3,222	2,833	79	81

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration for 2015-16.

Total remuneration received or due and receivable by employees included above:	Consolidated				Parent			
	2017		2016		2017		2016	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Executive	107	25,502	109	24,263	37	9,138	41	9,719
Non-Medical	136	24,062	133	23,263	31	5,605	31	5,592
Other	2,979	786,367	2,591	699,600	11	3,468	9	3,002
Total	3,222	835,931	2,833	747,126	79	18,211	81	18,313

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

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

5	Supplies and services	Consolidated		Parent	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
	Administration	11,914	13,095	1,737	2,062
	Advertising	6,328	5,641	2,992	2,346
	Communication	24,751	24,731	13,291	13,314
	Computing	81,814	75,267	75,185	66,327
	Consultants	18,112	24,243	14,448	21,093
	Contract of services	123,734	126,421	99,657	104,556
	Contractors	28,812	30,652	4,431	8,867
	Contractors - agency staff	68,547	73,962	23,600	21,767
	Cost of goods sold	2,501	2,176	96,283	95,586
	Drug supplies	249,658	231,685	1,206	1,155
	Electricity, gas and fuel	34,639	35,714	102	116
	Fee for service	142,445	139,409	-	1
	Finance lease contingent rentals	2,393	2,264	-	-
	Food supplies	34,450	34,475	72	90
	Housekeeping	92,330	93,971	101	102
	Insurance	30,678	59,831	28,493	57,719
	Interstate patient transfers	45,345	31,183	45,306	31,171
	Legal	10,000	4,906	4,040	3,501
	Medical, surgical and laboratory supplies	292,529	298,018	134	129
	Minor equipment	32,509	21,713	7,499	7,774
	Motor vehicle expenses	14,280	13,680	569	827
	Occupancy rent and rates	49,778	52,939	14,611	15,016
	Patient transport	28,436	27,633	11	12
	Payments to Shared Services SA	32,006	30,685	2,706	1,988
	Postage	14,448	13,341	2,319	2,343
	Printing and stationery	17,595	17,976	1,458	1,506
	PPP operating expenses	1,580	-	-	-
	Rental expense on operating lease*	10,614	8,900	316	277
	Repairs and maintenance	94,485	93,514	19,925	20,956
	Security	26,809	24,140	563	565
	Staff training and development	34,826	35,315	3,659	3,173
	Staff travel expenses	16,769	20,708	1,005	1,225
	Other supplies and services	60,967	53,440	13,628	6,629
	Total supplies and services	1,736,082	1,721,628	479,347	492,193

* Operating lease payments are recognised as an expense on a straight-line basis over the lease term as it is representative of the pattern of benefits derived from the leased assets. The aggregate benefit of lease incentives received by the Consolidated Entity in respect of operating leases have been recorded as a reduction of rental expense over the lease term, on a straight-line basis.

Due to inter-entity eliminations upon consolidation, supplies and services of \$12.167 million (\$8.783 million) between the Activities of the Department and the Hospitals and SAAS were eliminated. Refer to Note 1.2 for further information.

The number and dollar amount of consultancies paid/payable included in supplies and services expense) that fell within the following bands:	Consolidated				Parent			
	2017		2016		2017		2016	
	No.	\$'000	No.	\$'000	No.	\$'000	No.	\$'000
Below \$10,000	14	76	22	89	3	19	4	19
Above \$10,000	67	18,036	72	24,154	26	14,429	38	21,074
Total paid/payable to consultants engaged	81	18,112	94	24,243	29	14,448	42	21,093

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

6	Depreciation and amortisation expense	Consolidated		Parent	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
	Buildings and improvements	113,862	117,817	97	62
	Plant and equipment	39,087	48,990	1,890	3,913
	Leasehold improvements	3,089	4,067	719	734
	Intangible assets	18,644	17,917	13,515	14,359
	Total depreciation and amortisation	174,682	188,791	16,221	19,068

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

7	Grants and subsidies	Note	Consolidated		Parent	
			2017	2016	2017	2016
			\$'000	\$'000	\$'000	\$'000
	Recurrent grants		19	57	-	-
	Capital grants		14	-	-	-
	Recurrent funding to incorporated Health Services	7.1	-	-	4,024,171	3,918,809
	Capital funding to incorporated Health Services	7.1	-	-	350,605	268,928
	Subsidies		5,370	5,243	5,077	5,561
	Funding to non-government organisations		28,328	24,677	18,378	15,103
	Other		5,468	4,788	5,165	4,823
	Total grants and subsidies		39,199	34,765	4,403,396	4,213,224

7.1	Funding by the Department (Parent) to incorporated Health Services	Recurrent		Capital	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
	SA Ambulance Service Inc	130,231	114,832	19,218	13,160
	Country Health SA Local Health Network Incorporated	604,221	604,728	14,009	12,924
	Southern Adelaide Local Health Network Incorporated	868,446	831,954	146,429	49,928
	Central Adelaide Local Health Network Incorporated	1,495,756	1,455,781	141,081	163,673
	Women's and Children's Health Network Incorporated	377,862	374,597	5,893	2,682
	Northern Adelaide Local Health Network Incorporated	547,655	536,917	23,975	26,561
	Total funding to incorporated Health Services	4,024,171	3,918,809	350,605	268,928

The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation. Contributions payable will be recognised as a liability and an expense when the Consolidated Entity has a present obligation to pay the contribution and the expense recognition criteria are met.

Due to inter-entity eliminations upon consolidation, grants and subsidies of \$4,374.776 million (\$4,188.526 million) between the Activities of the Department and the Hospitals and SAAS were eliminated. Refer to Note 1.2 for further information.

8	Borrowing costs	Consolidated		Parent	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
	Finance charges on finance leases	13,407	2,052	-	-
	Interest on borrowings	1,046	1,303	1,046	1,303
	Other finance charges	653	22	13	22
	Total borrowing cost	15,106	3,377	1,059	1,325

The total borrowing costs from financial liabilities not at fair value through profit and loss was \$15.106 million (\$3.377 million).

Included in finance charges on finance leases is \$11.552 million which relates to interest on PPP.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

9	Other expenses	Note	Consolidated		Parent	
			2017	2016	2017	2016
			\$'000	\$'000	\$'000	\$'000
		19	25,560	18,500	(116)	42
	Bad and doubtful debts					
	Bank fees and charges		309	303	62	75
	Donated assets expense		-	1,416	694	1,416
	Donated drug vaccine expense		29,521	22,852	29,521	22,852
	Ex gratia payments		105	-	86	-
	Impairment expense		26,747	56,118	-	-
	Net loss on revaluation of investments		3	5,263	-	-
	Net loss on sale of investments		-	29	-	-
	Royalty payments		10,998	10,548	-	-
	Deed of Settlement		-	36,535	-	-
	Other*		10,801	8,251	6,189	4,883
	Total other expenses		104,044	159,815	36,436	29,268

Donated assets expense includes transfer of property, plant and equipment and intangible assets and is recorded as expenditure at their fair value. The Consolidated Entity provided various anti-viral and highly specialised drugs to health providers to distribute free of charge to the South Australian community.

* Audit fees paid or payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$2.553 million (\$2.933 million) and audit fees paid or payable to Galpins Accountants, Auditors and Business Consultants were \$0.228 million (\$0.227 million). No other services were provided by the Auditor-General's Department.

10	Revenue from fees and charges		Consolidated		Parent	
			2017	2016	2017	2016
			\$'000	\$'000	\$'000	\$'000
	Ambulance Cover		24,679	24,440	-	-
	Ambulance transport		67,486	70,087	-	-
	Business services		895	652	895	652
	Call Direct		1,195	1,177	-	-
	Fines, fees and penalties		1,400	1,252	1,180	1,013
	Interstate patient transfers		86,407	72,003	86,407	72,001
	Insurance recoveries		300	363	34,256	32,505
	Patient and client fees		250,707	245,999	19,565	-
	Private practice fees		46,996	42,447	2,747	2,036
	Recoveries		36,045	37,708	116,363	113,382
	Residential and other aged care charges		27,628	27,817	-	-
	Sale of goods - medical supplies		2,276	2,550	96,521	95,655
	Other user charges and fees		46,484	47,202	2,274	1,598
	Total fees and charges		592,498	573,697	360,208	318,842

Due to inter-entity eliminations upon consolidation, revenue from fees and charges of \$247.667 million (\$241.785 million) between the Activities of the Department and the Hospitals and SAAS were eliminated. Refer to Note 1.2 for further information.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

11 Grants and contributions	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Commonwealth aged care subsidies	75,414	74,155	-	-
Pharmaceutical benefits scheme Commonwealth subsidy	181,540	164,233	-	-
Commonwealth National Health Reform Agreement	1,252,731	1,211,618	1,252,731	1,211,618
Department of Veterans' Affairs (Commonwealth)	49,003	52,200	49,003	52,200
Commonwealth Transition care program	23,184	22,803	23,184	22,803
Other Commonwealth grants and contributions	64,464	62,118	16,486	16,047
SA Government Community Development Fund	7,000	7,000	7,000	7,000
SA Government Capital contributions	145	11,455	145	11,455
Other SA Government grants and contributions	21,646	18,713	537	633
Private sector capital contributions	174	873	-	-
Private sector grants and contributions	33,730	30,977	936	2,213
Total grants and contributions	1,709,031	1,656,145	1,350,022	1,323,969

Contributions are recognised as an asset and income when the Consolidated Entity obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

The grants received are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Of the \$1,709.031 million (\$1,656.145 million) received in 2016-17 \$1,494.547 million (\$1,445.000 million) was provided for specific purposes, including State and Commonwealth Health initiatives-Health reforms, research and other associated activities.

12 Interest revenue	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Interest from SAFA	24	28	-	-
Interest on loans	-	-	1,132	1,426
Bank interest	6,081	6,484	3,577	3,616
Interest on Special Purpose Funds (SPF)	1,813	2,307	-	-
Other	6	19	6	19
Total interest revenue	7,924	8,838	4,715	5,061

13 Resources received free of charge	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land and buildings	-	216	1,276	42,277
Plant and equipment	4,112	5,664	-	-
Inventory	22,340	17,945	22,340	17,945
Other	32	-	-	-
Total resources received free of charge	26,484	23,825	23,616	60,222

Resources received free of charge include property, plant and equipment and immunisation drugs and are recorded at their fair value. Contribution 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.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

14 Net gain/(loss) from disposal of non-current and other assets	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land and buildings:				
Proceeds from disposal	307	220	-	-
Less net book value of assets disposed	(19,419)	(1,168)	-	(28)
Less other costs of disposal	(228)	(9)	-	-
Net gain/(loss) from disposal of land and buildings	(19,340)	(957)	-	(28)
Plant and equipment:				
Proceeds from disposal	455	512	-	-
Less net book value of assets disposed	(1,286)	(3,059)	(4)	(38)
Less other costs of disposal	(12)	(55)	-	-
Net gain/(loss) from disposal of plant and equipment	(843)	(2,602)	(4)	(38)
Intangibles:				
Proceeds from disposal	-	-	-	-
Less net book value of assets disposed	(6)	-	-	-
Less other costs of disposal	-	-	-	-
Net gain/(loss) from disposal of intangibles	(6)	-	-	-
Non-current assets held for sale:				
Proceeds from disposal	35,178	6,932	35,146	6,932
Less net book value of assets disposed	(37,283)	(6,752)	(37,251)	(6,752)
Less other costs of disposal	(103)	(290)	(103)	(290)
Net gain/(loss) from disposal of non-current assets held for sale	(2,208)	(110)	(2,208)	(110)
Total assets:				
Total proceeds from disposal	35,940	7,664	35,146	6,932
Less total value of assets disposed	(57,994)	(10,979)	(37,255)	(6,818)
Less other costs of disposal	(343)	(354)	(103)	(290)
Total net gain/(loss) from disposal of assets	(22,397)	(3,669)	(2,212)	(176)

Gains or losses on disposal are recognised at the date control of the asset is passed from the Consolidated Entity and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are disposed, the revaluation surplus is transferred to retained earnings.

15 Other revenues/income	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Commissions revenue	177	145	20	20
Dividend revenue	274	215	-	-
Royalty income	17,193	15,898	-	-
Training revenue	1,046	942	339	246
Donations	13,621	11,214	-	-
Car parking revenue	10,894	10,836	74	132
Gain on revaluation of investment property	2,888	102	-	-
Other	23,691	21,929	2,478	2,798
Total other revenues	69,784	61,281	2,911	3,196

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

16 Revenue from SA Government	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Revenue from SA Government				
Contingency funds from Department of Treasury and Finance	47,075	69,571	47,075	69,571
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	3,335,341	3,006,316	3,335,341	3,006,316
Commonwealth capital grants received via Treasury	500	1,345	500	1,345
Commonwealth recurrent grants received via Treasury	17,882	43,296	17,882	43,296
Total revenue from SA Government	3,400,798	3,120,528	3,400,798	3,120,528
Payments to SA Government				
Return of surplus cash pursuant to cash alignment policy	-	(43,636)	-	(43,636)
Total payments to SA Government	-	(43,636)	-	(43,636)

The Department is the administrative unit of the Consolidated Entity and as such receives all appropriation from DTF. The Department provides recurrent and capital funding under a service level agreement to the LHNs and SAAS for the provision of services.

Appropriations from program funding are recognised as revenue when the Department obtains control over the assets. Control over the appropriations is normally obtained upon receipt and are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of the Department and the contribution is recorded as contributed equity.

17 Unexpended funding commitments

The Consolidated Entity is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Consolidated Entity on the premise that these funds are expended in a manner consistent with the terms of the program. The Consolidated Entity had outstanding funding commitments to the following programs:

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
New Royal Adelaide Hospital - Site Works (Operational)	46,022	20,058	-	-
Sale of the Repatriation General Hospital Site	6,487	-	3,400	-
Enterprise Patient Administration System (EPAS)	3,704	3,006	3,704	3,006
Enterprise Pathology Laboratory Information System (EPLIS)	1,206	339	-	-
Beat Cancer Project	1,000	-	1,000	-
SA Ambulance Stretcher Replacement Program	900	129	-	-
SA Health Supply Distribution Centre	724	1,683	724	1,683
Improving Trachoma Control Services for Indigenous Australians	420	401	-	-
BloodSafe eLearning Australia	335	406	70	60
National Partnership Agreement on Improving Public Hospital Services - Crisis Respite	-	555	-	-
National Reform Package on Organ and Tissue Donation for Transplantation	-	401	-	55
Other	1,713	914	1,074	362
Total unexpended funding commitments	62,511	27,892	9,972	5,166

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

18 Cash and cash equivalents	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash at bank or on hand - non-government financial institutions	226,992	170,883	199,768	120,249
Deposits with Treasurer	242,501	258,315	86,475	62,017
Imprest account/cash on hand	234	393	-	8
Total cash	469,727	429,591	286,243	182,274

Cash is measured at nominal amounts.

The Consolidated Entity receives specific purpose funds from various sources including government, private sector and individuals. The amounts are controlled by the Consolidated Entity, and are used to help achieve the Consolidated Entity objectives, notwithstanding that specific uses can be determined by the grantor or donor. Amounts are treated as revenue at the time they are earned or at the time control passes to the Consolidated Entity.

The Government has a policy to align agency cash balances with the appropriation and expenditure authority.

Deposits with the Treasurer

The Consolidated Entity has two deposit accounts with the Treasurer, a general operating account and a special purpose funds account. The Consolidated Entity earns interest on the special purpose funds account.

19 Receivables	Note	Consolidated		Parent	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Current					
Patient/client fees					
Compensable		9,436	16,325	1,600	-
Aged care		3,774	5,285	-	-
Other		59,077	53,962	-	-
Debtors		66,128	76,038	6,940	19,414
Less: allowance for doubtful debts	19.1	(36,358)	(34,212)	(243)	(421)
Interstate patient transfers		128,197	112,618	128,197	112,618
Prepayments		24,645	19,341	12,869	12,139
Loans	19.2	144	144	4,375	3,811
Dividends receivable		31	15	-	-
Interest income receivable		682	705	233	300
Grants		16	64	-	-
Sundry receivables and accrued revenue		28,448	37,590	211	401
GST recoverable		19,761	22,647	16,018	19,178
Total current receivables		303,981	310,522	170,200	167,440
Non-Current					
Debtors		450	566	9	12
Prepayments		1,765	1,912	-	-
Loans	19.2	-	144	8,050	12,437
GST recoverable		2,122	2,445	-	-
Total non-current receivables		4,337	5,067	8,059	12,449
Total receivables		308,318	315,589	178,259	179,889

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

19.1 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Movements in the allowance for doubtful debts (impairment loss)				
Carrying amount at the beginning of the period	34,212	34,507	421	383
Amounts written off	(19,257)	(17,258)	(41)	-
Amounts recovered during the year	(18)	(75)	-	-
Increase/(Decrease) in allowance recognised in the Statement of Comprehensive Income	21,421	17,038	(137)	38
Carrying amount at the end of the period	36,358	34,212	243	421

The Consolidated Entity has recognised a bad a doubtful debt expense of \$25.560 million (\$18.500 million).

Interest rate and credit risk

Receivables arise in the normal course of selling goods and services to other agencies and to the public. The Consolidated Entity's trading terms for receivables are generally 30 days, after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Consolidated Entity will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to Note 33 for further information on risk management.

19.2 Reconciliation of loans

	Health Services		Back-to-Back	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
The balance of loans receivable by the Parent and related movements is as follows:				
Balance at 1 July	16,248	18,930	13,494	15,442
Principal repayments	(3,823)	(2,682)	(3,033)	(1,948)
Balance at 30 June	12,425	16,248	10,461	13,494

As at 30 June 2017 the Department has financed two Health Services with loans of \$1.964 million (\$2.754 million) for aged care housing and \$10.461 million (\$13.494 million) for the Flinders Medical Centre (FMC) carpark from departmental funds with a back-to-back loan arrangement with Department of Treasury and Finance for the FMC carpark loan.

Due to inter-entity eliminations upon consolidation, loans receivables of \$12.425 million (\$16.248 million) between the Activities of the Department and the Hospitals and SAAS were eliminated. Refer to Note 1.2 for further information.

20 Other financial assets

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Term deposits:				
Finance institutions	91,660	82,518	-	-
SA Government Financing Authority	1,279	1,253	-	-
Other investments	9,565	5,753	-	-
Total current investments	102,504	89,524	-	-
Non-current				
Term deposits:				
Finance institutions	1,618	2,038	-	-
Other investments*	4,381	4,384	-	-
Total non-current investments	5,999	6,422	-	-
Total investments	108,503	95,946	-	-

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

The Consolidated Entity measures financial assets and debts at historical cost, except for listed equities which are measured at market value.

* Included in other investments is the Consolidated Entity's share of beneficial entitlement of Flinders Reproductive Medicine Pty Ltd as trustee for Flinders Charitable Trust, trading as Flinders Fertility, which is the only joint arrangement in which the Consolidated Entity participates.

According to the terms of the joint venture, profit earned during the financial year is to be distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. However, it has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business. Therefore the Consolidated Entity recognises their ownership interest of the distribution as a financial asset. Refer to Note 37 for further information on interests in other entities.

Refer to Note 33 for further information on risk management.

21 Inventories	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current - held for distribution				
Materials at cost:				
Drug supplies	23,436	25,156	9,069	10,640
Medical, surgical and laboratory supplies	2,641	2,443	-	-
Food and hotel supplies	553	589	-	-
Engineering supplies	36	32	-	-
SA Health distribution centre and bulk warehouses	11,930	12,035	11,930	12,035
Inventory imprest stock	12,112	12,566	-	-
Other	891	927	-	-
Total current inventories - held for distribution	51,599	53,748	20,999	22,675

Inventories held for distribution at no or nominal consideration, are measured at the lower of average weighted cost and replacement cost. All other inventories are measured at the lower of average weighted cost or their net realisable value.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense reduction.

22 Non-current assets classified as held for sale	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land	4,441	26,138	1,868	26,138
Buildings and improvements	14,078	6,444	726	6,444
Total non-current assets classified as held for sale	18,519	32,582	2,594	32,582

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.

23 Property, plant and equipment	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Land and buildings				
Land	347,021	383,307	39,639	45,396
Buildings and improvements	4,858,537	2,281,869	1,534	2,037
Accumulated depreciation - buildings and improvements	(226,519)	(124,301)	(148)	(124)
Buildings and improvements under construction (work in progress)	194,918	152,950	1,038	-
Total land, buildings and improvements	5,173,957	2,693,825	42,063	47,309
Leasehold improvements				
Leasehold improvements at fair value	61,107	59,019	5,787	5,787
Accumulated amortisation	(21,558)	(18,029)	(3,727)	(3,008)
Total leasehold improvements	39,549	40,990	2,060	2,779

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Plant and equipment				
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	318,072	308,077	75	28
Accumulated depreciation - medical, surgical, dental and biomedical	(225,103)	(217,094)	(30)	(28)
Other plant and equipment at cost (deemed fair value)	397,226	136,831	37,624	36,654
Accumulated depreciation - other plant and equipment	(102,749)	(98,811)	(34,889)	(33,426)
Plant and equipment under construction (work in progress)	124,384	55,485	8,395	537
Total plant and equipment	511,830	184,488	11,175	3,765
Total property, plant and equipment	5,725,336	2,919,303	55,298	53,853

Valuation of land and buildings

An independent valuation of land, building and site improvements, was performed in May 2015 by Certified Practicing Valuers from AssetVal Pty Ltd, Australian Valuation Solutions Pty Ltd and Liquid Pacific Holdings Pty Ltd, as at 1 June 2015.

The valuers arrived at the fair value of unrestricted land using the market approach. The valuation was based on recent market transactions for similar land and buildings (non-specialised) in the area and includes adjustment for factors specific to the land and buildings being valued such as size, location and current use.

The valuers used depreciated replacement cost for specialised land and buildings, due to there not being an active market for such land and buildings. The depreciated replacement cost considered the need for ongoing provision of government services; specialised nature of the assets, including the restricted use of the assets; and the size, condition, location and current use of the assets. The valuation was based on a combination of internal records, specialised knowledge and the acquisition/transfer costs.

Valuation of plant and equipment

All items of plant and equipment that had a fair value at the time of acquisition less than \$1 million have not been revalued in accordance with Accounting Policy Framework III *Asset Accounting Framework*. The carrying value of these items are deemed to approximate fair value. These assets are classified in Level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the asset condition and remaining useful life.

The Consolidated Entity's plant and equipment assets with a fair value greater than \$1 million were revalued using the fair value methodology, as at 1 June 2015, based on independent valuations performed by Simon O'Leary, AAPI, C.P.V., Australian Valuation Solutions Pty Ltd.

Impairment

Impairment losses were recognised for property, plant and equipment assets as follows:

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Impairment of property, plant and equipment:				
Land	31,500	-	-	-
Buildings and improvements	3,630	55,261	-	-
Other plant and equipment at cost (deemed fair value)	-	857	-	-
Total impairment of property, plant and equipment	35,130	56,118	-	-

Notwithstanding Cabinet's impending decision regarding the future use of the existing RAH site, based on external and internal indicators, the Consolidated Entity considers there is an impairment event for the land. Renewal SA has advised that the restriction on the title (requiring hospital usage) will be removed to permit development immediately upon closure of the existing RAH, and a change of use that will include residential, which is deemed a sensitive land use under EPA guidelines, triggering a requirement for remediation works. The cost of demolition and remediation works is estimated to exceed the carrying value of the existing RAH land and buildings.

In addition, the change in contract of sale of the Repatriation General Hospital (RGH) from Returned Services League to ACH Group at a higher sales price has given rise to a partial reversal of the previous impairment event.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

24 Investment property	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Investment property (at fair value)	21,567	18,679	-	-
Total investment property	21,567	18,679	-	-

Valuation of investment property

Subsequent to initial recognition at cost, investment properties are revalued to fair value with changes in the fair value recognised as income or expense in the period that they arise. The properties are not depreciated and are not tested for impairment.

As at 30 June 2017, an independent valuation was performed on the investment property at Unit 1, 27 Kermode Street North Adelaide, by Asset Val with recent experience in the local market and equivalent properties. Investment properties are measured at fair value.

The valuation of the investment property located at Dalglish Street, Thebarton was performed by Carol Simons, B Bus. Prop(Val), AAPI Certified Practicing Valuer, an independent valuer from Knight Frank Valuations as at June 2017. The valuer arrived at a fair value based on recent market transactions for similar properties in the area taking in to account zoning and restricted use.

Where there is recent market transactions for similar properties, the valuations are based on the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in the active market for similar properties. These investment properties have been categorised as Level 2.

Amounts recognised in profit or loss

The Consolidated Entity recognised rental income from investment property during the period of \$2.345 million (\$2.772 million).

Impairment

There were no indications of impairment of investment property assets at 30 June 2017.

25 Intangible assets	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Computer software	173,912	149,518	128,079	125,387
Accumulated amortisation - computer software	(77,034)	(58,403)	(61,785)	(48,270)
Other intangibles*	700	3,095	-	-
Accumulated amortisation - other intangibles	-	(2,394)	-	-
Intangibles under construction (Work in progress)	40,758	19,889	2,018	1,032
Total intangible assets	138,336	111,705	68,312	78,149

* Other intangibles includes residential aged care bed licences. Bed licences that are purchased are initially recorded at cost. Bed licences that are received for no consideration from the Commonwealth Government are recognised at their fair value at the date of implementation, having regard to recent sale activity within South Australian country areas and the relaxation of ceiling limits on bed licenses, the Consolidated Entity has recorded these licences at nil value.

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

26 Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Consolidated Entity categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

Fair value measurements at 30 June 2017

	Consolidated			Parent		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
Land (Note 23)	105,673	241,348	347,021	39,639	-	39,639
Buildings and improvements (Note 23)	-	4,632,018	4,632,018	-	1,386	1,386
Leasehold improvements (Note 23)	-	39,549	39,549	-	2,060	2,060
Plant and equipment (Note 23)	-	387,446	387,446	-	2,780	2,780
Investment property (Note 24)	21,567	-	21,567	-	-	-
Total recurring fair value measurements	127,240	5,300,361	5,427,601	39,639	6,226	45,865
Non-recurring fair value measurements						
Land held for sale (Note 22)	4,441	-	4,441	1,868	-	1,868
Buildings held for sale (Note 22)	-	14,078	14,078	-	726	726
Total non-recurring fair value measurements¹	4,441	14,078	18,519	1,868	726	2,594
Total	131,681	5,314,439	5,446,120	41,507	6,952	48,459

Fair value measurements at 30 June 2016

	Consolidated			Parent		
	Level 2	Level 3	Total	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
Land (Note 23)	104,524	278,783	383,307	45,396	-	45,396
Buildings (Note 23)	-	2,157,568	2,157,568	-	1,913	1,913
Leasehold improvements (Note 23)	-	40,990	40,990	-	2,779	2,779
Plant and equipment (Note 23)	-	129,003	129,003	-	3,228	3,228
Investment property (Note 24)	18,679	-	18,679	-	-	-
Total recurring fair value measurements	123,203	2,606,344	2,729,547	45,396	7,920	53,316
Non-recurring fair value measurements						
Land held for sale (Note 22)	26,138	-	26,138	26,138	-	26,138
Buildings held for sale (Note 22)	-	6,444	6,444	-	6,444	6,444
Total non-recurring fair value measurements¹	26,138	6,444	32,582	26,138	6,444	32,582
Total	149,341	2,612,788	2,762,129	71,534	14,364	85,898

¹ The Consolidated Entity has measured land and buildings held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* as the assets' fair value less costs to sell is lower than its carrying amount. Refer to Note 22.

The Consolidated Entity's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. Valuation techniques and inputs used to derive level 2 and 3 fair values are at Notes 23, 24 and 25.

During 2017 and 2016, the department had no valuations categorised into Level 1; there were no transfers of assets between Level 1, 2 and 3 fair value hierarchy levels in 2016-17.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Valuation techniques and inputs

Land fair values were derived by using the market approach, being recent sales transactions of other similar land holdings within the region, adjusted for differences in key attributes such as property size, zoning and any restrictions on use, and then adjusted with a discount factor. To the extent that land, has had any restrictions on use and been adjusted with a discount factor, these assets are classified as Level 3. All other land has been classified as Level 2.

Due to the predominantly specialised nature of health service assets, the majority of building and plant and equipment valuations have been undertaken using a cost approach (depreciated replacement cost), an accepted valuation methodology under AASB 13. The extent of unobservable inputs and professional judgement required in valuing these assets is significant, and as such they are deemed to have been valued using Level 3 valuation inputs.

Unobservable inputs used to arrive at final valuation figures included:

- Estimated remaining useful life, which is an economic estimate and by definition, is subject to economic influences;
- Cost rate, which is the estimated cost to replace an asset with the same service potential as the asset undergoing valuation (allowing for over-capacity), and based on a combination of internal records including: refurbishment and upgrade costs, historical construction costs, functional utility users, industry construction guides, specialised knowledge and estimated acquisition/transfer costs;
- Characteristics of the asset, including condition, location, any restrictions on sale or use and the need for ongoing provision of Government services;
- Effective life, being the expected life of the asset assuming general maintenance is undertaken to enable functionality but no upgrades are incorporated which extend the technical life or functional capacity of the asset; and
- Depreciation methodology, noting that AASB 13 dictates that regardless of the depreciation methodology adopted, the exit price should remain unchanged.

Although there were some buildings valued using Level 2 inputs, the fair value of these was immaterial in comparison to the whole class, therefore all buildings (with the exception of investment property) have been classified as Level 3. Investment property has been valued using the income approach, based on capitalised net income at an appropriate yield, and is classified as Level 2.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Reconciliation of property, plant and equipment and investment properties

The following table shows the movement

Consolidated
2016-17

	Land and buildings:			Plant and equipment:							Total \$'000
				Capital works in progress land and buildings				Capital works in progress plant and equipment			
	Land \$'000	Buildings \$'000	Buildings under PPP \$'000	Leasehold improvements \$'000	Medical/surgical/dental/biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under PPP \$'000	Investment Property \$'000			
Carrying amount at beginning of the period	383,307	2,157,568	-	152,950	40,990	90,983	38,020	-	55,485	18,679	2,937,982
Additions	1,851	474	2,500,821	226,840	62	18,032	1,184	258,249	57,494	-	3,065,007
Assets received free of charge	-	-	-	-	-	4,112	-	-	-	-	4,112
Disposals	(280)	(79)	-	(19,013)	(47)	(829)	(401)	-	(56)	-	(20,705)
Transfers between asset classes	-	55,021	50,134	(165,840)	1,633	9,152	8,031	-	11,511	-	(30,358)
Reclassified to held for sale	(8,760)	(14,429)	-	-	-	-	-	-	-	-	(23,189)
Other movements	-	-	-	(19)	-	-	-	-	(50)	-	(69)
Subtotal:	376,118	2,198,555	2,550,955	194,918	42,638	121,450	46,834	258,249	124,384	18,679	5,932,780
Gains/(losses) for the period recognised in net result:											
Depreciation and amortisation	-	(113,862)	-	-	(3,089)	(28,481)	(10,606)	-	-	-	(156,038)
Revaluation increment / (decrement)	-	-	-	-	-	-	-	-	-	2,888	2,888
Impairment (losses) / reversals	(23,117)	(3,630)	-	-	-	-	-	-	-	-	(26,747)
Subtotal:	(23,117)	(117,492)	-	-	(3,089)	(28,481)	(10,606)	-	-	2,888	(179,897)
Gains/(losses) for the period recognised in other comprehensive income:											
Revaluation increment / (decrement)	2,403	-	-	-	-	-	-	-	-	-	2,403
Impairment (losses) / reversals	(8,383)	-	-	-	-	-	-	-	-	-	(8,383)
Subtotal:	(5,980)	-	-	-	-	-	-	-	-	-	(5,980)
Carrying amount at the end of the period*	347,021	2,081,063	2,550,955	194,918	39,549	92,969	36,228	258,249	124,384	21,567	5,746,903

* Included in carrying amount at the end of the period is buildings under finance lease of \$105.039 million and plant and equipment under finance lease of \$0.009 million.

All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment properties and land valued at \$105.673 million (classified as level 2) and capital works in progress (not classified).

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Consolidated

2015-16

	Land and buildings:			Plant and equipment:				Capital works in progress		Investment Property	Total \$'000
	Land \$'000	Buildings \$'000	Buildings under PPP \$'000	Capital works in progress land and buildings \$'000	Leasehold improvements \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under PPP \$'000	Capital works in progress plant and equipment \$'000		
Carrying amount at beginning of the period	432,473	2,290,498	-	60,342	38,686	100,277	40,276	-	22,344	18,190	3,003,086
Additions	-	249	-	147,832	-	13,245	814	-	53,195	-	215,335
Assets received free of charge	-	216	-	-	-	4,923	741	-	-	-	5,880
Disposals	(1,486)	(353)	-	(69)	(676)	(2,437)	(622)	-	-	-	(5,643)
Transfers between asset classes	-	46,713	-	(55,155)	7,047	10,705	10,963	-	(20,054)	387	606
Reclassified to held for sale	(29,755)	(6,677)	-	-	-	-	-	-	-	-	(36,432)
Other movements	-	-	-	-	-	-	-	-	-	-	-
Subtotal:	401,232	2,330,646	-	152,950	45,057	126,713	52,172	-	55,485	18,577	3,182,832
Gains/(losses) for the period recognised in net result:											
Depreciation and amortisation	-	(117,817)	-	-	(4,067)	(35,730)	(13,260)	-	-	-	(170,874)
Revaluation increment / (decrement)	-	-	-	-	-	-	-	-	-	102	102
Impairment (losses) / reversals	-	(55,261)	-	-	-	-	(857)	-	-	-	(56,118)
Subtotal:	-	(173,078)	-	-	(4,067)	(35,730)	(14,117)	-	-	102	(226,890)
Gains/(losses) for the period recognised in other comprehensive income:											
Revaluation increment / (decrement)	(17,925)	-	-	-	-	-	(35)	-	-	-	(17,960)
Impairment (losses) / reversals	-	-	-	-	-	-	-	-	-	-	-
Subtotal:	(17,925)	-	-	-	-	-	(35)	-	-	-	(17,960)
Carrying amount at the end of the period*	383,307	2,157,568	-	152,950	40,990	90,983	38,020	-	55,485	18,679	2,937,982

* Included in carrying amount at the end of the period is buildings under finance lease of \$107.872 million and plant and equipment under finance lease of \$0.104 million.

All property, plant and equipment are classified in the level 3 fair value hierarchy except for investment properties and land valued at \$104.524 million (classified as level 2) and capital works in progress (not classified).

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Parent 2016-17	Land and buildings:				Plant and equipment:					Total \$'000
	Land \$'000	Buildings \$'000	Buildings under finance lease \$'000	Capital works in progress land and buildings \$'000	Leasehold improve- ments \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under finance lease \$'000	Capital works in progress plant and equipment \$'000	
Carrying amount at beginning of the period	45,396	1,913	-	-	2,779	-	3,228	-	537	53,853
Additions	-	-	-	1,532	-	29	-	-	8,986	10,547
Assets received free of charge	550	726	-	-	-	-	-	-	-	1,276
Disposals	-	-	-	-	-	-	(4)	-	-	(4)
Donated assets disposal	(120)	(80)	-	(494)	-	-	-	-	-	(694)
Transfers between asset classes	-	-	-	-	-	-	-	-	(1,128)	289
Reclassified to held for sale	(6,187)	(1,076)	-	-	-	18	1,399	-	-	(7,263)
Subtotal:	39,639	1,483	-	1,038	2,779	47	4,623	-	8,395	58,004
Gains/(losses) for the period recognised in net result:										
Depreciation and amortisation	-	(97)	-	-	(719)	(2)	(1,888)	-	-	(2,706)
Subtotal:	-	(97)	-	-	(719)	(2)	(1,888)	-	-	(2,706)
Carrying amount at the end of the period	39,639	1,386	-	1,038	2,060	45	2,735	-	8,395	55,298

All property, plant and equipment are classified in the level 3 fair value hierarchy except for land (classified as level 2) and capital works in progress (not classified).

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Parent
2015-16

	Land and buildings:		Plant and equipment:					Capital works in progress land and buildings \$'000	Buildings under finance lease \$'000	Plant and equipment:			Capital works in progress plant and equipment \$'000	Total \$'000
	Land \$'000	Buildings \$'000	Leasehold improvements \$'000	Medical/ surgical/ dental/ biomedical \$'000	Other plant and equipment \$'000	Plant and equipment under finance lease \$'000								
Carrying amount at beginning of the period	41,389	1,556	3,279	-	2,957	-	235	-	-	-	-	-	3,510	52,926
Additions	-	-	-	-	13	-	24	-	-	-	-	-	629	666
Assets received free of charge	35,178	7,099	-	-	-	-	-	-	-	-	-	-	-	42,277
Disposals	-	(3)	(25)	-	(38)	-	-	-	-	-	-	-	-	(66)
Donated assets disposal	(1,416)	-	-	-	-	-	-	-	-	-	-	-	-	(1,416)
Transfers between asset classes	-	-	259	-	4,209	-	(259)	-	-	-	-	-	(3,602)	607
Reclassified to held for sale	(29,755)	(6,677)	-	-	-	-	-	-	-	-	-	-	-	(36,432)
Subtotal:	45,396	1,975	3,513	-	7,141	-	-	-	-	-	-	-	537	58,562
Gains/(losses) for the period recognised in net result:														
Depreciation and amortisation	-	(62)	(734)	-	(3,913)	-	-	-	-	-	-	-	-	(4,709)
Subtotal:	-	(62)	(734)	-	(3,913)	-	-	-	-	-	-	-	-	(4,709)
Carrying amount at the end of the period	45,396	1,913	2,779	-	3,228	-	-	-	-	-	-	-	537	53,853

All property, plant and equipment are classified in the level 3 fair value hierarchy except for land (classified as level 2) and capital works in progress (not classified).

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Reconciliation of intangible assets

Consolidated	2016-17				2015-16			
	Computer software \$'000	Other intangibles \$'000	Capital works in progress \$'000	Total \$'000	Computer software \$'000	Other intangibles \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at beginning of the period	91,115	701	19,889	111,705	73,029	720	32,230	105,979
Additions	4,763	-	10,161	14,924	31	-	24,218	24,249
Disposals	(6)	-	-	(6)	-	-	-	-
Depreciation and amortisation	(18,644)	-	-	(18,644)	(17,898)	(19)	-	(17,917)
Transfers between asset classes	19,650	-	10,708	30,358	35,953	-	(36,559)	(606)
Other movements	-	(1)	-	(1)	-	-	-	-
Carrying amount at the end of the period	96,878	700	40,758	138,336	91,115	701	19,889	111,705

Parent	2016-17				2015-16			
	Computer software \$'000	Other intangibles \$'000	Capital works in progress \$'000	Total \$'000	Computer software \$'000	Other intangibles \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at beginning of the period	77,117	-	1,032	78,149	55,523	-	25,498	81,021
Additions	999	-	2,968	3,967	-	-	12,094	12,094
Disposals	-	-	-	-	-	-	-	-
Depreciation and amortisation	(13,515)	-	-	(13,515)	(14,359)	-	-	(14,359)
Transfers between asset classes	1,693	-	(1,982)	(289)	35,953	-	(36,560)	(607)
Other movements	-	-	-	-	-	-	-	-
Carrying amount at the end of the period	66,294	-	2,018	68,312	77,117	-	1,032	78,149

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

27 Payables	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Creditors and accrued expenses	212,517	231,297	70,344	56,828
Paid Parental Leave Scheme payable	422	467	16	11
Health service workers compensation	-	-	17,257	19,120
Interstate patient transfers	77,459	73,175	77,459	73,175
Employment on-costs*	48,082	45,756	2,924	2,717
Other payables	8,944	6,588	69	80
Total current payables	347,424	357,283	168,069	151,931
Non-current				
Creditors and accrued expenses	410	268	-	-
Health service workers compensation	-	-	10,915	14,231
Employment on-costs*	27,966	31,008	2,406	2,551
Other payables	194	193	-	-
Total non-current payables	28,570	31,469	13,321	16,782
Total payables	375,994	388,752	181,390	168,713

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the percentage of the portion of long service leave taken as leave has decreased for the LHNs and SAAS from the 2016 rate of 51% to 48% and has remained the same for the Department at 40%. Further, Mercer Consulting (Australia) Pty Ltd has determined that the average factors for the calculation of employer superannuation cost on-cost has decreased from 2016 (9.74% to 13.75%) to 2017 (9.40% to 13.62%). These rates are used in the employment on-cost calculation. The net financial effect of the above changes in the current financial year is a decrease in the employment on-cost of \$2.817 million (Parent \$0.045 million), and employee benefits expense of \$2.817 million (Parent \$0.045 million). The estimated impact on 2018 and 2019 is \$2.928 million (Parent \$0.046 million) and \$3.043 million (Parent \$0.048 million) respectively.

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 normal operations of the Consolidated Entity.

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

The Paid Parental Leave Scheme payable represents amounts which the Consolidated Entity has received from the Commonwealth Government to forward onto eligible employees via the Consolidated Entity's standard payroll processes. That is, the Consolidated Entity is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Due to inter-entity eliminations upon consolidation, Health service workers compensation payables of \$28.172 million (\$33.351 million) between the Activities of the Department and the Hospitals and SAAS were eliminated. Refer to Note 1.2 for further information.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owed. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employee on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

Refer to Note 33 for further information on risk management.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

28	Borrowings	Note	Consolidated		Parent	
			2017	2016	2017	2016
			\$'000	\$'000	\$'000	\$'000
	Current					
	Loans*		3,546	3,033	3,546	3,033
	Finance lease	32.3	34,770	3,320	-	-
	Total current borrowings		38,316	6,353	3,546	3,033
	Non-current					
	Loans*		6,915	10,461	6,915	10,460
	Finance lease	32.3	2,763,386	26,894	-	-
	Total non-current borrowings		2,770,301	37,355	6,915	10,460
	Total borrowings		2,808,617	43,708	10,461	13,493

* The contractual maturities for loans (financial liabilities at cost) is within 5 years.

The Consolidated Entity measures financial liabilities including borrowings/debt at historical cost.

Refer to Note 33 for further information on risk management.

Defaults and breaches

There were no defaults or breaches on any of the above liabilities throughout the year.

29	Employee benefits	Consolidated		Parent	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
	Current				
	Annual leave	321,808	296,172	14,003	13,429
	Long service leave	93,139	85,396	5,028	4,747
	Accrued salaries and wages	71,190	90,787	2,956	2,539
	Fringe benefits tax	2,538	2,569	2,528	2,559
	Skills and experience retention leave	27,935	25,557	1,074	1,072
	Superannuation - defined benefit scheme	17,613	14,677	-	-
	Other	365	335	12	14
	Total current employee benefits	534,588	515,493	25,601	24,360
	Non-current				
	Long service leave	576,970	587,367	32,486	33,867
	Superannuation - defined benefit scheme	9,695	46,422	-	-
	Total non-current employee benefits	586,665	633,789	32,486	33,867
	Total employee benefits	1,121,253	1,149,282	58,087	58,227

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by Mercer Consulting (Australia) Pty Ltd has provided a basis for the measurement of long service leave.

AASB 119 requires the use of a yield on long term Commonwealth Government bonds which matches the expected term of the liabilities as the discount rate in the measurement of the long service leave liability.

The appropriate yields on long term Commonwealth Government bonds have increased from 2016 (1.73% to 2.05%) to 2017 (2.27 % to 2.77%). This increase of the bond yields, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the change in the bond yields in the current financial year is a decrease in the long service leave liability of \$29.263 million (Parent \$1.346 million) and employee benefit expense of \$30.666 million (Parent \$1.401 million). The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption being the long-term discount rate.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

The long term salary inflation rate was left at 4.0% per annum for the Department and LHNs, and decreased to 3.5% per annum for SAAS. The net financial effect of the change in the salary inflation assumption in the current financial year is a decrease in the long service leave liability of \$1.972 million and employee benefit expense of \$0.129 million.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 3.00% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The defined benefit liability has been recognised in the Statement of Financial Position in accordance with AASB 119 and is held in SAAS.

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Defined benefit superannuation scheme				
Reconciliation of the present value of the defined benefit obligation:				
Opening balance of defined benefit obligation	286,482	245,554	-	-
Current service cost	10,955	9,033	-	-
Interest cost	5,381	6,929	-	-
Contributions by scheme participants	5,251	5,806	-	-
Actuarial losses	(23,191)	28,003	-	-
Benefits paid	(10,488)	(7,371)	-	-
Taxes, premiums and expenses paid	(1,780)	(1,787)	-	-
Transfers in	588	315	-	-
Closing balance of defined benefit obligation	273,198	286,482	-	-

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Reconciliation of the fair value of scheme assets:				
Opening balance of scheme assets	225,383	217,109	-	-
Interest income	4,373	6,297	-	-
Actual return on scheme assets less interest income	16,702	(686)	-	-
Contributions from the employer	5,861	5,700	-	-
Contributions by scheme participants	5,251	5,806	-	-
Benefits paid	(10,488)	(7,371)	-	-
Taxes, premiums and expenses paid	(1,780)	(1,787)	-	-
Transfers in	588	315	-	-
Closing balance of scheme assets	245,890	225,383	-	-

The amount included in the Statement of Financial Position arising from Consolidated Entity's obligations in respect of its defined benefit scheme is as follows:

Present value of defined benefit obligations	273,198	286,482	-	-
Fair value of scheme assets	(245,890)	(225,383)	-	-
Net liability arising from defined benefit obligations	27,308	61,099	-	-

Included in the Statement of Financial Position:

Current provision for employee benefits - defined benefit obligations	17,613	14,677	-	-
Non-current provision for employee benefits - defined benefit obligations	9,695	46,422	-	-
Closing balance of defined benefit obligation	27,308	61,099	-	-

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	% invested by asset class			
	Consolidated		Parent	
	2017	2016	2017	2016
	%	%	%	%
Australian equity	29	28	-	-
International equity	21	20	-	-
Fixed income	27	35	-	-
Property	12	9	-	-
Alternatives/other	8	-	-	-
Cash	3	8	-	-
Total	100	100	-	-

In accordance with the revised AASB 119 the discount rate assumption is used to determine interest income and the expected return on assets assumption is no longer used. The actual return on scheme assets was a gain of \$21.075 million (\$5.611 million). Employer contributions of \$5.631 million are expected to be paid to the scheme for the year ending 30 June 2018. Expected employer contributions reflect the current 12.00% of salary contributions.

	Consolidated		Parent	
	2017	2016	2017	2016
	% pa	% pa	% pa	% pa
Principal actuarial assumptions used (and expressed as weighted averages):				
Discount rate (defined benefit cost)	2.1	3.1	-	-
Expected rate of salary increase (defined benefit cost)	4.0	4.0	-	-
Discount rate (defined benefit obligation)	2.7	2.1	-	-
Expected rate of salary increase (defined benefit obligation)	3.5	4.0	-	-

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Movement in net defined benefit liability				
Net defined benefit liability at start of year	61,099	28,445	-	-
Defined benefit cost	11,963	9,665	-	-
Remeasurements	(39,893)	28,689	-	-
Employer contributions	(5,861)	(5,700)	-	-
Net defined benefit liability at end of year	27,308	61,099	-	-

Sensitivity analysis

The defined benefit obligation as at 30 June 2017 under several scenarios is presented below.

Scenarios A and B relate to discount rate sensitivity. Scenarios C and D relate to salary increase rate sensitivity.

Scenario A: 0.5% p.a. lower discount rate assumption

Scenario B: 0.5% p.a. higher discount rate assumption

Scenario C: 0.5% p.a. lower salary increase rate assumption

Scenario D: 0.5% p.a. higher salary increase rate assumption

	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
		-0.5% pa discount rate	+0.5% pa discount rate	-0.5% pa salary increase rate	+0.5% pa salary increase rate
Discount Rate	2.7%	2.2%	3.2%	2.7%	2.7%
Salary increase rate	3.5%	3.5%	3.5%	3.0%	4.0%
Defined benefit obligation (\$'000)	273,198	282,249	264,805	265,714	281,175

Description of the regulatory framework

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation schemes operate. The SIS regulations require an actuarial valuation to be performed for each defined benefit superannuation scheme every three years, or every year if the scheme pays defined benefit pensions unless an exemption has been obtained.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Description of other entities' responsibilities for the governance of the Scheme

The scheme's trustee is responsible for the governance of the scheme. The trustee has a legal obligation to act solely in the best interests of scheme beneficiaries. The trustee has the following roles:

- management and investment of the scheme assets; and
- compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licences and supervises regulated superannuation schemes.

Description of risks

There are a number of risks to which the Scheme exposes the employer. The more significant risks relating to the defined benefits are:

Investment risk

The risk that investment returns will be lower than assumed and the employer will need to increase contributions to offset this shortfall.

Salary growth risk

The risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Legislative risk

The risk that legislative changes could be made which increase the cost of providing the defined benefits.

The scheme assets are invested in the Funds SA Balanced Investment option. The assets are diversified within this investment option and therefore the Scheme has no significant concentration of investment risk.

Funding arrangements

The financing objective adopted at the 30 June 2014 actuarial investigation of the scheme in a report dated 15 May 2015, is to maintain the value of the scheme's assets at least equal to:

- 100% of accumulation account balances, plus
- for defined benefits, the greater of 100% of vested benefits and 100% of the actuarial value of accrued benefits.

In that valuation, it was recommended that the employer contribute to the scheme as follows:

- Defined Benefit members:
 - 12.00% of salary for all defined benefit members until 30 June 2015, then
 - 9.50% of salary for all defined benefit members after 1 July 2015, plus
 - Any additional employer contributions agreed between the employer and a member.
- Accumulation members:
 - 9.50% of ordinary time earnings, plus
 - Any additional employer contributions agreed between the employer and a member.

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation as at 30 June 2017 is nine years.

30 Provisions

	Note	Consolidated		Parent	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
Current					
Workers compensation	30.1	33,122	38,155	688	879
Insurance	30.2	14,402	16,110	14,402	16,110
Total current provisions		47,524	54,265	15,090	16,989
Non-current					
Workers compensation	30.1	55,217	61,929	894	2,216
Insurance	30.2	90,845	105,802	90,845	105,802
Total non-current provisions		146,062	167,731	91,739	108,018
Total provisions		193,586	221,996	106,829	125,007

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Workers compensation

The Department is a self-insured employer within the *Return to Work Act 2014*, and has delegated powers pursuant to section 134 of this Act. As a consequence, the Department is responsible for the management of and all costs of workers compensation claims.

The LHNs and SAAS are exempt employers under the *Return to Work Act 2014*. Under a scheme arrangement, the LHNs and SAAS are responsible for the management of workers rehabilitation and compensation, and are directly responsible for meeting the cost of workers' compensation claims and the implementation and funding of preventive programs.

The workers compensation provision is an actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. For the 2016-17 financial year the Department has reflected a workers compensation provision of \$88.339 million (\$100,084 million).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the payment per claim incurred valuation method. The assessment has been conducted in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, and the Return to Work SA guidelines for actuarial assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

The Department is directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs.

From 1 July 2010, the Department devolved annual funding to all remaining safety net funded LHNs and health centres for workers compensation expenditure, excluding lump sum payments. Accordingly, the Department recognises a payable to the LHNs equivalent to the redemption and lump sum payments which the LHNs recognise as a provision in their financial statements. The workers compensation liability to the LHNs recognised by the Department as at 30 June 2017 is \$28.172 million (\$33.351 million). Refer to Note 27. These transactions are eliminated on consolidation in accordance with the requirements of AASB 10.

Insurance

The Department is responsible for the management of the Consolidated Entity's insurance program. The Department is a participant in the State Government's insurance program. The Department pays a premium to SA Government Financing Authority (SAFA), SAICORP Division for professional indemnity insurance (including medical malpractice), public liability and property insurance, and is responsible for the management claim for amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For professional indemnity (including medical malpractice) claims after 1 July 1994 and general public liability and property claims after 1 July 1999 the deductible per claim is \$1 million. For claims incurred prior to these dates the deductible per claim is \$50,000.

Professional indemnity and general public liability claims arising from the LHNs' and SAAS's operations are managed as part of the State Government Insurance Program. The LHNs and SAAS pay an annual premium to the Department. These transactions are eliminated on consolidation in accordance with the requirements of AASB 10.

The determination of the medical malpractice professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023 *General Insurance Contracts*, conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and current claim values.

The provision for claims for general public liability insurance and property is a management assessment.

30.1 Reconciliation of workers compensation	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
The following table shows the movement of workers compensation:				
Carrying amount at the beginning of the period	100,084	96,517	3,095	2,643
Increase in provisions recognised	1,311	18,538	-	1,222
Reductions resulting from re-measurement or settlement without cost	(4,698)	(2,237)	(1,487)	-
Reductions arising from payments/other sacrifices of future economic benefits	(8,358)	(12,734)	(26)	(770)
Carrying amount at the end of the period	88,339	100,084	1,582	3,095

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Office for the Public Sector.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

30.2 Reconciliation of insurance

The following table shows the movement of insurance during the period for the Consolidated Entity and Parent:

	Medical malpractice	Public liability	Property	Total
	\$'000	\$'000	\$'000	\$'000
2016-17				
Carrying amount at 1 July	119,283	1,451	1,178	121,912
Increase to provision due to new claims	15,740	195	2,135	18,070
Reduction due to payments	(18,387)	(1,257)	(855)	(20,499)
Net revision of estimates	(14,352)	653	(537)	(14,236)
Carrying amount at 30 June	102,284	1,042	1,921	105,247
2015-16				
Carrying amount at 1 July	97,574	1,198	1,131	99,903
Increase to provision due to new claims	7,331	189	1,302	8,822
Reduction due to payments	(11,658)	(378)	(575)	(12,611)
Net revision of estimates	26,036	442	(680)	25,798
Carrying amount at 30 June	119,283	1,451	1,178	121,912

31 Other liabilities

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Current				
Unclaimed monies	228	1,351	2	201
Unearned revenue	6,977	4,401	33	-
Residential aged care bonds	66,549	61,657	-	-
Lease incentive	586	372	426	212
Other	588	900	-	41
Total current other liabilities	74,928	68,681	461	454
Non-current				
Unearned revenue	774	858	-	-
Lease incentive	3,558	3,377	2,000	1,750
Other	714	692	-	-
Total non-current other liabilities	5,046	4,927	2,000	1,750
Total other liabilities	79,974	73,608	2,461	2,204

Residential Aged Care Bonds are accommodation bonds, refundable accommodation contributions and refundable accommodation deposits. These are non-interest bearing deposits made by aged care facility residents to the Consolidated Entity upon their admission to residential accommodation. The liability for accommodation is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less applicable deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Residential Aged Care Bonds are classified as current liabilities as the Consolidated Entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. The obligation to settle could occur at any time. Once a refunding event occurs the other liability becomes interest bearing. The interest rate applied is the prevailing interest rate at the time as prescribed by the Commonwealth Department of Health.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

32 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources, and are disclosed at their nominal value. Unrecognised contractual commitments are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the commitments are disclosed on a gross basis.

32.1 Operating lease revenue commitments

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as assets are receivable as follows:				
Within one year	938	685	-	-
Later than one year but not longer than five years	184	2,912	-	-
Later than five years	-	506	-	-
Total operating lease revenue commitments	1,122	4,103	-	-

The operating leases relate to property owned by the Consolidated Entity and leased to external parties.

32.2 Operating lease expenditure commitments

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:				
Within one year	40,487	40,487	11,822	11,401
Later than one year but not longer than five years	98,583	84,864	36,542	36,772
Later than five years	61,739	50,695	-	2,572
Total operating lease commitments	200,809	176,046	48,364	50,745
Representing:				
Cancellable operating leases	12,036	9,549	-	-
Non-cancellable operating leases	188,773	166,497	48,364	50,745
Total operating lease commitments	200,809	176,046	48,364	50,745

The Consolidated Entity has a number of lease agreements. Lease terms vary in length. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. The majority of the operating lease arrangements are for the use of properties.

32.3 Finance lease liabilities commitments

Finance lease liabilities commitments - excluding new RAH

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

	2017		2016	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
Within one year	8,759	4,527	8,630	4,486
Later than one year but not longer than five years	31,509	13,296	34,522	15,923
Later than five years	15,402	9,071	20,317	9,805
Total minimum lease payments	55,670	26,894	63,469	30,214
Less future finance lease charges and contingent rentals	(28,776)		(33,255)	
Total finance lease commitments - excluding new RAH	26,894	26,894	30,214	30,214

Included in finance lease commitments above is \$2.445 million (\$2.747 million) which is the GST component of the finance lease commitments.

The Consolidated Entity has entered into finance leases for buildings and improvements and plant and equipment. The leases are non-cancellable with some leases having the right of renewal. Rent is payable in arrears.

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

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

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

The arrangement for the carpark at the RAH is for the RAH to license the site land to a third party who organised the financial, construction and the operation of the new carpark. The operator may lease the remaining spaces to the general public. This arrangements is for a 28 year term, at which time the car park ownership will be transferred to the Central Adelaide Local Health Network. This arrangement is shown in the Statement of Financial Position as a liability and a property asset.

The lease of the Health Facility to Mt Gambier and Districts Health Service is for 25 years with an option for a 10 year renewal. After 35 years the land and buildings revert to the Department. The lease commenced on 30 June 1997. The base rental for the 25 year term increases according to CPI each quarter. For the 10 year renewal the rental is determined according to a different method related to a valuation of the property and its replacement cost.

Finance lease liabilities commitments - new RAH buildings and plant and equipment

Future minimum lease payments for the Consolidated Entity under the PPP arrangement together with the present value of net minimum lease payments for the buildings and plant and equipment at the new RAH are as follows:

	2017		2016	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
	\$'000	\$'000	\$'000	\$'000
Within one year	288,032	268,782	-	-
Later than one year but not longer than five years	1,237,879	913,750	-	-
Later than five years	6,900,105	1,588,730	-	-
Total minimum lease payments	8,426,016	2,771,262	-	-
Less future finance lease charges and contingent rentals	(5,654,754)		-	
Total finance lease commitments - new RAH	2,771,262	2,771,262	-	-

There is nil GST in the finance lease commitments for the new RAH. Refer to note 2.12 for further detail of the PPP arrangement.

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Included in the Statement of Financial Position as:				
Current borrowings (Note 28)	34,770	3,320	-	-
Non-current borrowings (Note 28)	2,763,386	26,894	-	-
Total included in borrowings	2,798,156	30,214	-	-

32.4 Expenditure Commitments

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Capital commitments				
Capital expenditure contracted for at the reporting date but are not recognised as liabilities in the financial report, are payable as follows:				
Within one year	72,896	56,838	1,449	-
Later than one year but not longer than five years	217	-	217	-
Total capital commitments	73,113	56,838	1,666	-

The Consolidated Entity's capital commitments are for plant and equipment ordered but not received and capital works.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Other expenditure commitments				
Within one year	226,812	187,099	64,317	67,189
Later than one year but not longer than five years	384,787	95,529	33,190	43,033
Later than five years	2,605,833	30,860	69	-
Total	3,217,432	313,488	97,576	110,222
Less contingent rentals	(1,200,858)	-	-	-
Total other expenditure commitments	2,016,574	313,488	97,576	110,222

The Consolidated Entity expenditure commitments are for agreements for goods and services ordered but not received.

Included in other expenditure commitments above is \$2,984.055 million (including contingent rentals) which relates directly to the PPP operations and maintenance commitments (2016: nil).

The Consolidated Entity also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2017 has not been quantified.

33 Financial instruments/financial risk management

33.1 Financial risk management

Risk management is managed by the Department's Risk and Assurance Services section and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Consolidated Entity's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity Risk

The Consolidated Entity is funded principally from appropriation by the SA Government. The Consolidated Entity works with the Department of Treasury and Finance to determine the cash flows associated with the SA Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

Refer to Notes 27 and 28 for further information.

Credit and market risk

The Consolidated Entity has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history. The Consolidated Entity does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. No collateral is held as security and no credit enhancements relate to financial assets held by the Consolidated Entity.

Refer to Notes 18, 19 and 20 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. The Consolidated Entity's interest bearing liabilities are managed through SAFA and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

There have been no changes in risk exposure since the last reporting period.

33.2 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 or the respective financial asset / financial liability note.

The carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; loan and receivables; and financial liabilities measured at cost are detailed below.

The Consolidated Entity does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in Level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer Notes 2, 19 and 27).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer Notes 2 and 28).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer Notes 2 and 20).

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Category of financial asset and financial liability	Notes	Consolidated		Parent	
		2017 Carrying amount/ Fair value \$'000	2016 Carrying amount/ Fair value \$'000	2017 Carrying amount/ Fair value \$'000	2016 Carrying amount/ Fair value \$'000
Financial assets					
Cash and equivalent					
Cash and cash equivalents	18, 36	469,727	429,591	286,243	182,274
Loans and receivables					
Receivables ⁽¹⁾⁽²⁾	19	259,329	268,405	149,357	148,554
Available for sale financial assets					
Other financial assets	20	108,503	95,946	-	-
Total financial assets		837,559	793,942	435,600	330,828
Financial liabilities					
Financial liabilities at cost					
Payables ⁽¹⁾	27	296,764	308,691	175,180	162,572
Borrowings	28	10,461	13,494	10,461	13,493
Other financial liabilities	31	72,223	68,349	2,428	2,204
Finance lease liability	28, 32	2,798,156	30,214	-	-
Total financial liabilities		3,177,604	420,748	188,069	178,269

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth taxes; Auditor-General's Department audit fees etc.). 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 levies, tax and equivalents 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).

⁽²⁾ Receivable amount disclosed here excludes prepayments. Prepayments are presented in Note 19 as trade and other receivables in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

34 Transferred functions

Transferred in

Net assets assumed by the Consolidated Entity as a result of the administrative restructure are at the carrying amount of those assets in the transferor's Statement of Financial Position immediately prior to the transfer. The net assets transferred were treated as a contribution by the Government as owner.

2016-17

- There were no transfers in during this period.

2015-16

- Following a review of SA Pathology to improve service and business performance; effective 1 July 2015, the Chief Executive of the Department approved the transfer of the Information and Communication Technology function from the Central Adelaide Local Health Network (SA Pathology) to the eHealth Systems division of the Department.
- Health Portfolio Executive approved on 2 October 2008 the establishment of a consolidated procurement, contracting and supply chain service. This service provides the foundation for delivering best practice procurement, contracting and supply chain management across SA Health. Effective 13 July 2015 inventory associated with the Country Health SA Local Health Network (Gawler Hospital, Mt Gambier Hospital, Millicent Hospital and Naracoorte Hospital) were transferred to the SA Distribution Centre division of the Department.

These resulted in net assets of -\$0.716 million transferred into the Parent from other entities within the Consolidated Entity; \$0.565 million other assets, \$0.080 million payables and \$1.201 million employee benefits liabilities.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Transferred out

Net assets transferred by the Consolidated Entity as a result of the administrative restructures were at the carrying amount immediately prior to the transfer. The net assets transferred were treated as a distribution to the Government as owner.

2016-17

- There were no transfers out during this period.

2015-16

- Following a review of Departmental functions; effective 1 July 2015, the Chief Executive of the Department approved the transfer of operational employees within the Workforce division of the Department to the LHNs and SAAS.
- Following a review of Departmental functions; effective 10 August 2015 and 30 November 2015, the Chief Executive of the Department approved the transfer of Children's Aboriginal health employees from the Department to the Women's and Children's Health Network.
- Following a review of Departmental functions; effective 30 November 2015, the Chief Executive of the Department approved the transfer of Cervix Screening employees from the Department to the Women's and Children's Health Network.

These resulted in net assets of -\$6.750 million transferred out of the Parent to other entities within the Consolidated Entity; \$0.453 million payables and \$6.297 million employee benefits liabilities.

35 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed within this note and, if quantifiable are measured at nominal value. Contingencies are disclosed net of the amount of GST recoverable or payable. If GST is not recoverable or payable, the contingencies are disclosed on a gross basis.

Contingent assets

The new RAH project is being delivered under a public-private partnership agreement with Celsus. The new RAH PPP agreement contains a number of indexation elements which relate to adjustments to certain service payments i.e. interest rate and refinancing service payment adjustments. Where the indexation element is closely related to a lease contract, such as the interest rate payment adjustment, it is not required to be separately accounted for as a derivative. The change in interest rate is accounted for as a contingent rental and expensed in the period incurred.

Like the interest rate service payment adjustment, the refinancing element is an embedded derivative. However the economic characteristics and risks of this embedded derivative are not closely related to the lease contract and are required to be accounted for separately in the financial statements. The refinancing element could be considered akin to a purchase option in that the Hospital benefits from a portion of gains without exposure to any of the losses. The valuation of this derivative would be derived via the present value of the estimated future cash flows over the life of the project based on observable interest yield curves, basis spread, credit spreads and option pricing models, as appropriate, adjusted for Celsus's credit risk, (i.e. forward curve of credit risk margin). The estimated value of the contingent asset is unable to be fully determined because of the following uncertain future events that will have an impact on Celsus's credit margin:

- Celsus's credit risk profiling and the number of times Celsus will refinance during the term of the PPP arrangement;
- The type of finance Celsus sources e.g. short term debt from the banking market vs longer term debt potentially sourced via a private placement;
- Uncertainty around the margin negotiated and whether it will be higher or lower than those assumed margins in the financial modelling;
- Whether the State Government will make a capital contribution during the first or any refinancing points; and
- The lodgement and resolution of any claims under the PPP agreement.

The new RAH Completion Deed has referred excluded defects to arbitration. It is not possible to quantify a contingent asset that may arise from these proceedings.

Contingent liabilities

The Consolidated Entity is aware of potential claims associated with the new RAH, however it is not possible to estimate the dollar impact of any loss or whether potential claims will be successful.

An industrial claim was lodged against the Women's and Children's Health Network during the financial year. It is not possible to estimate the dollar effect of this claim or whether the claim will be successful.

Guarantees

The Consolidated Entity has made no guarantees.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

36 Cash flow reconciliation

	Consolidated		Parent	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period:				
Cash and cash equivalents disclosed in the Statement of Financial Position	469,727	429,591	286,243	182,274
Cash as per Statement of Financial Position	469,727	429,591	286,243	182,274
Balance as per Statement of Cash Flows	469,727	429,591	286,243	182,274
Reconciliation of net cash provided by operating activities to net cost of providing services:				
Net cash provided by/(used in) operating activities	281,766	11,466	24,885	(202,994)
Revenues from / Payments to SA Government	(3,400,798)	(3,076,892)	(3,400,798)	(3,076,892)
Add/(less) non-cash items				
Depreciation and amortisation expense of non-current assets	(174,682)	(188,791)	(16,221)	(19,068)
Impairment of non-current assets	-	(56,118)	-	-
Gain/(loss) on sale or disposal of non-current assets	(22,397)	(3,669)	(2,212)	(176)
Increments/(decrements) on revaluation of non-current assets	(23,859)	(6,521)	-	-
Donated asset expense	-	-	(694)	(1,416)
Assets acquired at no cost or nominal consideration	4,144	5,880	1,276	42,277
Revenue credited directly to investments	3,621	3,015	-	-
Capitalised borrowing costs	(12,192)	-	-	-
Other	(70)	-	-	-
Movement in assets and liabilities				
Increase/(decrease) in receivables	(7,271)	50,815	2,193	40,268
Increase/(decrease) in inventories	(2,149)	9,765	(1,676)	5,270
Increase/(decrease) in other current assets	9	(42)	-	-
(Increase)/decrease in employee benefits	(11,864)	(136,125)	140	(8,464)
(Increase)/decrease in payables and provisions	43,082	(51,257)	6,310	(18,565)
(Increase)/decrease in other liabilities	(6,366)	(14,948)	(257)	268
Net cost of providing services	(3,329,026)	(3,453,422)	(3,387,054)	(3,239,492)

Cash and cash equivalents in the Statement of Cash Flows consist of cash and cash equivalents as per the Statement of Financial Position, net of bank overdrafts.

37 Interests in other entities

The Consolidated Entity through its control of the LHNs has interests in a number of other entities as detailed below.

Controlled entities

Central Adelaide Local Health Network Incorporated has a 100% interest (1,150,000 shares) in Medvet. Medvet is a national provider of on-site health and safety services delivered by qualified and experienced professional staff to businesses throughout Australia.

The Country Health SA Local Health Network Incorporated has effective control over, and a 100% interest in, the net assets of the HACs. The HACs were established as a consequence of the Act being enacted and certain assets, rights and liabilities of the former Hospitals and Incorporated Health Centres were vested in them with the remainder being vested in the Country Health SA Local Health Network Incorporated.

By proclamation dated 26 June 2008, the following assets, rights and liabilities were vested in the Incorporated HACs:

- all real property, including any estate, interest or right in, over or in respect of such property except for all assets, rights and liabilities associated with any land dedicated under any legislation dealing with Crown land; and
- all funds and personal property held on trust and bank accounts and investments that are solely constituted by the proceeds of fundraising except for all gift funds, and other funds or personal property constituting gifts or deductible contributions under the *Income Tax Assessment Act 1997* (Commonwealth).

The above assets, rights and liabilities of the former Hospitals whose HACs elected not to become incorporated were vested in the Country Health SA Board Health Advisory Council Inc.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

The HACs have no powers to direct or make decisions with respect to the management and administration of Country Health SA Local Health Network.

Joint arrangements

The Consolidated Entity participates in the following joint operations:

Name of arrangement	Nature of the arrangement	Principal activity	Location	Interest
Centre for Cancer Biology Alliance	Agreement between the University of South Australia and Central Adelaide Local Health Network Incorporated	Undertake health and medical research in South Australia as an integrated clinical, educational and research activity, with a focus on cancer research.	Adelaide SA	50%
South Australian Cancer Genome Facility	Agreement between the University of South Australia and Central Adelaide Local Health Network Incorporated	Provide cost effective and high quality genomics services and support research into the initiation and progression of, and treatment and genetic determinants for cancer, to provide access to the equipment within the facility.	Adelaide SA	50%

The Consolidated Entity participates in the following joint venture:

Name of arrangement	Nature of the arrangement	Principal activity	Location	Interest
Flinders Reproductive Medicine Pty Ltd (as Trustee for Flinders Charitable Trust, trading as Flinders Fertility)	Agreement between Flinders Reproductive Medicine Pty Ltd and Southern Adelaide Local Health Network Incorporated	Provision of equitable and accessible fertility treatment.	Adelaide SA	50%

Flinders Fertility is a private fertility clinic based within Flinders Medical Centre in Bedford Park, South Australia. Flinders Fertility is structured as a private trust which is not a reporting entity and is not publicly listed. The Consolidated Entity and Flinders University each have a 50% beneficial entitlement to the net assets of the trust. Accordingly, the interest is classified as a joint venture with the investment measured using the equity accounting method.

Profit earned during the financial year is distributed to the beneficiaries, resulting in immaterial net assets being held by the trust. It has previously been agreed that rather than paying out these distributions, they be retained in Flinders Fertility as a liability to the beneficiaries to facilitate growth within the business.

The following table summarises the financial information of Flinders Fertility based on currently available information:

	2017	2016
Percentage ownership interest	50%	50%
	\$'000	\$'000
Current assets	4,361	5,316
Non-current assets	2,052	1,036
Current liabilities	(650)	(6,232)
Non-current liabilities	(5,763)	(120)
Net assets	-	-
The Consolidated Entity's share of net assets (50%)	-	-
Share of beneficial entitlement	2,695	2,698
Carrying amount of interest in joint venture	2,695	2,698
Revenue	4,980	5,174
Expenses	(4,904)	(4,365)
Profit and total comprehensive income	76	809
The Consolidated Entity's share of profit and total comprehensive income (50%)	38	404

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Structured entities

The Consolidated Entity participates in the unconsolidated structured entity, CTM@CRC Ltd - the CRC for Cell Therapy Manufacturing (CTM). CTM is a cooperative research centre designed to implement research to provide new treatments and develop new materials-based manufacturing technologies to increase the accessibility, affordability and efficacy of cell therapies for previously incurable, or difficult to treat diseases.

CTM is funded by cash and in-kind resources from a number of partners in the health and research sectors throughout Australia in addition to a \$20.000 million grant from the Australian Government. CTM's headquarters are at the University of South Australia's Mawson Lakes campus.

38 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Parent

Note	SA Government		Non-SA Government		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES						
4 Employee benefit expenses	10,685	11,092	179,170	184,436	189,855	195,528
5 Supplies and services	68,248	70,410	411,099	421,783	479,347	492,193
Administration	202	575	1,535	1,487	1,737	2,062
Advertising	66	28	2,926	2,318	2,992	2,346
Communication	4,287	4,002	9,004	9,312	13,291	13,314
Computing	4,975	15,277	70,210	51,050	75,185	66,327
Consultants	-	-	14,448	21,093	14,448	21,093
Contract of services	207	150	99,450	104,406	99,657	104,556
Contractors	252	251	4,179	8,616	4,431	8,867
Contractors - agency staff	10,623	7,488	12,977	14,279	23,600	21,767
Cost of goods sold	-	-	96,283	95,586	96,283	95,586
Drug supplies	-	-	1,206	1,155	1,206	1,155
Electricity, gas and fuel	4	4	98	112	102	116
Fee for service	-	-	-	1	-	1
Food supplies	9	14	63	76	72	90
Housekeeping	47	29	54	73	101	102
Insurance	23,965	22,061	4,528	35,658	28,493	57,719
Interstate patient transfers	-	-	45,306	31,171	45,306	31,171
Legal	3,120	2,483	920	1,018	4,040	3,501
Medical, surgical and laboratory supplies	10	-	124	129	134	129
Minor equipment	4	(17)	7,495	7,791	7,499	7,774
Motor vehicle expenses	476	692	93	135	569	827
Occupancy rent and rates	12,808	13,490	1,803	1,526	14,611	15,016
Patient transport	-	-	11	12	11	12
Payments to Shared Services SA	2,706	1,988	-	-	2,706	1,988
Postage	3	4	2,316	2,339	2,319	2,343
Printing and stationery	17	22	1,441	1,484	1,458	1,506
Rental expense on operating lease	99	42	217	235	316	277
Repairs and maintenance	498	501	19,427	20,455	19,925	20,956
Security	359	396	204	169	563	565
Staff training and development	108	279	3,551	2,894	3,659	3,173
Staff travel expenses	45	5	960	1,220	1,005	1,225
Other supplies and services	3,358	646	10,270	5,983	13,628	6,629
6 Depreciation and amortisation expense	-	-	16,221	19,068	16,221	19,068

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Note	SA Government		Non-SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
7 Grants and subsidies	4,379,956	4,193,272	23,440	19,952	4,403,396	4,213,224
Recurrent funding to incorporated Health Services	4,024,171	3,918,809	-	-	4,024,171	3,918,809
Capital funding to incorporated Health Services	350,605	268,928	-	-	350,605	268,928
Subsidies	15	712	5,062	4,849	5,077	5,561
Funding to non-government organisations	-	-	18,378	15,103	18,378	15,103
Other	5,165	4,823	-	-	5,165	4,823
8 Borrowing costs	1,059	1,325	-	-	1,059	1,325
14 Net loss from disposal of non-current and other assets	64	208	2,148	(32)	2,212	176
Total proceeds from disposal	-	-	(35,146)	(6,932)	(35,146)	(6,932)
Less total value of assets disposed	-	-	37,255	6,818	37,255	6,818
Less other costs of disposal	64	208	39	82	103	290
9 Other expenses	4,352	4,029	32,084	25,239	36,436	29,268
Bad and doubtful debts	-	-	(116)	42	(116)	42
Bank fees and charges	-	-	62	75	62	75
Donated assets expense	694	1,416	-	-	694	1,416
Donated drug vaccine expense	-	-	29,521	22,852	29,521	22,852
Ex gratia payments	-	-	86	-	86	-
Other	3,658	2,613	2,531	2,270	6,189	4,883
TOTAL EXPENSES	4,464,364	4,280,336	664,162	670,446	5,128,526	4,950,782
INCOME						
10 Revenue from fees and charges	268,608	242,027	91,600	76,815	360,208	318,842
Business services	-	-	895	652	895	652
Fines, fees and penalties	21	11	1,159	1,002	1,180	1,013
Interstate patient transfers	-	-	86,407	72,001	86,407	72,001
Insurance recoveries	33,967	32,142	289	363	34,256	32,505
Patient and client fees	19,532	-	33	-	19,565	-
Private practice fees	2,261	1,973	486	63	2,747	2,036
Recoveries	115,152	112,117	1,211	1,265	116,363	113,382
Sale of goods - medical supplies	96,521	95,655	-	-	96,521	95,655
Other user charges and fees	1,154	129	1,120	1,469	2,274	1,598
11 Grants and contributions	7,682	19,088	1,342,340	1,304,881	1,350,022	1,323,969
Commonwealth National Health Reform Agreement	-	-	1,252,731	1,211,618	1,252,731	1,211,618
Department of Veterans' Affairs (Commonwealth)	-	-	49,003	52,200	49,003	52,200
Commonwealth Transition care program	-	-	23,184	22,803	23,184	22,803
Other Commonwealth grants and contributions	-	-	16,486	16,047	16,486	16,047
SA Government Community Development Fund	7,000	7,000	-	-	7,000	7,000
SA Government Capital contributions	145	11,455	-	-	145	11,455
Other SA Government grants and contributions	537	633	-	-	537	633
Private sector grants and contributions	-	-	936	2,213	936	2,213
12 Interest revenue	1,132	1,426	3,583	3,635	4,715	5,061
13 Resources received free of charge	1,276	42,277	22,340	17,945	23,616	60,222

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Note	SA Government		Non-SA Government		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
15 Other revenue	1,947	1,899	964	1,297	2,911	3,196
Commissions revenue	3	5	17	15	20	20
Training revenue	-	-	339	246	339	246
Car parking revenue	-	-	74	132	74	132
Other	1,944	1,894	534	904	2,478	2,798
16 Revenue from SA Government	3,400,798	3,076,892	-	-	3,400,798	3,076,892
TOTAL INCOME	3,681,443	3,383,609	1,460,827	1,404,573	5,142,270	4,788,182
FINANCIAL ASSETS						
18 Cash and cash equivalents	86,475	62,017	199,768	120,257	286,243	182,274
19 Receivables	17,408	16,722	160,851	163,167	178,259	179,889
Patient/client fees						
Compensable	1,600	-	-	-	1,600	-
Debtors	1,182	97	5,767	19,329	6,949	19,426
Less: allowance for doubtful debts	-	-	(243)	(421)	(243)	(421)
Interstate patient transfers	-	-	128,197	112,618	128,197	112,618
Prepayments	1,968	-	10,901	12,139	12,869	12,139
Loans	12,425	16,248	-	-	12,425	16,248
Interest income receivable	233	300	-	-	233	300
Sundry receivables and accrued revenue	-	77	211	324	211	401
GST recoverable	-	-	16,018	19,178	16,018	19,178
TOTAL FINANCIAL ASSETS	103,883	78,739	360,619	283,424	464,502	362,163
FINANCIAL LIABILITIES						
27 Payables	69,835	65,835	111,555	102,878	181,390	168,713
Creditors and accrued expenses	39,659	30,509	30,685	26,319	70,344	56,828
Paid Parental Leave Scheme payable	-	-	16	11	16	11
Health service workers compensation	28,172	33,351	-	-	28,172	33,351
Interstate patient transfers	-	-	77,459	73,175	77,459	73,175
Employment on-costs	2,004	1,975	3,326	3,293	5,330	5,268
Other payables	-	-	69	80	69	80
28 Borrowings	10,461	13,493	-	-	10,461	13,493
Loans	10,461	13,493	-	-	10,461	13,493
31 Other liabilities	2,426	1,962	35	242	2,461	2,204
Unclaimed monies	-	-	2	201	2	201
Unearned revenue	-	-	33	-	33	-
Lease incentive	2,426	1,962	-	-	2,426	1,962
Other	-	-	-	41	-	41
TOTAL FINANCIAL LIABILITIES	82,722	81,290	111,590	103,120	194,312	184,410

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

39 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information refers to the amounts presented to Parliament in the original budget financial statements in respect of the reporting period (2016-17 Budget Paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

The budget process is not subject to audit.

Brief explanations are provided for variances between original budget and actual amounts, where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

Consolidated

	Original Budget	Actual	Variance
	2017	2017	
	\$'000	\$'000	\$'000
Statement of Comprehensive Income			
Expenses			
Employee benefit expenses	3,590,631	3,643,237	(52,606)
Supplies and services	1,690,456	1,736,082	(45,626)
Depreciation and amortisation expense	(a) 255,656	174,682	80,974
Grants and subsidies	49,334	39,199	10,135
Borrowing costs	(a) 157,846	15,106	142,740
Net loss from disposal of non-current assets and other assets	(401)	22,397	(22,798)
Other expenses	62,220	104,044	(41,824)
Total expenses	5,805,742	5,734,747	70,995
Income			
Revenues from fees and charges	582,968	592,498	9,530
Grants and contributions	1,638,414	1,709,031	70,617
Interest revenue	5,482	7,924	2,442
Resources received free of charge	7,991	26,484	18,493
Other revenue	58,765	69,784	11,019
Total income	2,293,620	2,405,721	112,101
Net cost of providing services	(a) 3,512,122	3,329,026	183,096
Revenues from SA Government			
Revenues from SA Government	3,667,997	3,400,798	(267,199)
Total revenues from SA Government	3,667,997	3,400,798	(267,199)
Net result	155,875	71,772	(84,103)
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in property, plant and equipment asset revaluation surplus	-	(5,980)	(5,980)
Items that will be reclassified subsequently to net result when specific conditions are met			
Gains/(losses) recognised directly in equity	-	39,946	39,946
Total other comprehensive income	-	33,966	33,966
Total comprehensive result	155,875	105,738	(50,137)

(a) The favourable variance of \$183.10 million compared to the original budget is mainly attributable to the underspend of \$142.74 million in borrowing costs resulting from the delay in Commercial Acceptance of the new RAH and associated depreciation expense of \$80.97 million offset by variances across several income and expense line items.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Original Budget 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Investing expenditure summary			
Total new projects	16,555	9,742	6,813
Total existing projects	303,136	252,736	50,400
Total annual programs	47,620	53,176	(5,556)
	(b) 367,311	315,654	51,657
Total public private partnerships	2,820,000	2,759,070	60,930
Total investing expenditure	3,187,311	3,074,724	112,587

(b) The variance of \$51.66 between original budget and actual amounts for investing expenditure mainly relates to a net underspend of approximately \$44.00 million either due to delays in completing projects or changes in the delivery approach. Plus approximately \$8.70 million was reclassified from investing to expenses for project related costs which did not comply with the SA Health Capitalisation Policy.

Projects with material underspend variances are:

- Transforming Health Capital Projects across SA Health (\$25.47 million)
- Flinders Medical Centre - Neonatal Unit (\$7.25 million)
- Women's and Children's Hospital Upgrade (\$3.90 million),
- SA Ambulance Stretcher Replacement Program (\$8.30 million),
- Metropolitan Intermediate Care Facilities (\$2.20 million),
- SA Health Supply Distribution Centre (\$2.80 million),
- Rescue, Retrieval and Aviation Services Base (\$3.40 million),
- Country Health SA Hubs (Mount Gambier and Whyalla) (\$2.20 million)
- Veterans' Mental Health Precinct (\$3.80 million)

Offset by projects with material overspend variances:

- Annual Capital Program across SA Health (\$5.60 million)
- Enterprise Patient Administration System (\$8.20 million) where budget was held by Department of Treasury and Finance at the time when original budget released.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

40 Remuneration of board and committee members

Members of boards/committees that served for all or part of the financial year and were entitled to receive income from membership in accordance with Accounting Policy Framework II *General Purpose Financial Statements* were:

Board/committee name:	Government employee members*	
	Government employee members*	Other members
After Hours Senior Clinical Cover Expert Work Group - the Department	30	Whiteway L
Allied Health 7 day Cover Expert Work Group (this committee ceased on 06/12/2016) - the Department	42	Whiteway L
BSSA State Quality Committee	7	Bretag T, Cannon A, Muller J (Chair), Oliver I, Roder D
Central Adelaide Local Health Network Consumer Advisory Council	2	Chester M, Cocking M (resigned 01/01/2017), Coulls J (appointed 01/06/2017), Cousins M (resigned 01/07/2016), Curry M, Fyfe D (Chair), Heydrich S, Marshall J, McMahon J, Nagel L, Tsogas C (resigned 31/01/2017)
Central Adelaide Local Health Network LHN Advisory Council	2	Beilby J, Deegan V, Dimonte R, Ellery B, Evans T (Presiding Member), Fyfe D, Miller S
Central Adelaide Local Health Network Risk Management & Audit Committee	-	Davies T (appointed 01/02/2017), Deegan V (Chair), Ellery B, May E
Central Adelaide Rehabilitation Services (CARS) Consumer Advocacy Group	5	Arkley G (resigned 24/02/2017), Bedford L, Canavan D (appointed 28/04/2017), Chester M, Fyfe D, Heydrich S (Chair), Honeychurch P, Muller A, Whiteway L
Central Adelaide Safety & Quality Governance	-	Coulls J, Law D, O'Keefe K (Chair)
Chronic Pain Steering Committee - the Department	13	Brydon L, Montanaro P, Whiteway L, and Wing M
Consumer Administration Liaison Meeting	9	Buer S, Hofhius C (appointed 18/05/2017), Tapley D (resigned 01/10/2016)
Controlled Substances Advisory Council - the Department	14	Banner L, Gillet-Ferguson J, Ng D, Nicholls J M Dr, Reeve M Dr, Reynolds C S, Smith J, and White J Prof
Country Health SA Local Health Network Advisory Council Inc	-	Blacker P (Chair), Evans L, Gregurke K, Healy R, Sam G (resigned 30/06/2017), Sparkes D (resigned 30/06/2017)
Country Health SA Risk Management and Audit Committee	-	Stubbs T Dr (Chair), Martin M, Drew J (resigned 28/05/2017), Wilson R, Brown G (appointed 29/05/2017)
DASSA Community Advisory Council (Established 01/10/2016)	5	Agius H, Braund S, Cauchi R, Davis J, Hellier T, Huber N, Kelly K, Les D, Mchendrie T, Mohan V (resigned 19/01/2017), Moore P, Nimmo E, Percy S, Porcaro R
DASSA Public Information Review Panel (Established 20/07/2016)	10	Davis J, Hellier T (Chair) (resigned 29/11/2016), Kelly K, Martini J, Percy S
Department for Health and Ageing Risk Management and Audit Committee - the Department	2	Cooper C (appointed 01/02/2017), Daw S, Dunsford C (Chair), Haslam W R (resigned 31/12/2016), and Marshall V
Eastern Lived Experience Liaison Group	8	Brown J, Coulls J, Cutler J, Langdon M, Lloyd C, Lucas G, O'Brien E, O'Keefe K (Chair), Parkin M, Powell A, Sinclair M, Whiteway L (resigned 26/08/2016)
Eastern Section Management Committee	-	Brown J, O'Keefe K (Chair)
End of Life Care Strategy Program Board (this is a new committee and all members were appointed on 05/06/2017) - the Department	2	Brown M, Dickson M, Moy C Dr, Swetenham K, Tieman J Dr, and Walker H
Hampstead Rehabilitation Centre Brain Injury Rehabilitation Services Consultative Advisory Panel	-	Angel D, Bedford E (resigned 14/10/2016), Canavan D (Chair), Chumba B (appointed 01/02/2017), Dwyer A, Fyfe D, Heydrich S, Morgan T, Stewart L (appointed 08/06/2017)

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Board/committee name:	Government employee members*	Other members
Health Performance Council - the Department	1	Callaghan R, Duckett S, Greenhill J (appointed 02/08/2016), Hartwig B (resigned 01/08/2016), Jackson Pulver L, Kay D (appointed 02/08/2016), Patetsos M, Roder D, and Rowse B (appointed 02/08/2016)
Hepatitis C Action Plan Implementation Group (HAPI-C) - the Department	13	Hickey T, Landers D, Oudih E, and Sramek P
Medvet Board	2	Kowalick I
New RAH Steering Committee	10	Michele A
Northern Adelaide Local Health Consumer Advisory Board	5	White A (Chair), Patching A (Co-Chair), Mossop J (Vice Chairperson), Davidson F (resigned 31/12/2016), Whatley G, Green L, Turner M, Isemonger J, Lowden H, Hicks R (resigned 01/03/2017), Davies I, Thompson M, Putsey P, Mickan K
Northern Adelaide Local Health Network Governing Council	4	Hains S (Presiding Member), Durrant M, Isemonger J, Lampard F, Smith J, Wilson B
Northern Adelaide Local Health Risk Management & Audit Committee	1	Hains S (Chair, resigned 22/09/2016), Connor G (Chair, appointed 10/10/2016), Smith J, McGowan C
Orthogeriatrics Implementation Statewide Oversight Committee (this is a new committee and all members were appointed on 09/11/2016) - the Department	26	Hatfield A, Smith J, Waters M, and Whiteway L
Outpatients Reconfiguration Working Group (Established 01/11/2016)	16	Dame T, Hoiles J
Partnering with Consumer Advisory Group	19	Barrington D (appointed 22/08/2016), Buer S (resigned 17/02/2017), Byrne J (resigned 08/08/2016), Christensen C (appointed 13/02/2017), Dame T, Davies S (appointed 13/02/2017), Goodwin M (appointed 01/07/2016 - resigned 09/02/2017), Hoiles J, Kerrins E (resigned 08/08/2016), King P (appointed 01/07/2016), Klinge N (Chair), Lemmer C, Mannion J (appointed 01/01/2017), Mcinerney M (appointed 13/02/2017), Milne A (resigned 30/04/2017), Vale Male E (resigned 21/02/2017), Voss D, Wolverson S (appointed 01/01/2017)
Perinatal Mortality Subcommittee - the Department	17	Goold J Dr, and McKendrick L
Pre-Operative Assessment for Adult Elective Surgery Steering Committee (this is a new committee and all members were appointed on 22/05/2017) - the Department	16	Whiteway L
Public Health Council - the Department	5	Davidson J (appointed 27/01/2017), Dollman J, Hill A (appointed 27/01/2017), Mangos A (appointed 27/01/2017), Mavrinac G (appointed 07/07/2016), McKay R, Rischbieth A (resigned 14/11/2016), Rokicinski K (resigned 20/11/2016), Skene C (appointed 27/01/2017), Van Kessel A (appointed 27/01/2017), and Whittington S
Recovery College Steering Committee	12	Buer S, Desma M (appointed 21/09/2016), Martini J (appointed 21/02/2017), Page B, Penberthy V, Speake M (appointed 21/09/2016), Thiel Y (appointed 20/02/2017), Tsogas C, Warren J (appointed 20/02/2017), Winfield U (appointed 20/02/2017)
Royal Adelaide Hospital Consumer Advisory Group	2	Agius P (appointed 01/03/2017), Anderson R (appointed 01/04/2017), Bah S, Brown R (resigned 31/12/2016), Chester M (Chair), Cocking M, Durand M (resigned 31/12/2016), Neale D, O'Brien S (appointed 01/01/2017), Price J (appointed 01/04/2017), Priest C

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Board/committee name:	Government employee members*	Other members
Royal Adelaide Hospital Research Ethics Committee	3	Andrews J A/Prof, Bradley J Dr, Fitzgerald A, Lee J Dr, Louise J Dr, McCulloch D, McInerney M, Need A A/Prof, O'Connor S, Parry B, Prideaux M, Sewell D, Van Der Linden B Rev, Williams P Rev, Wilmot J Chalmers, H
SA Ambulance Service Finance Committee	5	Beilby J Professor, Sneddon Y (Chair), Taylor B
SA Ambulance Service Risk Management and Audit Committee	-	Beecher I (appointed 01/03/2017), Christensen C (appointed 01/02/2017), Davis L, Frank O Dr, Marker J (resigned 01/02/2017), Miller S, Mitchell A, Smith A Dr (appointed 01/03/2017), Sparrow A (appointed 01/03/2017)
SA Cancer Service - Strategic Committee	18	Aguius H (appointed 07/12/2016), Ball T, Blackwell P, Chester M, Cousins M (Co-Chair), Fyfe D, Hoiles J, Hellier T (resigned 07/12/2016), Huber N (appointed 07/12/2016), Isemonger J, Lampard F and Walford L
SA Partnering with Consumers and the Community Advisory Group - the Department	20	Beddall P, Brown M, Costa D, Dobie K, Matiasz S (appointed 20/01/2017), McMahon J (Chair), Miller P, Stone J (resigned 01/10/2016), Zerna J
SADS Consumer Advisory Committee	1	Whiteway L
South Australian Formulary Committee - the Department	19	Cousins M, Gilbert A Emeritus Prof (resigned 17/01/2017), Kardachi G, Stocks N Prof, Tonkin A Emeritus Prof (Chair) and Thynne T Dr (appointed 11/10/2016)
South Australian Medicines Advisory Committee - the Department	20	Cousins M, Merlin T Prof, Louise J Dr, Mussared A, Pekarsky B (resigned 01/12/2016), Schubert C (appointed 12/12/2016), and Ward M Dr
South Australian Medicines Evaluation Panel - the Department	12	Bebington W Prof (resigned 26/06/2017), Brooks M Prof (appointed 27/06/2017), Lloyd D Prof, Shine J Prof (Chair appointed 13/07/2016), Sterling C Prof, and Wesselingh S Prof
South Australian Precinct Strategy Group - the Department	12	Barr C, Benjamin S, Bradshaw A, Breden K, Docherty J (appointed 20/02/2017), Hinton-Humphries G (resigned 05/01/2017), Hunter D (resigned 29/08/2016), McEvoy M, Meng R, Richards B (Chair), Sorenson L, Were L, Woodman R (resigned 21/02/2017), Zhou Y
Southern Adelaide Clinical Human Research Ethics Committee	15	Dreckow J, Hislop R, Stubbs T (Chair), Taylor M
Southern Adelaide Local Health Network Audit & Risk Management Committee	-	Bishop R, Fernando H, Voss D
Southern Adelaide Local Health Network Clinical Council	32	Dame T (appointed 01/08/2016)
Southern Adelaide Local Health Network Clinical Handover Steering Committee	20	Barrington D (appointed 01/04/2017), Voss D (resigned 31/03/2017)
Southern Adelaide Local Health Network Drugs and Therapeutics Committee	26	Cohen M
Southern Adelaide Local Health Network Falls Prevention Management Committee	36	Barrington D (appointed 25/07/2016), Bishop R (resigned 30/06/2017), Hislop R (resigned 30/06/2017), Kerrins E (resigned 30/06/2016), Taylor A (resigned 30/06/2016), Williams H (Chair) (resigned 30/06/2017), Williams S (resigned 30/06/2017), Wilson B (resigned 30/06/2017)
Southern Adelaide Local Health Network Health Advisory Council Incorporated	1	Ainsley J, Andrew G (appointed 05/12/2016), Anthony P, Oko J, Oko R, Shepherd K
Southern Adelaide Local Health Network Older Persons Mental Health Services Consumer and Carer Advisory Group	2	

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Board/committee name:		Government employee members*	Other members
Southern Adelaide Local Health Network Recognising and Responding to Clinical Deterioration Steering Committee - Standard 9		40	Voss D
Southern Mental Health Clinical Governance Committee		3	Bower T (resigned 16-17), Buer S (appointed 09/11/2016), Hayes B, Hofhius C (appointed 09/11/2016), Quirk M
Statewide Rehabilitation Implementation Oversight Committee (this is a new committee and members were appointed on 25/10/2016) - the Department		15	Clinton-Tarestad P (resigned 28/03/2017), and Fyfe D
The Queen Elizabeth Consumer Advisory Group		2	Arkley G, Chester M, Curry M (Chair), Dann R (resigned 30/06/2017), Duffy L, Heydrich S, Hickman C (resigned 30/09/2016), Jenkins M (resigned 30/09/2016), Martini J, McMahon J, Raschella F, Whiteway L (resigned 01/03/2017)
The Queen Elizabeth Hospital Research Ethics Committee		11	Carr P, Crabb A, Huxtable E, Kuyper J, Lupoi G, McCulloch D, Prideaux M, Sewell D
Transforming Health - Aboriginal Expert Advisory Group (this is a new committee and all members were appointed on 16/09/2016, unless otherwise specified) - the Department		14	Bourke M Dr (appointed 03/02/2017), Hayward K Dr (resigned 03/02/2017), Mohor S and Onorato T (resigned 17/03/2017)
Transforming Health - Frailty Expert Working Group (this is a new committee and all members were appointed on 26/07/2016) - the Department		24	Byrne L, Clark S, Considine G, Del Fante P Dr, Gordon S, Holland M, Moy C Dr, and Mussared J
Transforming Health Peak Consumer & Community Committee - the Department		-	Beecher I (appointed 22/02/2017), Burgess A, Castle V, Cousins M (Chair), Cudzow M, Ferguson J, Fyfe D, Gregurke K, Kyriazopoulos H, Lemmer C, Patching A, Philip-Harbutt J (resigned 10/01/2017), Smith A (appointed 24/07/2016), Voss D, Whiteway L, and Woodforde L
Trauma Informed Care & Practice Committee		-	O'Keefe K (Chair), Scott D
Western Lived Experience Liaison Group		4	Blazewicz R, Coull J, Cutler J, Duffield I, Hunt D, Langdon M, Law D, Lloyd C, Lucas G, O'Brien E, O'Neil S, Parkin M, Sinclair M, Sutton P, Sutton S, Tsogas C (Chair), Tsogas G
Women's and Children's Health Network Advisory Council Incorporated		2	Buckerfield M, Buza Y (non-active member), Cadzow M, May F (appointed 31/01/2017), Tiddy J Dr (appointed 25/07/2016), Wallace M (Chair), Wigg N Dr
Women's and Children's Health Network Audit and Risk Committee		1	Connor G (Chair), Haslam R (appointed 17/05/2017), Sweet C, Wigg N Dr
Youth Cancer Advisory Group		1	Armstrong N, Belinda R, Binns T, Contibas M, Fenton R, Fowler N, Hadaway S, Haseloff M, Mitra D

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

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

	2017	2016
	No. of Members	No. of Members
\$0	693	613
\$1 - \$9,999	193	182
\$10,000 - \$19,999	19	18
\$20,000 - \$29,999	4	6
\$30,000 - \$39,999	-	2
\$40,000 - \$49,999	2	2
Total	911	823

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$0.734 million (\$0.850 million).

* In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

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

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

41 Related party transactions

The Consolidated Entity is controlled by the SA Government.

Related parties of the Consolidated Entity include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Significant transactions with government related entities

The Consolidated Entity received funding from the SA Government (Note 16), and incurred significant expenditure with the Department of Planning, Transport and Infrastructure (DPTI) for capital works of \$169.886 million, occupancy rent and rates of \$15.549 million and property repairs and maintenance of \$65.030 million (Note 5). As at 30 June 2017 the outstanding balance payable to DPTI was \$45.302 million (Note 27) and unrecognised contractual expenditure commitments of \$53.740 million (Note 32).

Quantitative information about transactions and balances between the Department and other SA Government controlled entities is disclosed at Note 38. Refer also to Notes 5, 7, 10, 19 and 27 for information about transactions between the Department and the LHNs and SAAS.

The Consolidated Entity has lease arrangements (both as lessee and as lessor) with other SA Government controlled entities. The premises are provided/received at nil or nominal rental with outgoings such as utilities being paid by the lessee.

Key management personnel

Key management personnel (KMP) of the Consolidated Entity includes the Ministers*, the Chief Executive* and the two Deputy Chief Executives* of the Department and the six Chief Executive Officers of the Local Health Networks and SA Ambulance Service who have responsibility for the strategic direction and management of the consolidated entity.

The compensation detailed below excludes salaries and other benefits received by the Minister for Health, the Minister for Ageing and the Minister for Mental Health and Substance Abuse. These Ministers' remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of South Australia, respectively, and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the *Parliamentary Remuneration Act 1990*.

* are also key management personnel of the Department.

	2017
Compensation	\$'000
Salaries and other short term employee benefits	3,994
Post-employment benefits	708
Termination benefits	579
Total	5,281

For those employees doing long term acting in KMP roles, only compensation for the period that they were acting is included.

The Consolidated Entity did not enter into any transactions with KMP or their close family in 2016-17 that were not consistent with normal procurement arrangements.

42 Events after balance date

On 1 August 2017, Hansen Yuncken Pty Ltd and CPB Contractors Pty Ltd (formerly known as Leighton Contractors Pty Ltd) filed legal proceedings against Celsus Pty Ltd (formerly known as SA Health Partnership Nominees Pty Ltd), independent certifier Donald Cant Watts Corke Pty Ltd and the Crown in right of the State of South Australia for alleged breaches of contract in relation to the construction of the new Royal Adelaide Hospital. The case is being heard in the Federal Court of Australia (New South Wales Registry) and the first case management hearing is scheduled for 18 August 2017. It is not possible to estimate the dollar effect of this claim or whether it will be successful.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

43 Schedules of administered funds

The following expenses, incomes, assets and liabilities were administered but not controlled by the Consolidated Entity and have not been included in the financial statements. In accordance with Accounting Policy Framework II *General Purpose Financial Statements* para. APS 3.13.2, these items are regarded as insignificant to the Consolidated Entity's overall performance and are disclosed in the following schedules.

Description of categories of administered funds

Special Acts administered funds include the following:

- Minister for Health, The Arts and Health Industries (the Minister) salary and associated on-costs and revenues from SA Government received for these expenses.
- Health and Community Services Complaints Commissioner's (Complaints Commissioner) remuneration and revenues from SA Government received to cover these expenses.

Health and Medical Research Fund (HMRF) represents royalty revenue received from commercialisation of intellectual property and contribution of funds for the purposes of health and medical research in South Australia.

Private Practice Funds represents funds billed on behalf of salaried medical officers and subsequently distributed to the LHN and salaried medical officers according to individual Rights of Private Practice Deeds of Agreement.

Other administered funds include the following:

- SA Medical Boards;
- The Woolshed;
- Research and Other;
- Patient Trusts and Fund Raising;
- Strata Corporation; and
- Nurses Education Fund.

Schedule of Administered Expenses and Income

	Special Acts	HMRF	Private Practice Funds	Other	Total
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses					
Employee benefit expenses	447	-	-	268	715
Supplies and services	2	-	(1,802)	184	(1,616)
Grants and subsidies	-	150	-	-	150
Depreciation and amortisation expense	-	-	-	1	1
Other expenses	-	-	87,103	998	88,101
Total administered expenses	449	150	85,301	1,451	87,351
Administered income					
Revenue from SA Government	449	-	-	-	449
Grants and contributions	-	-	-	31	31
Revenue from fees and charges	-	-	82,791	171	82,962
Interest revenue	-	-	-	2	2
Other revenue	-	3,947	2	836	4,785
Total administered income	449	3,947	82,793	1,040	88,229
Net result	-	3,797	(2,508)	(411)	878

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Special Acts	HMRP	Private Practice Funds	Other	Total
	2016	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000	\$'000
Administered expenses					
Employee benefit expenses	424	-	-	795	1,219
Supplies and services	3	-	(2,126)	1,136	(987)
Grants and subsidies	-	2,391	-	-	2,391
Depreciation and amortisation expense	-	-	-	-	-
Other expenses	-	-	79,633	6,532	86,165
Total administered expenses	427	2,391	77,507	8,463	88,788
Administered income					
Revenue from SA Government	427	-	-	-	427
Grants and contributions	-	-	-	1,137	1,137
Revenue from fees and charges	-	-	77,498	6,140	83,638
Interest revenue	-	-	-	3	3
Other revenue	-	3,736	-	1,000	4,736
Total administered income	427	3,736	77,498	8,280	89,941
Net result	-	1,345	(9)	(183)	1,153

Schedule of Administered Assets and Liabilities

	Special Acts	HMRP	Private Practice Funds	Other	Total
	2017	2017	2017	2017	2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Administered current assets					
Cash and cash equivalents	(34)	21,222	8,690	879	30,757
Receivables	36	989	6,585	31	7,641
Total administered current assets	2	22,211	15,275	910	38,398
Administered non-current assets					
Property, plant and equipment	-	-	-	41	41
Total administered non-current assets	-	-	-	41	41
Total administered assets	2	22,211	15,275	951	38,439
Administered current liabilities					
Payables	2	-	5,409	54	5,465
Employee benefits	-	-	-	24	24
Other current provisions/liabilities	-	-	41	-	41
Total administered current liabilities	2	-	5,450	78	5,530
Administered non-current liabilities					
Payables	-	-	-	-	-
Employee benefits	-	-	-	30	30
Total administered non-current liabilities	-	-	-	30	30
Total administered liabilities	2	-	5,450	108	5,560
Net administered assets	-	22,211	9,825	843	32,879

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

	Special Acts	HMRF	Private Practice Funds	Other	Total
	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Administered current assets					
Cash and cash equivalents	(37)	17,448	7,777	1,936	27,124
Receivables	37	966	7,322	103	8,428
Total administered current assets	-	18,414	15,099	2,039	35,552
Administered non-current assets					
Property, plant and equipment	-	-	-	-	-
Total administered non-current assets	-	-	-	-	-
Total administered assets	-	18,414	15,099	2,039	35,552
Administered current liabilities					
Payables	-	-	4,793	151	4,944
Employee benefits	-	-	-	57	57
Other current provisions/liabilities	-	-	54	-	54
Total administered current liabilities	-	-	4,847	208	5,055
Administered non-current liabilities					
Payables	-	-	-	2	2
Employee benefits	-	-	-	54	54
Total administered non-current liabilities	-	-	-	56	56
Total administered liabilities	-	-	4,847	264	5,111
Net administered assets	-	18,414	10,252	1,775	30,441
Schedule of Administered Changes in Equity					
				Total 2017 \$'000	Total 2016 \$'000
Balance at the beginning of the reporting period				30,441	29,288
Net result				878	1,153
Total comprehensive result for the period				878	1,153
Balance at the end of the reporting period				31,319	30,441

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Schedule of Administered Cash Flows

	Total 2017 \$'000	Total 2016 \$'000
<u>Cash flows from operating activities</u>		
Cash inflows		
Grants and contributions	51	1,155
Receipts from SA Government	450	437
Fees and charges	83,701	85,075
Interest revenue	2	3
Other revenue	4,749	20,843
Total cash inflows	88,953	107,513
Cash outflows		
Staff benefit payments	773	1,150
Grants and subsidies	150	2,394
Supplies and services	(1,565)	(453)
Other payments	85,920	86,766
Total cash outflows	85,278	89,857
Net cash inflows/cash outflows from operating activities	3,675	17,656
<u>Cash flows from investing activities</u>		
Cash outflows		
Payments for property plant and equipment	42	-
Total cash outflows	42	-
Net cash inflows/cash outflows from investing activities	(42)	-
Net increase/(decrease) in cash held	3,633	17,656
Cash at the beginning of the reporting period	27,124	9,468
Cash at the end of the reporting period	30,757	27,124

Administered expenses and administered cash outflows

The Consolidated Entity makes various transfer payments to eligible beneficiaries in the capacity of an agent responsible for the administration of the transfer process. Amounts relating to these transfer payments are not controlled by the Consolidated Entity, since they are made at the discretion of Government in accordance with Government policy. These transfers are disclosed as administered expenses and administered cash outflows.

Administered incomes and administered cash inflows

The Consolidated Entity collects various revenues and grants on behalf of Government. The amounts are not controlled by the Consolidated Entity and are not recognised by the Consolidated Entity. These amounts are disclosed as administered revenues and administered cash inflows.

Administered assets and liabilities

The Consolidated Entity manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Consolidated Entity and are not recognised by the Consolidated Entity. These amounts are disclosed as administered assets and liabilities.

Administered contingent assets and liabilities

The Consolidated Entity has no administered contingent assets and liabilities.

THE DEPARTMENT FOR HEALTH AND AGEING
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

43.1 Administered funds - budgetary reporting and explanations of major variances between budget and actual amounts

The following administered funds disclosed in detail in Note 43 have not had budgets tabled in parliament for the 2016-17 financial year:

- Private Practice Funds
- Other

As no budgets have been tabled, budgetary reporting information is not disclosed for these administered funds.

The following administered funds disclosed in detail in Note 43 have had budgets tabled in parliament for the 2016-17 financial year:

- Minister's Salary
- Complaints Commissioner
- Health and Medical Research Fund

Brief explanations are provided for variances between original budget and actual amounts, where the variance exceeds the greater of 10% of the original budgeted amount and 5% of the original budgeted total expenses.

	Original Budget ¹ 2017 \$'000	Actual 2017 \$'000	Variance \$'000
Statement of Comprehensive Income			
Expenses			
Employee benefit expenses	477	447	30
Supplies and services	-	2	(2)
Grants and subsidies	(a) 2,200	150	2,050
Total expenses	2,677	599	2,078
Income			
Other income	(b) 2,568	3,947	(1,379)
Total income	2,568	3,947	(1,379)
Net cost of providing services	109	(3,348)	3,457
Revenues from SA Government			
Revenues from SA Government	477	449	28
Total revenues from SA Government	477	449	28
Net result	368	3,797	(3,429)
Total comprehensive result	368	3,797	(3,429)

¹ The budget process is not subject to audit. Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2016-17 Budget Paper 4). These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes.

- (a) The underspend to original budget for grants and subsidies was due to cessation of some HMRF funding agreements.
- (b) Royalty income received and receivable by HMRF can vary significantly due to foreign currency exchange rate fluctuations and market trends for commercialised goods.

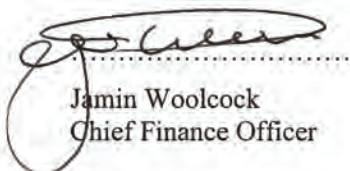
Certification of the financial statements

We certify that the:

- financial statements of the Department for Health and Ageing:
 - are in accordance with the accounts and records of the authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Department for Health and Ageing over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Vickie Kaminski
Chief Executive



Jamin Woolcock
Chief Finance Officer

Date Sept 15, 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chief Executive Department for Health and Ageing

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of Department for Health and Ageing and the consolidated entity comprising the Department for Health and Ageing and its controlled entities for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Health and Ageing and its controlled entities as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Chief Finance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Department for Health and Ageing and its controlled entities. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017

Health Services
Charitable Gifts Board

Financial report
for the year ended
30 June 2017

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Income			
Revenue from gifts to public health entities vesting in the Board		5,465	6,854
Revenue from Helpmann Family Foundation & other trusts	1.3	517	234
Investment revenue	4	11,326	3,204
Rental revenue	14	2,764	2,460
Other income		16	16
Total income		20,088	12,768
Expenses			
Employee & Commissioner benefits expenses	5	280	252
Supplies and services	8	121	187
Depreciation and amortisation		8	7
Investment property expenses	14	192	295
Funds distributed to public health entities & prescribed research bodies		8,668	6,811
Total expenses		9,269	7,552
Profit for the year		10,819	5,216
Total comprehensive result		10,819	5,216

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	10	2,035	2,160
Receivables	11	524	574
Other financial assets	12	2,581	2,531
Investment properties held for sale	14	5,738	4,665
Total current assets		<u>10,878</u>	<u>9,930</u>
Non-current assets			
Receivables	11	-	49
Other financial assets	12	89,243	82,867
Property, plant & equipment	13	23	31
Investment properties	14	28,250	24,685
Total non-current assets		<u>117,516</u>	<u>107,632</u>
Total assets		<u>128,394</u>	<u>117,562</u>
Current liabilities			
Payables	15	150	132
Other financial liabilities	16	-	28
Employee benefits	17	11	8
Total current liabilities		<u>161</u>	<u>168</u>
Non-current liabilities			
Employee benefits	17	20	-
Total current liabilities		<u>20</u>	<u>-</u>
Total liabilities		<u>181</u>	<u>168</u>
Net Assets		<u>128,213</u>	<u>117,394</u>
Funds held			
Funds held		128,213	117,394
Retained earnings		-	-
Total funds held	18	<u>128,213</u>	<u>117,394</u>
Unrecognised contractual commitments	21		
Contingent assets and liabilities	22		

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note No.	Funds held \$'000	Retained earnings \$'000	Total Funds held \$'000
Balance at 30 June 2015		112,178	-	112,178
Profit for 2015-16		-	5,216	5,216
Total comprehensive result for 2015-16		-	5,216	5,216
Profit allocated to Funds held	2(i)	5,216	(5,216)	-
Total change for the period		5,216	-	5,216
Balance at 30 June 2016		117,394	-	117,394
Profit for 2016-17		-	10,819	10,819
Total comprehensive result for 2016-17		-	10,819	10,819
Profit allocated to Funds held	2(i)	10,819	(10,819)	-
Total change for the period		10,819	-	10,819
Balance at 30 June 2017		128,213	-	128,213

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash inflows			
Rent received		3,067	2,652
Imputation credits received		201	712
Interest received		378	480
Other income received		19	19
Receipts from Helpmann Family Foundation & other trusts		517	234
Receipts from gifts to public health entities vesting in the Board		5,465	6,855
Other receipts		-	412
Cash generated from operations		<u>9,647</u>	<u>11,364</u>
Cash outflows			
Payments for supplies and services		(286)	(602)
Employee benefits payments		(262)	(232)
Payments to public health entities & prescribed research bodies		(8,672)	(6,820)
Other payments		(7)	(24)
GST paid to the ATO		(232)	(563)
Cash used in operations		<u>(9,459)</u>	<u>(8,241)</u>
Net cash provided by operating activities	19	<u>188</u>	<u>3,123</u>
Cash flows from investing activities			
Cash inflows			
Proceeds from the sale of investment property		-	4,055
Proceeds from the sale of financial assets		1,500	-
Other receipts		5	9
Cash generated from investing activities		<u>1,505</u>	<u>4,064</u>
Cash Outflows			
Purchase of improvements to investment properties		(68)	(157)
Purchase of property, plant & equipment		-	(8)
Purchase of financial assets		(1,750)	(6,500)
Payment to Dorothy E Brown Charitable Trust	1.6	-	(293)
Cash used in investing activities		<u>(1,818)</u>	<u>(6,958)</u>
Net cash (used in) investing activities		<u>(313)</u>	<u>(2,894)</u>
Net increase/(decrease) in cash and cash equivalents		(125)	229
Cash and cash equivalents at 1 July		2,160	1,931
Cash and cash equivalents at 30 June	10	<u>2,035</u>	<u>2,160</u>

The above statement should be read in conjunction with the accompanying notes.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

1 Objectives of the Health Services Charitable Gifts Board

The *Health Services Charitable Gifts Act 2011* was proclaimed on 30 June 2011 and commenced on 1 July 2011 (the HSCG Act). Previously the *Public Charities Funds Act 1935* applied.

Pursuant to the HSCG Act, prescribed gifts made to or received by public health entities (as defined in the HSCG Act and Regulations) vest in the Board. A prescribed gift means property given to a public health entity. Such gifts form part of the charitable asset, which the Board prudentially manages and applies for the benefit of public health entities.

These financial statements have been prepared in accordance with the requirements of the HSCG Act.

1.1 Vesting of Gifts

On the commencement of the HSCG Act all property previously vested in the Commissioners of Charitable Funds formed part of the charitable assets of the Board.

The HSCG Act enables the Board to act as trustee or co-trustee of a trust where the Board is named or otherwise asked to act in those roles.

The Board has been appointed as trustee of the following trusts:-

- Ray & Shirl Norman Cancer Research Trust (Norman Trust) refer to Note 1.4.
- South Australian Health & Medical Research Institute Charitable Health Trust (SCHI) refer to Note 1.5.
- Dorothy E Brown Charitable Trust (Brown Trust) refer Note 1.6.

As the assets have not vested in the Board the operations of the each of the above trusts are reported separately from those of the Board.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1.2 Investment of Funds

Under the HSCG Act the Board has all the powers of a natural person that are capable of being exercised by a body corporate. It is able to determine appropriate investment strategies to apply.

Pursuant to section 23 of the HSCG Act, the Board meets regularly with the public sector employee who has been nominated by the Minister.

The Board is registered as a Prescribed Public Authority and primarily invests in a range of managed investment unit trust products offered by Funds SA. Funds SA is a South Australian Government owned corporation investing and managing the monies of prescribed authorities.

1.3 Helpmann Family Foundation & other trusts

The income received from the Helpmann Family Foundation has been recorded separately in the Statement of Comprehensive Income as none of the assets contained in the SM & MG Helpmann Estates have been received by the Board but remain assets of the Foundation.

This year, for the first time, where the Board is an income beneficiary of other Foundations or Trusts the income is treated in a similar manner.

1.4 Ray & Shirl Norman Cancer Research Trust

The Board was appointed as sole trustee of the Norman Trust on 21 September 2011 by way of orders from the Supreme Court of South Australia.

The Board administers the revenues, expenses, assets and liabilities in accordance with the terms of the document establishing the Norman Trust. As these funds do not form part of the charitable asset they are not recognised in the Board's financial statements.

Note 24 includes a summary of the financial results of the Norman Trust for the year.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

1.5 South Australian Health and Medical Research Institute Charitable Health Trust

The Board was appointed as trustee of the SCHAT on 23 September 2013 pursuant to a Ministerial Direction and the Trust Deed. As reported in the previous year, the Minister of Health had advised that Cabinet had approved the proposed transfer of the assets of SCHAT to a new organisation - SAHMRI Foundation Ltd as trustee for SAHMRI Trust.

On 26 October 2016, pursuant to section 20(5)(b) of the HSCGB Act the Minister issued directions "...to transfer all the assets of SCHAT to SAHMRI Foundation Ltd as trustee for SAHMRI Trust and to otherwise "wind up" SCHAT."

The majority of the assets were paid to the new organisation during December 2016. A small amount was retained to cover any expenses involved in the finalisation and winding up of the affairs of SCHAT. Once this process has been completed any remainder will also be paid to SAHMRI Trust.

The assets did not vest in the Board but were administered by them as trustee in accordance with the terms of the Deed establishing the SCHAT. As these funds did not form part of the charitable asset they were not recognised in the Board's financial statements.

The SCHAT was wound up on 23 March 2017 and separate financial reports have been prepared for the SCHAT for the period then ended.

1.6 Dorothy E Brown Charitable Trust

The Board was appointed as trustee of the Brown Trust on 17 December 2014 pursuant to a Deed Poll following Supreme Court action required to clarify the terms of the will of the late Mrs Dorothy E Brown.

Initially the assets of the Brown Trust were pooled and invested by the Board with its other assets and the corresponding obligation to the Brown Trust recognised as a liability in the records of the Board. During the previous year the balance of the Brown Trust was transferred to Funds SA into an account in the name of the Brown Trust.

The Board administers the revenues, expenses, assets and liabilities in accordance with the terms of the document establishing the Brown Trust. As these funds do not form part of the charitable asset they are not recognised in the Board's financial statements.

Note 25 includes a summary of the financial results of the Brown Trust for the year.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

2 Significant accounting policies

a) Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements (APS) promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Board has applied Australian Accounting Standards that are applicable to for-profit entities, as the Board has been granted a variation to APS Clause 3.3, to allow for the presentation of the statement of comprehensive income on a profit and loss basis.

b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates requires management to exercise its judgement in the process of applying the Board's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:

a) expenses incurred as a result of engaging consultants

b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

b) Basis of preparation (continued)

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

The Board's statement of comprehensive income, statement of financial position and statement of changes in equity have been prepared on an accruals basis and are in accordance with 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.

c) Reporting entity

The financial report covers the Health Service Charitable Gifts Board as an individual reporting entity. The Board was established pursuant to the *Health Services Charitable Gifts Act 2011*.

The Board does not control any investees, has no joint arrangements and no interest in unconsolidated structured entities.

d) Comparative Information

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

Where the Board has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Position and related notes.

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

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

e) Rounding

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

f) Taxation and imputation credits

The Health Services Charitable Gifts Board is exempt from income tax and has been issued with Deductible Gift Recipient (DGR) status by the Australian Taxation Office (ATO). As a result, a donation received by the Board may be an allowable deduction to the donor.

Notwithstanding the income tax exempt status, the Board is entitled to a refund of excess imputation credits. The Board recognises the entitlement to this refund as revenue at the time of receipt of a franked distribution.

The Board is liable for goods and services tax (GST), emergency services levy and local government rates.

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 payable to the ATO is included as part of 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 activities, which is payable to the ATO, is classified as part of operating cash flows.

g) Events after the reporting period

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

Disclosure is made in the notes 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.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

h) Income and expenses

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

Income and expenses have been 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.

Revenues

Revenues are measured at fair value of consideration received or receivable. Revenue is recognised for major activities as follows:

Gifts of cash vesting in the Board are recognised on their receipt by the Board from the donee either directly or via a public health entity. Bequests and legacies are also only recognised on their receipt from the administrators or executors of an estate.

Gifts other than cash vesting in the Board are recognised at fair value as an asset and income of the Board when control of the asset passes.

Rental income arising on investment properties is accounted for on a straight line basis over the lease term.

Interest income includes interest received on bank term deposits, interest from investments and other interest received. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

Distribution income due in relation to units held in unlisted unit trusts is recognised when the entitlement to receive that income is established.

Gains from the disposal of non-current assets and investments is recognised at the date control of the asset is passed to the buyer and are determined after deducting the carrying amount of the asset from the proceeds at that time. Where revalued assets are sold, the revaluation surplus is transferred to retained earnings.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

h) Income and expenses (continued)

Expenses

Expenses are recognised as follows:

Funds distributed to public health entities and prescribed research bodies are recognised as an expense once the expenditure claim has been approved by the Board.

Employee benefits expense include all costs related to employment including wage, salaries, non-monetary benefits and leave entitlements. These are recognised when incurred, at nominal value.

Superannuation expenses represent the Board's contributions to superannuation plans in respect of current services of current employees.

Supplies and services generally represent day-to-day running costs, including maintenance costs, incurred in the normal operations of the Board. These items are recognised as an expense in the reporting period they are incurred.

Depreciation and amortisation:

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

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

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

Class of asset	Useful life (years)
Computer equipment	2 to 5
Lease incentive paid *	term of lease

* As the property has been sold the remaining unamortised balance of the lease incentive has been expensed in the current year.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

i) Allocation of Net Profit to Funds

The net profit has been allocated to each of the individual funds held for the public health entities in accordance with the following policy.

Income generated by pooled assets held by the Board is distributed to individual funds based on the average balance of each fund after allowing for administration expenses incurred.

Gifts, other investment income and expenses that are directly related to an individual fund are allocated directly to that fund.

j) Current and non-current classification

The Board has a clearly identifiable operating cycle of twelve months. Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within twelve 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 Board has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

k) Fair value measurement

AASB 13: *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Fair value measurements are required to be disclosed by level, based on the following measurement hierarchy:

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

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

1) Other Financial Assets

Investments are recognised and derecognised on trade date and are initially measured at fair value, net of transaction costs.

The Board classifies its other investments into the following categories:

- financial assets at fair value through profit and loss, or
- held- to-maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at each reporting date.

Financial assets at fair value through the profit and loss:

These assets are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs on financial assets at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all instruments held at fair value through profit and loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

Held-to-maturity investments:

These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Board's management have the ability and the positive intention to hold to maturity. They are measured at historical cost.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

m) Investment Properties

Investment properties represent properties held to earn rentals and/or capital appreciation. Notwithstanding the occupation of a small area of one of the properties, the Board has determined that it is appropriate to treat all properties as investment properties.

Investment properties are initially measured at cost, including transaction costs, and are subsequently measured at fair value. Any change in fair value is recognised in the Statement of Comprehensive Income in the period in which it arises. The properties are not depreciated.

Pursuant to the Head lease the Board's interest in Town Acre 86 was independently valued in August 2016 by m3 Property Strategists. The current lease expires 19 August 2019. The Head lessee has given notice under the lease of their intention to exercise their option to renew for a further term of 33 years. The Board believes the value determined in August 2016 is still appropriate at the reporting date.

The Board has determined that the appropriate fair value of the Waymouth Street, Adelaide property should be that advised by the Valuer General. As a result the carrying value has increased as at 30 June 2017.

A contract for the sale of the Clare property was entered into during July 2017. The carrying value of the property has been adjusted to reflect the contracted price less costs of sale and is reported as available for sale.

A contract for the sale of the Torrens Road, Croydon property was entered into in February 2017. According to the contract, settlement was due prior to the reporting date. As a result of a number of delays settlement finally occurred on 31 July 2017. As at the reporting date the carrying value of the property has been adjusted to reflect the contracted price less costs of sale and is reported as available for sale.

n) Impairment

The Board holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value.

The Board expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

o) Liabilities

Employee benefits

These benefits accrue to employees as a result of services provided up to the reporting date that remain unpaid.

Salary and wages, annual leave and sick leave:

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

The annual leave liability is expected to be payable within 12 months and is measured at the nominal amount expected to be paid.

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

Long Service Leave:

At the reporting date no employee had a vested entitlement to long service leave.

It was determined that it was reasonable to provide for the estimated long service leave liability as at the end of the year for all existing employees. The liability has been measured at nominal value as the total amount of the liability is not material and would approximate the result if it had been calculated using the projected unit credit method.

p) Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS For the year ended 30 June 2017

3 New and revised accounting standards and policies

The Board did not voluntarily change any of its accounting policies during 2016-17.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Board for the year ended 30 June 2017. The Board has assessed the impact of the new and amended standards and interpretations, particularly in relation to the introduction of AASB 9 *Financial Instruments* that will apply from 1 January 2018. The Board is not expecting any material impacts on the accounting policies or the financial statements from the adoption of this new standard.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
4 Investment revenue			
Interest revenue		367	468
Distributions from unlisted unit trusts		3,264	2,501
Imputation credits	2(f)	211	251
Gain (loss) on financial assets		2,913	(81)
Net gain from fair value adjustment of investment properties	2(m), 14	4,570	114
(Loss) from disposal of investment property	14	-	(50)
Sundry investment revenue		1	1
		<u>11,326</u>	<u>3,204</u>
5 Employee & Commissioner benefits expenses			
Salary and wages		194	184
Superannuation paid		18	18
Annual leave accrual		3	-
Long service leave accrual		20	-
		<u>235</u>	<u>202</u>
Commissioners' remuneration		45	50
Total employee & Commissioner benefits expense		<u>280</u>	<u>252</u>

No employees earned or were remunerated at a level equal to or in excess of the base executive remuneration level.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, other salary sacrifice benefits and accrued leave entitlements.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
6 Related party transactions			
The Board is a statutory authority established pursuant to the <i>Health Services Charitable Gifts Act 2011</i> and is a wholly owned and controlled entity of the Crown.			
Related parties of the HSCGB include all key management personnel and their close family members; all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.			
Significant transactions with government related entities			
The Board invests the majority of its funds through Funds SA. Information about transactions and balances between the Board and Funds SA are set out below.			
Income:			
Distributions from unlisted unit trusts		3,264	2,501
Gain (loss) on financial assets		<u>2,913</u>	<u>(81)</u>
Current assets:			
Investments in unlisted unit trusts at fair value		<u>2,581</u>	<u>2,531</u>
Non-current assets:			
Investments in unlisted unit trusts at fair value		<u>73,792</u>	<u>67,416</u>

Refer to Note 12 for balance of loan provided to SAHMRI.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
6 Related party transactions (continued)			
Collectively but not individually significant transactions with government related entities			
Quantitative information about transactions and balances between the Board and other SA Government related entities are set out below.			
Income:			
Rental revenue		310	298
Interest revenue		<u>353</u>	<u>416</u>
Expenses:			
Funds distributed to public health entities & prescribed research bodies		<u>8,668</u>	<u>6,811</u>
Non-current assets:			
Secured investment at cost		<u>445</u>	<u>445</u>

Unless otherwise disclosed, transactions between HSCGB and any related parties are on conditions no more favourable than those it is expected the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
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7 Key management personnel

Key management personnel of the Board include the Minister, the Commissioners and the Executive Officer. The compensation detailed below excludes salaries and other benefits the Minister receives, the Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under sec 6 of the *Parliamentary Remuneration Act 1990*.

(a) Commissioners:

The following persons held position of Commissioner during the year:

Ms Robyn Pak-Poy (Chairman)

Mr Geoffrey Loveday

Prof Villis Marshall

(b) Other key management personnel:

The following person held a position of authority and responsibility for planning, directing and controlling the activities of the HSCGB, directly or indirectly during the financial year:

Mr Christopher Peirce

Executive Officer

(c) Key management personnel compensation:

The compensation for key management personnel for the years ended 30 June 2017 and 2016 is set out below.

Salaries and other short-term employee benefits	162	169
Post-employment benefits	16	16
Total	<u>178</u>	<u>185</u>

(d) Remuneration of Commissioners:

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

\$10,000 - \$19,999	No.	3	2
\$20,000 - \$29,999	No.	-	1
Total number of Commissioners		<u>3</u>	<u>3</u>

The total remuneration received or receivable by those Commissioners was \$45,000 (2016: \$50,000) which includes sitting fees, superannuation contributions and any other salary sacrifice arrangements and are also included in note 7(c) above.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
8 Supplies and services			
Accounting fees		27	35
Auditor's remuneration		38	34
Consultancy fees	9	9	60
General administration expenses		47	58
		<u>121</u>	<u>187</u>

Auditor's remuneration comprises audit fees paid/payable to the Auditor-General's Department for work performed under the *Public Finance and Audit Act*. No other services were provided by the Auditor-General's Department.

9 Consultancy fees

The number and dollar amount of consultancies paid/payable that fell within the following bands:

	No.	\$'000	No.	\$'000
Below \$10,000	1	9	2	17
\$10,000 to \$50,000	-	-	1	43
Total paid/payable to the consultants engaged		<u>9</u>		<u>60</u>

10 Cash and cash equivalents

- Current

Cash at bank	<u>2,035</u>	<u>2,160</u>
	<u>2,035</u>	<u>2,160</u>

Interest rate risk

Cash at bank earns a floating interest rate. The carrying amount of cash and cash equivalents represent fair value.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
11 Receivables			
- Current			
Interest income accrued		90	101
Rental income accrued		180	180
Other income receivable		20	38
Prepayments - Legal fees		14	12
Prepayments - Other		3	35
Imputation credits receivable		217	208
		<u>524</u>	<u>574</u>
- Non-current			
Other income receivable		-	19
Prepayments - Other		-	30
		<u>-</u>	<u>49</u>

Other income receivable includes current amounts of \$19,000 (2016: \$38,000) and non-current \$Nil (2016: \$19,000) relating to amounts owing from the previous owner of the Clare investment property. The previous owner agreed to pay the Board an amount of \$75,000 in compensation relating to a number of matters concerning the condition of the building at the time of purchase by the Board. The amount was payable in 4 equal, six monthly instalments with interest payable at the rate of 5% pa.

Prepayments - Legal fees comprises amounts paid to the Crown Solicitor's Office in relation to disputes and other issues associated with various deceased estates in which the Board has an interest. On finalisation of these matters, the costs will be recovered/offset against the funds received from the respective estates.

Prepayments - Other includes current amounts of \$Nil (2016: \$30,000) and non-current \$Nil (2016: \$30,000) relating to the unexpired portion of lease incentive paid to secure a long term lease over the Torrens Road investment property. The total amount paid was \$150,000 and it was being expensed in a straight line over the period of the lease. As the property has been contracted for sale the remainder has been expensed in the current year.

Interest rate and credit risk: Receivables, prepayments and accrued revenues are non-interest bearing apart from the Clare compensation amount referred to above. The carrying amount approximates net fair value due to being receivable on demand. Rental income accrued includes \$180,000 (2016: \$180,000) outstanding from the head lessee of Town Acre 86. Apart from this amount there is no significant concentration of credit risk.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
12 Other financial assets			
- Current			
Investments in unlisted unit trusts at fair value		2,581	2,531
		<u>2,581</u>	<u>2,531</u>
- Non-current			
Secured investment at cost		445	445
Long term secured loan at cost		15,000	15,000
Investments in unlisted unit trusts at fair value		73,792	67,416
Shares & other listed securities at fair value		6	6
		<u>89,243</u>	<u>82,867</u>

The secured investment is an advance to the Port Pirie Regional Health Service Inc. in the form of a first mortgage over land and buildings held by the Service. Since commencement this investment has been interest free. Under the terms of the agreement the Service has foregone income allocations on an equivalent amount. The Board has no intention of varying the original arrangement.

The Board provided a loan of \$15m to South Australian Health and Medical Research Institute (SAHMRI) in the 2014 year for a total period of 15 years. The funds were used to acquire, establish and commission a cyclotron facility in South Australia to produce isotopes for use by South Australian organisations.

Only interest is payable on the loan for the first 5 years. Principal and interest payments apply from the quarter ended December 2018. The loan is secured against other funds held and invested by SAHMRI Investments Pty Ltd and guaranteed by SAHMRI. The interest rate is based on the Reserve Bank of Australia Cash Rate plus a margin of 0.75%.

At the current balance date there was a minor shortfall in funds held in SAHMRI Investment Pty Ltd, as security for the Cyclotron loan. There was a shortfall at the previous balance date that was rectified during the year but has recurred late in the financial year, resulting in a technical breach of the covenants contained in the loan agreement. Notwithstanding this the Board considers that the loan is not impaired as all payments due have been received from SAHMRI in accordance with the agreement.

The Board is as a Prescribed Public Authority and as a result holds significant financial assets in a range of managed investment unit trust products offered by Funds SA. Based on the nature of the underlying assets of each fund, amounts invested in the Funds SA Cash B - Taxed Fund have been classified as current whereas all other funds are classified as non-current.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
12 Other financial assets (continued)			
The fair value of shares and other listed securities traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of all of these instruments have been categorised as Level 1.			
The fair value of investments in unlisted trusts is based on fair value reported by the managers of such funds. The fair value of all of these instruments have been categorised as Level 2.			
(a) Categorisation and maturity analysis of other financial assets - refer note 20			
(b) Risk exposure information - refer note 20			
13 Property, plant & equipment			
- Non-current			
Office equipment at cost		40	40
Less: Accumulated depreciation		(17)	(9)
		<u>23</u>	<u>31</u>
14 Investment properties			
- At fair value			
Opening balance at the beginning of the period		29,350	33,184
Disposals at carrying value		-	(4,105)
Capitalised subsequent expenditure		68	157
Net gain from fair value adjustment		4,570	114
Balance at the end of the financial year		<u>33,988</u>	<u>29,350</u>
- Current			
Investment properties - held for sale		5,738	4,665
- Non-current			
Investment properties - held for long term rental		28,250	24,685
		<u>33,988</u>	<u>29,350</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
14 Investment properties (continued)			
Amounts recognised in the income statement for investment properties			
- Rental operations			
Rent and recoveries income		2,764	2,460
Direct operating expenses		(192)	(295)
Net rental income recognised in profit and loss		<u>2,572</u>	<u>2,165</u>
- Disposal of investment property			
Proceeds from disposal		-	4,120
Less: Costs of disposal		<u>-</u>	<u>(65)</u>
		<u>-</u>	<u>4,055</u>
Less Net carrying value at time of disposal		-	(4,105)
(Loss) from disposal of investment property		<u>-</u>	<u>(50)</u>

The property at Clare has been reported as available for sale at the reporting date (reported as held for long term rental in the previous year). A contract for sale has been entered into since the end of the financial year.

The sale of the property at Torrens Road, Croydon (reported as available for sale in the previous year) has been contracted for, but not settled by reporting date.

Fair value measurements for investment properties recognised as at 30 June 2017 are the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The fair values have been determined by the Board with reference to external valuations as determined by the Valuer General or independent property valuers having appropriate, recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value of all investment properties have been categorised as Level 2 or 3.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
15 Payables			
- Current			
Accrued expenses		92	89
GST payable		58	43
		<u>150</u>	<u>132</u>
Interest rate and credit risk:			
Payables are measured at nominal amounts. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.			
(a) Categorisation of financial instruments and maturity analysis of payables - refer note 20			
(b) Risk exposure information - refer note 20			
16 Other financial liabilities			
- Current			
Rent received in advance		-	28
		<u>-</u>	<u>28</u>
17 Employee benefits			
- Current			
Annual leave accrued		11	8
		<u>11</u>	<u>8</u>
- Non-current			
Long Service Leave		20	-
		<u>20</u>	<u>-</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
18 Funds held			
Funds held on behalf of the following public health entities or their successor bodies:			
Royal Adelaide Hospital - General		100,592	92,400
Royal Adelaide Hospital - Glenside Campus		636	592
Royal Adelaide Hospital - Private Practice Funds		3,646	4,377
Hillcrest Hospital		115	107
Pt Augusta Hospital & Regional Health Service Inc		25	23
Pt Lincoln Health & Hospital Services Inc		421	392
Pt Pirie Regional Health Service Inc		566	558
The Queen Elizabeth Hospital		1,325	1,258
SA Dental Service		1	8
The Whyalla Hospital & Health Services Inc		334	311
Mt Gambier & Districts Health Service Inc		560	549
Northern Yorke Peninsula Regional Health Service		32	30
SA Pathology		12,086	10,957
Women's & Children's Hospital		5,510	4,455
Lyell McEwin Hospital		490	426
Repatriation General Hospital		1,056	208
Flinders Medical Centre		649	521
Noarlunga Hospital		5	4
BreastScreen SA		4	1
SA Ambulance Service		87	72
Royal Adelaide Hospital, Queen Elizabeth Hospital & Hampstead Joint Funds		73	145
		<u>128,213</u>	<u>117,394</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
19 Cash flow reconciliation			
Reconciliation of profit to net cash provided by operating activities:			
Profit for the year		10,819	5,216
Add/less non cash items:			
(Gain) loss on financial assets		(2,913)	81
Distributions from unlisted units trusts		(3,264)	(2,501)
Loss on disposal of investment property		-	50
Net (gain) from fair value adjustment of investment properties		(4,570)	(114)
Depreciation expense		8	7
Total non cash items		<u>(10,739)</u>	<u>(2,477)</u>
Movement in assets and liabilities:			
Decrease (increase) in operating receivables		106	(5)
(Increase) decrease in imputation credits receivable		(10)	462
Increase (decrease) in payables		2	(71)
Increase in employee entitlements		23	-
(Decrease) in unearned revenue		(28)	(24)
Increase in GST payable		15	22
Total movement in assets and liabilities		<u>108</u>	<u>384</u>
Net cash provided by operating activities		<u>188</u>	<u>3,123</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

20 Financial Instruments/Financial Risk Management

Details of 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 and financial liability are disclosed in *Note 2 Summary of Significant Accounting Policies*.

	Note	Carrying Amount		Fair Value	
		2017	2016	2017	2016
Financial Assets					
- Cash & Cash equivalents	10	2,035	2,160	2,035	2,160
- Receivables (1),(2)	11	290	338	290	338
- Other financial assets	12	91,824	85,398	91,824	85,398
Total Financial Assets		<u>94,149</u>	<u>87,896</u>	<u>94,149</u>	<u>87,896</u>
Financial Liabilities					
- Payables (1)	15	56	54	56	54
- Other financial liabilities	16	-	28	-	28
Total Financial Liabilities		<u>56</u>	<u>82</u>	<u>56</u>	<u>82</u>

(1) Receivable and payable amounts disclosed here exclude amounts relating to imputation credits refundable and GST payable, as these obligations are sourced in Legislation.

(2) Receivables amounts disclosed here excludes prepayments. Prepayments are identified in note 11 in accordance with paragraph 78(b) of AASB 101. However prepayments are not financial assets as defined in AASB 132.

a) Credit Risk

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

The Board has policies and procedures in place to manage credit risk and to ensure that transactions occur with customers with appropriate credit history. The Board does not hedge its financial assets.

Note 12 refers to the Board holding a first mortgage charge over advances made to the Port Pirie Regional Health Service Inc as well as to the long term secured loan made to SAHMRI to establish a cyclotron facility.

The carrying amount of financial assets as detailed in note 20 represents the Board's maximum exposure to credit risk.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

20 Financial Instruments/Financial Risk Management (continued)

The Board does not consider that any of the financial assets are impaired.

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

		Contractual maturities			
	Note	2017	< 1 year	1-5 years	>5 years
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
- Cash & Cash equivalents	10	2,035	2,035	-	-
- Receivables	11	290	290	-	-
- Other financial assets	12	91,824	2,581	-	89,243
Total Financial Assets		94,149	4,906	-	89,243
Financial Liabilities					
- Payables	15	56	56	-	-
- Other financial liabilities	16	-	-	-	-
Total Financial Liabilities		56	56	-	-

		Contractual maturities			
	Note	2016	< 1 year	1-5 years	>5 years
		\$'000	\$'000	\$'000	\$'000
Financial Assets					
- Cash & Cash equivalents	10	2,160	2,160	-	-
- Receivables	11	338	319	19	-
- Other financial assets	12	85,398	2,531	-	82,867
Total Financial Assets		87,896	5,010	19	82,867
Financial Liabilities					
- Payables	15	54	54	-	-
- Other financial liabilities	16	28	28	-	-
Total Financial Liabilities		82	82	-	-

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

20 Financial Instruments/Financial Risk Management (continued)

b) Liquidity risk

Liquidity risk arises where the Board is unable to meet its financial obligations as they fall due.

Other than the specific items mentioned below the Board's exposure to liquidity risk is considered insignificant based on past experience and current assessment of risk.

As previously outlined in these financial statements the Board now primarily invests through various products offered by Funds SA. Funds SA is a large institutional investment specialist servicing the South Australian Government and its statutory authorities. The Board no longer actively invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's liquidity risk for these products is now the risk of a request to redeem units not being satisfied by Funds SA in the required timeframe.

The Board is satisfied that the resulting liquidity risk is also insignificant based on Funds SA liquidity risk management policies as follows;

- The allocation of cash in the strategic asset allocation of each investment option is set at a sufficient level to manage expected cash redemptions, and
- A large proportion of each investment option is invested in highly liquid investments as actively traded equities, unit trusts or securities with short term maturities.

The carrying amount of financial liabilities recorded above represent the Board's maximum exposure to liquidity risk.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

20 Financial Instruments/Financial Risk Management (continued)

c) Market risk

Market risk is the risk that investment returns generated by the different financial markets will be volatile and will deviate from long-term expectations over the short/medium term.

As previously outlined in these financial statements the Board now primarily invests through various investment products offered by Funds SA. The Board no longer actively invests directly in tradeable securities but rather in unlisted units in investment funds managed by Funds SA. The Board's market risk is now the risk of a change in value of underlying assets adversely affecting the value of the Board's investment in these units.

The Board is satisfied that the resulting market risk has been significantly reduced based on Funds SA market risk management policies as follows;

- Ensuring a diversity of exposures to different financial markets and sub-markets; and
- Ensuring asset allocations for different investment options are consistent with the time horizon of each.

d) Sensitivity Analysis

A general fall in the fair value of long term investments in unlisted unit trusts of 5% and 10%, if equally spread over all assets in the portfolio, would lead to a reduction in value of \$3,690,000 (2016: \$3,371,000) and \$7,380,000 (2016: \$6,742,000) respectively.

The Board believes the underlying quality of the assets support the conclusion that the value of financial assets are not overstated.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

21 Unrecognised contractual commitments

Investment property operating lease arrangements

Unrecognised amounts receivable under operating leases over investment properties owned by the Board. No amount has been recognised in the financial statements to 30 June 2017.

The properties owned by the Board are leased to third parties for commercial use. Lease terms vary between lessees with most requiring the payment of outgoings by the lessee.

Future minimum rental revenues under non-cancellable operating commercial property leases (exclusive of GST)

	2017 \$'000	2016 \$'000
Due within one year	2,291	2,127
Due between one and five years	2,574	4,142
Due after five years	-	-
	<u>4,865</u>	<u>6,269</u>

The lease over the Citi Centre property is for ground rent only and comprises base annual rental (paid monthly) of 8% of the value of the land. The most recent valuation was undertaken in August 2016.

The existing lease expires in August 2019. The current lessee has indicated it intends to extend the lease in accordance with the lease document but has not yet done so formally and as a result the lease has been treated as finalising in August 2019.

This base rent is supplemented each year by the payment of 4% of the net rental for the entire property. This at risk component has not been included in the above calculation.

22 Contingent assets and liabilities

At balance date the Board is not aware of any contingent assets or liabilities.

23 Post balance date events

Investment Properties

As previously indicated, a contract for the sale of the Torrens Road property was entered into during February 2017. Settlement was delayed but ultimately occurred on 31 July 2017. The Board maintained control of the asset until settlement and the property has been reported as an available for sale investment property at balance date.

On 7 July 2017 a contract for the sale of the Clare investment property was entered into. At the date of signing settlement has not yet occurred. The property has been reported as an available for sale investment property at balance date.

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

	2017	2016
	\$	\$

24 Ray & Shirl Norman Cancer Research Trust

The Ray & Shirl Norman Cancer Research Trust ('Trust' or 'Fund') was created under the will of Mr Raymond Norman who passed away on 23 March 2006. All income derived by the Trust is to be "used for the purpose of the prevention and cure of cancer and anything incidental or conducive to those purposes".

Under the terms of the will the Royal Adelaide Hospital (RAH) was appointed as trustee of the Fund and were required to administer the Fund for the designated purpose. Following legal advice that the RAH was not able to act as trustee application was made to the Supreme Court and the Health Services Charitable Gifts Board (HSCGB) assumed the role as sole Trustee from 21 September 2011.

The following summary of the financial results for the year of the Ray & Shirl Norman Cancer Research Trust are included for information purposes only. All amounts are rounded to the nearest dollar.

Schedule of income and expenses

Total income	744,610	285,915
Total expenses	257,660	257,726
Total comprehensive result	<u>486,950</u>	<u>28,189</u>

Schedule of financial position

Total assets	7,049,297	6,562,325
Total liabilities	2,083	2,061
Net assets	<u>7,047,214</u>	<u>6,560,264</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

2017	2016
\$	\$

25 Dorothy E Brown Charitable Trust

The Dorothy E Brown Charitable Trust ('Trust' or 'Fund') was established by Deed Poll dated 17 December 2014 pursuant to Section 21 of the Health Services Charitable Gifts Act 2011.

In accordance with the will of Mrs Dorothy E Brown dated 16 August 1971 the residue of her estate was bequeathed to the now defunct Hospitals Department of the South Australian Government for the "benefit of sufferers from kidney diseases or complaints". The amount of the residue has been held by SA Health since October 2009 and was the subject of Supreme Court proceedings seeking directions in relation to the residue. The judgement of the Court from those proceedings was that the deceased's will established a charitable trust and that, having consented to its appointment, the Health Services Charitable Gifts Board (HSCGB) should be appointed as trustee of this charitable trust. The Deed Poll dated 17 December 2014 appoints the HSCGB as trustee and provided further guidance of the administration of the charitable trust.

Under the terms of the Deed Poll the HSCGB was appointed as trustee and an initial sum of \$286,621 was provided by SA Health to be administered by the HSCGB. These funds remained under the control of HSCGB in its capacity as trustee and were invested in the pooled assets of HSCGB. Monthly income allocations were credited to the Trust.

In accordance with the judgment the terms of the Trust were varied whereby -

- the trust monies may be applied for the benefit of any patient of a hospital incorporated under the Health Care Act 2008 who is suffering from a kidney disease or complaint; and
- the trust monies shall be expended on benefits that such patients would not normally receive or enjoy as patients of those hospitals.

The following summary of the financial results for the year of the Dorothy E Brown Charitable Trust are included for information purposes only. All amounts are rounded to the nearest dollar.

Schedule of income and expenses

Income	20,997	11,609
Total expenses	5,843	2,772
Total comprehensive result	<u>15,154</u>	<u>8,837</u>

Schedule of financial position

Total assets	315,587	302,051
Total liabilities	-	1,617
Net assets	<u>315,587</u>	<u>300,434</u>

HEALTH SERVICES CHARITABLE GIFTS BOARD
ABN 49 517 603 275

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the Health Services Charitable Gifts Board (referred to in the attached as "HSCGB" or "the Board"):

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Board; and
- present a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2017 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the Health Services Charitable Gifts Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe the Board will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board members.


.....
R Pak-Poy - Chairman
30 / 08 / 17


.....
C Peirce - Executive Officer
30 / 8 / 17

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chairman Health Services Charitable Gifts Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 29(2) of the *Health Services Charitable Gifts Act 2011*, I have audited the financial report of the Health Services Charitable Gifts Board for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Health Services Charitable Gifts Board as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes comprising significant accounting policies and other explanatory notes
- a Certificate from the Chairman and the Executive Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Health Services Charitable Gifts Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Executive Officer and the Commissioners for the financial report

The Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The Commissioners are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Officer
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Executive Officer and Commissioners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017

HomeStart Finance

Financial report
for the year ended
30 June 2017

HomeStart Finance

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note No.	2017 \$'000	2016 \$'000
Interest income	<u>4</u>	96 345	97 541
Interest expense	<u>4</u>	(35 569)	(40 663)
Net interest income	<u>4</u>	60 776	56 878
Other income	<u>5</u>	12 474	13 895
Net gain from disposal of assets	<u>2.8.7</u>	1	4
Loan manager fees		(4 330)	(5 266)
Employee benefits expenses	<u>6</u>	(10 891)	(11 483)
Bad and impaired loans expense	<u>10</u>	(2 901)	(2 403)
Depreciation and amortisation expense	<u>11</u>	(1 281)	(1 456)
Other expenses	<u>12</u>	(6 641)	(6 616)
Profit before income tax equivalents and government guarantee fee expenses		47 207	43 553
Government guarantee fee	9	(26 931)	(26 553)
Profit before income tax equivalents		20 276	17 000
Income tax equivalents expense	<u>2.6</u>	(6 083)	(5 100)
Profit after income tax equivalents		14 193	11 900
<u>Other Comprehensive Income</u>			
<i>Items that will be reclassified subsequently to net results when specific conditions are met</i>			
Change in fair value of derivatives		3 065	(601)
Reclassified to profit on disposal/change in fair value of available-for-sale assets	15.3	(629)	(103)
Total other comprehensive income		2 436	(704)
Total comprehensive result		16 629	11 196

The profit after income tax equivalents and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance

Statement of Financial Position

As at 30 June 2017

	Note no.	2017 \$'000	2016 \$'000
Assets			
Cash and cash equivalents	<u>31.1</u>	4 810	1 709
Financial investments designated at fair value through profit or loss	<u>14</u>	60 648	103 030
Financial investments – available-for-sale	<u>15</u>	-	10 801
Loans and advances	<u>16</u>	1 842 232	1 767 629
Other financial assets	<u>17</u>	620	968
Intangible assets	<u>18</u>	3 709	3 751
Property, plant and equipment	<u>19</u>	3 072	3 382
Other assets	<u>20</u>	378	1 401
Total assets		1 915 469	1 892 671
Liabilities			
Payables	<u>22</u>	4 177	5 303
Derivative financial instruments	<u>33.2.2</u>	3 847	6 911
Short-term borrowings	<u>23</u>	82 725	240 605
Employee benefits	<u>24</u>	2 345	2 367
Income tax equivalents payable	<u>25.1</u>	3 479	2 558
Provision for dividend	<u>25.2</u>	1 423	23
Long-term borrowings	<u>23</u>	1 647 000	1 472 000
Other liabilities	<u>26</u>	5 072	5 616
Total liabilities		1 750 068	1 735 383
Net assets		165 401	157 288

HomeStart Finance

Statement of Financial Position (cont.)

As at 30 June 2017

	Note no.	2017 \$'000	2016 \$'000
Equity			
Reserves	<u>27</u>	4 487	1 670
Retained earnings		160 914	155 618
Total equity		165 401	157 288

The total equity is attributable to the SA Government as owner.

Unrecognised contractual commitments 28

Contingent assets and contingent liabilities 29

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance

Statement of Changes in Equity

For the year ended 30 June 2017

	Note	Retained earnings	General reserve for credit losses	Derivatives valuation reserve	Available-for-sale revaluation reserve	Total Equity
	no.	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2015		171 313	7 498	(6 311)	732	173 232
Profit after income tax equivalent for 2015-16		11 900	-	-	-	11 900
Change in fair value of derivatives	<u>2.10.5</u> <u>33.4.2</u>	-	-	(601)	-	(601)
Change in fair value of assets available-for-sale		-	-	-	(103)	(103)
Total comprehensive result for 2015-16		11 900	-	(601)	(103)	11 196
Transfer to/from credit loss reserve	<u>27</u>	(455)	455	-	-	-
Transactions with SA Government as owner						
Dividends paid	<u>25</u>	(7 140)	-	-	-	(7 140)
Interim dividend paid	<u>25</u>	(20 000)	-	-	-	(20 000)
Balance at 30 June 2016		155 618	7 953	(6 912)	629	157 288
Profit after income tax equivalent for 2016-17		14 193	-	-	-	14 193
Change in fair value of derivatives	<u>2.10.5</u> <u>33.4.2</u>	-	-	3 065	-	3 065
Reclassified to profit on disposal of available-for-sale assets		-	-	-	(629)	(629)
Total comprehensive result for 2016-17		14 193	-	3 065	(629)	16 629
Transfer to/from credit loss reserve	<u>27</u>	(381)	381	-	-	-
Transactions with SA Government as owner						
Dividends paid/payable	<u>25</u>	(8 516)	-	-	-	(8 516)
Balance at 30 June 2017		160 914	8 334	(3 847)	-	165 401

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

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance

Statement of Cash Flows

For the year ended 30 June 2017

	Note no.	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash inflows			
Interest received on:			
Cash		33	42
Investments		774	1 859
Loans and advances		91 797	93 460
Fees and commissions received		2 394	2 493
Bad debts recovered		194	114
Receipts from SA Government			
EquityStart grant received		691	556
Community Service Obligation subsidy received		6 248	6 066
Other receipts		510	490
Cash generated from operations		102 641	105 080
Cash outflows			
Employee benefit payments		(11 058)	(11 964)
Payments for supplies and services		(5 922)	(6 156)
Payments to loan managers		(4 621)	(5 415)
Borrowing costs paid		(35 755)	(40 127)
Government guarantee fee paid		(27 952)	(26 531)
Tax equivalent paid		(5 162)	(4 864)
Cash used in operations		(90 470)	(95 057)
Net cash provided by operating activities	<u>31.2</u>	12 171	10 023

HomeStart Finance

Statement of Cash Flows (cont.)

For the year ended 30 June 2017

	Note no.	2017 \$'000	2016 \$'000
Cash flows from investing activities			
Cash inflows			
Shared appreciation components of Breakthrough Loan repaid	<u>34.4</u>	8 196	10 170
Proceeds from sale of office and computer equipment		2	11
Proceeds from sale of available-for-sale investments		10 560	1 000
Proceeds from investments designated at fair value through profit or loss		39 924	71 555
Customer loans repaid		334 366	342 502
Cash generated from investing activities		393 048	425 238
Cash outflows			
Purchase of property, plant and office and computer equipment		(186)	(3 014)
Purchase of software		(685)	(139)
Purchase of investments designated at fair value through profit or loss		(115)	(74 049)
Shared appreciation component of Breakthrough Loan settled	<u>34.4</u>	(4 589)	(4 099)
Customer loans settled		(406 547)	(373 277)
Cash used in investing activities		(412 122)	(454 578)
Net cash provided by/(used in) investing activities		(19 074)	(29 340)
Cash flows from financing activities			
Cash inflows			
Proceeds from borrowings		727 120	994 248
Cash generated from financing activities		727 120	994 248
Cash outflows			
Dividends paid to SA Government		(7 116)	(27 075)
Repayment of borrowings		(710 000)	(948 099)
Cash used in financing activities		(717 116)	(975 174)
Net cash provided by/(used in) financing activities		10 004	19 074
Net increase/ (decrease) in cash and cash equivalents		3 101	(243)
Cash and cash equivalents at the beginning of the period		1 709	1 952
Cash and cash equivalents at the end of the period	<u>31.1</u>	4 810	1 709

The above statement should be read in conjunction with the accompanying notes.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 1 Objectives of HomeStart Finance

HomeStart was established as a for-profit statutory corporation and operates under the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*. It reports to the Minister for Housing and Urban Development.

HomeStart's reason for being is to make home ownership a reality for more people in more ways.

HomeStart Home Loan

HomeStart provides home loans principally to low to moderate income households and other needs groups. The HomeStart Home Loan is the primary loan product and the outstanding value of the product as at 30 June 2017 was \$1 775.2 million (\$1 706.8 million, 2015-16).

Subsidies

HomeStart provides subsidised Advantage Loans of up to \$45 000 to lower income earners. For loans issued after 3 February 2014, the loan is interest bearing from the drawdown date, prior to that date the maximum loan was \$30 615 and the loan was interest free if repaid within five years. The Advantage Loan interest is calculated by reference to the Consumer Price Index (CPI). As at 30 June 2017 the interest rate applying to Advantage Loans was 2.57% (1.67%, 2015-16). The outstanding value of Advantage Loans at 30 June 2017 was \$68.6 million (\$60.5 million, 2015-16).

For the year ended 30 June 2017 HomeStart received a Community Service Obligation (CSO) subsidy payment of \$3.6 million (\$3.2 million, 2015-16) from the Department of Treasury and Finance for the Advantage Loan subsidy provided.

HomeStart also provides subsidised EquityStart Loans of up to \$50 000 to current Housing SA tenants. The EquityStart Loan incurs interest at a subsidised rate, which is linked to the CPI. Regular repayments on the EquityStart Loan are optional, and payments can be deferred and paid at the end of the loan period. The outstanding value of EquityStart Loans at 30 June 2017 was \$33.6 million (\$33.9 million, 2015-16).

HomeStart receives grant funding from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. During the financial year HomeStart received \$0.7 million (\$0.6 million, 2015-16) in the EquityStart Loans grant funding.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

NOTE 2 Significant accounting policies

2.1 Statement of compliance

These financial statements have been prepared in compliance with Section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

HomeStart has applied Australian Accounting Standards that are applicable to for-profit entities, as HomeStart is a for-profit entity.

2.2 Basis of preparation

The preparation of the financial statements require:

- the use of certain accounting estimates and management to exercise its judgement in the process of applying HomeStart's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.
- compliance with Accounting Policy Statements issued pursuant to Section 41 of the *Public, Finance and Audit Act 1987*. In the interest of public accountability and transparency the Accounting Policy Statements require the following disclosures, which have been included in this financial report:
 - a) revenues, expenses, financial assets and liabilities where the counter party transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100 000 for separate identification of these items applies
 - b) expenses incurred as a result of engaging consultants
 - c) employee targeted voluntary separation package information
 - d) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by HomeStart to those employees.

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

2.3 Reporting entity

The financial report covers HomeStart as an individual entity. It is a statutory authority of the State of South Australia, established pursuant to the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*. HomeStart does not control any investee, has no joint arrangements and no interest in unconsolidated structured entities.

2.4 Comparative information

The presentation and classification of items in the financial statements are consistent with prior periods except where a specific Accounting Policy Statement or specific Australian Accounting Standards have required a change.

Where HomeStart has applied an accounting policy retrospectively; retrospectively restated items in the financial statements; reclassified items in the financial statements, it has provided three Statements of Financial Position and related notes.

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

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.5 Rounding

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

2.6 Taxation

In accordance with Treasurer's Instructions 22 *Tax Equivalent Payments*, HomeStart is required to pay to the SA Government an income tax equivalent. The income tax liability is based on the State Taxation Equivalent Regime, which applies the accounting profit method. This requires that the corporate income tax rate be applied to the net profit. The current income tax liability relates to the income tax expense outstanding for the current period.

HomeStart is also liable for payroll tax, fringe benefits tax and goods and services tax (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.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently absorbs GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

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. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as part of operating cash flows.

2.7 Events after the reporting period

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

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

2.8 Income

2.8.1 Interest income – non-subsidised loans

Interest income is recognised as it accrues using the effective interest rate method, except for impaired loans where interest income is recognised as it is recovered (as described in note 2.8.3).

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.8.2 *Interest income – subsidised loans*

Where HomeStart provides subsidised loans, such as Advantage Loans and EquityStart Loans, at rates lower than market interest rates, the initial recognition of these loans at fair value will result in a loss that is recognised in the Statement of Comprehensive Income, the loss being the difference between the amount disbursed and the fair value. Fair value is measured by discounting the expected cash flows using a market interest rate.

Interest income on these subsidised loans is brought to account using the effective interest rate method at a rate of interest, based on four year (for Advantage Loans settled before 3 February 2014), seven year (for Advantage Loans settled after 3 February 2014) and 10 year (for EquityStart Loans) South Australian Government Financing Authority (SAFA) Bonds.

2.8.3 *Interest income – both non-subsidised and subsidised impaired loans*

HomeStart ceases accruing interest income on loans when it considers that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security. Interest on these loans is only brought to account when realised or when loans are returned to accruing status.

An impaired loan may be restored to accrual status if all arrears have been eliminated and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

2.8.4 *Loan origination fees received or receivable*

Income directly attributable to the origination of loans is deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination income being recognised over the estimated life of loans in the portfolio.

The average life of loans in the originated loan portfolio used for loan fee income recognition is reviewed periodically to ensure the amortisation methodology is appropriate.

2.8.5 *Government grants*

Grants from the SA Government are recognised at their fair value where there is reasonable assurance that the grant will be received and HomeStart will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

2.8.6 *Investment income*

For financial investments designated at fair value through profit or loss, changes in fair value of investments (both realised and unrealised) are recognised in the Statement of Comprehensive Income as they occur.

Distribution income is recognised when entitled.

For financial investments classified as available-for-sale, interest income is recognised as it accrues.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.8.7 *Net gain/loss from disposal of non-financial assets*

Net gain or loss from disposal of non-financial assets is recognised when control of the asset has passed to the buyer and is determined by comparing proceeds with carrying amount. The gains or losses arising from disposal of non-financial assets are recognised on a net basis as an income or an expense.

2.8.8 *Other income*

Other income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

2.9 *Expenses*

2.9.1 *Government guarantee fee*

The government guarantee fee is expensed as it accrues at the rate imposed by the Department of Treasury and Finance.

2.9.2 *Loan origination fees paid or payable*

Fees directly attributable to the origination of loans are deferred and recognised in the Statement of Comprehensive Income as part of the effective interest rate calculation. This method results in origination fees being expensed over the estimated life of loans in the portfolio.

The average life of loans in the originated loan portfolio used for loan origination expense recognition is reviewed periodically to ensure the amortisation methodology is appropriate.

2.9.3 *Employee benefits expenses*

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

2.9.4 *Operating lease expense*

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.

The aggregate benefit of lease incentives received by HomeStart in respect of operating leases has been recorded as a reduction of rental expense over the lease term, on a straight line basis.

2.10 *Assets*

Assets are classified in the Statement of Financial Position by their nature and in an order that reflects their relative liquidity. Assets 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.

Current and non-current classes are not generally presented separately.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.10.1 *Cash and cash equivalents*

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

Cash is measured at nominal value.

2.10.2 *Financial assets*

During the current and comparative financial years HomeStart had the following classes of financial assets:

- cash and cash equivalents (refer to accounting policy note 2.10.1)
- loans and advances (refer to accounting policy note 2.10.3)
- at fair value through profit or loss - managed funds and term deposits
- at fair value through profit or loss - Breakthrough Loans shared appreciation component
- at available-for-sale bonds
- derivative financial instruments (refer to accounting policy note 2.10.5)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets at fair value through profit or loss

HomeStart's policy is to designate a financial asset at fair value through profit or loss if it is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investments strategy, and information about the financial asset is provided internally on that basis to HomeStart's key management personnel.

HomeStart has designated the shared appreciation component of the Breakthrough Loan and its investments in SAFA managed funds and term deposits as financial assets at fair value through profit or loss.

The net gain or loss includes any increase/decrease in the value of financial asset, any dividend or interest earned on the financial asset.

Derivatives are also categorised as financial assets at fair value through profit or loss unless they are effective hedges of cash flow.

Financial assets at fair value through profit or loss are carried at fair value. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Shared appreciation component of the Breakthrough Loan

The Breakthrough Loan facility includes two loan components:

- a standard loan component with interest rates and repayments which operate under identical terms to HomeStart's current standard loan product. This portion of the Breakthrough Loan is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method and taking into account principal repayments and impairment losses, and
- a shared appreciation component where repayment of the loan balance is generally deferred until the sale or refinance of the property upon which time the loan balance is repaid along with a scheduled percentage of the appreciated value of the property.

The shared appreciation component is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Gains or losses arising from changes in fair value are presented in the Statement of Comprehensive Income in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as any of the other categories and are stated at fair values.

When purchased, available-for-sale investments are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity in the available-for-sale revaluation reserve except for interest, which is recognised directly in the Statement of Comprehensive Income. When the investment is sold, the cumulative gain or loss relating to the investment is transferred from the available-for-sale revaluation reserve to the Statement of Comprehensive Income.

As at 30 June 2017 HomeStart had no available-for-sale financial assets.

2.10.3 Loans and advances

Loans measured at amortised cost

Loans and advances are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method and taking into account principal repayments and impairment losses.

For subsidised loans, fair value is less than their face value. On settlement of subsidised loans an initial loss is recognised as an expense, being the difference between the face and fair values, which is then recognised as income over the expected life of the loan, using the effective interest rate method.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Effective interest rate

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows, HomeStart considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Impairment

HomeStart assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Impairment of financial assets carried at amortised cost

The recoverable amount of HomeStart's investments in loans and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of assets carried at amortised cost is reduced to the recoverable amount through the use of a provision account. The amount of the loss is recognised in the Statement of Comprehensive Income. An impairment loss in respect of loans and receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Provision for impairment

HomeStart assesses at each financial year-end whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the end of the financial year ("a loss event") and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

Loans and advances are individually assessed for impairment. If HomeStart determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account asset type, geographical location, collateral, past due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of projected cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. In addition, HomeStart uses its experienced judgement to estimate the amount of an impairment loss.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

The methodology and assumptions used for estimating future cash flows are reviewed regularly to take into consideration HomeStart's actual loss experience.

For loans and receivables, the amount of impairment loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using a provision account and the amount of the loss is included in the Statement of Comprehensive Income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. The amount of the reversal is recognised in the Statement of Comprehensive Income.

In addition, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolios. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Movements in the general reserve for credit losses are recognised as a transfer of retained earnings.

Bad debts

All bad debts are written-off in the period in which they are classified as not recoverable. If a provision for impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

2.10.4 Non-financial assets

2.10.4.1 Property, plant and equipment

Property, plant and equipment are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Property, plant and equipment are subsequently measured at cost after allowing for 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. If, however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements, then the assets are recognised at book value i.e. the amount recorded by the transferor immediately prior to transfer.

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

At the expiration of the lease of its office accommodation, HomeStart is required in accordance with the lease agreement to return the premises to its original condition ('make good'). The costs involved in doing so have been included in the cost of HomeStart's leasehold improvements. This amount has been calculated as an estimate of future costs.

All property, plant and equipment with a value equal to or in excess of \$1 000 are capitalised.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.10.4.2 *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 accumulated amortisation and any accumulated impairment loss.

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition (identifiability, control and existence of future economic benefits) and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to \$1 000.

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Capitalised software is amortised over the useful life of the asset, which is generally between 4 and 10 years.

Costs in relation to website development, building or enhancing a website to the extent they represent probable future economic benefits controlled by HomeStart that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits. Maintenance costs are expensed.

2.10.4.3 *Impairment and revaluation*

In accordance with Accounting Policy Framework III Asset Accounting Framework:

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

If at any time HomeStart 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.

HomeStart expects that for all non-current tangible assets the costs of disposal will be negligible, and the recoverable amount to be close to or greater than assets fair value.

2.10.4.4 *Depreciation and amortisation of non-financial assets*

Non-financial assets having a limited useful life, are systematically depreciated or 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 office and computer equipment.

The residual values, useful lives of all major assets held by HomeStart, depreciation 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 estimates.

The value of leasehold improvements is depreciated over the estimated useful life of each improvement or the unexpired period of the relevant lease, whichever is shorter.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Depreciation and amortisation of non-financial assets are calculated on a straight line basis over the estimated useful life of the following classes of assets for the current and comparative periods as follows:

Class of asset	Depreciation and amortisation method	Useful life (years)
Leasehold improvements	Straight line	2 – 10
Other office and computer equipment	Straight line	2 – 10
Furniture and fittings	Straight line	3 – 10
Intangible assets	Straight line	4 – 10

2.10.5 Derivative financial instruments

HomeStart is exposed to changes in interest rates arising from financing activities and it uses derivatives to hedge this risk. Derivative financial instruments are not held for speculative purposes.

HomeStart does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are initially recognised at cost and, subsequent to initial recognition, are measured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year end.

HomeStart designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or hedges of highly probable forecast transactions (cash flow hedges). For the current reporting and comparative periods HomeStart has only cash flow hedges.

HomeStart documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. HomeStart also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items. The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 34.1. Movements in the derivatives valuation are shown in the Statement of Changes in Equity.

2.10.5.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised directly in equity in the derivatives valuation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Income.

Hedge effectiveness tests are performed on all derivative financial instruments to determine if they continue to be effective in managing the hedged risk originally intended when entered into by HomeStart. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, any gain or loss on the instrument previously recognised in equity is reversed through the Statement of Comprehensive Income with all subsequent gains or losses recognised through the Statement of Comprehensive Income.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.11 Liabilities

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

2.11.1 *Interest-bearing borrowings*

Interest-bearing borrowings are initially recognised at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

2.11.2 *Lease incentive*

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the consideration agreed for the use of the leased asset. Incentives received to enter into operating leases are recognised as liabilities and amortised over the lease term.

2.11.3 *Payables*

Payables include creditors, accrued expenses, employment on-costs, interest, guarantee fee and loan manager fees.

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 HomeStart.

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

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

All payables are measured at their nominal amount, are unsecured and are normally settled within 30 days from the date the invoice is first received (in accordance with Treasurer's Instruction 11 Payment of Creditors).

2.11.4 *Employee benefits*

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

Long-term service benefits

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

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Salaries and wages, annual leave and sick leave

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

2.12 Other provisions

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

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

2.13 Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

HomeStart classifies fair value measurement using fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

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

The valuation processes and fair value changes are reviewed by the Chief Financial Officer and Audit Committee at each reporting date.

2.14 Unrecognised contractual commitments and contingent assets and liabilities

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

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

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

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2.15 Insurance

HomeStart has arranged through SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of HomeStart. The excess payable under this arrangement varies depending on each class of insurance held.

2.16 Accounting judgements, estimates and assumptions

The preparation of the financial statements requires the use of certain accounting estimates and requires HomeStart to exercise its judgement in the process of applying HomeStart's accounting policies.

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The areas involving a higher degree of estimate and judgement that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual financial reporting period are outlined below:

Area of estimate and judgement	Note no.
Investments at fair value through profit or loss – shared appreciation component of the Breakthrough Loan	2.10.2, 33.4, 34.2 & 34.3
Fair value of subsidised loans and advances	2.10.3
Loan origination fees received or receivable	2.8.4
Loan origination fees paid or payable	2.9.2
Provision for impairment of loans and advances	2.10.3
Derivative financial instruments	2.10.5, 33.2.2, 34.2

Home Start Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 3 New and revised accounting standards and policies

HomeStart did not voluntarily change any of its accounting policies during 2016-17.

Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective, have not been adopted by HomeStart for the period ending 30 June 2017.

HomeStart has assessed the impact of the new and amended standards and interpretations, these are outlined in the table below:

Reference	Title and date of standard application	Summary	Application date of standard	Impact on financial statements	Application date for HomeStart
AASB 9	Financial Instruments	AASB 9 provides the principles for the classification, measurement, recognition and disclosure associated with financial assets and liabilities. It also includes new rules for hedge accounting. In Dec 2014, the AASB made further amendments to AASB 9's classification and measurement rules and also introduced a new impairment model. AASB 9 has now been finalised. The amending standards make various consequential amendments as a result of the issuance of AASB 9 and amend the mandatory effective date of AASB 9 to 1 Jan 2018.	1 July 2018	HomeStart has reviewed the new rules for classification, measurement, recognition and derecognition of financial assets and liabilities. The classification and measurement of the existing group of assets and liabilities as at 30 June 2017 will remain the same under the new standard with the exception of one group of assets. Further work will be undertaken to ascertain materiality of the financial impact of the asset group which is to be reclassified and remeasured. The new impairment model is an expected credit loss model which may result in earlier recognition of credit losses.	1 July 2018

Home Start Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Reference	Title and date of standard application	Summary	Application date of standard	Impact on financial statements	Application date for HomeStart
				HomeStart has focused this year on identifying a high level assessment of available data (including quality and suitability) for inclusion in a model with parameters for calculating expected credit losses. A project plan for developing a model for the new standard, which will align more closely with HomeStart's credit risk practices has been approved.	
AASB 16	Leases	This new standard introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased assets and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117	1 January 2019	This new standard significantly changes accounting for lessees requiring recognition of almost all lease arrangements on-balance sheet. HomeStart will commence its analysis of current leasing arrangements based on AASB16 soon. Considering that HomeStart apart from accommodation lease arrangements have no other significant leasing arrangements, it is unlikely that the standard will have material impact on the HomeStart's financial result.	1 July 2019

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 4 Net interest income

Interest received/receivable	2017 \$'000	2016 \$'000
Loans and advances	90 512	92 109
Subsidised loans effective interest income	3 893	3 902
Subsidised loans fair value expense	(1 011)	(1 424)
Loan origination income amortisation	2 918	2 912
Deposits with banks	33	42
Total interest received/receivable	96 345	97 541
Interest paid/payable		
Borrowings from SAFA	(35 569)	(40 663)
Total interest paid/payable	(35 569)	(40 663)
Net interest income	60 776	56 878

NOTE 5 Other income

	2017 \$'000	2016 \$'000
Fees and charges	2 985	3 173
Bad debts recovered	194	114
Unrealised change in fair value of loans*	1 009	1 753
Realised change in fair value of loans	468	395
Managed funds distribution	26	66
Interest received from investments at fair value through profit or loss	216	1 033
Realised gains on disposal of available-for-sale investments	422	-
Interest received from available-for-sale investments	173	507
EquityStart grant	687	677
Community Service Obligation (CSO) subsidy	6 248	6 066
Other	46	111
Total other income	12 474	13 895

* The shared appreciation component of the Breakthrough Loan is measured at fair value through profit or loss. The fair value of this loan component is based on independent valuations of the properties pledged as collateral. Unrealised losses, if any, are disclosed in note 12 Other expenses.

EquityStart grant funds and CSO subsidy received

During the financial year, HomeStart received \$0.7 million (\$0.6 million, 2015-16) in grant funds from the Department for Communities and Social Inclusion, to compensate HomeStart for costs incurred in relation to EquityStart Loans. Refer to note 26.2 for information in relation to the recognition of EquityStart grant income.

The Department of Treasury and Finance (DTF) makes a CSO subsidy payment to HomeStart as compensation for the provision of Advantage Loans and credit quality subsidies as well as administering the Nunga Loan program. In addition, on 30 April 2012 the Cabinet approved that DTF would make an additional CSO payment to HomeStart each financial year to enable HomeStart to meet its target pre-tax return on equity (ROE) of 9% (if required). No such payment was received in the financial year ended 30 June 2017 (\$nil, 2015-16).

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 6 Employee benefits expenses

	2017	2016
	\$'000	\$'000
Salaries and wages	9 101	9 509
Long service leave (LSL)	120	317
Annual leave	36	28
Employment on-costs* – superannuation	871	842
Employment on-costs – other	484	511
Workers compensation	30	16
Board and committee fees	249	260
Total employee benefits expenses	10 891	11 483

*The superannuation employment on-cost charge represents HomeStart's contribution to superannuation plans in respect of current services of current employees.

NOTE 7 Employee remuneration and number of employees

The following table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, termination payments, superannuation contributions, salary sacrifice, payments in lieu of leave, fringe benefits and any fringe benefits tax paid in respect of those benefits. The total remuneration received by these employees for the year was \$2.93 million (\$3.60 million, 2015-16).

Remuneration of employees	2017	2016
	No.	No.
The number of employees whose remuneration received or receivable falls within the following bands:		
\$145 000 to \$147 000 (*)	n/a	3
\$147 001 to \$157 000	6	3
\$157 001 to \$167 000	1	1
\$167 001 to \$177 000	3	1
\$177 001 to \$187 000	-	1
\$187 001 to \$197 000	-	1
\$197 001 to \$207 000	2	1
\$217 001 to \$227 000	-	1
\$227 001 to \$237 000	-	1
\$237 001 to \$247 000	-	2
\$247 001 to \$257 000	1	-
\$257 001 to \$267 000	-	-
\$267 001 to \$277 000	1	-
\$387 001 to \$397 000	-	-
\$407 001 to \$417 000	-	1
\$417 001 to \$427 000	1	-
\$457 001 to \$467 000	-	1
Total	15	17

*This band has been included for the purposes of reporting comparative numbers based on the executive base level remuneration rate for 2015-16.

Number of employees

HomeStart employed 107 people at the end of the reporting period (99, 2015-16).

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 8 Key management personnel

Key management personnel of HomeStart include the Minister for Housing and Urban Development, members of the Board of directors, the Chief Executive Officer and the five members of the executive team who have responsibility for the strategic direction and management of HomeStart.

The Minister is considered a member of the key management personnel of HomeStart due to the power provided under the *Urban Renewal Act 1995* for the Minister to control and direct HomeStart.

The compensation detailed below excludes salaries and other benefits the Minister receives, the Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 of the Parliamentary Remuneration Act 1990.

(a) Board members

The following persons held the position of governing board member of HomeStart for the full financial year:

Mr	Jim Kouts (Chair)
Mr	Chris Ward (Deputy Chair)
Ms	Sue Edwards
Mr	Darryl Royans

Ms Roseanne Healy held the position of governing board member from 1 July 2016 until the Board appointment expiry date of 13 March 2017.

Ms Maria Palumbo held the position of governing board member from 1 July 2016 until her resignation from the Board effective 22 May 2017.

Ms Carmel Zollo held the position of governing board member from 19 December 2016 until 30 June 2017.

Ms Shanti Berggren held the position of governing board member from 15 March 2017 until 30 June 2017.

Subsequent to the end of financial year, Ms Catherine Anne King commenced the position of governing board member effective 31 July 2017.

(b) Other key management personnel

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

Mr	John Oliver	Chief Executive Officer
Ms	Deb Dickson	Head of Retail
Mr	David Hughes	Chief Financial Officer
Ms	Kay Lindley	Chief Risk Officer
Ms	Maree McAuley	People and Performance Leader
Mr	Andrew Mills	Head of Strategic Development

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

(c) Key management personnel compensation

The compensation of key management personnel for the years ended 30 June 2017 and 2016 included in Employee benefits expenses (see note 6) is as follows:

	2017 \$'000	2016 \$'000
Salaries and other short-term employee benefits	1 360	1 256
Long-term employee benefits (long service leave)	30	61
Long-term employee benefits (amounts paid to superannuation plans)	127	118
Total	1 517	1 435

(d) Remuneration of governing board members

The number of governing board members whose remuneration received or receivable falls within the following bands:

	2017 No.	2016 No.
\$10 000 - \$19 999*	1	-
\$20 000 - \$29 999	2	1
\$30 000 - \$39 999	2	3
\$40 000 - \$49 999	2	2
\$50 000 - \$59 999	1	1
Total number of governing board members	8	7

* This band has been added to report remuneration of a governing board member who held the position since March 2017.

The total remuneration received and receivable by those governing board members was \$0.27 million (\$0.28 million, 2015-16) which includes fringe benefits and superannuation contributions.

Apart from the details disclosed in this note, no governing board member has entered into a contract with HomeStart since the end of the previous financial year and there were no contracts involving governing board members' interests existing at year-end.

Apart from the details disclosed in this note, in accordance with the Premier and Cabinet Circular No. 016, SA Government employees did not receive any remuneration for governing board duties during the financial year.

Ms Maria Palumbo received remuneration for her role on the HomeStart Board until her resignation from the Board effective 22 May 2017, despite her secondment from the private sector to Renewal SA. This arrangement was approved by the Chief Executive of the Department of Premier and Cabinet as required by Premier and Cabinet Circular No. 016.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 9 Government guarantee fee

	2017	2016
	\$'000	\$'000
Government guarantee fee paid or payable	26 931	26 553
Total government guarantee fee paid or payable	26 931	26 553

The guarantee fee calculation methodology was revised in 2016 effective 1 July 2016. In line with the new Government Guarantee Fee Pricing Policy, 1.6% rate applies to legacy debt instruments existing as at 1 July 2016 until their maturity. A guarantee fee rate of 1.56% applies to new debt instruments undertaken during 2016-17 financial year until their maturity.

HomeStart paid a guarantee fee of 1.6% of outstanding borrowings to the Department of Treasury and Finance in 2015-16 financial year.

NOTE 10 Bad and impaired loans expense

	2017	2016
	\$'000	\$'000
Bad and impaired loans expense	168	812
Increase in provision for impairment	2 733	1 591
Total bad and impaired loans expense	2 901	2 403

NOTE 11 Depreciation and amortisation expense

	2017	2016
	\$'000	\$'000
Other office and computer equipment	201	195
Leasehold improvements	353	568
Intangible assets	727	693
Total depreciation and amortisation expense	1 281	1 456

NOTE 12 Other expenses

	2017	2016
	\$'000	\$'000
External auditor's remuneration	173	164
Insurance	103	98
Unrealised change in fair value of investments	-	6
Office accommodation	802	995
Marketing, product development and advertising	1 339	1 212
Internal audit fees	191	299
Loan administration	188	218
Information technology	1 490	1 362
Consultants' fees	80	181
Human resources and staff development	450	422
Other	1 825	1 659
Total other expenses	6 641	6 616

Total other expenses amount disclosed includes GST amounts non-recoverable from the ATO.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

The number and dollar amount of consultancies paid/payable (included in "Other expenses") that fell within the following bands:

	NO.	2017 \$'000	NO.	2016 \$'000
Below \$10 000	5	21	5	28
Above \$10 000	3	59	3	153
Total paid/payable to the consultants engaged	8	80	8	181

NOTE 13 Auditor's remuneration

	2017 \$'000	2016 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act	173	164
Total audit fees	173	164

The amounts disclosed above are inclusive of GST.

Other services

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

Auditor's remuneration are included in 'Other expenses' in the Statement of Comprehensive Income.

NOTE 14 Financial investments designated at fair value through profit or loss

14.1 Financial investments designated at fair value through profit or loss	2017 \$'000	2016 \$'000
SAFA Cash Management Fund	826	3 609
Term Deposits	-	37 000
Breakthrough Loan (shared appreciation component)	59 822	62 421
Total financial investments designated at fair value through profit or loss	60 648	103 030

14.2 Maturity profile of HomeStart's financial investments designated at fair value through profit or loss	2017 \$'000	2016 \$'000
At call	826	3 609
Not longer than three months	-	35 000
Longer than three months and not longer than twelve months	-	2 000
Longer than five years	59 822	62 421
Total financial investments designated at fair value through profit or loss	60 648	103 030

14.3 Risk exposure

Information in relation to HomeStart's exposure to investment price risk is provided in note 33.4.3 and 33.4.4.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 15 Financial investments – available-for-sale

15.1 Financial investments – available-for-sale	2017 \$'000	2016 \$'000
Bonds	-	10 801
Total financial investments – available-for-sale	-	10 801

15.2 Maturity profile of HomeStart's financial investments – available-for-sale	2017 \$'000	2016 \$'000
Longer than three months and not longer than twelve months	-	4 138
Longer than twelve months and not longer than five years	-	6 663
Total financial investments – available-for-sale	-	10 801

15.3 Reconciliation of available-for-sale investments	2017 \$'000	2016 \$'000
Opening balance at 1 July	10 801	12 005
Disposals	(10 138)	(1 000)
Amortisation	(34)	(101)
Reclassified to profit on disposal/Change in fair value (recognised directly in equity)	(629)	(103)
Closing balance at 30 June	-	10 801

NOTE 16 Loans and advances

16.1 Loans and advances	2017 \$'000	2016 \$'000
Primary loans	1 775 230	1 706 834
Subsidised loans	104 676	98 461
Gross loans and advances	1 879 906	1 805 295
Fair value adjustment	(11 571)	(13 168)
Deferred loan fee income	(7 922)	(6 510)
Deferred loan fee expense	2 543	2 311
Specific provision for impairment	(8 992)	(9 076)
Unearned income on impaired loans	(2 544)	(3 011)
Collective provision for impairment	(9 188)	(8 212)
Net loans and advances	1 842 232	1 767 629
Specific provision for impaired loans		
Opening balance	9 076	10 176
Bad debts written-off	(1 841)	(2 292)
Impairment expense	1 757	1 192
Closing balance	8 992	9 076
Collective provision for impairment		
Opening balance	8 212	7 813
Impairment expense	976	399
Closing balance	9 188	8 212
Total provision for impairment	18 180	17 288

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

16.2 Risk exposure

Information in relation to HomeStart's exposure to credit risk for loans and advances is provided in note 33.2.1.

NOTE 17 Other financial assets

	2017	2016
	\$'000	\$'000
Deferred financial investment income	-	110
Accrued interest on housing loans and advances	253	253
Accrued financial investment income	-	241
EquityStart grant receivable	159	159
GST recoverable	48	38
Other	160	167
Total other financial assets	620	968

NOTE 18 Intangible assets

	2017	2016
	\$'000	\$'000
Software at cost	7 310	6 625
Accumulated amortisation	(3 601)	(2 874)
Total software	3 709	3 751
Carrying amount at 1 July	3 751	4 333
Additions	685	111
Amortisation	(727)	(693)
Carrying amount at 30 June	3 709	3 751

All intangible assets were acquired externally directly from software suppliers or through contract arrangements. There were no indications of impairment of intangible assets at 30 June 2017.

NOTE 19 Property, plant and equipment

	2017	2016
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	3 122	3 106
Accumulated depreciation	(602)	(289)
Total leasehold improvements	2 520	2 817
Other office and computer equipment		
Other office and computer equipment at cost (deemed fair value)	2 549	2 435
Accumulated depreciation	(1 997)	(1 870)
Total other office and computer equipment	552	565
Total property, plant and equipment	3 072	3 382

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during the year:

	Leasehold improvements \$'000	Other office and computer equipment \$'000	Total \$'000
Carrying amount at 30 June 2015	878	171	1 049
Additions – at cost (deemed fair value)	1 844	596	2 440
Revaluation of make good asset	663	-	663
Disposals – at cost (deemed fair value)	(3 038)	(972)	(4 010)
Disposals – accumulated depreciation	3 038	965	4 003
Depreciation and amortisation	(568)	(195)	(763)
Carrying amount at 30 June 2016	2 817	565	3 382
Additions – at cost (deemed fair value)	16	189	205
Revaluation of make good asset	40	-	40
Disposals – at cost (deemed fair value)	-	(75)	(75)
Disposals – accumulated depreciation	-	74	74
Depreciation and amortisation	(353)	(201)	(554)
Carrying amount at 30 June 2017	2 520	552	3 072

All items of property, plant and equipment that had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, have not been revalued in accordance with Accounting Policy Framework III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets' condition and remaining useful life.

NOTE 20 Other assets

	2017 \$'000	2016 \$'000
Operating lease incentive	-	815
Prepayments	378	586
Total other assets	378	1 401

NOTE 21 Fair value measurement of non-financial assets

Fair value hierarchy

In determining fair value, HomeStart has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset), and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

HomeStart's current use is the highest and best use of the asset unless other factors suggest an alternative is feasible. As HomeStart did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million, or had an estimated useful life that was less than three years, are deemed to approximate fair value.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. HomeStart categorises non-financial assets measured at fair value into the fair value hierarchy based on the level of inputs used in measurement as follow:

Fair value measurements at 30 June 2017

Recurring fair value measurements	2017 \$'000	Level 3 \$'000
Leasehold improvements	2 520	2 520
Other office and computer equipment	552	552
Total recurring fair value measurements	3 072	3 072

Fair value measurements at 30 June 2016

Recurring fair value measurements	2016 \$'000	Level 3 \$'000
Leasehold improvements	2 817	2 817
Other office and computer equipment	565	565
Total recurring fair value measurements	3 382	3 382

HomeStart's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. During 2017 and 2016, HomeStart had no non-financial asset valuations categorised into level 1 and 2.

Valuation techniques and inputs

Unobservable inputs were used in determining fair value, refer to note 19, and they are subjective. HomeStart considers that the overall valuation would not be materially affected by changes to the existing assumptions. There were no changes in valuation techniques during 2017 and 2016. The following table is a reconciliation of fair value measurements using significant unobservable input (level 3).

Reconciliation of Level 3 recurring fair value measurements as at 30 June 2017

	Property, plant and equipment \$'000
Opening balance at the beginning of the period	3 382
Acquisitions	205
Revaluation of make good asset	40
Disposal	(1)
Depreciation	(554)
Carrying amount at the end of the period	3 072

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Reconciliation of Level 3 recurring fair value measurements as at 30 June 2016

	Property, plant and equipment \$'000
Opening balance at the beginning of the period	1 049
Acquisitions	2 440
Revaluation of make good asset	663
Disposal	(7)
Depreciation	(763)
Carrying amount at the end of the period	3 382

NOTE 22 Payables

22.1 Payables	2017 \$'000	2016 \$'000
Creditors	372	199
Accrued administration expenses	243	272
Employment on-costs*	379	383
Accrued interest payable on borrowings	1 465	1 642
Accrued interest payable on derivatives	111	120
Accrued guarantee fee payable	1 193	2 214
Accrued loan manager fees	414	473
Total payables	4 177	5 303

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

22.2 Interest rate and credit risk

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

NOTE 23 Borrowings

23.1 Interest bearing liabilities	2017 \$'000	2016 \$'000
Short-term borrowings payable		
Short-term borrowings	82 725	240 605
Total short-term borrowings payable	82 725	240 605
Long-term borrowings payable		
Long-term borrowings	1 647 000	1 472 000
Total long-term borrowings payable	1 647 000	1 472 000
Total interest bearing liabilities	1 729 725	1 712 605

All HomeStart borrowings are unsecured.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

23.2 Risk exposure

Information in relation to HomeStart's exposure to liquidity and interest rate risks is provided in notes 33.3 and 33.4.2 respectively.

NOTE 24 Employee benefits

24.1 Employee benefits	2017	2016
	\$'000	\$'000
Accrued salaries	179	139
Annual leave	578	620
Long service leave	1 588	1 608
Total employee benefits	2 345	2 367

24.2 Calculation of long service leave

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

The Accounting Policy Framework requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased to 2.5% 2017, (2.0 %, 2016).

The increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$68 461 and employee benefits expense of \$78 354. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4%. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

24.3 Settlement period of long service leave

HomeStart's policy allows any employee who has completed seven years of continuous service to:

- have their long service leave entitlements paid to them on leaving HomeStart as part of their termination payment
- take pro-rata long service leave
- cash out a proportion of their long service leave in lieu of taking the leave.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 25 Provisions

25.1 Provision for income tax	2017	2016
	\$'000	\$'000
Income tax equivalent payable	3 479	2 558
Total tax equivalent payable	3 479	2 558

25.2 Provision for dividend	2017	2016
	\$'000	\$'000
Dividend payable	1 423	23
Total dividend payable	1 423	23

Pursuant to Section 26 of the *Urban Renewal Act 1995*, HomeStart must recommend to the Minister for Housing and Urban Development, that it pays a specified dividend or not pay a dividend, for the financial year, as it considers appropriate. The Minister may, in consultation with the Treasurer, by notice to HomeStart approve its recommendation or determine that another dividend, or no dividend, should be paid.

Dividends paid and payable have been specifically determined and approved in consultation with the Treasurer and HomeStart's Minister.

For the financial year ended 30 June 2017, the Board of HomeStart recommended the payment of a dividend of 60% of after tax profit (60%, 2015-16). Based on the forecast profit this amounted to a total dividend of \$7.1 million in respect of the year ended 30 June 2017 (\$7.1 million, 2015-16). The Minister and Treasurer approved the recommendation and the estimated amount was paid in June 2017.

The actual dividend based on the actual after tax profit of \$14.2 million was \$8.5 million. HomeStart paid a dividend amount of \$7.1 million to the Department of Treasury and Finance prior to the end of the financial year (\$7.1 million, 2015-16). The amount of dividend payable of \$1.4 million is disclosed in note 25 as Provision for dividend. HomeStart will pay this residual dividend amount of \$1.4 million in respect of the financial year ended 30 June 2017 in June 2018 (\$0.02 million, 2015-16).

HomeStart also paid an interim dividend of \$20.0 million to the Department of Treasury and Finance prior to the end of 2015-16 financial year. This was a one off interim dividend approved by the Minister in September 2015, following recommendation from HomeStart Board in August 2015.

NOTE 26 Other liabilities

26.1 Other liabilities	2017	2016
	\$'000	\$'000
Unearned income (EquityStart grant)	774	770
Workers compensation provision*	47	46
Wyatt Benevolent Institution	2 347	2 332
Operating lease liability	1 499	1 568
Make good provision	400	750
Provision for restructure	-	145
City of Salisbury	5	5
Total other liabilities	5 072	5 616

*A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on actuarial assessment of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation. HomeStart is responsible for the payment of workers compensation claims.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

26.2	Unearned income (EquityStart grant)	2017	2016
		\$'000	\$'000
	Opening balance	770	822
	Amounts received/receivable	691	625
	Amount recognised as earned (note 5)	(687)	(677)
	Closing balance	774	770

AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* requires that government grants related to costs be deferred and recognised in the Statement of Comprehensive Income over the period necessary to match them with the costs that they are intended to compensate.

26.3	Make good provision	2017	2016
		\$'000	\$'000
	Opening balance	750	714
	Revaluation of provision	40	663
	Charges against provision	(390)	(627)
	Closing balance	400	750

Revaluation of the make good provision amount relates to the premises at 153 Flinders Street vacated in July 2015. The make good provision for 153 Flinders Street has been fully decommissioned as at 30 June 2017.

NOTE 27 **Equity**

General reserve for credit losses

A general reserve for credit losses was created within equity. The maintenance of this reserve is consistent with the Australian Prudential Regulation Authority (APRA) prudential risk management requirements of retaining sufficient retained earnings for capital adequacy purposes. Amounts in the general reserve for credit losses will not be reclassified to profit or loss.

Derivatives valuation reserve

The derivatives valuation reserve was created to recognise the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges. When a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria, the gain or loss on the instrument previously recognised in the derivatives valuation reserve is reclassified from equity to profit or loss.

Available-for-sale revaluation reserve

The available-for-sale revaluation reserve was created to recognise the gain or loss on investments that are classified as available-for-sale. A gain or loss on an available-for-sale financial asset is recognised in the available-for-sale revaluation reserve until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is reclassified from equity to profit or loss.

As at 30 June 2017 HomeStart had no available-for sale financial assets.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 28 Unrecognised contractual commitments

28.1 Capital commitments

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

	2017 \$'000	2016 \$'000
Within one year	145	550
Total capital commitments	145	550

Capital expenditure commitments are for upgrades of operational systems.

28.2 Expenditure commitments - software licence commitments

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

	2017 \$'000	2016 \$'000
Within one year	569	452
Later than one year but not longer than five years	1 869	528
Total expenditure commitments	2 438	980

HomeStart's software licence commitments in 2017 and 2016 are in relation to the Front End Loan System and Microsoft software suite.

28.3 Operating leases commitments

Commitments under cancellable and non-cancellable operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:

	2017 \$'000	2016 \$'000
Within one year	917	891
Later than one year but not longer than five years	3 690	3 550
Later than five years	3 009	3 955
Total operating lease commitments	7 616	8 396
Representing:		
Non-cancellable operating leases	7 616	8 396
Total operating lease commitments	7 616	8 396

HomeStart's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to 10 years with all leases having the right of renewal. Rent is payable in advance.

The total amount of rental expense for minimum lease payments for the financial year is disclosed in note 12.

28.4 Commitments to extend credit to customers

Contractual commitments for loans either approved but not settled or settled but not fully drawn at the balance date amounted to \$53.8 million (\$55.5 million, 2015-16). These commitments are expected to be paid in the coming financial year.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 29 Contingent assets and liabilities

HomeStart is not aware of any material contingent assets or liabilities that exist at the reporting date.

NOTE 30 Related parties

HomeStart is controlled by the SA Government.

Related parties of HomeStart include all key management personnel and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government. Quantitative information about transactions and balances between HomeStart and other SA Government entities are disclosed in note 32.

Other related party disclosures are included in note 8 Key management personnel.

All transactions between HomeStart and its related parties are on arms' length terms and conditions.

During the financial year HomeStart undertook transactions with the following related parties:

- employees who are key management personnel
- board members
- Department for Communities and Social Inclusion
- Department of Planning, Transport and Infrastructure
- Department of Treasury and Finance
- South Australian Government Financing Authority (SAFA).

The nature and amounts of these transactions have been disclosed throughout the financial statements.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 31 Cash flow reconciliation

31.1 Reconciliation of cash and cash equivalents - cash at the end of the reporting period:

	2017 \$'000	2016 \$'000
Cash and Cash equivalents disclosed in the Statement of Financial Position	4 810	1 709
Balance as per Statement of Cash Flows	4 810	1 709

31.2 Reconciliation of profit for the year to net cash provided by operating activities

	2017 \$'000	2016 \$'000
Profit for the year	14 193	11 900
Gain from sale of office and computer equipment	(1)	(4)
Add/less non cash items		
Amortisation of discount or premium on purchase of available-for-sale financial assets	34	101
Depreciation and amortisation expense of non-financial assets	1 281	1 456
Unrealised change in fair value of loans	(1 009)	(1 753)
Unrealised change in fair value of investments	-	6
Realised gains on disposal of available-for-sale financial assets	(422)	-
Reinvestment of managed funds distribution	(26)	(66)
Bad debts written-off	2 009	3 104
Fees applied directly to loan accounts	(4 904)	(4 462)
Movement in assets and liabilities		
(Decrease) increase in provision for impairment	892	(701)
(Decrease) increase in deferred loan fee income	1 412	884
(Increase) decrease in deferred loan fee expense	(232)	(140)
(Decrease) increase in fair value adjustment	(1 597)	(1 131)
(Decrease) increase in payables	(565)	989
(Decrease) increase in provision for employee benefits	(22)	(181)
(Decrease) increase in provision for restructure	(145)	(300)
(Decrease) increase in other liabilities	4	(121)
(Decrease) increase in income tax equivalents payable	921	236
(Increase) decrease in financial and other assets	348	206
Net cash provided by operating activities	12 171	10 023

NOTE 32 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty is an entity within SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Note		SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
	Income						
4	Interest income	-	-	96 345	97 541	96 345	97 541
5	Other income						
	Fees and charges	-	-	2 985	3 173	2 985	3 173
	Managed funds distribution	26	51	-	15	26	66
	Unrealised gain in fair value of loans	-	-	1 009	1 753	1 009	1 753
	EquityStart grant	687	677	-	-	687	677
	Community Service Obligation (CSO) subsidy	6 248	6 066	-	-	6 248	6 066
	Other income	-	-	1 519	2 160	1 519	2 160
	Net gain/(loss) from disposal of assets	-	-	1	4	1	4
	Total income	6 961	6 794	101 859	104 646	108 820	111 440
	Expenses						
4	Interest expense on SAFA borrowings	(35 569)	(40 663)	-	-	(35 569)	(40 663)
10	Bad and impaired loans expense	-	-	(2 901)	(2 403)	(2 901)	(2 403)
	Loan manager fees	-	-	(4 330)	(5 266)	(4 330)	(5 266)
6	Employee benefits expenses	(484)	(511)	(10 407)	(10 972)	(10 891)	(11 483)
11	Depreciation and amortisation expenses	-	-	(1 281)	(1 456)	(1 281)	(1 456)
12	Other expenses						
	External auditor remuneration	(173)	(164)	-	-	(173)	(164)
	Office accommodation	-	-	(802)	(995)	(802)	(995)
	Marketing, product development and advertising	-	-	(1 339)	(1 212)	(1 339)	(1 212)
	Internal audit fees	-	-	(191)	(299)	(191)	(299)
	Loan administration	-	-	(188)	(218)	(188)	(218)
	Information technology	-	-	(1 490)	(1 362)	(1 490)	(1 362)
	Insurance	-	-	(103)	(98)	(103)	(98)
	Consultant fees	-	-	(80)	(181)	(80)	(181)
	Human resources and staff development	-	-	(450)	(422)	(450)	(422)
	Other	-	-	(1 825)	(1 665)	(1 825)	(1 665)
9	Government guarantee fee	(26 931)	(26 553)	-	-	(26 931)	(26 553)
	Total expenses	(63 157)	(67 891)	(25 387)	(26 549)	(88 544)	(94 440)

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

Note		SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
	Financial assets						
	Cash and cash equivalents	-	-	4 810	1 709	4 810	1 709
<u>14</u>	Financial investments at fair value through profit or loss	826	3 609	59 822	99 421	60 648	103 030
<u>15</u>	Financial investments available for sale	-	-	-	10 801	-	10 801
<u>16</u>	Loans and	-	-	1 842 232	1 767 629	1 842 232	1 767 629
<u>17</u>	Other financial assets	167	165	453	803	620	968
<u>20</u>	Other assets	-	-	378	1 401	378	1 401
	Total financial assets	993	3 774	1 907 695	1 881 764	1 908 688	1 885 538
	Financial liabilities						
<u>22</u>	Payables	(3 004)	(4 216)	(1 173)	(1 087)	(4 177)	(5 303)
<u>33.2.2</u>	Derivative financial instruments	(3 847)	(6 911)	-	-	(3 847)	(6 911)
<u>23</u>	Short term borrowings	(82 725)	(240 605)	-	-	(82 725)	(240 605)
<u>24</u>	Employee benefits	-	-	(2 345)	(2 367)	(2 345)	(2 367)
<u>25</u>	Income tax equivalents payable	(3 479)	(2 558)	-	-	(3 479)	(2 558)
<u>25</u>	Provision for dividend	(1 423)	(23)	-	-	(1 423)	(23)
<u>26</u>	Other liabilities	(774)	(770)	(4 298)	(4 846)	(5 072)	(5 616)
<u>23</u>	Long term borrowings	(1 647 000)	(1 472 000)	-	-	(1 647 000)	(1 472 000)
	Total financial liabilities	(1 742 252)	(1 727 083)	(7 816)	(8 300)	(1 750 068)	(1 735 383)

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

NOTE 33 Financial risk management

33.1 Overview

HomeStart's activities expose it to a variety of financial risks, primarily:

- credit risk
- liquidity risk
- market risk (including interest rate risk and price risk).

This note presents information about HomeStart's exposure to each of the above risks as well as HomeStart's objectives, policies and processes for measuring and managing risk.

Taking risk is core to HomeStart's business. HomeStart aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance.

HomeStart's Board of directors has overall responsibility for the establishment and oversight of HomeStart's risk management framework. The Board has established the Asset and Liability Committee (ALCO) and Audit Committee to develop and monitor HomeStart's risk management policies. In addition a Board Credit Sub-Committee has been formed to review and recommend approval of individual loan applications which will result in an aggregate exposure to the borrower that exceeds \$1.1 million.

HomeStart's risk management policies are designed to identify and analyse financial risks, set appropriate risk limits and controls, and monitor the risks and adherence to limits by means of reliable and up-to-date information systems. HomeStart regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Financial risk management is the responsibility of HomeStart's internal Finance department which identify, evaluate and, when feasible and appropriate, hedge financial risks. It operates in accordance with policies approved by the Board and its sub-committees. These written policies cover overall risk management as well as specific areas, such as interest rate risk, credit risk, use of derivative and non-derivative financial instruments.

HomeStart's Board of directors has delegated to the Audit Committee the responsibility for monitoring compliance with HomeStart's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by HomeStart. The Audit Committee is assisted in these functions by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. HomeStart's ALCO is also directly involved in the risk management process, in particular as it relates to the management of market risk and credit risk.

In accordance with the best practice APRA framework, the Board Credit Sub-Committee review individual loan applications where the resulting aggregate exposure of the borrower will exceed \$1.1 million and individual loan applications greater than \$1.1 million and where appropriate will recommend the loan to the Minister or the Cabinet.

HomeStart's exposures to financial risk and how they arise as well as its objectives, policies and processes for managing the risk and the methods used to measure the risk have not changed materially from the previous period.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

33.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause HomeStart to incur a financial loss by failing to discharge an obligation.

HomeStart's exposure to credit risk arises primarily from loans and advances to customers.

As described below, HomeStart manages its credit risk by dealing with credit worthy customers and counterparties, setting credit limits on its exposures and obtaining collateral.

33.2.1 Loans and advances

(a) Credit risk management

Credit risk is inherent in HomeStart's core function of lending.

HomeStart's credit risk management processes are overseen by the Board, Audit Committee and ALCO.

The authority to make credit decisions in accordance with approved policies is delegated by the Board to executive management.

The Board and its sub-committees are responsible for monitoring payment and loss performance and regularly consider trends in the number of loans more than 30 days past due, expected loss analysis performed by both management and an independent actuary and actual losses realised.

The effectiveness of HomeStart's credit risk management framework is monitored via compliance and reporting processes. The Audit Committee is responsible for overseeing the compliance of adherence to approved lending and arrears management policies.

(b) Risk control and mitigation policies

HomeStart manages, limits and controls credit risks wherever they are identified. Some specific control and mitigation measures are outlined below.

Lending policies

HomeStart's approved lending policies require verification of the customer's income and an assessment of credit worthiness based on credit checks with independent agencies and statistical analysis of the factors most likely to lead to credit default. HomeStart policy is to not undertake lending on a reduced documentation basis or lending which relies in any way on borrowers' self-verification of income.

Collateral

HomeStart holds collateral against loans and advances to customers in the form of registered mortgages over security properties.

HomeStart's credit principles specify that loans may only be made where the customer has the capacity and ability to repay. Obtaining collateral is used to mitigate credit risk.

Procedures are designed to ensure collateral is managed, legally enforceable, conservatively valued and adequately insured at the time of settlement. It is an ongoing condition of the loan contract that this insurance be kept current. Following settlement, HomeStart has other insurance arrangements to mitigate the risks arising from uninsured properties.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

In the event of a loan default, any loan security enforced is held as mortgagee in possession. Any property thus held does not meet the recognition criteria of Australian Accounting Standards and is not recognised in the Statement of Financial Position.

The estimated fair value of collateral held is based on the Valuer-General's annual property data or a current formal valuation. As at year-end the fair value of collateral for past due and impaired loans was:

	2017	2016
	\$'000	\$'000
Past due but not impaired		
Gross carrying value	62 692	80 620
Fair value of collateral	100 224	123 838
Impaired		
Gross carrying value, before specific provision for impairment	48 004	52 044
Unearned income on impaired loans	(2 544)	(3 011)
Specific provision for impairment	(8 992)	(9 076)
Net impaired loans and advances	36 468	39 957
Fair value of collateral	50 690	53 215

Concentration of counterparty and geographic risk

HomeStart is not materially exposed to any individual customer. HomeStart is restricted under the *Housing and Urban Development (Administrative Arrangements) (HomeStart Finance) Regulations 2007*, to only lend in South Australia and is therefore exposed to the property market in this state.

Approximately 23% (24%, 2015-16) of HomeStart's loans by value are secured against properties outside the Adelaide metropolitan area. This represents a risk as the limited market liquidity in country regions as well as the less diversified nature of rural economies can lead to greater volatility in property values. HomeStart currently manages this risk by imposing stricter Loan to Valuation Ratio (LVR) limits when lending in some country locations, and excluding others completely.

At reporting date 34% (33%, 2015-16) of HomeStart's loans by value were secured against properties in the City of Salisbury and the City of Playford. HomeStart's exposure to risk in this geographic area is managed through lending policies as well as obtaining and managing collateral, as described above.

Higher LVR loans

HomeStart has several product categories where the initial LVR is permitted to exceed 95% (higher LVR loans). To mitigate and control associated risks the total dollar value of higher LVR loans is not permitted to exceed internal limits. In order to control volumes of higher LVR lending, HomeStart limits both the geographic range of higher LVR lending and imposes further credit assessment requirements.

Loan Provision Charge

HomeStart does not require its customers to pay for Lenders Mortgage Insurance. It does, however, require its customers to pay a Loan Provision Charge at the time of advancing a loan.

(c) Credit risk measurement

Significant portfolio analysis is performed by management on a regular basis to measure and report credit risk. This work is supplemented by an independent actuarial review performed each year, the outcomes of which include the expected future amounts to be written-off.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

This operational measurement can be contrasted with the impairment allowances required by AASB 139, which are based on the existence of objective evidence of impairment at the reporting date rather than expected losses (note 2.10.3 and note 16).

The amount of incurred credit losses provided for in the financial statements differs from the amount determined from the expected loss model that is used for internal operational management due to the different methodologies applied.

HomeStart has designated its Breakthrough Loans as being at fair value through profit or loss. The credit risk attaching to the shared appreciation component of the Breakthrough Loan is not material.

(d) Credit quality and maximum exposure to credit risk

HomeStart's maximum exposure to credit risk has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for impairment of \$1 842.1 million (\$1 767.63 million, 2015-16).

The credit quality of loans and advances can be assessed by reference to the expected loss amount used for internal operational management (as described above) and the Behaviour Risk Grading (BRG) system adopted by HomeStart.

The BRG system is a statistical tool used to monitor the credit behaviour of loans over time and assign a risk grading to each. Outcomes are monitored regularly to test the validity of assumptions and parameters used.

The following tables set out the carrying value of loans and advances to customers. Further analysis by risk grading is also provided.

	2017 \$'000	2016 \$'000
Not impaired		
Neither renegotiated nor past due		
Low risk	1 190 090	1 392 391
Moderate risk	490 813	241 327
High risk	81 931	29 198
Gross loans and advances neither renegotiated nor past due	1 762 834	1 662 916
Renegotiated (1)		
Low risk	4 826	6 358
Moderate risk	882	2 654
High risk	668	703
Gross loans and advances renegotiated	6 376	9 715
Past due but not impaired (2)		
Low risk	24 729	30 514
Moderate risk	20 825	30 873
High risk	17 138	19 233
Gross loans and advances past due but not impaired	62 692	80 620
Total not impaired		
Low risk	1 219 645	1 429 263
Moderate risk	512 520	274 854
High risk	99 737	49 134
Gross loans and advances not impaired	1 831 902	1 753 251

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Impaired (3)		
Low risk	14 690	17 451
Moderate risk	20 636	22 766
High risk	12 678	11 827
<i>Gross impaired loans and advances</i>	48 004	52 044
Unearned income on impaired loans	(2 544)	(3 011)
Specific provision for impairment	(8 992)	(9 076)
Impaired loans and advances after provision and unearned income	36 468	39 957
Total		
Low risk	1 234 335	1 446 714
Moderate risk	533 156	297 620
High risk	112 415	60 961
<i>Gross loans and advances</i>	1 879 906	1 805 295
Fair value adjustment	(11 571)	(13 168)
Deferred loan fee income	(7 922)	(6 510)
Deferred loan fee expense	2 543	2 311
Unearned income on impaired loans	(2 544)	(3 011)
Specific provision for impairment	(8 992)	(9 076)
Collective provision for impairment	(9 188)	(8 212)
Net loans and advances	1 842 232	1 767 629

The following table provides an analysis of the age of financial assets that are past due as at the reporting date but not impaired.

	2017 \$'000	2016 \$'000
<30 days	46 357	60 346
30 – 59 days	8 724	11 979
60 – 89 days	3 060	3 471
90 – 179 days	1 976	3 060
>179 days	2 575	1 764
Total	62 692	80 620

(1) Loans and advances renegotiated

HomeStart's policy permits certain customers to increase the balance of their loan by the amount of their arrears (arrears capitalisation). Following arrears capitalisation, a previously overdue customer account is reset to normal status.

HomeStart assesses arrears capitalisation on a case-by-case basis and decisions are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are reviewed periodically. Also HomeStart may reduce the required loan repayment for reasons relating to financial difficulties of a customer provided the projected loan term is within the normal lending criteria.

The gross carrying amount of loans that have been renegotiated under these criteria within the last 12 months that may otherwise be past due or impaired totalled \$6.4 million as at 30 June 2017 (\$9.7 million, 2015-16)

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

In prior years, the renegotiated loans amount reported (\$28.2 million in 2015-16) represented the gross carrying amount of loans and advances at 30 June in relation to which arrears capitalisation had occurred at any time prior to the financial reporting date (without a 12 month limit). The 12 month criteria for inclusion in the reporting was introduced as the relevance of the event diminishes with time. If the loan does revert to being in arrears then it would be picked up as impaired or past due.

(2) Past due but not impaired

As per AASB 7 *Financial Instruments: Disclosures* (AASB 7), past due but not impaired loans are those where a counterparty has failed to make a payment when contractually due, however, are not considered impaired due to collateral available and other loan performance and customer characteristics.

(3) Impaired loans

Impaired loans and advances are those where HomeStart has determined that it is probable that it will be unable to collect all principal and interest due in accordance with the contractual terms of the loan agreement.

33.2.2 Derivative financial liabilities

(a) Credit risk management and risk control and mitigation policies

HomeStart is permitted by the Treasurer to transact in derivatives only with SAFA.

(b) Maximum exposure to credit risk

As at 30 June 2017 and 30 June 2016, HomeStart did not have any exposure to credit risk arising from derivative financial liabilities.

	2017 \$'000	2016 \$'000
Derivative financial instruments	(3 847)	(6 911)
Swap income receivable	110	110
Swap expense payable	(221)	(230)
Net payable (note 22)	(111)	(120)

Further information in relation to derivatives is disclosed in notes 33.3.3 and 33.4.2.

33.3 Liquidity risk

Liquidity risk is the risk that HomeStart may, at some stage, be unable to meet its financial obligations when they fall due. The consequence may be failure to meet obligations to repay SAFA and fulfil commitments to lend money to customers.

33.3.1 Liquidity risk management

Risks relating to liquidity are governed by a range of treasury management policies, which are subject to oversight by ALCO.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

HomeStart's liquidity management process is carried out and monitored by HomeStart's internal Finance department and includes:

- day-to-day management of funding by monitoring cash flows to ensure excess funds are repaid, funds are replenished as they mature, and funds are borrowed when needed to meet lending and other financial commitments
- monitoring internal liquidity ratios and limits.

Monitoring and reporting takes the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

Whole of government policy requires that HomeStart holds a positive balance in its operating bank account. HomeStart's internal policy requires maintaining daily cash at an agreed target balance.

33.3.2 Funding approach

HomeStart is required to use SAFA as its sole counterparty for all funding transactions. The arrangement gives HomeStart access to a significant volume of liquidity, restricted by an approved borrowing limit of \$2 105 million as at 30 June 2017 (\$2 105 million, 2015-16).

33.3.3 Exposure to liquidity risk

(a) *Non-derivative cash flows*

HomeStart's exposure to liquidity risk is managed by adherence to ALCO approved ratios and requirements, which include a requirement that HomeStart's debt, subject to refinancing in the next 12 month period, is to be limited to 40% (40%, 2015-16) of total debt outstanding.

% of debt subject to refinancing in the next 12 month period	2017	2016
	%	%
At 30 June	4.80	14.05
Average for the period	30.20	36.41
Maximum for the period	41.20	41.53
Minimum for the period	4.80	12.07

Temporary ALCO approval was granted in September 2016 to exceed the 40% limit for short term funding until maturity of the 2017 debt instruments included as short term.

The table below presents the cash flows payable by HomeStart under non-derivative financial liabilities by remaining contractual maturities at the reporting date.

2017	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Liabilities							
Payables	4 177	-	-	-	-	4 177	4 177
Borrowings	87 551	9 894	44 044	1 564 306	224 565	1 930 360	1 729 725
Other financial liabilities	-	1 740	3 162	-	-	4 902	4 902
Total liabilities (contractual maturity dates)	91 728	11 634	47 206	1 564 306	224 565	1 939 439	1 738 804

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

2016	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying value \$'000
Liabilities							
Payables	5 303	-	-	-	-	5 303	5 303
Borrowings	244 402	9 416	40 065	1 563 205	-	1 857 088	1 712 605
Other financial liabilities	-	1 279	1 302	-	-	2 581	2 581
Total liabilities (contractual maturity dates)	249 705	10 695	41 367	1 563 205	-	1 864 972	1 720 489

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, cash equivalents, loans and advances to individuals.

(b) *Derivative cash flows*

Derivatives used by HomeStart to hedge risk include interest rate swaps.

The table below analyses HomeStart's derivative financial liabilities at fair value that will be settled on a net basis into relevant maturity groupings based on the remaining period to the contractual maturity date.

	Up to 1 month \$'000	1-3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000	Carrying value \$'000
2017	(184)	(364)	(1 429)	(2 469)	(206)	(4 652)	(3 847)
2016	(189)	(374)	(1 617)	(4 526)	(627)	(7 333)	(6 911)

Further information in relation to derivatives is disclosed in notes 33.2.2 and 33.4.2

(c) *Off balance sheet*

The periods of payment of unrecognised contractual commitments are disclosed in note 28.

33.4 Market risk

Market risk is the risk of changes in market prices such as interest rates, equities prices, credit spreads and property prices affecting HomeStart's income and returns.

The objective of market risk management is to monitor, control and mitigate exposure to this risk, all within acceptable parameters while at the same time optimising return.

33.4.1 Market risk management

HomeStart's market risk management processes are overseen by the Board and ALCO sub-committee.

A comprehensive Treasury Master Document sets out the policies which govern HomeStart's management of market risk. Adherence to these policies is monitored by ALCO at its monthly meetings and by the Finance department on a daily basis.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

ALCO is responsible for approving these policies. The authority to make decisions in accordance with these approved policies is delegated by the Board to executive management.

The effectiveness of HomeStart's market risk management framework is monitored via compliance and reporting processes and independent review by internal audit.

33.4.2 Interest rate risk

(a) Risk control and mitigation policies

HomeStart manages, limits and controls market risks wherever they are identified. The following outlines some specific control and mitigation measures.

HomeStart engages in derivative financial instruments to hedge interest rate risk within its portfolio. These derivatives include interest rate swaps.

HomeStart receives a fixed rate of interest on a portion of its loans to customers and pays floating interest on borrowings from SAFA. To protect it from an increase in interest rates payable on its borrowings, HomeStart enters into interest rate swap contracts in order to hedge this mismatch of cash flows.

As at 30 June 2017, HomeStart had floating/fixed swaps with a notional value of \$157.5 million (\$118 million, 2015-16) with fixed rates varying between 1.49% and 7.21% (1.80% and 7.21%, 2015-16).

Periods to maturity of the interest rate swap contracts are disclosed at note 33.3.3(b).

(b) Market rate risk

HomeStart management monitor interest rate risk on a weekly basis. The monitoring includes:

- reviewing and comparing the level of maturity of interest rate swaps and the underlying fixed rate loan transactions
- identifying the level of unhedged portfolio generated through additional lending activity, fixed rate loan expiry and interest rate loan expiry
- reviewing interest rate swaps expiries and entering into further interest rate swaps arrangements to cover the mismatch in cash flows.

ALCO monitor this process on a monthly basis

(c) Hedge accounting

Variable rate debt used to fund fixed rate loans to customers is hedged by interest rate swaps, which have been designated as cash flow hedges, enabling the portion of the effective gain or loss to be recognised in equity.

Fluctuations in the fair value of these transactions are not recognised in the Statement of Comprehensive Income when HomeStart designates the instrument into a hedge relationship and satisfies the 'hedge accounting' requirements contained in AASB 139 *Financial Instruments: Recognition and Measurement*.

The gain or loss from remeasuring the instruments at fair value is deferred in equity in the derivatives valuation reserve, to the extent that the hedge is effective. The ineffective portion is recognised in the Statement of Comprehensive Income immediately. In the year ended 30 June 2017, a \$3.1 million gain (\$0.6 million loss, 2015-16) was recognised in equity during the period.

Further information in relation to derivatives is disclosed in notes 33.2.2

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

33.4.3 Investments price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to investment price risk arising from investments held by HomeStart and classified in the Statement of Financial Position as fair value through profit or loss.

(b) *Maximum exposure to investments price risk*

HomeStart's maximum exposure to investments price risk has been recognised as the carrying amount at reporting date (note 14).

(c) *Sensitivity analysis*

The following tables summarise the sensitivity of HomeStart's profit to investment price risk. The analysis is based on the assumption of a 10% increase or decrease in market value at year-end, with all other variables being held constant.

2017	Carrying amount \$'000	-10%	10%
SAFA Cash Management Fund	826	(83)	83
Total increase/(decrease) in profit before tax and equity	826	(83)	83

2016	Carrying amount \$'000	-10%	10%
SAFA Cash Management Fund	3 609	(361)	361
Total increase/(decrease) in profit before tax and equity	3 609	(361)	361

33.4.4 Breakthrough Loan property price risk

(a) *Risk control and mitigation policies*

HomeStart is exposed to property price risk arising from the shared appreciation component of Breakthrough Loans made to customers that are measured at fair value through profit or loss. The fair value of this loan is based on the value of the property pledged as collateral (note 2.10.2).

To manage its price risk arising from Breakthrough Loans, HomeStart limits the total size of the Breakthrough Loan portfolio, the dollar value of loans settled each month and the geographic locations where lending is undertaken.

(b) *Maximum exposure to property price risk*

HomeStart's maximum exposure to property price risk has been recognised as the carrying amount at balance date (note 14).

(c) *Sensitivity analysis*

The following table summarises the sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan. The analysis is based on the assumption of a 5% increase or decrease in property market value at year-end, with all other variables being held constant.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

	2017 Carrying amount \$'000	-5%	5%	2016 Carrying amount \$'000	-5%	5%
Breakthrough Loan	59 822	(3 658)	3 854	62 421	(3 812)	4 031
Total increase/(decrease) in profit before tax and equity		(3 658)	3 854		(3 812)	4 031

33.4.5 Currency risk

Changes in foreign exchange rates will not directly cause the fair value or future cash flows of any financial instruments held by HomeStart to fluctuate.

NOTE 34 Fair value and categorisation of financial instruments

34.1 Fair value and categorisation of financial instruments

The fair value of assets or liabilities traded in active markets are based on quoted market prices for identical assets or liabilities at balance date. The fair value of other financial assets or liabilities is determined using valuation techniques. These techniques maximise the use of observable market data where it is available. HomeStart uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

The table below summarises the categorisation, carrying amounts and fair values of HomeStart's financial assets and liabilities.

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 of each class of financial asset and financial liability are disclosed in note 2.

		2017		2016	
	Category	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial assets					
Cash and cash equivalents	N/A	4 810	4 810	1 709	1 709
Investments	Fair value through profit or loss	60 648	60 648	103 030	103 030
Investments	Available-for-sale	-	-	10 801	10 801
Loans and advances ^[1]	Amortised cost	1 842 232	1 842 304	1 767 629	1 768 272
Other financial assets	Financial assets (at cost)	620	620	968	968
Total financial assets		1 908 310	1 908 382	1 884 137	1 884 780
Financial liabilities					
Borrowings ^[2]	Financial liabilities (amortised cost)	1 729 725	1 736 108	1 712 605	1 715 386
Other liabilities	Financial liabilities (amortised cost)	5 072	5 072	5 616	5 616
Derivative financial instruments	Hedge accounting (fair value through equity)	3 847	3 847	6 911	6 911
Payables	Financial liabilities (at cost)	4 177	4 177	5 303	5 303
Total financial liabilities		1 742 821	1 749 204	1 730 435	1 733 216
Net financial assets		165 489	159 178	153 702	151 564

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

^[1]The loans and advances fair value adjustment relates to the fixed interest rate loans portfolio which has been classified as level 3 in the fair value hierarchy. As at balance date, the amortised cost is determined by discounting the expected future cash flows by the current interest rate that would apply to those cash flows based on their remaining term. For loans where the fixed interest rate exceeds the current interest rate, the amortised cost will exceed the face value of the loans.

^[2]The fair value of borrowings is determined using SAFA market valuation, which is classified as level 2 in the fair value hierarchy. The market value by SAFA was calculated using mid rates as at close of business 30 June 2017.

34.2 Fair value estimation

(a) *Derivatives*

The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows determined using the yield curve at year-end. The yield curve is derived from the cash rate (overnight), current interbank money market rates (maturities less than one year) and current interest rate swap levels (maturities of one year and longer).

(b) *Loans and advances to customers*

The fair value of loans and advances are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows of non-subsidised loans are discounted using the interest rate payable by the customer, which is at market rate. Subsidised loans are discounted using a risk free rate of interest, based on four or seven year (for Advantage Loans) and 10 year (for EquityStart Loans) SAFA bonds.

(c) *Investments*

The fair value of investments in the SAFA Cash Management Fund are determined using exit prices supplied by the fund managers at reporting date.

(d) *Shared appreciation component of the Breakthrough Loan*

Note 2.10.2 describes the accounting policy adopted in relation to the shared appreciation component of the Breakthrough Loan.

The fair value is estimated by management based on individual property valuations provided by independent parties. These valuations are adjusted by HomeStart's contractual equity stake and appreciation factor.

The valuations used by management are primarily determined by Hometrack Australia using an automated valuation method. Prior to accepting an automated valuation for use, management reviews the statistical probability of error provided by Hometrack Australia to ensure that the risk of material misstatement to the financial statements is unlikely.

When management judges that valuations determined using an automated valuation method are not sufficiently accurate, valuations provided by either the Valuer-General or another independent valuer are used.

The following summarises how the fair values of properties used as collateral for Breakthrough Loans have been determined.

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

	2017	2016
	%	%
Valuation determined using an automated method (Hometrack Australia)	93.63	95.39
Valuation provided by the Valuer-General	6.37	4.47
Other valuations used	-	0.14

(e) *Borrowings*

HomeStart reports fair value of its borrowings based on the valuation undertaken by SAFA who is the sole provider of funds to HomeStart.

34.3 Hierarchical classification of financial assets measured at fair value

The following discloses, for each class of financial instrument measured at fair value, the level in the fair value hierarchy into which the fair value measurements are classified in their entirety, segregating fair value measurements in accordance with the following levels:

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

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
SAFA Cash Management Fund	-	826	-	826
Breakthrough Loan (shared appreciation component)	-	-	59 822	59 822
Total financial assets measured at fair value	-	826	59 822	60 648

Financial liabilities measured at fair value				
Derivative financial instruments	-	(3 847)	-	(3 847)
Total financial liabilities measured at fair value	-	(3 847)	-	(3 847)

2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value				
SAFA Cash Management Fund	-	3 609	-	3 609
Term deposits	-	37 000	-	37 000
Bonds	-	10 801	-	10 801
Breakthrough Loan (shared appreciation component)	-	-	62 421	62 421
Total financial assets measured at fair value	-	51 410	62 421	113 831

Financial liabilities measured at fair value

Derivative financial instruments	-	6 911	-	6 911
Total financial liabilities measured at fair value	-	6 911	-	6 911

HomeStart Finance

Notes to and forming part of the Financial Statements

For the year ended 30 June 2017

34.4 Reconciliation of Level 3 fair value measurements

	2017	2016
	\$'000	\$'000
Fair value at 1 July	62 421	66 739
Breakthrough Loan settlements	4 588	4 099
Breakthrough Loan discharges	(8 196)	(10 170)
Unrealised change in fair value of loans (note 5)	1 009	1 753
Fair value at 30 June	59 822	62 421

Note 33.4.4(c) discloses sensitivity of HomeStart's profit to movements in the values of properties used as collateral for a Breakthrough Loan.

NOTE 35 Events after balance date

No matters or circumstances have arisen since the end of the financial year which significantly affect, or may significantly affect the operations of HomeStart, the result of those operations, or the state of affairs of HomeStart in subsequent years.

NOTE 36 Segment reporting

HomeStart operates in one geographical segment (South Australia) and its principal activity is the provision of home finance to low and middle income groups.

NOTE 37 Economic dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing services

SAFA is the sole provider of funds to HomeStart.

Loan management services

HomeStart contracts a proportion of its loan management services to BankSA and Australian Associated Advisers Pty Ltd, trading as KeyInvest Lending Services.

Homeloans Plus provided loan management services to HomeStart until 31 July 2016 while Bernie Lewis provided loan management services until 28 February 2017.

HomeStart Finance

Certification of the Financial Statements

For the year ended 30 June 2017

We certify that the attached general purpose financial statements for HomeStart Finance:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of HomeStart Finance; and
- present a true and fair view of the financial position of HomeStart Finance as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by HomeStart Finance for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period and there are reasonable grounds to believe HomeStart Finance will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the board members.



Jim Kouts
Chair
19 September 2017



Chris Ward
Deputy Chair
19 September 2017



John Oliver
Chief Executive Officer
19 September 2017



David Hughes
Chief Financial Officer
19 September 2017



Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chair HomeStart Finance

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 27(4) of the *Urban Renewal Act 1995*, I have audited the financial report of HomeStart Finance for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the HomeStart Finance as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, Deputy Chair, Chief Executive Officer and Chief Financial Officer

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of HomeStart Finance. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive and the Board for the financial report

The Chief Executive is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the entity is to be liquidated or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for overseeing the entity's financial reporting progress.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive and the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

20 September 2017

House of Assembly

Financial report
for the year ended
30 June 2017

House of Assembly

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	4	2,609	2,750
Members' salaries and allowances	5	10,280	9,468
Supplies and services	6	1,813	2,306
Depreciation and amortisation expense	7	120	167
Assets provided for nil consideration to the Joint Parliamentary Service	11	262	399
Total expenses		15,084	15,090
Income			
Other income		71	9
Total income		71	9
Net cost of providing services		15,013	15,081
Revenues from SA Government	8	15,225	15,124
Net result		212	43
Total comprehensive result		212	43

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	9	2,487	2,236
Receivables	10	90	100
Total current assets		2,577	2,336
Non-current assets			
Property, plant and equipment	11	1,357	1,347
Total non-current assets		1,357	1,347
Total assets		3,934	3,683
Current liabilities			
Payables	12	203	189
Employee benefits	13	506	460
Provisions	14	2	3
Total current liabilities		711	652
Non-current liabilities			
Payables	12	80	82
Employee benefits	13	872	884
Provisions	14	5	11
Total non-current liabilities		957	977
Total liabilities		1,668	1,629
Net assets		2,266	2,054
Equity			
Retained earnings		2,215	2,003
Asset revaluation surplus	15	51	51
Total equity		2,266	2,054
Unrecognised contractual commitments	16		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

Statement of Changes in Equity For the year ended 30 June 2017

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2015		51	1,960	2,011
Net result for 2015-16		-	43	43
Total comprehensive result for 2015-16		-	43	43
Balance at 30 June 2016		51	2,003	2,054
Net result for 2016-17		-	212	212
Total comprehensive result for 2016-17		-	212	212
Balance at 30 June 2017		51	2,215	2,266

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000 Inflows (Outflows)	2016 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(2,582)	(2,633)
Members' salaries allowances and superannuation		(10,280)	(9,468)
Payments for supplies and services		(2,006)	(2,640)
Payments for paid parental leave scheme		-	(35)
Cash used in operations		(14,868)	(14,776)
Cash inflows			
GST recovered from the ATO		209	232
Receipts for paid parental leave scheme		-	35
Other receipts		77	9
Cash generated from operations		286	276
Cash flows from SA Government			
Receipts from State Government		15,225	15,124
Cash generated from SA Government		15,225	15,124
Net cash provided by operating activities	17	643	624
Cash flows from investing activities			
Purchase of property, plant and equipment		(392)	(340)
Net cash used in investing activities		(392)	(340)
Net increase in cash and cash equivalents		251	284
Cash and cash equivalents at 1 July		2,236	1,952
Cash and cash equivalents at 30 June	9	2,487	2,236

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

House of Assembly

Financial Statements

1. Objective of the House of Assembly

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

Certain support services provided to the House of Assembly are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service. The House of Assembly provides assets to the Joint Parliamentary Service for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The House of Assembly has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the House of Assembly is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis;
- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the House of Assembly's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

House of Assembly

Financial Statements

(c) Rounding

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

(d) Taxation

The House of Assembly is not subject to income tax. The House of Assembly is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office 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 Australian Taxation Office is classified as part of operating cash flows.

(e) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be 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 an asset line item combine amounts expected to be settled within 12 months and more than 12 months, the House of Assembly has separately disclosed the amounts expected to be recovered after more than 12 months.

(f) Non-current assets

Acquisition and recognition

All non-current assets are recorded at historic cost less accumulated depreciation, which is deemed to approximate fair value. Where assets are acquired at no value, or minimal value, they are recorded at book value, that is the amount recorded by the transferor entity immediately prior to the transfer.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

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

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

(g) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The House of Assembly has entered into operating leases.

House of Assembly

Financial Statements

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

Employee benefits

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

Salaries and wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

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

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

Provisions

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The House of Assembly is responsible for the payment of workers compensation claims.

House of Assembly

Financial Statements

3. New and revised accounting standards and policies

The House of Assembly did not voluntarily change any of its accounting policies during 2016-17.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the House of Assembly for the period ending 30 June 2017.

The House of Assembly has outlined the amended standard that may have impact on its financial statements in the table below:

Ref	Title and date of standard application	Summary	Impact on financial statements	Application date for the House of Assembly
AASB 16	Leases 1 July 2019	This new standard introduces a single accounting model for lessees. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.	This new standard is a significant change from the past 30 years of accounting for leases. It will require the House of Assembly to record almost all operating lease arrangements in all financial statements. The House of Assembly has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements.	1 July 2019

House of Assembly

Financial Statements

4. Employee benefits expenses

	2017 \$'000	2016 \$'000
Salaries and wages	2,261	2,298
Employment on-costs – superannuation	227	213
Employment on-costs – other	128	233
Workers compensation	(7)	6
Total employee benefits expenses	2,609	2,750

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

Remuneration of employees

	2017 No	2016 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$167,001 – 177,000	1	1
\$217,001 – 227,000	1	1
Total	2	2

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees was \$394,000 (2016 \$390,000).

5. Members' salaries and allowances

	2017 \$'000	2016 \$'000
Members' salaries and allowances	8,629	8,006
On-costs - superannuation	1,573	1,462
On-costs - other	78	-
Total members' salaries and allowances	10,280	9,468

Members' salaries, electorate allowances and additional salaries of \$8.6 million (2016 \$8.0 million) reflected in these financial statements are paid from Appropriations provided under the the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$3.9 million (2016 \$3.6 million) and superannuation of \$842,000 (2016 \$769,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

House of Assembly

Financial Statements

6. Supplies and services

	2017 \$'000	2016 \$'000
Printing	330	356
Information technology	150	239
Lease	124	122
Publications	48	50
Security	213	181
Vehicle hire	9	9
Members travel, accommodation and related expenses	544	781
Travelling expenses	38	57
Fringe benefits tax	170	159
Stationery	22	23
Staff training and development	13	6
Records and artwork management	-	56
Agency staff hire	15	80
Consultants fees	5	-
Advertisements	14	18
Repairs and maintenance	2	26
Minor works and equipment	6	8
Other	110	135
Total supplies and services	1,813	2,306

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

	2017		2016	
	No	\$'000	No	\$'000
Below \$10,000	1	5	-	-
Total paid/payable to consultants engaged	1	5	-	-

7. Depreciation and amortisation expense

	2017 \$'000	2016 \$'000
Plant and equipment	28	28
Fixtures and fittings	34	35
Computer equipment	58	104
Total depreciation and amortisation	120	167

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

Class of asset	Useful life
Plant and equipment	5 - 30 years
Fixtures and fittings (non-antique)	5 - 10 years
Computer equipment	3 - 5 years

The majority of fixtures and fittings are antiques, they are anticipated to have a very long and indeterminate useful life.

House of Assembly

Financial Statements

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

8. Revenues from SA Government	2017	2016
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	4,945	7,118
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	10,280	8,006
Total revenues from SA Government	15,225	15,124

Appropriations are recognised as revenues when the House of Assembly obtains control over the funding. Control over appropriations is normally obtained upon receipt.

9. Cash and cash equivalents		
Deposits with the Treasurer	2,487	2,236
Total cash and cash equivalents	2,487	2,236

Cash is measured at nominal value.

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, funds can only be used in accordance with the Treasurer's approval.

10. Receivables		
Receivables	11	6
Prepayments	75	90
Other	4	4
Total current receivables	90	100

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.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the House of Assembly will not be able to collect the debt. It is not anticipated that counterparties will fail to discharge their approximate net fair value due to being receivable on demand. There is no concentration of credit risk.

House of Assembly

Financial Statements

11. Property, plant and equipment

	2017	2016
	\$'000	\$'000
Plant and equipment		
At cost (deemed fair value)	184	184
Less: Accumulated depreciation	(143)	(116)
Total plant and equipment	41	68
Fixtures and fittings		
At cost (deemed fair value)	489	489
Less: Accumulated depreciation	(170)	(136)
Total fixtures and fittings	319	353
Computer equipment		
At cost (deemed fair value)	1,277	1,294
Less: Accumulated depreciation	(1,015)	(1,076)
Total computer equipment	262	218
Works of art		
At cost (deemed fair value)	669	669
Total works of art	669	669
Capital works in progress		
Capital works in progress	66	39
Total capital works in progress	66	39
Total property, plant and equipment	1,357	1,347

Asset Movement Reconciliation 2016-17

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	68	353	218	669	39	1,347
Additions	1	-	102	-	289	392
Assets provided for nil consideration	-	-	-	-	(262)	(262)
Depreciation	(28)	(34)	(58)	-	-	(120)
Carrying amount at 30 June	41	319	262	669	66	1,357

Asset Movement Reconciliation 2015-16

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	96	388	316	669	104	1,573
Additions	-	-	6	-	334	340
Assets provided for nil consideration	-	-	-	-	(399)	(399)
Depreciation	(28)	(35)	(104)	-	-	(167)
Carrying amount at 30 June	68	353	218	669	39	1,347

House of Assembly

Financial Statements

12. Payables

	2017	2016
	\$'000	\$'000
Current		
Accrued expenses	130	124
Employment on-costs	73	65
Total current payables	203	189
Expected to be settled more than twelve months after reporting date		
Employment on-costs	80	82
Total non-current payables	80	82
Total payables	283	271

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.

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Interest rate and credit risk

Creditors and accruals are raised for all amounts owing but unpaid. Employment on-costs are settled when the respective employee benefits 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.

13. Employee benefits

Current		
Annual leave	282	269
Long service leave	149	131
Skills and experience retention leave	28	25
Accrued salaries and wages	47	35
Total current employee benefits	506	460
Non-current		
Long service leave	872	884
Total non-current employee benefits	872	884
Total employee benefits	1,378	1,344

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience, expected terminations and known applications for leave.

House of Assembly

Financial Statements

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease of \$36,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic and financial assumptions – including the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

14. Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers compensation	2	3
Total current provisions	2	3
Non current		
Provision for workers compensation	5	11
Total non-current provisions	5	11
Total provisions	7	14
Provision movement		
Carrying amount at 1 July	14	9
Additional provisions recognised	-	5
Reduction in provisions recognised	7	-
Carrying amount at 30 June	7	14

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

15. Equity

Accumulated surplus	2,215	2,003
Asset revaluation surplus	51	51
Total equity	2,266	2,054

House of Assembly

Financial Statements

16. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year

Later than one year but no longer than five years

Total operating lease commitments

2017	2016
\$'000	\$'000
112	112
231	-
343	112

The House of Assembly's operating leases are for office accommodation. The leases are non- cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

17. Cash flow reconciliation

Reconciliation of cash and cash equivalents at 30 June:

Cash and cash equivalents disclosed in the Statement of Financial Position

Balance as per the Statement of Cash Flows

2,487	2,236
2,487	2,236

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

Net cash provided by operating activities

Less revenues from SA Government

643	624
(15,225)	(15,124)

Add/less non-cash items

Depreciation expense of non-current assets

Assets provided for nil consideration to the Joint Parliamentary Service

(120)	(167)
(262)	(399)

Movements in assets and liabilities

Increase/(decrease) in receivables

Decrease/(increase) in payables

(Increase)/decrease in employee benefits

(Increase)/decrease in provisions

Net cost of providing services

(10)	18
(12)	84
(34)	(112)
7	(5)
(15,013)	(15,081)

House of Assembly

Financial Statements

18. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	348	452	2,261	2,298	2,609	2,750
Members' salaries and allowances	5	1,651	1,462	8,629	8,006	10,280	9,468
Supplies and services:	6						
Printing		326	347	4	9	330	356
Information technology		20	142	130	97	150	239
Lease		124	122	-	-	124	122
Publications		-	-	48	50	48	50
Security		213	181	-	-	213	181
Vehicle hire		-	-	9	9	9	9
Members travel, accommodation and related expenses		-	-	544	781	544	781
Travelling expenses		-	-	38	57	38	57
Fringe benefits tax		-	-	170	159	170	159
Stationery		-	-	22	23	22	23
Staff training and development		-	-	13	6	13	6
Records and artwork management		-	-	-	56	-	56
Agency staff hire		-	-	15	80	15	80
Consultants fees		-	-	5	-	5	-
Advertisements		-	-	14	18	14	18
Repairs and maintenance		-	-	2	26	2	26
Minor works and equipment		-	-	6	8	6	8
Other		5	4	105	131	110	135
Depreciation and amorisation expense	7	-	-	120	167	120	167
Assets provided for nil consideration	11	262	399	-	-	262	399
Total expenses		2,949	3,109	12,135	11,981	15,084	15,090
Income							
Other		-	-	71	9	71	9
Revenues from SA Government	8	15,225	15,124	-	-	15,225	15,124
Total Income		15,225	15,124	71	9	15,296	15,133

House of Assembly

Financial Statements

	Note	SA Government		Non-SA Governmen		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	9	2,487	2,487	-	-	2,487	2,487
Receivables:	10						
Receivables		-	-	11	11	11	11
Prepayments		-	7	75	67	75	74
Other		-	-	4	4	4	4
Total financial assets		<u>2,487</u>	<u>2,494</u>	<u>90</u>	<u>82</u>	<u>2,577</u>	<u>2,576</u>
Financial liabilities							
Payables:	12						
Accrued expenses		77	77	53	53	130	130
Employment on-costs		9	9	144	144	153	153
Total financial liabilities		<u>86</u>	<u>86</u>	<u>197</u>	<u>197</u>	<u>283</u>	<u>283</u>

19. Financial risk management / Financial instruments

19.1 Financial risk management

Risk management is managed by the House of Assembly's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The House of Assembly is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

19.2 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 or respective financial asset/financial liability note.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

House of Assembly

Financial Statements

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2017	2017	2016	2016
		Carrying Amount/ Fair Value \$'000	Contractual Maturities Current \$'000	Carrying Amount/ Fair Value \$'000	Contractual Maturities Current \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	9	2,487	2,487	2,236	2,236
Loans and receivables					
Receivables (1) (2)	10	12	12	10	10
		<u>2,499</u>	<u>2,499</u>	<u>2,246</u>	<u>2,246</u>
Financial liabilities					
Financial liabilities at cost					
Payables (1)	12	73	73	66	66
		<u>73</u>	<u>73</u>	<u>66</u>	<u>66</u>

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

20. Related party transactions

The House of Assembly is established under the *Constitution Act 1934*. The House of Assembly, together with the Legislative Council, constitute the Parliament of South Australia.

Related parties of the House of Assembly include all key management personnel and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the House of Assembly and SA Government entities are disclosed at note 18.

Key management personnel

Key management personnel of the House of Assembly include the Clerk and the Deputy Clerk.

	2017 \$'000
Compensation	
Salaries and other short term employee benefits	383
Post-employment benefits	<u>36</u>
Total	<u>419</u>

House of Assembly

Financial Statements

Certification of the Financial Statements

We certify that the:

- financial statements of the House of Assembly:
 - are in accordance with the accounts and records of the House of Assembly; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant Australian accounting standards; and
 - presents a true and fair view of the financial position of the House of Assembly at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the House of Assembly over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



A/ Clerk
House of Assembly

1 / 9 / 2017



Chief Finance Officer
Joint Parliamentary Service

1 / 9 / 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the House of Assembly for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the House of Assembly as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising a summary of significant accounting policies and other explanatory information
- a Certificate from the Acting Clerk, House of Assembly and the Chief Finance Officer, Joint Parliamentary Service.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the House of Assembly. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Clerk of the House of Assembly for the financial report

The Clerk of the House of Assembly is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as the Clerk of the House of Assembly determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

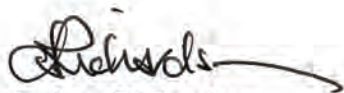
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Clerk of the House of Assembly.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Parliament website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

I communicate with the Clerk of the House of Assembly regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017

Independent Commissioner Against Corruption

Financial report
for the year ended
30 June 2017

Independent Commissioner Against Corruption
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expense	4	6 751	5 965
Supplies and services	5	3 017	2 867
Depreciation and amortisation expense	6	1 063	832
Auditor's remuneration	7	32	40
Total expenses		10 863	9 704
Income			
Recoveries and other income	8	71	11
Total income		71	11
Net cost of providing services		10 792	9 693
Revenue			
Revenues from SA Government		10 078	7 588
Total net revenues from SA Government		10 078	7 588
Net result		(714)	(2 105)
Total comprehensive result		(714)	(2 105)

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	9	3 154	3 251
Receivables	10	175	114
Total current assets		3 329	3 365
Non-current assets			
Property, plant and equipment	11	4 759	5 447
Intangible assets	12	496	-
Total non-current assets		5 255	5 447
Total assets		8 584	8 812
Current liabilities			
Payables	14	603	402
Employee benefits	15	872	678
Other liabilities	16	116	116
Total current liabilities		1 591	1 196
Non-current liabilities			
Payables	14	54	37
Employee benefits	15	587	396
Other liabilities	16	581	698
Total non-current liabilities		1 222	1 131
Total liabilities		2 813	2 327
Net assets		5 771	6 485
Equity			
Retained earnings		5 771	6 485
Total equity		5 771	6 485

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	17
Contingent assets and contingent liabilities	19

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Changes in Equity
for the year ended 30 June 2017

	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2015	8 590	8 590
Net result for 2015-16	(2 105)	(2 105)
Total comprehensive result for 2015-16	(2 105)	(2 105)
Balance at 30 June 2016	6 485	6 485
Net result for 2016-17	(714)	(714)
Total comprehensive result for 2016-17	(714)	(714)
Balance at 30 June 2017	5 771	5 771

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

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Statement of Cash Flows
for the year ended 30 June 2017

		2017	2016
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(6 322)	(5 621)
Supplies and services		(3 231)	(3 095)
Cash used in operations		(9 553)	(8 716)
Cash inflows			
Recoveries		71	11
Cash generated from operations		71	11
Cash flows from SA Government			
Receipts from SA Government		10 078	7 588
Cash generated from SA Government		10 078	7 588
Net cash provided by (used in) operating activities	20	596	(1 117)
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(693)	(1 074)
Cash used in investing activities		(693)	(1 074)
Cash inflows			
Lease incentive received		-	434
Cash generated from investing activities		-	434
Net cash used in investing activities		(693)	(640)
Net increase/(decrease) in cash and cash equivalents		(97)	(1 757)
Cash and cash equivalents at the beginning of the period		3 251	5 008
Cash and cash equivalents at 30 June	9	3 154	3 251

The above statement should be read in conjunction with the accompanying notes.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 1: Objectives of the Independent Commissioner Against Corruption (ICAC)

The *Independent Commissioner Against Corruption Act 2012* (the ICAC Act) established the Independent Commissioner Against Corruption ('the Commissioner') and the Office for Public Integrity (OPI).

The primary objective of the Commissioner is to:

- (a) identify and investigate corruption in public administration; and
- (b) prevent or minimise corruption, misconduct and maladministration in public administration through referral of potential issues, education and evaluation of practices, policies and procedures.

The Commissioner has the following functions:

- (a) to identify corruption in public administration and to –

- i) investigate and refer it for prosecution; or
 - ii) refer it to a law enforcement agency for investigation and prosecution;

- (b) to assist inquiry agencies and public authorities to identify and deal with misconduct and maladministration in public administration;

- (c) to refer complaints and reports to inquiry agencies, public authorities and public officers and to give directions or guidance to public authorities in dealing with misconduct and maladministration in public administration, as the Commissioner considers appropriate;

- (ca) to identify serious or systemic misconduct or maladministration in public administration;

- (cb) to exercise the powers of an inquiry agency in dealing with serious or systemic maladministration in public administration if satisfied that it is in the public interest to do so;

- (cc) to exercise the powers of an inquiry agency in dealing with serious or systemic misconduct in public administration if the Commissioner is satisfied that the matter must be dealt with in connection with a matter the subject of an investigation of a kind referred to in paragraph (a)(i) or a matter being dealt with in accordance with paragraph (cb);

- (d) to evaluate the practices, policies and procedures of inquiry agencies and public authorities with a view to advancing comprehensive and effective systems for preventing or minimising corruption, misconduct and maladministration in public administration;

- (e) to conduct or facilitate the conduct of educational programs designed to prevent or minimise corruption, misconduct and maladministration in public administration;

- (f) to perform other functions conferred on the Commissioner by the ICAC Act or any other Act.

The OPI is responsible to the Commissioner for the performance of the following functions:

- (a) to receive and assess complaints about public administration from members of the public;

- (b) to receive and assess reports about corruption, misconduct and maladministration in public administration from inquiry agencies, public authorities and public officers;

- (c) to refer complaints and reports to inquiry agencies, public authorities and public officers in circumstances approved by the Commissioner or make recommendations to the Commissioner in relation to complaints and reports;

- (ca) to give directions or guidance to public authorities in circumstances approved by the Commissioner;

- (d) to perform other functions assigned to the Office by the Commissioner.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies

(a) Statement of compliance

The Commissioner has prepared the financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements which have been prepared in accordance with applicable Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

As the Commissioner is a not-for-profit entity, Australian Accounting Standards that are applicable to not-for-profit entities have been applied.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for these statements. Refer to 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 Commissioner's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies that 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; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures:
 - a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature;
 - b) expenses incurred as a result of engaging consultants (as reported in the Statement of Comprehensive Income); and
 - c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

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

The financial statements have been prepared based on a twelve 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 2017 and the comparative information presented.

(c) Reporting entity

The Commissioner must, before 30 September in each year, prepare a report on the operations of the Commissioner and the OPI as required by section 45 of the ICAC Act. The report encompasses the operations of the Commissioner and the OPI.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies (continued)

(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 accounting policy statements have required a change.

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

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

(e) Rounding

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

(f) Taxation

The Commissioner is not subject to income tax. The Commissioner is liable for payroll tax, fringe benefits tax and goods and services tax (GST). GST collections and payments are carried out by the Attorney-General's Department (AGD) on behalf of the Commissioner. GST in relation to the Commissioner is reported in the AGD Controlled Financial Statements.

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 Australian Taxation Office (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; 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.

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

(g) Events after the reporting period

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

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

(h) Current and non-current classification

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 twelve 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 twelve months and more than twelve months, the Commissioner has separately disclosed the amounts expected to be recovered or settled after more than twelve months.

(i) Non-current assets

Asset acquisition and recognition

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

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies (continued)

All non-current tangible assets with a value of \$10,000 or greater are capitalised. Items with an acquisition cost less than \$10,000 are expensed in the year of acquisition.

Depreciation and amortisation

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

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

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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

<u>Class of assets</u>	<u>Useful life (Years)</u>
Leasehold improvements	Life of lease
Plant and Equipment	1-16
Information Technology	3-10
Intangible Assets	3-5

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.

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. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement cost. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets

Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The Commissioner has intangible assets only 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

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies (continued)

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.

Fair value measurement

AASB 13 defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

The Commissioner classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation.

- Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 – not traded in an active market and are derived from unobservable inputs.

Non-financial assets

In determining fair value, the Commissioner has taken into account the characteristic of the asset (eg condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Commissioner's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commissioner did not identify any factors to suggest an alternative use, fair value measurement is based on current use.

The carrying amount of non-financial assets with a 'fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years' are deemed to approximate fair value.

Refer to Note 11: and Note 13: for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Financial assets/liabilities

The Commissioner does not recognise any financial assets or financial liabilities at fair value.

(j) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

The Commissioner has entered into operating leases. Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased assets.

Lease incentives

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

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

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

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.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant accounting policies (continued)

Salaries and wages, annual leave, skills and experience retention leave and sick leave

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

Where the annual leave liability and the skills and experience retention leave liability are expected to be payable within twelve months, the liability has been measured at the undiscounted amount expected to be paid.

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

Long service leave

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

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data across AGD (including ICAC).

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

The current portion of long service leave reflects AGD's past experience of long service leave.

Pre-retirement leave

The Commissioner is not entitled to long service leave, but is entitled to six months pre-retirement leave or payment in lieu in the same manner as a judge of the Supreme Court of South Australia, which is included in long service leave liability.

(k) Unrecognised contractual commitments and contingent assets and liabilities

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

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

Note 3: New and revised accounting standards and policies

The Commissioner did not voluntarily change any of his accounting policies during 2016-17.

Australian Accounting Standards and Interpretations that have recently been issued or amended but not yet effective, have not been adopted by the Commissioner for the period ending 30 June 2017.

AASB 16 Leases will apply for the first time for reporting periods beginning after 1 January 2019. The amended standard introduces a single accounting model for lessees, eliminating the distinction between operating and finance leases. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease payments will no longer be expensed in the Statement of Comprehensive Income on a straight line basis. Rather, they will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will be recognised as an expense.

It is anticipated that there will be a marginal impact on net result due to recognition of depreciation and interest on lease liabilities as expenses.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 3: New and revised accounting standards and policies (continued)

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Commissioner has not yet quantified the impact of applying AASB 16 Leases to his operating lease arrangements and the resulting impact on the Statement of Comprehensive Income, the Statement of Financial Position and the Commitments disclosure in the Notes to the Financial Statements.

Note 4: Employee benefits expenses

	2017 \$'000	2016 \$'000
Salaries and wages	5 216	4 851
Employment on-costs - superannuation	555	477
Annual leave	459	199
Employment on-costs - other	320	281
Long service leave	183	155
Skills and experience retention leave	18	2
Total employee benefits expenses	6 751	5 965

References to employee(s) in these financial statements include the Commissioner, who is a statutory appointment.

There were no employees who received Targeted Voluntary Separation Packages (TVSPs) during the reporting period.

The Commissioner makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur.

Remuneration of employees

Remuneration of employees

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

	2017 Number	2016 Number
\$145 001 to \$147 000*	na	-
\$147 001 to \$157 000	3	-
\$157 001 to \$167 000	1	2
\$177 001 to \$187 000 **	1	-
\$187 001 to \$197 000	1	1
\$237 001 to \$247 000	1	-
\$317 001 to \$327 000	-	1
\$477 001 to \$487 000	1	1
Total number of employees	8	5

*This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

** Includes payment of long service leave, annual leave, termination benefits for an officer who has left ICAC.

The table includes all employees (including the Commissioner) who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total actual remuneration received by these employees for the reporting period was \$1.711 million (\$1.323 million).

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 5: Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation	977	931
Information and communications technology	975	727
Outsourced services	175	202
Contract staff	126	340
Employment related payments	86	88
Consultancies	69	8
Legal fees	64	27
Promotions and publications	61	80
Tax and taxable payments	54	49
Repairs, maintenance and minor purchases	52	41
Motor vehicle expenses	50	56
Telephone related expenses	45	40
Shared Services SA charges	42	34
Employee training	39	63
Office expenses	31	32
Website development	-	8
Internal audit fee	26	26
Other	145	115
Total supplies and services	3 017	2 867

During 2016-17, the Commissioner reviewed his allocation of accounts within the supplies and services note. This review identified amendments to information and communications technology, promotions and publications, office expenses and other. The comparatives above have been restated to reflect the correct supplies and services classification.

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	2	2	4	8
Above \$10 000	3	-	65	-
Total paid/payable to consultants	5	2	69	8

Note 6: Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Depreciation		
Plant and equipment	61	45
Information technology assets	471	360
Total depreciation	532	405
Amortisation		
Leasehold improvements	430	427
Intangible assets	101	-
Total amortisation	531	427
Total depreciation and amortisation	1 063	832

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 7: Auditor's remuneration

	2017 \$'000	2016 \$'000
Audit fees paid/payable to the Auditor-General's Department relating to work performed under the <i>Public Finance and Audit Act 1987</i>	32	40
Total audit fees	32	40

Other services

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

Note 8: Recoveries and other income

	2017 \$'000	2016 \$'000
Sundry recoveries	71	11
Total recoveries and other income	71	11

Recoveries consist of recoveries from SA Government agencies and employee reimbursements.

Note 9: Cash and cash equivalents

	2017 \$'000	2016 \$'000
Deposits with the Treasurer	3 154	3 251
Total cash and cash equivalents	3 154	3 251

Deposits with the Treasurer

Deposits with the Treasurer are non-interest bearing. The carrying amount of cash and cash equivalents represents fair value.

Note 10: Receivables

	2017 \$'000	2016 \$'000
Current		
GST receivable	40	26
Prepayments	135	88
Total receivables	175	114

Categorisation of financial instruments and risk exposure information - Refer to Note 22 (a).

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 11: Property, plant and equipment

	2017 \$'000	2016 \$'000
Leasehold improvements		
Leasehold improvements at cost (deemed fair value)	4 026	3 986
Accumulated amortisation at the end of the period	(1 374)	(944)
Total leasehold improvements	2 652	3 042
Plant and equipment		
Plant and equipment at cost (deemed fair value)	478	435
Accumulated depreciation at the end of the period	(201)	(153)
Total plant and equipment	277	282
Information Technology assets		
Information Technology assets at cost (deemed fair value)	2 429	2 181
Accumulated depreciation at the end of the period	(1 057)	(586)
Total information technology assets	1 372	1 595
Capital work in progress		
Capital work in progress at cost	458	528
Total capital work in progress	458	528
Total property, plant and equipment	4 759	5 447

Valuation note

Carrying amount of plant and equipment

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Impairment

There were no indications of impairment of property, plant and equipment at 30 June 2017.

Movement reconciliation of property, plant and equipment:

<u>2017</u>	Leasehold Improvements \$'000	Plant & equipment \$'000	Information Technology assets \$'000	Capital Work in progress \$'000	Total \$'000
Carrying amount 1 July 2016	3 042	282	1 595	528	5 447
Additions	40	17	169	424	650
Depreciation and amortisation	(430)	(61)	(471)	-	(962)
Transfers to/(from) capital WIP	-	39	79	(494)	(376)
Carrying amount 30 June 2017	2 652	277	1 372	458	4 759

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 11: Property, plant and equipment (continued)

<u>2016</u>	Leasehold Improvements	Plant & equipment	Information Technology assets	Capital Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2015	3 436	327	1 297	89	5 149
Additions	33	-	577	525	1 135
Depreciation and amortisation	(427)	(45)	(360)	-	(832)
Transfers to/(from) capital WIP	-	-	81	(81)	-
Other	-	-	-	(5)	(5)
Carrying amount 30 June 2016	3 042	282	1 595	528	5 447

Note 12: Intangible assets

	2017 \$'000	2016 \$'000
Externally acquired intangible assets		
Computer software and licences	597	-
Less accumulated amortisation	(101)	-
Total externally acquired intangible assets	496	-
Total intangible assets	496	-

Impairment

There were no indications of impairment of intangible assets at 30 June 2017.

Movement reconciliation of intangible assets:

<u>2017</u>	Externally acquired \$'000	2017 Total \$'000
Carrying amount at the start of the period	-	-
Additions	221	221
Transfers from capital works in progress	376	376
Amortisation	(101)	(101)
Carrying amount at the end of the period	496	496

Note 13: Fair value measurement

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. The Commissioner categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement. The Commissioner has categorised all leasehold improvements, information technology assets and plant and equipment assets (refer Note 11) into level 3 for 2017 and 2016.

Valuation techniques and inputs

Valuation techniques used to derive level 3 fair values are at Note 2(i). The fair values were determined using the depreciated replacement cost approach. Key assumptions were assessing the remaining useful life and the purpose of the assets.

Reconciliation of fair value measurements - Level 3

There have been no transfers into or out of fair value hierarchy levels during the reporting period.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 14: Payables

	2017 \$'000	2016 \$'000
Current		
Creditors	461	285
Accruals	35	37
Employee on-costs	107	80
Total current payables	603	402
Non-current		
Employment on-costs	54	37
Total non-current payables	54	37
Total payables	657	439

Staff on-costs

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has not changed from the 2016 rate (40%) and the average factor for the calculation of employer superannuation on-cost has changed from the 2016 rate (10.2%) to 10.1%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the superannuation on-cost rate on employment on-costs and employee benefit expense is immaterial.

Interest rate and credit risk

Creditors and accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. Employment on-costs are settled when the respective employee benefit 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.

Categorisation of financial instruments and risk exposure information - Refer to Note 22 (a).

Note 15: Employee benefits

	2017 \$'000	2016 \$'000
Current		
Annual leave	421	296
Accrued salaries and wages	134	108
Long service leave	289	265
Skills and experience retention leave	28	9
Total current employee benefits	872	678
Non-current		
Long service leave	587	396
Total non-current employee benefits	587	396
Total employee benefits	1 459	1 074

The amounts for long service leave include pre-retirement leave (see Note 2 (j)) and also include amounts accrued for investigators seconded under a Memorandum of Administrative Arrangement between SA Police and the Commissioner. The Commissioner is required to reimburse SA Police an amount equivalent to long service leave accrued while an

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 15: Employee benefits (continued)

investigator is on secondment. The amount is due to SA Police when the seconded investigator ceases employment with the Commissioner. The amount accrued is therefore equivalent to the long service leave provision amount.

AASB 119 contains the calculation methodology for the long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a set level of liability for the measurement of long service leave. AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2% (2016) to 2.5% (2017).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability. The net financial effect of the changes in actuarial assumptions in the current financial year is immaterial.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

Note 16: Other liabilities

	2017 \$'000	2016 \$'000
Current		
Lease incentive	116	116
Total other current liabilities	116	116
Non-current		
Lease incentive	581	698
Total non-current other liabilities	581	698
Total other liabilities	697	814

Note 17: Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2017 \$'000	2016 \$'000
Within one year	797	768
Later than one year but not longer than five years	3 497	3 370
Later than five years	958	1 881
Total operating lease commitments	5 252	6 019

The accommodation and office equipment leases are non-cancellable leases with rental payable monthly in advance.

Contingent rental provisions within the accommodation lease agreements provide for the minimum lease payments to be increased on specified rent review dates. Options exist to renew the accommodation leases at the end of the term of the lease.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 17: Unrecognised contractual commitments (continued)

	2017	2016
	\$'000	\$'000
Other commitments		
Motor vehicles ⁽¹⁾	107	94
Software maintenance ⁽³⁾	178	-
Other ⁽²⁾	242	275
Total	527	369
Within one year	361	310
Later than one year but not longer than five years	166	59
Total other commitments	527	369

(1) The provision of motor vehicles to executive officers or sections (i.e. pool vehicles) are leased from SAFA through their agent LeasePlan Australia. There are no purchase options available to the Commissioner.

(2) Other commitments relate to purchase orders placed for goods and services before 30 June 2017 and contractual commitments.

(3) Software maintenance commitments relate to maintenance and support services from contracts relating to Software purchases. These contracts will expire within one to four years.

Note 18: Related party transactions

The Commissioner is independent and accountable to the SA Parliament.

Related parties of the Commissioner include all key management personnel and their close family members.

Significant transactions with government related entities

The Commissioner had no significant transactions with government related entities.

Key management personnel

Key management personnel during 2016-17 include the Commissioner, the Chief Executive Officer and six members of the management team who have responsibility for the strategic direction and management of the Commissioner's office and the OPI, including employees who acted in those positions from time to time during the period.

	2017
	\$'000
Compensation	
Salaries and other short term employee benefits	1 481
Post-employment benefits	137
Other long-term employment benefits	23
Total Compensation	1 641

Transactions with key management personnel and other related parties

There are no material transactions or balances to disclose with key management personnel or related parties.

Note 19: Contingent assets and contingent liabilities

In the ordinary course of operations, the Commissioner may become involved in legal disputes. These legal disputes may give rise to court costs being awarded in favour or against the Commissioner. As at 30 June 2017, it is not possible to reliably estimate the total court costs that may be receivable or payable in respect of these disputes.

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 20: Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	3 154	3 251
Balance as per the Statement of Cash Flows	3 154	3 251
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash provided by operating activities	596	(1 117)
Less revenues from SA Government	(10 078)	(7 588)
Add/less non-cash Items		
Depreciation and amortisation	(1 063)	(832)
Property plant and equipment assets in payables	178	61
Lease incentive amortisation	117	116
Movements in assets and liabilities		
Increase/(decrease) in receivables	61	58
(Increase)/decrease in payables	(218)	(77)
(Increase)/decrease in employee benefits	(385)	(314)
Net cost of providing services	(10 792)	(9 693)

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 21: Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty / transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. All transactions have been included.

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Expenses							
Employee benefits expenses	4	320	281	6 431	5 684	6 751	5 965
Supplies and services	5						
Accommodation		972	836	5	95	977	931
Information and communications technology		98	67	877	660	975	727
Outsourced services		26	119	149	83	175	202
Contract staff		-	-	126	340	126	340
Employment related payments		-	-	86	88	86	88
Consultancies		-	-	69	8	69	8
Legal fees		7	14	57	13	64	27
Promotions and publications		-	-	61	80	61	80
Tax and taxable payments		54	49	-	-	54	49
Repairs, maintenance and minor purchases		-	-	52	41	52	41
Motor vehicle expenses		50	50	-	6	50	56
Telephone related expenses		38	35	7	5	45	40
Shared Services SA charges		42	34	-	-	42	34
Employee training		-	2	39	61	39	63
Office expenses		-	-	31	32	31	32
Website development		-	-	-	8	-	8
Internal audit fees		-	-	26	26	26	26
Other		51	71	94	44	145	115
Depreciation and amortisation expense	6	-	-	1 063	832	1 063	832
Auditor's remuneration	7	32	40	-	-	32	40
Total expenses		1 690	1 598	9 173	8 106	10 863	9 704
Income							
Recoveries and other income	8	-	7	71	4	71	11
Revenues from / payments to SA Government		10 078	7 588	-	-	10 078	7 588
Total income		10 078	7 595	71	4	10 149	7 599

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 21: Transactions with SA Government (continued)

	Note	SA Government		Non-SA Government		Total	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Financial assets							
Cash and cash equivalents	9	3 154	3 251	-	-	3 154	3 251
Receivables	10						
GST receivable		-	-	40	26	40	26
Prepayments		-	-	135	88	135	88
Total financial assets		3 154	3 251	175	114	3 329	3 365
Financial liabilities							
Payables - current	14						
Creditors		157	22	304	263	461	285
Accruals		35	37	-	-	35	37
Employee on costs		38	29	69	51	107	80
Payables - non-current	14						
Employee on costs		30	20	24	17	54	37
Total financial liabilities		260	108	397	331	657	439

Note 22: Financial instruments/financial risk management

Risk management is managed by the Commissioner's corporate services section and the Commissioner's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commissioner is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

(a) Categorisation of financial instruments

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

Category of financial asset and financial liabilities	Statement of Financial Position line item	Note	Carrying amount 2017 \$'000	Fair value 2017 \$'000	Carrying amount 2016 \$'000	Fair value 2016 \$'000
Financial assets						
Cash and cash equivalents	Cash and cash equivalents	9	3 154	3 154	3 251	3 251
Receivables	Receivables ^{(1) (2)}	10	-	-	-	-
Financial liabilities						
Financial liabilities at cost	Payables ⁽¹⁾	14	461	461	285	285

Independent Commissioner Against Corruption
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 22: Financial instruments/financial risk management (continued)

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; audit fees payable to the Auditor-General's Department etc.). In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levy receivables/payables, tax equivalents, commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in Note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

Fair value

The Commissioner does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes.

The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to their short term nature. Refer to Notes 2, 10 and 14.

Credit risk

The Commissioner has no significant concentration of credit risk. The Commissioner has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

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

(b) Maturity analysis of financial assets and liabilities

All financial assets and financial liabilities are due to mature within twelve months.

Liquidity risk

Liquidity risk arises from the possibility that the Commissioner is unable to meet financial obligations as they fall due. The Commissioner is funded principally from appropriations by the SA Government. The Commissioner works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The continued existence of the Commissioner in the present form, and with the present programs, is dependent on State Government policy and on continuing appropriations by Parliament for the Commissioner's administration and programs. The Commissioner aims to settle undisputed accounts within 30 days from the date the invoice is first received.

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

Market risk

The Commissioner currently holds no interest bearing financial instruments and is not exposed to interest rate risk.

Sensitivity analysis

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

Note 23: Events after the reporting period

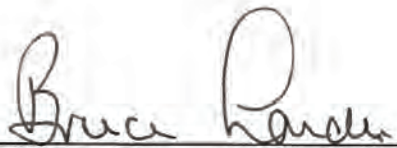
There are no known events after balance date that affect these financial statements.

Independent Commissioner Against Corruption Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Independent Commissioner Against Corruption:

- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Independent Commissioner Against Corruption; and
- present a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2017 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Independent Commissioner Against Corruption for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



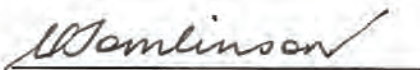
The Hon. Bruce Lander QC
Independent Commissioner Against Corruption

Date: 13 September 2017



Michael Riches
Chief Executive Officer
Independent Commissioner Against Corruption

Date: 13 September 2017



Vicki Tomlinson
Manager Corporate Services
Independent Commissioner Against Corruption

Date: 13 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Independent Commissioner Against Corruption Independent Commissioner Against Corruption

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Independent Commissioner Against Corruption for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Independent Commissioner Against Corruption as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Independent Commissioner Against Corruption, the Chief Executive Officer and the Manager Corporate Services.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Independent Commissioner Against Corruption. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Independent Commissioner Against Corruption for the financial report

The Independent Commissioner Against Corruption is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

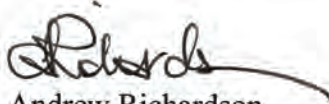
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Independent Commissioner Against Corruption
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Independent Commissioner Against Corruption regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

18 September 2017

Joint Parliamentary Service

Financial report
for the year ended
30 June 2017

Joint Parliamentary Service

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	4	5,953	6,531
Supplies and services	5	3,426	3,166
Depreciation and amortisation expense	7	1,621	1,966
Net loss from the revaluation of non-current assets	11	-	11,093
Total expenses		11,000	22,756
Income			
Assets acquired at nil consideration from the House of Assembly	11	262	399
Assets acquired at nil consideration from the Legislative Council	11	131	200
Other income		302	29
Total income		695	628
Net cost of providing services		10,305	22,128
Revenues from SA Government	8	11,482	11,019
Net result		1,177	(11,109)
Other comprehensive income			
Changes in property, plant and equipment asset revaluation surplus		-	(4,850)
Total comprehensive result		1,177	(15,959)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	9	2,074	2,221
Receivables	10	307	206
Total current assets		2,381	2,427
Non-current assets			
Receivables	10	13	29
Property, plant and equipment	11	79,517	78,560
Total non-current assets		79,530	78,589
Total assets		81,911	81,016
Current liabilities			
Payables	13	348	402
Employee benefits	14	913	942
Provisions	15	38	64
Total current liabilities		1,299	1,408
Non-current liabilities			
Payables	13	137	147
Employee benefits	14	1,489	1,587
Provisions	15	88	153
Total non-current liabilities		1,714	1,887
Total liabilities		3,013	3,295
Net assets		78,898	77,721
Equity			
Retained earnings		66,776	65,599
Asset revaluation surplus	16	9,219	9,219
Contributed capital	16	2,903	2,903
Total equity		78,898	77,721
Unrecognised contractual commitments	17		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

Statement of Changes in Equity For the year ended 30 June 2017

	Note	Contributed Capital \$'000	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2015		2,903	14,069	76,708	93,680
Net result for 2015-16		-	-	(11,109)	(11,109)
Loss from revaluation of land during 2015-16	11	-	(4,850)	-	(4,850)
Total comprehensive result for 2015-16		-	(4,850)	(11,109)	(15,959)
Balance at 30 June 2016		2,903	9,219	65,599	77,721
Net result for 2016-17		-	-	1,177	1,177
Total comprehensive result for 2016-17		-	-	1,177	1,177
Balance at 30 June 2017		2,903	9,219	66,776	78,898

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000 Inflows (Outflows)	2016 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(6,171)	(6,315)
Payments for supplies and services		(4,000)	(3,443)
Payments for paid parental leave scheme		(12)	-
Cash used in operations		(10,183)	(9,758)
Cash inflows			
GST recovered from the ATO		404	303
Receipts for paid parental leave scheme		12	-
Other receipts		324	32
Cash generated from operations		740	335
Cash flows from SA Government			
Receipts from State Government		11,482	11,019
Cash generated from SA Government		11,482	11,019
Net cash provided by / (used in) operating activities	18	2,039	1,596
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,186)	(474)
Net cash used in investing activities		(2,186)	(474)
Net decrease in cash and cash equivalents		(147)	1,122
Cash and cash equivalents at 1 July		2,221	1,099
Cash and cash equivalents at 30 June	9	2,074	2,221

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Joint Parliamentary Service

Financial Statements

1. Objective of the Joint Parliamentary Service

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

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

The Joint Parliamentary Service receives assets from the House of Assembly and Legislative Council for nil consideration.

2. Summary of significant accounting policies

(a) *Statement of compliance*

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Joint Parliamentary Service has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Joint Parliamentary Service is a not-for-profit entity.

(b) *Basis of preparation*

The preparation of the financial statements requires:

- the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis;
- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Joint Parliamentary Service's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

Joint Parliamentary Service

Financial Statements

(c) Rounding

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

(d) Taxation

The Joint Parliamentary Service is not subject to income tax. The Joint Parliamentary Service is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office 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 Australian Taxation Office is classified as part of operating cash flows.

(e) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be 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 Joint Parliamentary Service has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(f) Non-current assets

Acquisition and recognition

Land, buildings and library collection are initially recorded at cost and subsequently measured at fair value after allowing for accumulated depreciation. Plant and equipment, computer equipment, fixtures and fittings are recorded at historic cost less accumulated depreciation, which is deemed to approximate fair value. Where assets are acquired at no value, or minimal value, they are recorded at book value, that is the amount recorded by the transferor entity immediately prior to the transfer.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

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

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

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

Joint Parliamentary Service

Financial Statements

Revaluation of non-current assets

Land, buildings and library collection are valued at fair value and revaluation of these assets is performed every six years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. The assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

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

(g) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement.

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

Employee benefits

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

Salaries and wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Joint Parliamentary Service

Financial Statements

Long service leave

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

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

Provisions

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Joint Parliamentary Service is responsible for the payment of workers compensation claims.

Joint Parliamentary Service

Financial Statements

3. New and revised accounting standards and policies

The Joint Parliamentary Service did not voluntarily change any of its accounting policies during 2016-17.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Joint Parliamentary Service for the period ending 30 June 2017.

The Joint Parliamentary Service has outlined the amended standard that may have impact on its financial statements in the table below:

Ref	Title and date of standard application	Summary	Impact on financial statements	Application date for the Joint Parliamentary Service
AASB 16	Leases 1 July 2019	This new standard introduces a single accounting model for lessees. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.	This new standard is a significant change from the past 30 years of accounting for leases. It will require the Joint Parliamentary Service to record almost all operating lease arrangements in all financial statements. The Joint Parliamentary Service has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements.	1 July 2019

Joint Parliamentary Service

Financial Statements

4. Employee benefits expenses	2017	2016
	\$'000	\$'000
Salaries and wages	5,207	5,373
Employment on-costs – superannuation	527	570
Employment on-costs – other	280	357
Workers compensation	(61)	231
Total employee benefits expenses	5,953	6,531

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

Remuneration of employees	2017	2016
	No	No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$157,001 – 167,000	1	1
	1	1

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by this employee was \$163,000 (2016 \$160,000).

5. Supplies and services	2017	2016
	\$'000	\$'000
Building maintenance	537	489
Utilities	419	465
Cleaning	346	337
Minor works and equipment	110	80
Telephone	151	129
Printing and publishing	173	372
Insurance	53	48
Information technology	551	476
Lease	61	53
Audit fees	77	75
Shared Services	97	95
Vehicle hire	20	24
Staff training and development	14	10
Agency staff hire	143	98
Fringe benefits tax	47	49
Consultants fees	53	82
Occupational, Health, Safety and Welfare compliance	20	15
Car parking	317	-
Other	237	269
Total supplies and services	3,426	3,166

Joint Parliamentary Service

Financial Statements

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

	2017		2016	
	No	\$'000	No	\$'000
Below \$10,000	5	28	2	4
Above \$10,000	1	25	4	78
Total paid/payable to consultants engaged	6	53	6	82

6. Auditor's remuneration

Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* of the Joint Parliamentary Service, Legislative Council and House of Assembly.

Total auditor's remuneration

	2017	2016
	\$'000	\$'000
	77	75
Total auditor's remuneration	77	75

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

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Supplies and services' (refer to note 5).

7. Depreciation and amortisation expense

Buildings	510	657
Plant and equipment	156	142
Fixtures and fittings	2	1
Computer equipment	953	1,166
Total depreciation and amortisation	1,621	1,966

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

Class of asset	Useful life
Buildings	100 years
Plant and equipment	5 - 30 years
Fixtures and fittings (non-antique)	5 - 10 years
Computer equipment	3 - 5 years

Land is not depreciated.

The remaining useful life of Parliament House is estimated to be 100 years.

The majority of fixtures and fittings are antiques, they are anticipated to have a very long and indeterminate useful life.

The library collection and works of art controlled by the Joint Parliamentary Service is mainly a research and heritage collection. Their service potential has not, in any material sense, been consumed during the reporting period.

Consequently, no amount for depreciation has been recognised during the reporting period.

Joint Parliamentary Service

Financial Statements

8. Revenues from SA Government	2017	2016
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	11,482	11,019
Total revenues from SA Government	11,482	11,019

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

9. Cash and cash equivalents		
Deposits with the Treasurer	2,074	2,221
Total cash and cash equivalents	2,074	2,221

Cash is measured at nominal value.

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, funds can only be used in accordance with the Treasurer's approval.

10. Receivables		
Current		
Receivables	166	105
Prepayments	125	88
Other	16	13
Total current receivables	307	206
Non-current		
Prepayments	13	29
Total non-current receivables	13	29
Total receivables	320	235

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.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Joint Parliamentary Service will not be able to collect the debt. It is not anticipated that counterparties will fail to discharge their approximate net fair value due to being receivable on demand. There is no concentration of credit risk.

Joint Parliamentary Service

Financial Statements

11. Property, plant and equipment	2017	2016
	\$'000	\$'000
Land		
Fair value	21,825	21,825
Total land	21,825	21,825
Buildings		
Fair value	50,426	49,898
Less: Accumulated depreciation	(509)	-
Total buildings	49,917	49,898
Plant and equipment		
At cost (deemed fair value)	3,797	3,487
Less: Accumulated depreciation	(721)	(565)
Total plant and equipment	3,076	2,922
Fixtures and fittings		
At cost (deemed fair value)	889	879
Less: Accumulated depreciation	(76)	(75)
Total fixtures and fittings	813	804
Computer equipment		
At cost (deemed fair value)	11,326	9,853
Less: Accumulated depreciation	(8,685)	(7,756)
Total computer equipment	2,641	2,097
Library		
Independent valuation	612	612
Total library	612	612
Capital works in progress		
Capital works in progress	633	402
Total capital works in progress	633	402
Total property, plant and equipment	79,517	78,560

Valuation of assets

An independent valuation of the land, buildings and library collection was conducted as at 30 June 2016 by Fred Taormina B.App.Sc.(Val.), A.A.P.I. (Associate member of the Australian Property Institute) Certified Practicing Valuer on behalf of Valcorp Pty Ltd.

The valuation of land and buildings was prepared on a fair value basis. The valuation of library collection was a desk top valuation that updated a previous valuation determined at 30 June 2011. The valuation was determined by grouping the library collection into categories. Those categories with an intrinsic value were determined at net market value. The remainder of the categories were determined at written down replacement cost.

Joint Parliamentary Service

Financial Statements

Asset Movement	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Library	Capital works in progress	Total
Reconciliation 2016-17	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	21,825	49,898	2,922	804	2,097	612	402	78,560
Additions	-	-	-	10	115	-	2,060	2,185
Assets acquired at nil consideration	-	-	-	-	-	-	393	393
Additions - Transfers to/(from) CWIP	-	529	310	1	1,382	-	(2,222)	-
Depreciation	-	(510)	(156)	(2)	(953)	-	-	(1,621)
Carrying amount at 30 June	21,825	49,917	3,076	813	2,641	612	633	79,517

Asset Movement	Land	Buildings	Plant and equipment	Fixtures and fittings	Computer equipment	Library	Capital works in progress	Total
Reconciliation 2015-16	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	26,675	60,522	2,707	797	3,093	1,495	107	95,396
Additions	-	-	1	8	23	-	442	474
Assets acquired at nil consideration	-	-	-	-	-	-	599	599
Additions - Transfers to/(from) CWIP	-	243	356	-	147	-	(746)	-
Depreciation	-	(657)	(142)	(1)	(1,166)	-	-	(1,966)
Net revaluation increment/(decrement)	(4,850)	(10,210)	-	-	-	(883)	-	(15,943)
Carrying amount at 30 June	21,825	49,898	2,922	804	2,097	612	402	78,560

12. Fair value measurement

The Joint Parliamentary Service classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

Level 1 – traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2 – not traded in an active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3 – not traded in an active market and are derived from unobservable inputs.

The Joint Parliamentary Service has classified all non-financial assets into level 3. The significant unobservable inputs include asset useful lives, which have been disclosed in Depreciation and amortisation expense (refer to note 7).

Joint Parliamentary Service

Financial Statements

13. Payables

	2017	2016
	\$'000	\$'000
Current		
Creditors	1	1
Accrued expenses	214	269
Employment on-costs	133	132
Total current payables	348	402
Expected to be settled more than twelve months after reporting date		
Employment on-costs	137	147
Total non-current payables	137	147
Total payables	485	549

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.

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Interest rate risk and credit risk

Creditors and accruals are raised for all amounts owing but unpaid. Employment on-costs are settled when the respective employee benefits 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.

14. Employee benefits

	2017	2016
	\$'000	\$'000
Current		
Annual leave	511	518
Long service leave	249	284
Skills and experience retention leave	36	37
Accrued salaries and wages	117	103
Total current employee benefits	913	942
Non current		
Long service leave	1,489	1,587
Total non-current employee benefits	1,489	1,587
Total employee benefits	2,402	2,529

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience, expected terminations and known applications for leave.

Joint Parliamentary Service

Financial Statements

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease of \$63,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic and financial assumptions – including the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

15. Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers compensation	38	64
Total current provisions	38	64
Non current		
Provision for workers compensation	88	153
Total non-current provisions	88	153
Total provisions	126	217
Provision movement		
Carrying amount at 1 July	217	102
Additional provisions recognised	-	247
Reduction in provisions recognised	62	-
Reductions arising from payments	29	132
Carrying amount at 30 June	126	217

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

16. Equity

Accumulated surplus	66,776	65,599
Asset revaluation surplus	9,219	9,219
Contributed capital	2,903	2,903
Total equity	78,898	77,721

Joint Parliamentary Service

Financial Statements

The Asset revaluation surplus is to record increments and decrements in the fair value of land and buildings to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

17. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

Within one year	65	65
Later than one year but no longer than five years	189	70
Later than five years	18	53
Total operating lease commitments	272	188

The Joint Parliamentary Service's operating leases are for office accommodation and equipment. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

Expenditure commitments

Other commitments contracted for but not recognised as liabilities are payable as follows:

Within one year	34	23
Later than one year but no longer than five years	24	7
Total expenditure commitments	58	30

The Joint Parliamentary Service's expenditure commitments are for agreements for computer and software related contracts.

18. Cash flow reconciliation

	2017	2016
	\$'000	\$'000
Reconciliation of cash and cash equivalents at 30 June:		
Cash and cash equivalents disclosed in the Statement of Financial Position	2,074	2,221
Balance as per the Statement of Cash Flows	2,074	2,221
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	2,039	1,596
Less revenues from SA Government	(11,482)	(11,019)
Add/less non-cash items		
Depreciation expense of non-current assets	(1,621)	(1,966)
(Decrements)/increments on revaluation of non-current assets	=	(11,093)
Assets acquired at nil consideration	393	599
Movements in assets and liabilities		
(Decrease)/increase in receivables	85	(7)
(Increase)/decrease in payables	63	(21)
(Increase)/decrease in employee benefits	127	(102)
(Increase)/decrease in provisions	91	(115)
Net cost of providing services	(10,305)	(22,128)

Joint Parliamentary Service

Financial Statements

19. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	746	1,158	5,207	5,373	5,953	6,531
Supplies and services:	5						
Building maintenance		342	320	195	169	537	489
Utilities		75	91	344	374	419	465
Cleaning		313	311	33	26	346	337
Minor works and equipment		-	-	110	80	110	80
Telephone		-	-	151	129	151	129
Printing and publishing		157	359	16	13	173	372
Insurance		-	-	53	48	53	48
Information technology		20	17	531	459	551	476
Lease		-	-	61	53	61	53
Audit fees		-	-	77	75	77	75
Shared Services		-	-	97	95	97	95
Vehicle hire		-	-	20	24	20	24
Staff training and development		-	-	14	10	14	10
Agency staff hire		-	-	143	98	143	98
Fringe benefits tax		-	-	47	49	47	49
Consultants fees		-	-	53	82	53	82
Occupational, Health, Safety and Welfare compliance		-	-	20	15	20	15
Other		60	59	177	210	237	269
Depreciation	7	-	-	1,621	1,966	1,621	1,966
Total expenses		1,713	2,315	8,970	9,348	10,683	11,663
Income							
Assets acquired at nil consideration	11	393	599	-	-	393	599
Other		-	-	302	29	302	29
Revenues from SA Government	8	11,482	11,019	-	-	11,482	11,019
Total Income		11,875	11,618	302	29	12,177	11,647

Joint Parliamentary Service

Financial Statements

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	9	2,074	2,074	-	-	2,074	2,074
Receivables:	10						
Receivables		-	-	166	166	166	166
Prepayments		-	-	138	137	138	137
Other		-	-	16	16	16	16
Total financial assets		2,074	2,074	320	319	2,394	2,393
Financial liabilities							
Payables:	13						
Creditors		-	-	1	1	1	1
Accrued expenses		179	179	35	33	214	212
Employment on-costs		23	23	247	248	270	271
Total financial liabilities		202	202	283	282	485	484

20. Financial risk management / Financial instruments

20.1 Financial risk management

Risk management is managed by the Joint Parliamentary Service's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the *Australian Standard Risk Management Principles and Guidelines*.

The Joint Parliamentary Service is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

20.2 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 or respective financial asset/financial liability note.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

Joint Parliamentary Service

Financial Statements

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2017 Carrying Amount/ Fair Value S'000	2017 Contractual Maturities Current S'000	2016 Carrying Amount/ Fair Value S'000	2016 Contractual Maturities Current S'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	9	2,074	2,074	2,221	2,221
Loans and receivables					
Receivables (1) (2)	10	16	16	14	14
		2,090	2,090	2,235	2,235
Financial liabilities					
Financial liabilities at cost					
Payables (1)	13	105	105	157	157
		105	105	157	157

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

21. Related party transactions

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

Related parties of the Joint Parliamentary Service include all key management personnel and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the Joint Parliamentary Service and SA Government entities are disclosed at note 19.

Key management personnel

Members of the Joint Parliamentary Service Committee are key management personnel. These Members did not receive any remuneration for performing the role as a Committee member, their salaries and allowances have been disclosed in note 5 'Members' salaries and allowances' in the financial statements of the House of Assembly and Legislative Council.

Joint Parliamentary Service

Financial Statements

Certification of the Financial Statements

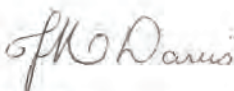
We certify that the:

- financial statements of the Joint Parliamentary Service:
 - are in accordance with the accounts and records of the Joint Parliamentary Service; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant Australian accounting standards; and
 - presents a true and fair view of the financial position of the Joint Parliamentary Service at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Joint Parliamentary Service over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Chair
Joint Parliamentary
Service Committee

1 / 9 / 2017



Secretary
Joint Parliamentary
Service Committee

4 / 9 / 2017



Chief Finance Officer
Joint Parliamentary Service

1 / 9 / 2017



Chair
Joint Parliamentary
Service Committee

1 / / 2017

Secretary
Joint Parliamentary
Service Committee

11 / 9 / 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987*, I was engaged to audit the financial report of the Joint Parliamentary Service for the financial year ended 30 June 2017.

Disclaimer of opinion

I do not express an opinion on the accompanying financial report. Because of the significance of the matters described in the Basis for disclaimer of opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising summary of significant accounting policies and other explanatory information
- a Certificate from the Chair and the two Secretaries of the Joint Parliamentary Service Committee and the Chief Finance Officer, Joint Parliamentary Service.

Basis for disclaimer of opinion

The Members of the Joint Parliamentary Service Committee are responsible for the management of the Joint Parliamentary Service. The Members have not provided unrestricted access to the minutes of their meetings. As a result, I cannot assess whether matters deliberated and decided by the Members that have financial consequences have been recognised or disclosed in the financial report.

The Members of the Joint Parliamentary Service Committee are responsible for the control and management of the dining and refreshment services of Parliament House. Certain income from the provision of these services and associated expenditure has been omitted from the financial report. As the Members have not provided access to this financial information, I am unable to determine the effect of the omission on the financial report.

Responsibilities of the Members of the Joint Parliamentary Service Committee for the financial report

The Members of the Joint Parliamentary Service Committee are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as the Members of the Joint Parliamentary Service determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. However, because of the matters described in the Basis for disclaimer of opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

I am independent of the Joint Parliamentary Service. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. The relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.



Andrew Richardson

Auditor-General

21 September 2017

Legal Services Commission

Financial report
for the year ended
30 June 2017

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	4	18 550	18 990
Private Practitioner services	2.12	18 455	17 687
Private Practitioner services - Expensive Case matters	5	859	104
Supplies and services	6	6 417	6 183
Depreciation and amortisation expense	7	710	795
Other expenses	8	<u>2</u>	<u>78</u>
Total expenses		44 993	43 837
Income			
<i>Legal Practitioners Act</i> revenues	9	2 579	2 957
Statutory charges		1 042	692
Interest revenues		387	425
Costs recovered and contributions	10	297	358
Other income	11	<u>1 937</u>	<u>1 499</u>
Total income		6 242	5 931
Net cost of providing services		38 751	37 906
Revenues from Governments			
Revenue from Commonwealth Government	12	16 250	15 773
Revenue from State Government	13	<u>22 707</u>	<u>21 483</u>
Total revenues from Governments		38 957	37 256
Net result		<u>206</u>	<u>(650)</u>
Total comprehensive result		<u>206</u>	<u>(650)</u>

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

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	14	12 333	12 348
Receivables	15	<u>2 189</u>	<u>2 008</u>
Total current assets		<u>14 522</u>	<u>14 356</u>
Non-current assets			
Property, plant and equipment	16.1	4 534	4 555
Intangible assets	16.2	102	153
Statutory charge debtors	17	<u>7 215</u>	<u>6 382</u>
Total non-current assets		<u>11 851</u>	<u>11 090</u>
Total assets		<u>26 373</u>	<u>25 446</u>
Current liabilities			
Lease incentive		233	233
Legal payables		1 336	876
Payables	18	449	337
Employee benefits	19	<u>1 776</u>	<u>1 587</u>
Total current liabilities		<u>3 794</u>	<u>3 033</u>
Non-current liabilities			
Lease incentive		2 333	2 567
Payables	18	251	233
Employee benefits	20	<u>3 657</u>	<u>3 481</u>
Total non-current liabilities		<u>6 241</u>	<u>6 281</u>
Total liabilities		<u>10 035</u>	<u>9 314</u>
Net assets		<u>16 338</u>	<u>16 132</u>
Equity			
Revaluation surplus		49	49
Retained earnings		<u>16 289</u>	<u>16 083</u>
Total equity		<u>16 338</u>	<u>16 132</u>
Unrecognised contractual commitments	20		
Contingent assets and liabilities	23		

Total equity is attributable to the SA Government as owner

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Revaluation surplus	Retained earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2015	49	16 733	16 782
Net result 2015-16	-	(650)	(650)
Total comprehensive result for 2015-16	-	(650)	(650)
Balance at 30 June 2016	49	16 083	16 132
Net result for 2016-17	-	206	206
Total comprehensive result for 2016-17	-	206	206
Balance at 30 June 2017	49	16 289	16 338

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

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 Inflows (Outflow) \$'000	2016 Inflows (Outflows) \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(18 142)	(18 881)
Supplies and services		(7 517)	(7 074)
Private Practitioner services		(20 488)	(19 473)
Private Practitioner services - Expensive Case matters		<u>(473)</u>	<u>(104)</u>
Cash used in operations		<u>(46 620)</u>	<u>(45 532)</u>
Cash inflows			
<i>Legal Practitioners Act</i> receipts		2 642	2 768
Costs recovered and contributions		326	358
Statutory charge receipts		537	815
Interest received		391	429
GST recovered from the ATO		2 357	2 264
Other receipts		<u>1 711</u>	<u>1 318</u>
Cash generated by operations		<u>7 964</u>	<u>7 952</u>
Cash flows from Governments			
Commonwealth Government receipts		16 250	15 773
State Government receipts		<u>23 029</u>	<u>21 455</u>
Total cash flows from Governments		<u>39 279</u>	<u>37 228</u>
Net cash provided by/(used in) operating activities		<u>623</u>	<u>(352)</u>
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant & equipment and intangible assets		<u>(638)</u>	<u>(80)</u>
Net cash used in investing activities		<u>(638)</u>	<u>(80)</u>
Net decrease in cash and cash equivalents		(15)	(432)
Cash and cash equivalents at the beginning of the period		<u>12 348</u>	<u>12 780</u>
Cash and cash equivalents at the end of the period	14	<u>12 333</u>	<u>12 348</u>

The above statement should be read in conjunction with the accompanying notes.

NOTE INDEX

Note 1 Objectives of the Legal Services Commission of South Australia

Note 2 Significant accounting policies

Note 3 New and revised accounting standards and policies

Expense Notes

Note 4 Employee benefits expenses

Note 5 Private Practitioner services - Expensive Case matters

Note 6 Supplies and services

Note 7 Depreciation and amortisation expense

Note 8 Other expenses

Income Notes

Note 9 *Legal Practitioners Act* revenue

Note 10 Costs recovered and contributions

Note 11 Other income

Revenues from Governments

Note 12 Commonwealth Government

Note 13 State Government

Asset Notes

Note 14 Cash and cash equivalents

Note 15 Receivables

Note 16 Property, plant and equipment

Note 17 Statutory charge debtors

Liability Notes

Note 18 Payables

Note 19 Employee benefits

Other Notes

Note 20 Unrecognised contractual commitments

Note 21 Remuneration of Commission members

Note 22 Related party transactions

Note 23 Contingent assets and liabilities

Note 24 Financial instruments/Financial risk management

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Legal Services Commission of South Australia

The Legal Services Commission of South Australia (the Commission) was established under the *Legal Services Commission Act 1977* (the Act) to provide or arrange for the provision of legal assistance in accordance with the Act. The functions and principles of the Commission are set out in sections 10 and 11 of the Act.

2. Significant accounting policies

2.1 Statement of Compliance

The financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

The Commission has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Commission is a not-for-profit entity.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have, not been adopted by the Commission for the reporting period ended 30 June 2017. Refer Note 3.

2.2 Basis of Preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes.
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in these financial statements:
 - a) expenses incurred as a result of engaging consultants;
 - b) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10 000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly and indirectly by the entity to those employees; and
 - c) Commission member and remuneration information, where a Commission member is entitled to receive income from membership other than a direct out-of-pocket reimbursement.

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

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

The financial statements have been prepared 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 2017 and the comparative information presented.

2.3 Reporting Entity

The Commission was established under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6 (3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

2.4 Comparative Figures

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

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

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

2.5 Rounding

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

2.6 Taxation

The Commission is not subject to income tax. The Commission is endorsed by the Australian Taxation Office (ATO) as an income tax exempt charity and as a Public Benevolent Institution. The Commission is liable for pay roll tax, fringe benefits tax, goods and services tax (GST), emergency services levy, land tax equivalents and local government rate equivalents.

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

- when the GST incurred on purchases 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 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 Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

2.7 Events after the Reporting Period

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

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

2.8 Current and Non-Current Classification

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

2.9 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 after allowing for accumulated depreciation.

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

However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value ie the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value equal to or in excess of \$1 000 are capitalised.

Depreciation and Amortisation

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

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

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

The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

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

Class of Asset	Useful Life (Years)
Plant & Equipment	
Computers	3-5
Office equipment	5-13
Furniture and fittings	13
Leasehold improvements	5-15
Intangibles	3-8

The library is considered a heritage asset and therefore not depreciated or amortised.

Revaluation of non-current assets

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

If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

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

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

Library Valuation

The *John Gray Memorial Library* asset is a legal reference collection containing general and specialised items that are available for general use by both Commission lawyers and private practitioners undertaking legal aid matters. The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collection.

Impairment

The Commission holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

The Commission also expects for all other non-current tangible assets that any costs of disposal will be negligible, and the recoverable amount to be close to or greater than fair value.

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 Commission 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).

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

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

Fair value measurement - Non-financial assets

In determining fair value, the Commission has taken into account the characteristic of the asset (e.g. condition and location of the asset and any restrictions on the sale or use of the asset); and the asset's highest and best use (that is physically possible, legally permissible, financially feasible).

The Commission's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Commission did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years' are deemed to approximate fair value.

Financial assets/liabilities

The commission does not recognise any financial assets or financial liabilities at fair value.

2.10 Liabilities

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

Payables

Payables include creditors, accrued expenses, employment on-costs and Paid Parental Leave Scheme payable.

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

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

The Paid Parental Leave Scheme payable represents amounts which the Commission has received from the Commonwealth Government to forward onto eligible employees via the Commission's standard payroll processes. That is, the Commission is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

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

Legal Payables represent amounts invoiced from private practitioners for approved cases that are unpaid at balance date. They are normally settled within 30 days.

Employee benefits on-costs include superannuation contributions, payroll tax and Return to Work SA levies with respect of outstanding liabilities for salaries and wages, annual leave, long service leave and skills and experience retention leave.

The Commission makes contributions to several superannuation schemes operated by the State Government and a Commonwealth scheme. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes.

Leases

The Commission has entered into operating leases for office accommodation. These leases are reviewed annually for adjustments in the CPI. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased asset.

Lease incentives

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

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

Lease incentives in the form of leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Employee benefits

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

Salaries, wages, annual leave, SERL and sick leave

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

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

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

Long service leave

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

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

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

The current/non-current classification of the Commission's long services leave liabilities has been calculated based on historical usage patterns.

2.11 Unrecognised contractual commitments and contingent assets and liabilities

Unrecognised contractual commitments include operating and legal expense arising from contractual or statutory sources and are disclosed at their nominal value. Refer Note 20.

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Refer Note 23.

2.12 Private Practitioner Services

Comprises solicitors' fees, counsel fees and disbursements to private practitioners for approved cases undertaken during the financial year. As at 30 June 2017, the total Private Practitioner Services was \$18 455 000 (2016 - \$17 687 000).

2.13 Trust Funds

Pursuant to the *Legal Practitioner's Act 1981* the Commission holds funds in trust on behalf of clients. As at 30 June 2017 the total funds held were \$109 000 (2016 - \$19 000). These funds are not controlled by the Commission and are not recognised in the financial statements.

3. New and revised accounting standards and policies

The Commission did not voluntarily change any of its accounting policies during 2016-17.

4. Employee benefits expenses

	2017 \$'000	2016 \$'000
Salaries and wages	14 756	14 033
TVSPs (refer below)	-	1 127
LSL	330	527
Annual leave	1 189	1 094
Employment on-costs - superannuation *	1 613	1 544
Employment on-costs - payroll tax	388	369
SERL	88	84
Commission members' remuneration	58	77
Workers compensation	128	135
Total employee benefits expenses	18 550	18 990

* The superannuation employment on-costs charge represents the Commission's contributions to superannuation plans in respect of current services of current employees.

TVSPs	2017 \$'000	2016 \$'000
Amount paid during the reporting period to separated employees:		
TVSPs	-	1 127
Annual leave, LSL and SERL paid to those employees	-	359
Net cost to the Legal Services Commission	-	1 486

The number of employees who received a TVSP during the reporting period was nil (2016 - 20)

Remuneration of employees

	Number of Employees	
	2017 No	2016 No
The number of employees whose remuneration received or receivable falls within the following bands:		
\$145 001 to \$147 000 *	n/a	1
\$147 001 to \$157 000	2	3
\$157 001 to \$167 000	3	3
\$167 001 to \$177 000	-	2
\$177 001 to \$187 000	1	2
\$187 001 to \$197 000	1	-
\$197 001 to \$207 000	-	1
\$207 001 to \$217 000	1	-
\$227 001 to \$237 000	-	1
\$247 001 to \$257 000	1	-
\$267 001 to \$277 000	-	1
\$277 001 to \$287 000	-	1
\$287 001 to \$297 000	2	-
Total	11	15

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2015-16.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of those benefits.

The total remuneration received by these employees for the year was \$2 230 000 (2016 - \$2 789 000).

5. Private Practitioner services - Expensive Case matters

	2017 \$'000	2016 \$'000
State Expensive Cases reimbursed	859	60
Commonwealth Expensive Cases reimbursed	-	44
Total Expensive Cases reimbursed	859	104

The Commission is required to provide litigation services pursuant to the *Criminal Law (Legal Representation) Act 2001* for State matters that exceed the Commission's prescribed funding cap. Section 18(6) defines the "funding cap" to mean an amount fixed as the funding cap for criminal cases by the Commission for a particular financial year.

For State matters, the funding cap is \$50 000 in the case of one party being aided and \$100 000 in the case of more than one party, irrespective of the number being aided. These matters are separately funded by the State Government. Refer Note 13.

For Commonwealth matters, the funding cap is \$40 000 and the Commission is reimbursed the full amount. The Commission did not receive any reimbursement during 2016-17. Refer Note 12.

6. Supplies and services

	2017 \$'000	2016 \$'000
Accommodation	2 901	2 863
Computing and communications	1 906	1 772
Periodicals and subscriptions	262	249
Travel	197	212
Office supplies and consumables	165	194
Interpreter fees	156	163
Legal fees	146	157
Practising certificates and membership	102	100
Audit fees	92	71
Northern Domestic Violence Service fees	70	-
Storage fees	65	70
Courses and training	41	37
Media and advertising	13	23
Consultancy fees	8	13
Other	293	259
Total supplies and services	6 417	6 183

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

	Number	2017 \$'000	Number	2016 \$'000
Below \$10,000	2	8	-	-
Above \$10 000	-	-	1	13
Total paid/payable to the consultants engaged	2	8	1	13

7. Depreciation and amortisation expense

	2017 \$'000	2016 \$'000
Depreciation		
Plant and equipment	433	508
Total depreciation	433	508
Amortisation		
Leasehold improvements	226	236
Intangible assets	51	51
Total amortisation	277	287
Total depreciation and amortisation expense	710	795

8. Other expenses

	2017	2016
	\$'000	\$'000
Statutory charge bad debts and allowance for doubtful debts	(20)	-
Bad debts and allowance for doubtful debts	<u>22</u>	<u>78</u>
Total other expenses	<u>2</u>	<u>78</u>

9. Legal Practitioners Act revenue

In accordance with the *Legal Practitioners Act 1981* the Commission is entitled to revenue from funds administered by the Law Society of South Australia.

	2017	2016
	\$'000	\$'000
Statutory Interest account	1 008	1 029
Interest on Legal Practitioners Trust account	<u>1 571</u>	<u>1 928</u>
Total Legal Practitioners Act revenue	<u>2 579</u>	<u>2 957</u>

10. Costs recovered and contributions

	2017	2016
	\$'000	\$'000
Costs recovered	70	132
Contributions*	<u>227</u>	<u>226</u>
Total costs recovered and contributions	<u>297</u>	<u>358</u>

* In addition, contributions of \$575 000 (2016 - \$823 000) in relation to referred cases were paid or are payable directly to private practitioners by clients.

11. Other income

	2017	2016
	\$'000	\$'000
Women's Domestic Violence	450	450
Online Dispute Resolution System	341	-
Drug Court Funding	145	145
Legal Assistance Services	140	284
Return to Work SA Funding	110	100
Innovation Fund	73	-
Community Legal Service Eligibility, Triage and Referral Services	50	-
Strata and Community Title Advisory Services	-	164
Family Based Services	-	142
Other income	<u>628</u>	<u>214</u>
Total other income	<u>1 937</u>	<u>1 499</u>

12. Commonwealth Government

A National Partnership Agreement on Legal Assistance Services between the Commonwealth of Australia and States and Territories is effective from 1 July 2015 to 30 June 2019. Amounts from the Commonwealth are received via the Attorney-General's Department. Pursuant to that Agreement, the Commonwealth Government contributed funding of \$16 250 000 (2016 - \$15 773 000) to South Australia for the year ended 30 June 2017.

13. State Government

In 2016-17 the State Government contributed funding of \$21 848 000 (2016 - \$21 423 000).

The Commission is separately funded by the State Government for matters that exceed the Commission's prescribed funding cap. The matters are funded pursuant to the *Criminal Law (Legal Representation) Act 2001*. The Commission enters into an approved Case Management Agreement with the State Government for these matters.

The State Government provided \$859 000 (2016 - \$60 000) for approved expensive cases that exceeded the Commission cap.

14. Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Short-term deposits with SAFA	11 700	12 064
Cash at bank and on hand	633	284
Total cash and cash equivalents	<u>12 333</u>	<u>12 348</u>

Short-term deposits

Short-term deposits are held with the South Australian Government Financing Authority (SAFA) in the Cash Management Facility (CMF). The CMF is an at-call, pooled investment portfolio comprising cash and short-term money market securities. The daily earnings from the portfolio's investments are applied to Commission's investment balances. The CMF interest rate is the Reserve Bank of Australia's (RBA) cash rate plus a margin set by the SAFA General Manager.

Cash at bank and on hand

Cash on hand is non-interest bearing being petty cash. Deposits with BankSA (cash at bank) earn a floating interest rate based on daily bank deposit rates with interest paid semi-annually. The carrying amount of cash and cash equivalents represents fair value.

15.1 Receivables

	2017	2016
	\$'000	\$'000
<i>Legal Practitioners Act</i> debtors	780	843
GST input tax recoverable	304	273
Client debtors and other debtors	865	579
Allowance for doubtful debts	(40)	(40)
Prepayments	280	353
Total Receivables	<u>2 189</u>	<u>2 008</u>

15.2 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017	2016
	\$'000	\$'000
Carrying amount at the beginning of the period	40	30
Increase in allowance	22	58
Amounts written off	(22)	(48)
Carrying amount at the end of the period	<u>40</u>	<u>40</u>

16.1 Property, plant and equipment

	2017 \$'000	2016 \$'000
Leasehold improvements at cost (deemed fair value)	4 120	4 120
Accumulated amortisation	(1 678)	(1 452)
Total leasehold improvements	<u>2 442</u>	<u>2 668</u>
Plant and equipment at cost (deemed fair value)	4 979	4 703
Accumulated depreciation	(3 510)	(3 077)
Total plant and equipment	<u>1 469</u>	<u>1 626</u>
Library at fair value *	<u>261</u>	<u>261</u>
Total library	<u>261</u>	<u>261</u>
Work in progress	<u>362</u>	<u>-</u>
Total Work in progress	<u>362</u>	<u>-</u>
Total property, plant and equipment	<u>4 534</u>	<u>4 555</u>

* The valuation of the library collection was performed by Valcorp Australia Pty Ltd as at 30 June 2014. The independent valuer arrived at fair value based on the written down replacement cost of the collections.

Carrying amount of plant and equipment

All items of plant and equipment had a fair value at the time of acquisition that was less than \$1 million or had an estimated useful life that was less than three years, and have not been revalued in accordance with APFIII. The carrying value of these items are deemed to approximate fair value.

Impairment

There were no other indications of impairment of property, plant and equipment at 30 June 2017.

16.2 Intangible assets

	2017 \$'000	2016 \$'000
Computer software	1 557	1 557
Accumulated amortisation	(1 455)	(1 404)
Total intangible assets	<u>102</u>	<u>153</u>

Impairment

There were no other indications of impairment of intangibles at 30 June 2017.

16.3 Reconciliation of non-current assets

	Leasehold Improvements	Plant and Equipment	Library	Work in Progress	Property Plant & Equipment Total	Computer Software	Intangible Assets Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	2 668	1 626	261	-	4 555	153	153
Additions	-	276	-	362	638	-	-
Depreciation/amortisation expense	(226)	(433)	-	-	(659)	(51)	(51)
Carrying amount at 30 June	2 442	1 469	261	362	4 534	102	102

17.1 Statutory charge debtors

Statutory charge debtors are raised as a result of the Commission registering charges over property owned by some recipients of legal aid to secure legal costs owed on cases undertaken and are reported at amounts due. Debts are recovered when the property is refinanced or sold.

	2017 \$'000	2016 \$'000
Statutory charge debtors	7 345	6 683
Allowance for doubtful debts	<u>(130)</u>	<u>(301)</u>
Total Statutory charge debtors	<u>7 215</u>	<u>6 382</u>

17.2 Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (ie calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in 'other expenses' in the Statement of Comprehensive Income for specific debtors and debtors assessed on a collective basis for which such evidence exists.

	2017 \$'000	2016 \$'000
Carrying amount at the beginning of the period	301	302
(Decrease)/Increase in the allowance	(20)	150
Amounts written off	<u>(151)</u>	<u>(151)</u>
Carrying amount at the end of the period	<u>130</u>	<u>301</u>

18. Payables

	2017 \$'000	2016 \$'000
Current		
Creditors	141	75
Accrued expenses	92	71
Employment on-costs	<u>216</u>	<u>191</u>
Total current payables	<u>449</u>	<u>337</u>
Non-current		
Employment on-costs	<u>251</u>	<u>233</u>
Total non-current payables	<u>251</u>	<u>233</u>
Total payables	<u>700</u>	<u>570</u>

Employment on-costs include payroll tax, WorkCover levies and superannuation contributions. The Commission makes contributions to both State and Commonwealth Government and externally managed superannuation schemes. These contributions are treated as an expenses 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.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remains unchanged from 2016 rate of 40% and the average factor for the calculation of employer superannuation on-cost has changed from the 2016 rate of 10.2% to 10.1%. These rates are used in the employment on-cost calculation. The net financial effect of the change in the current financial year is a decrease in the employment on-cost of \$2 000 and employee benefits expense of \$2 000.

19. Employee benefits

	2017 \$'000	2016 \$'000
Current		
Accrued salaries and wages	308	235
Annual leave	1 057	922
Long service leave	275	311
Skills and experience retention leave	136	119
Total current employee benefits	<u>1 776</u>	<u>1 587</u>
Non-current		
Long service leave	3 657	3 481
Total non-current employee benefits	<u>3 657</u>	<u>3 481</u>
Total employee benefits	<u>5 433</u>	<u>5 068</u>

AASB 119 contains the calculation methodology for long service leave liability. An actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, contributed to a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$160 000 and employee benefits expense of \$171 000. The impact on future periods is impracticable to estimate as the benchmark is calculated using a number of demographical and financial assumptions including the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

20. Unrecognised contractual commitments

	2017 \$'000	2016 \$'000
(a) Legal expense commitments		
Not later than one year	7 978	7 684
Total legal expense commitments	<u>7 978</u>	<u>7 684</u>

As at 30 June 2017, the Commission has disclosed a commitment on all outstanding amounts raised since 1 January 2017 (ie previous six months).

When a private practitioner is allocated a case, they are issued with a commitment certificate indicating the amount the private practitioner is able to claim in relation to the case. Once the private practitioner has provided the service, they sign and submit the commitment certificate, so they can be paid. 'Legal Expense Commitments' relate to commitment certificates that have been issued by the Commission but not yet returned.

	2017 \$'000	2016 \$'000
(b) Expenditure commitments		
Not later than one year	113	-
Later than one year but not later than five years	317	-
Greater than five years	68	-
Total operating lease commitments	<u>498</u>	<u>-</u>

The Commission's expenditure commitments are for the Electronic Document and Record Management System (EDRMS). The agreement was signed on 29 January 2017 with FYB Pty Ltd.

	2017 \$'000	2016 \$'000
(c) Operating Lease commitments		
Not later than one year	2 604	2 614
Later than one year but not later than five years	10 502	10 824
Greater than five years	17 160	19 779
Total operating lease commitments	<u>30 266</u>	<u>33 217</u>

At the reporting date the Commission held the above obligations under non-cancellable operating leases. The operating leases held by the Commission are predominantly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease term. Lease payments are payable one month in advance.

In 2012-13 the Commission entered into a Memorandum of Understanding with the Minister for Transport and Infrastructure to lease new city business accommodation over a fifteen year term, with the option to renew available in 2029.

21. Remuneration of Commission members

Members of the Commission during the 2017 financial year were:

Mr Michael Abbott	Chairman
Ms Gabrielle Canny *	Ex Officio
Mr Alan Herald	
Ms Alison Lloyd Wright *	
Ms Catherine Nelson	
Mr Craig Caldicott	Retired 30 November 2016
Mr Michael Dawson	Retired 30 November 2016
Mr John Keen	Retired 30 November 2016

The number of members whose remuneration received or receivable fell within the following bands was:

	Number of Members	
	2017	2016
\$0 - \$9 999	5	2
\$10 000 - \$19 999	2	5
\$20 000 - \$29 999	<u>1</u>	<u>1</u>
Total	<u>8</u>	<u>8</u>

Remuneration of members reflects all costs of performing Commission member duties including sitting fees, superannuation contributions, fringe benefit tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$63 000 (2016 - \$89 000) including \$5 000 (2016 - \$7 000) paid or payable to superannuation plans for Commission members.

* In accordance with the Department of Premier and Cabinet Circular No.016, Commission members who are government employees paid at executive level did not receive any remuneration for Commission duties during the financial year.

The members of the Commission are appointed by the Governor in accordance with the provisions of the Act and include sole practitioners. In the ordinary course of business the Commission enters into transactions with legal firms, some of which are associated with members of the Commission. Payments made to these firms are in accordance with the Commission's scale of fees and are payments that apply to practitioners generally. Accordingly, unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

22. Related Party Transactions

The Commission is a statutory authority established pursuant under the Act to provide or arrange for the provision of legal assistance in accordance with the Act. Under section 6 (3) of the Act, the Commission is not an instrumentality of the Crown and is independent of the Government.

Related parties of the Commission include all key management personnel and their close family members, all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Key Management Personnel

Key management personnel of the Commission include the Director, six Commissioners and nine members of the Executive Team who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel was \$1 841 000 (2016 - \$1 766 000).

Transactions with Key Management Personnel and other related parties

There were no transactions with key management personnel and other related parties during the financial year.

23. Contingent assets and liabilities

At balance date and as at the date of financial statement certification, there were no known contingent assets or liabilities.

24. Financial risk management/Financial instruments

Financial risk management

Risk management is managed by the Commission's Infrastructure Section and Commission risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Commission is exposed to financial risk (liquidity, credit and market) is low due to the nature of the financial instruments held.

Categorisation of financial Instruments

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

Refer table 24.1 for the carrying amounts of each of the following categories of financial assets and liabilities: receivables; and financial liabilities measured at cost.

The Commission does not recognise any financial assets or financial liabilities at fair value. The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 2, 14 and 18).

The Commission is funded principally from appropriations by the State and Commonwealth Governments. The Commission works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

The Commission settles undisputed accounts within 30 days from the date of the invoice or date the invoice is first received. In the event of a dispute, payment is made 30 days from resolution.

The Commission's exposure to liquidity risk is insignificant based on past experience and current assessment of risk. The carrying amount of financial liabilities recorded in table 24.1 represents the Commission's maximum exposure to financial liabilities.

Table 24.1 Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Notes	2017 Carrying amount/ Fair value (\$'000)	2016 Carrying amount/ Fair value (\$'000)
Financial assets			
<u>Cash and equivalent</u>			
- Cash and cash equivalent	14	12 333	12 348
<u>Loans and receivables</u>			
- Receivables (1)(2)	15	586	347
Total financial assets		12 919	12 695
Financial liabilities			
<u>Financial liabilities at cost</u>			
- Payables (1)	18	141	75
Total financial liabilities		141	75

(1) Receivable and payable amounts disclosed above exclude amounts relating to statutory receivables and payables. In government, certain rights to receive or pay cash may not be contractual and therefore in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents 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).

(2) Receivable amounts disclosed here exclude prepayments. Prepayments are presented in Note 15 as prepayments in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or other financial assets.

CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the following:

- financial statements of the Legal Services Commission of South Australia:
 - are in accordance with the accounts and records of the Legal Services Commission of South Australia; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant Australian accounting standards; and
 - present a true and fair view of the financial position of the Legal Services Commission of South Australia at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Legal Services Commission of South Australia over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Chinh Dinh-Pham
MANAGER, FINANCE

15 September 2017



Gabrielle Canny
DIRECTOR

15 September 2017



Michael Abbott
CHAIRPERSON

15 September 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Chairperson Legal Services Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, section 25 of the *Legal Services Commission Act 1977*, I have audited the financial report of the Legal Services Commission for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Legal Services Commission as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairperson, the Director and the Manager, Finance.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Legal Services Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Director and the members of the Commission for the financial report

The Director is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

The members of the Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

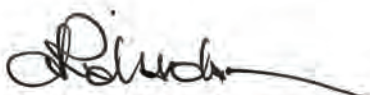
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Director and the members of the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017

Legislative Council

Financial report
for the year ended
30 June 2017

Legislative Council

Financial Statements

Statement of Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits expenses	4	2,091	2,239
Members' salaries and allowances	5	5,422	4,997
Supplies and services	6	1,695	1,595
Depreciation and amortisation expense	7	50	70
Assets provided for nil consideration to the Joint Parliamentary Service	11	131	200
Total expenses		9,389	9,101
Income			
Other income		44	3
Total income		44	3
Net cost of providing services		9,345	9,098
Revenues from SA Government	8	9,536	9,032
Net result		191	(66)
Total comprehensive result		191	(66)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	9	1,807	1,621
Receivables	10	35	46
Total current assets		1,842	1,667
Non-current assets			
Property, plant and equipment	11	1,112	1,131
Total non-current assets		1,112	1,131
Total assets		2,954	2,798
Current liabilities			
Payables	12	142	153
Employee benefits	13	251	221
Provisions	14	1	1
Total current liabilities		394	375
Non-current liabilities			
Payables	12	146	151
Employee benefits	13	1,411	1,459
Provisions	14	2	3
Total non current liabilities		1,559	1,613
Total liabilities		1,953	1,988
Net assets		1,001	810
Equity			
Retained earnings		925	734
Asset revaluation surplus	15	76	76
Total equity		1,001	810
Unrecognised contractual commitments	16		

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

Statement of Changes in Equity For the year ended 30 June 2017

	Note	Asset Revaluation Surplus \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 30 June 2015		76	800	876
Net result for 2015-16		-	(66)	(66)
Total comprehensive result for 2015-16		-	(66)	(66)
Balance at 30 June 2016		76	734	810
Net result for 2016-17		-	191	191
Total comprehensive result for 2016-17		-	191	191
Balance at 30 June 2017		76	925	1,001

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000 Inflows (Outflows)	2016 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Cash outflows			
Employee benefits payments		(2,111)	(2,100)
Members' salaries allowances and superannuation		(5,423)	(4,997)
Payments for supplies and services		(1,868)	(1,704)
Cash used in operations		(9,402)	(8,801)
Cash inflows			
GST recovered from the ATO		165	147
Other receipts		48	4
Cash generated from operations		213	151
Cash flows from SA Government			
Receipts from State Government		9,536	9,032
Cash generated from SA Government		9,536	9,032
Net cash provided by operating activities	17	347	382
Cash flows from investing activities			
Purchase of property, plant and equipment		(161)	(175)
Net cash used in investing activities		(161)	(175)
Net increase in cash and cash equivalents		186	207
Cash and cash equivalents at 1 July		1,621	1,414
Cash and cash equivalents at 30 June	9	1,807	1,621

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Legislative Council

Financial Statements

1. Objective of the Legislative Council

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

Certain support services provided to the Legislative Council are not reflected in these financial statements but in the financial statements of the Joint Parliamentary Service. The Legislative Council provides assets to the Joint Parliamentary Service for nil consideration.

2. Summary of significant accounting policies

(a) Statement of compliance

These financial statements are in compliance with section 23 of the *Public Finance and Audit Act 1987*.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Legislative Council has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Legislative Council is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis;
- the use of certain accounting estimates and requires management to exercise its judgement in the process of applying the Legislative Council's accounting policies. The areas involving a higher degree of judgement or where assumptions and estimates are significant to the financial statements, are outlined in the applicable notes;
- accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with Accounting Policy Statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:
 - (a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of \$100,000 for separate identification of these items applies;
 - (b) expenses incurred as a result of engaging consultants;
 - (c) employees whose normal remuneration is equal to or greater than the base executive remuneration level (within \$10,000 bandwidths) and the aggregate of the remuneration paid or payable or otherwise made available, directly or indirectly by the entity to those employees.

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

Legislative Council

Financial Statements

(c) Rounding

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

(d) Taxation

The Legislative Council is not subject to income tax. The Legislative Council is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy.

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, 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; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office 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 Australian Taxation Office is classified as part of operating cash flows.

(e) Current and non-current classification

Assets and liabilities are characterised as either current or non-current in nature. Assets and liabilities that are to be 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 Legislative Council has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

(f) Non-current assets

Acquisition and recognition

All non-current assets are recorded at historic cost less accumulated depreciation, which is deemed to approximate fair value. Where assets are acquired at no value, or minimal value, they are recorded at book value, that is the amount recorded by the transferor entity immediately prior to the transfer.

All non-current tangible assets with a value equal to or in excess of \$5,000 are capitalised.

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

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

(g) Liabilities

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. The Legislative Council has entered into operating leases.

Legislative Council

Financial Statements

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

Employee benefits

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

Salaries and wages, annual leave, SERL and sick leave

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

The annual leave liability and the SERL liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

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

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

Provisions

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

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

The workers compensation provision is an actuarial estimate of the outstanding liability as at 30 June 2017 provided by a consulting actuary engaged through the Office for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Legislative Council is responsible for the payment of workers compensation claims.

Legislative Council

Financial Statements

3. New and revised accounting standards and policies

The Legislative Council did not voluntarily change any of its accounting policies during 2016-17.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Legislative Council for the period ending 30 June 2017.

The Legislative Council has outlined the amended standard that may have impact on its financial statements in the table below:

Ref	Title and date of std application	Summary	Impact on financial statements	Application date for the Legislative Council
AASB 16	Leases 1 July 2019	This new standard introduces a single accounting model for lessees. The standard requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset, and a lease liability representing its obligations to make lease payments. AASB 16 substantially carries forward the lessor accounting requirements in AASB 117.	This new standard is a significant change from the past 30 years of accounting for leases. It will require the Legislative Council to record almost all operating lease arrangements in all financial statements. The Legislative Council has not yet quantified the impact of applying AASB 16 to its current operating lease arrangements on the financial statements.	1 July 2019

Legislative Council

Financial Statements

4. Employee benefits expenses

	2017 \$'000	2016 \$'000
Salaries and wages	1,619	1,688
Employment on-costs – superannuation	372	363
Employment on-costs – other	101	187
Workers compensation	(1)	1
Total employee benefits expenses	2,091	2,239

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

Remuneration of employees

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

	2017 No	2016 No
\$167,001 – 177,000	1	1
\$227,001 – 237,000	1	-
\$237,001 – 247,000	-	1
Total	2	2

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees was \$404,000 (2016 \$406,000).

5. Members' salaries and allowances

	2017 \$'000	2016 \$'000
Members' salaries and allowances	4,489	4,194
On-costs - superannuation	889	803
On-costs - other	44	-
Total members' salaries and allowances	5,422	4,997

Members' salaries, electorate allowances and additional salaries of \$4.5 million (2016 \$4.2 million) reflected in these financial statements are paid from Appropriations provided under the *Parliamentary Remuneration Act 1990* and the *Parliamentary Committees (Miscellaneous) Act 1991*. Ministers' salaries and allowances totalling \$1.0 million (2016 \$969,000) and superannuation of \$154,000 (2016 \$166,000) are not reported in these financial statements but in the financial statements of each Minister's respective Department.

Legislative Council

Financial Statements

6. Supplies and services

	2017 \$'000	2016 \$'000
Publications	30	27
Printing	210	215
Information technology	12	71
Lease	56	56
Members global allowance	435	398
Security	212	181
Vehicle hire	12	13
Members travel, accommodation and related expenses	89	238
Travelling expenses	167	61
Fringe benefits tax	53	86
Stationery	11	13
Telephone	6	5
Consultants fees	243	76
Advertisements	43	21
Commonwealth Parliamentary Association	46	36
Other	70	98
Total supplies and services	1,695	1,595

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

	2017		2016	
	No	\$'000	No	\$'000
Below \$10,000	6	29	5	21
Above \$10,000	6	214	3	55
Total paid/payable to consultants engaged	12	243	8	76

7. Depreciation and amortisation expense

	2017 \$'000	2016 \$'000
Plant and equipment	14	16
Fixtures and fittings	16	15
Computer equipment	20	39
Total depreciation and amortisation	50	70

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

Class of asset	Useful life
Plant and equipment	5 - 30 years
Fixtures and fittings (non-antique)	5 - 10 years
Computer equipment	3 - 5 years

The majority of fixtures and fittings are antiques, they are anticipated to have a very long and indeterminate useful life.

Legislative Council

Financial Statements

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

8. Revenues from SA Government	2017	2016
	\$'000	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	4,114	4,838
Appropriations received under the <i>Parliamentary Remuneration Act 1990</i> and the <i>Parliamentary Committees (Miscellaneous) Act 1991</i>	5,422	4,194
Total revenues from SA Government	9,536	9,032

Appropriations are recognised as revenues when the Legislative Council obtains control over the funding. Control over appropriations is normally obtained upon receipt.

9. Cash and cash equivalents		
Deposits with the Treasurer	1,807	1,621
Total cash and cash equivalents	1,807	1,621

Cash is measured at nominal value.

Deposits with the Treasurer includes funds held in the Accrual Appropriation Excess Funds Account. The balance of these funds is not available for general use, funds can only be used in accordance with the Treasurer's approval.

10. Receivables		
Receivables	-	8
Prepayments	34	37
Other	1	1
Total current receivables	35	46

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.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Legislative Council will not be able to collect the debt. It is not anticipated that counterparties will fail to discharge their approximate net fair value due to being receivable on demand. There is no concentration of credit risk.

Legislative Council

Financial Statements

11. Property, plant and equipment

	2017 \$'000	2016 \$'000
Plant and equipment		
At cost (deemed fair value)	83	83
Less: Accumulated depreciation	(68)	(54)
Total plant and equipment	15	29
Fixtures and fittings		
At cost (deemed fair value)	648	648
Less: Accumulated depreciation	(78)	(63)
Total fixtures and fittings	570	585
Computer equipment		
At cost (deemed fair value)	675	659
Less: Accumulated depreciation	(580)	(560)
Total computer equipment	95	99
Works of art		
At cost (deemed fair value)	399	399
Total works of art	399	399
Capital works in progress		
Capital works in progress	33	19
Total capital works in progress	33	19
Total property, plant and equipment	1,112	1,131

Asset Movement Reconciliation 2016-17

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	29	585	99	399	19	1,131
Additions	-	1	16	-	145	162
Assets provided for nil consideration	-	-	-	-	(131)	(131)
Depreciation	(14)	(16)	(20)	-	-	(50)
Carrying amount at 30 June	15	570	95	399	33	1,112

Asset Movement Reconciliation 2015-16

	Plant and equipment \$'000	Fixtures and fittings \$'000	Computer equipment \$'000	Works of art \$'000	Capital works in progress \$'000	Total \$'000
Carrying amount at 1 July	45	600	130	399	52	1,226
Additions	-	-	8	-	167	175
Assets provided for nil consideration	-	-	-	-	(200)	(200)
Depreciation	(16)	(15)	(39)	-	-	(70)
Carrying amount at 30 June	29	585	99	399	19	1,131

Legislative Council

Financial Statements

12. Payables

	2017 \$'000	2016 \$'000
Current		
Accrued expenses	98	115
Employment on-costs	44	38
Total current payables	142	153
Expected to be settled more than twelve months after reporting date		
Employment on-costs	146	151
Total non-current payables	146	151
Total payables	288	304

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.

Employee benefits on-costs include payroll tax, workers compensation and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

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

Interest rate and credit risk

Creditors and accruals are raised for all amounts owing but unpaid. Employment on-costs are settled when the respective employee benefits 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.

13. Employee benefits

	2017 \$'000	2016 \$'000
Current		
Annual leave	153	138
Long service leave	36	29
Skills and experience retention leave	31	30
Accrued salaries and wages	31	24
Total current employee benefits	251	221
Non-current		
Annual leave	257	251
Long service leave	1,154	1,208
Total non-current employee benefits	1,411	1,459
Total employee benefits	1,662	1,680

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience, expected terminations and known applications for leave.

Legislative Council

Financial Statements

AASB 119 contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has increased from 2016 (2%) to 2017 (2.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease of \$34,000. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographic and financial assumptions – including the long term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

14. Provisions

	2017 \$'000	2016 \$'000
Current		
Provision for workers compensation	1	1
Total current provisions	1	1
Non current		
Provision for workers compensation	2	3
Total non-current provisions	2	3
Total provisions	3	4
Provision movement		
Carrying amount at 1 July	4	4
Reduction in provisions recognised	1	-
Carrying amount at 30 June	3	4

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on the actuarial assessment performed by the Office for the Public Sector (a division of the Department of the Premier and Cabinet).

15. Equity

Accumulated surplus	925	734
Asset revaluation surplus	76	76
Total equity	1,001	810

Legislative Council

Financial Statements

16. Unrecognised contractual commitments

Operating lease commitments

Commitments in relation to operating leases contracted at the reporting date but not recognised as liabilities are payable as follows:

Within one year	50	50
Later than one year but no longer than five years	104	-
Total operating lease commitments	154	50

The Legislative Council's operating leases are for office accommodation. The leases are non-cancellable with terms ranging up to four years with some leases having the right of renewal. Rent is payable in arrears.

17. Cash flow reconciliation

2017 **2016**
\$'000 **\$'000**

Reconciliation of cash and cash equivalents at 30 June

Cash and cash equivalents disclosed in the Statement of Financial Position	1,807	1,621
Balance as per the Statement of Cash Flows	1,807	1,621

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

Net cash provided by operating activities	347	382
Less revenues from SA Government	(9,536)	(9,032)

Add/less non-cash items

Depreciation expense of non-current assets	(50)	(70)
Assets provided for nil consideration to the Joint Parliamentary Service	(131)	(200)

Movements in assets and liabilities

Increase/(decrease) in receivables	(11)	1
(Increase)/decrease in payables	16	(42)
(Increase)/decrease in employee benefits	18	(137)
Decrease/(increase) in provisions	2	-
Net cost of providing services	(9,345)	(9,098)

Legislative Council

Financial Statements

18. Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits expenses	4	472	551	1,619	1,688	2,091	2,239
Members' salaries and allowances	5	933	803	4,489	4,194	5,422	4,997
Supplies and services:	6						
Publications		-	-	30	27	30	27
Printing		201	201	9	14	210	215
Information technology		-	-	12	71	12	71
Lease		-	-	56	56	56	56
Members global allowance		46	36	389	362	435	398
Security		212	181	-	-	212	181
Vehicle hire		-	-	12	13	12	13
Members travel, accommodation and related expenses		-	-	89	238	89	238
Travelling expenses		-	-	167	61	167	61
Fringe benefits tax		-	-	53	86	53	86
Stationery		-	-	11	13	11	13
Telephone		-	-	6	5	6	5
Consultants fees		-	-	243	76	243	76
Advertisements		-	-	43	21	43	21
Commonwealth Parliamentary Association		-	-	46	36	46	36
Other		-	-	70	98	70	98
Depreciation	7	-	-	50	70	50	70
Assets provided for nil consideration	11	131	200	-	-	131	200
Total expenses		1,995	1,972	7,394	7,129	9,389	9,101
Income							
Other		-	-	44	3	44	3
Revenues from SA Government	8	9,536	9,032	-	-	9,536	9,032
Total Income		9,536	9,032	44	3	9,580	9,035

Legislative Council

Financial Statements

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets							
Cash and cash equivalents	9	1,807	1,807	-	-	1,807	1,807
Receivables:	10						
Prepayments		-	11	34	23	34	34
Other		-	-	1	1	1	1
Total financial assets		1,807	1,818	35	24	1,842	1,842
Financial liabilities							
Payables:	12						
Accrued expenses		52	52	46	45	98	97
Employment on-costs		10	10	180	180	190	190
Total financial liabilities		62	62	226	225	288	287

19. Financial risk management / Financial instruments

19.1 Financial risk management

Risk management is managed by the Legislative Council's executive management and risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The Legislative Council is exposed to financial risk - liquidity risk, credit risk and market risk. There have been no changes in risk exposure since the last reporting period.

19.2 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 or respective financial asset/financial liability note.

Refer below for the carrying amounts of each of the following categories of financial assets and liabilities: Loan and receivables; and financial liabilities measured at cost.

Legislative Council

Financial Statements

Categorisation and maturity analysis of financial assets and liabilities

Category of financial asset and financial liability	Note	2017	2017	2016	2016
		Carrying Amount/ Fair Value \$'000	Contractual Maturities Current \$'000	Carrying Amount/ Fair Value \$'000	Contractual Maturities Current \$'000
Financial assets					
Cash and cash equivalents					
Cash and cash equivalents	9	1,807	1,807	1,621	1,621
Loans and receivables					
Receivables (1) (2)	10	1	1	9	9
		<u>1,808</u>	<u>1,808</u>	<u>1,630</u>	<u>1,630</u>
Financial liabilities					
Financial liabilities at cost					
Payables (1)	12	72	72	80	80
		<u>72</u>	<u>72</u>	<u>80</u>	<u>80</u>

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

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 10 as trade and other receivables in accordance with paragraph 78(b) of AASB 101. However, prepayments are not financial assets as defined in AASB 132 as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

20. Related party transactions

The Legislative Council is established under the *Constitution Act 1934*. The Legislative Council, together with the House of Assembly, constitute the Parliament of South Australia.

Related parties of the Legislative Council include all key management personnel and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between the Legislative Council and SA Government entities are disclosed at note 18.

Key management personnel

Key management personnel of the Legislative Council include the Clerk and the Deputy Clerk.

	2017 \$'000
Compensation	
Salaries and other short term employee benefits	209
Post-employment benefits	227
Total	<u>436</u>

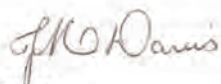
Legislative Council

Financial Statements

Certification of the Financial Statements

We certify that the:

- financial statements of the Legislative Council:
 - are in accordance with the accounts and records of the Legislative Council; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant Australian accounting standards; and
 - presents a true and fair view of the financial position of the Legislative Council at the end of the financial year and the result of its operations and cash flows for the financial year.
- Internal controls employed by the Legislative Council over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



Clerk
Legislative Council

4 / 9 / 2017



Chief Finance Officer
Joint Parliamentary Service

1 / 9 / 2017

INDEPENDENT AUDITOR'S REPORT



Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

To the Parliament of South Australia

As required by section 31(1)(a) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Legislative Council for the financial year ended 30 June 2017.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Legislative Council as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2017
- a Statement of Financial Position as at 30 June 2017
- a Statement of Changes in Equity for the year ended 30 June 2017
- a Statement of Cash Flows for the year ended 30 June 2017
- notes, comprising summary of significant accounting policies and other explanatory information
- a Certificate from the Clerk, Legislative Council and the Chief Finance Officer, Joint Parliamentary Service.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of my report. I am independent of the Legislative Council. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Clerk of the Legislative Council for the financial report

The Clerk of the Legislative Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as the Clerk of the Legislative Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Clerk of the Legislative Council.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial statements described above and does not provide assurance over the integrity of publication of the financial report on the Parliament website nor does it provide an opinion on any other information which may have been hyperlinked to/from these statements.

I communicate with the Clerk of the Legislative Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read 'A. Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

21 September 2017