

SOUTH AUSTRALIA

Report
of the
Auditor-General
for the
Year ended 30 June 2005

Tabled in the House of Assembly and ordered to be published, 17 October 2005

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PART B
Volume I

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2005

Report of the Auditor-General 2004-05

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

Those matters which are regarded as being more significant are listed below, together with a reference to the appropriate page number. This list is not exhaustive, as many other issues are reported in Volumes I, II, III, VI and V of Part B of this Report.

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

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VOLUMES I, II, III, IV and V

ACCOUNTS OF PUBLIC AUTHORITIES

INTRODUCTION

Part B — Volumes I, II, III, IV and V of the Report of the Auditor-General contains the Financial Statements of, and comments concerning, the operations of those public sector agencies that I am required by law to audit and that are defined by the *Public Finance and Audit Act 1987* as 'public authorities'. Where appropriate, charts and tables have been used to illustrate selected information.

AGENCIES NOT INCLUDED IN THIS REPORT

In preparing this Report every effort is made to ensure that only matters which are relevant, appropriate and timely are included. Subsection 36(2) of the *Public Finance and Audit Act 1987* provides the Auditor-General with a discretionary power to choose which agencies are excluded from this Report.

The following factors are taken into consideration in determining which agencies are to be included in this Report:

- Materiality of financial operations.
- Materiality of any impact on the public finances.
- Consolidation of the financial operations in the Parent Entity's Financial Statements included in this Report.
- Timeliness of information.
- Materiality of issues arising from the audit.
- Public interest.

A number of the agencies excluded from the Report are required to prepare an Annual Report in accordance with the requirements of the *Public Sector Management Act 1995*. In addition, Treasurer's Instruction 19 requires that each Chief Executive Officer must ensure that the Annual Report, which is required to be submitted to the responsible Minister in accordance with the *Public Sector Management Act 1995* and Regulations, or other legislation, includes the general purpose financial statements in the form in which they were presented to the Auditor-General, together with a copy of the Report of the Auditor-General on the statements.

SUPPLEMENTARY REPORT

There is also an agency whose Financial Statements had not been finalised and the audit has not been completed in time for inclusion in this Report. The Financial Statements for and commentary on the operations of the South Australian Housing Trust will be included in a Supplementary Report to be presented to Parliament later in this financial year.

AUDIT OF THE AUDITOR-GENERAL'S DEPARTMENT

The *Public Finance and Audit Act 1987* requires that the accounts of the Auditor-General's Department be audited by an auditor appointed by the Governor. The audit for the financial year ended 30 June 2005 was conducted by Edwards Marshall, Chartered Accountants, who have issued an unqualified Independent Audit Report.

QUALIFIED AUDIT OPINION REPORTS

The expression of an opinion on an organisation's annual Financial Statements by an independent professional auditor adds credibility to those Statements and ensures that an appropriate level of financial disclosure has been exercised.

For those agencies that I am required to audit, I issue an Independent Audit Report on the Financial Statements in accordance with professional requirements and standards. The opinion expressed in that Report is usually unqualified but, where, in my opinion, circumstances so warrant, a qualified opinion is expressed. In extreme cases it may be necessary to decline to express an opinion.

In all cases where a qualified opinion (or no opinion) is given, full reasons are stated in the Independent Audit Report that is issued.

For the financial year ended 30 June 2005 qualified opinions were expressed on the Financial Statements of the following agencies:

- Administrative and Information Services — Department for
- Education and Children's Services — Department of
- Environment and Heritage — Department for
- South Australian Forestry Corporation
- South Australian Motor Sport Board
- University of South Australia

CONTROLS OPINION

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* requires the Auditor-General to advise Parliament whether in his opinion the controls exercised by the Treasurer and by public authorities in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Treasurer and public authorities have been conducted properly and in accordance with law.

In accordance with that requirement a Controls Opinion has been expressed for each agency.

REFERENCES TO MATTERS OF SIGNIFICANCE

Matters which have arisen from the audit of agencies during this financial year are commented on in Volumes I, II, III, IV and V of Part B of this Report. Those issues that are regarded as either serious in nature or of public interest importance are listed separately under the heading 'References to Matters of Significance' immediately after the Table of Contents in each Volume.

ADELAIDE CONVENTION CENTRE CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Adelaide Convention Centre Corporation, a subsidiary to the Minister for Tourism, was established pursuant to regulations under the *Public Corporations Act 1993*.

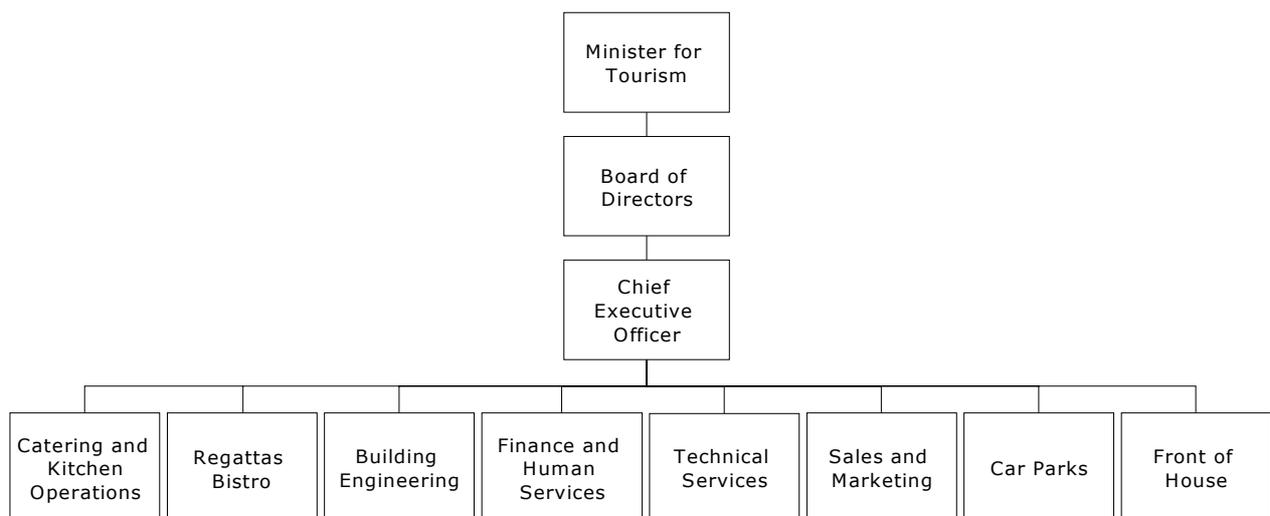
Functions

The functions of the Adelaide Convention Centre Corporation are as follows:

- Manage and operate the Centre site, and to hold and manage assets associated with the Centre.
- Manage, promote and sponsor events at the Centre site or elsewhere.
- Foster and assist the commercial development of the Centre site in order to complement and enhance the commercial potential of the Centre.
- Carry out other functions conferred on the subsidiary by the Minister.

Structure

The structure of the Corporation at 30 June 2005 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The Schedule to the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Corporation for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Adelaide Convention Centre Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- revenue
- expenditure
- payroll
- inventory
- property, plant and equipment
- general ledger.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Convention Centre Corporation as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Convention Centre Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Convention Centre Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

The outcome of the audit was satisfactory, although some opportunities were identified to enhance accounting and related processes. This was conveyed in a management letter to the Chief Executive and a satisfactory response was received.

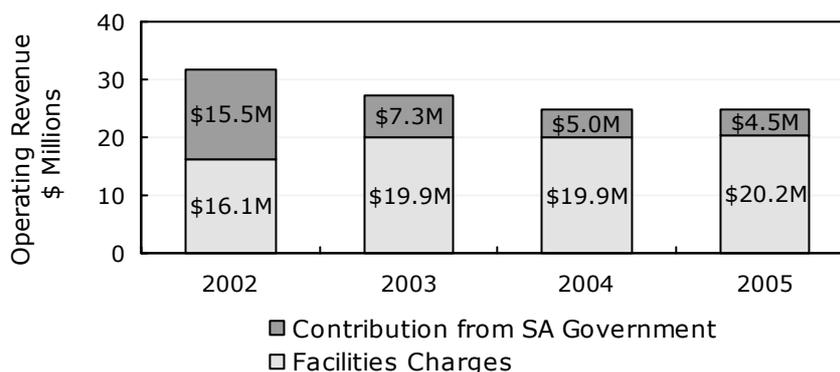
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenue

The Corporation's revenue for the year increased by \$800 000 to \$26.8 million. The increase is the net result of an increase in facility charges revenue of \$300 000 and the net gain on revaluation of assets of \$1 million offset by a decrease in contribution from the South Australian Government of \$500 000.

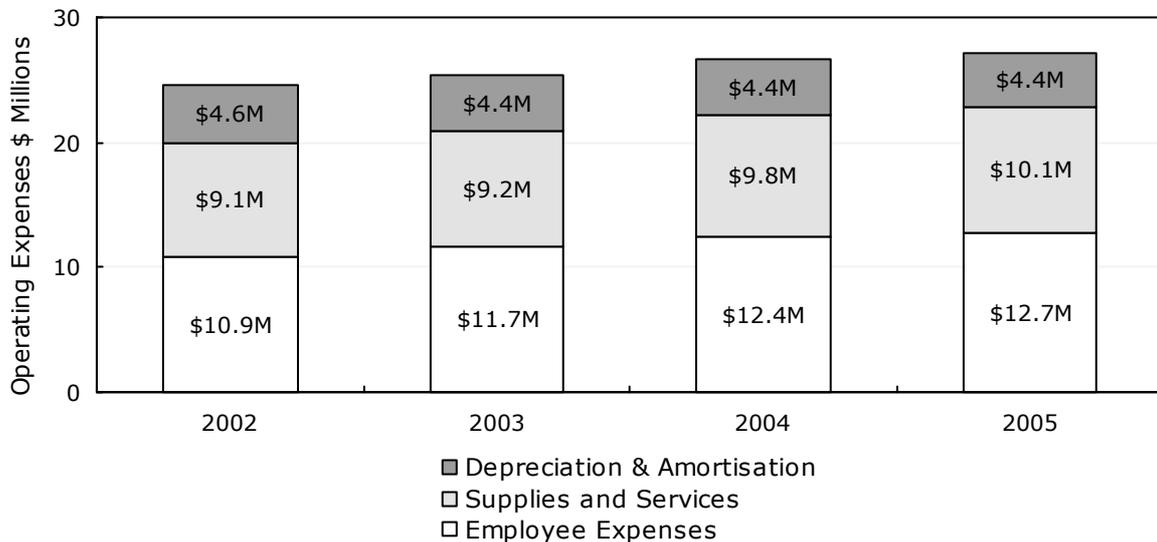
For the four years to 2005 a structural analysis of the main revenue items for the Corporation is presented in the following chart. The contributions from the South Australian Government for 2002 includes \$9 million towards the upgrade of the Adelaide Convention Centre.



Expenses

The Corporation's expenses for 2005 have increased by \$2.9 million to \$29.5 million mainly as a result of the net loss on revaluation of assets of \$2.3 million.

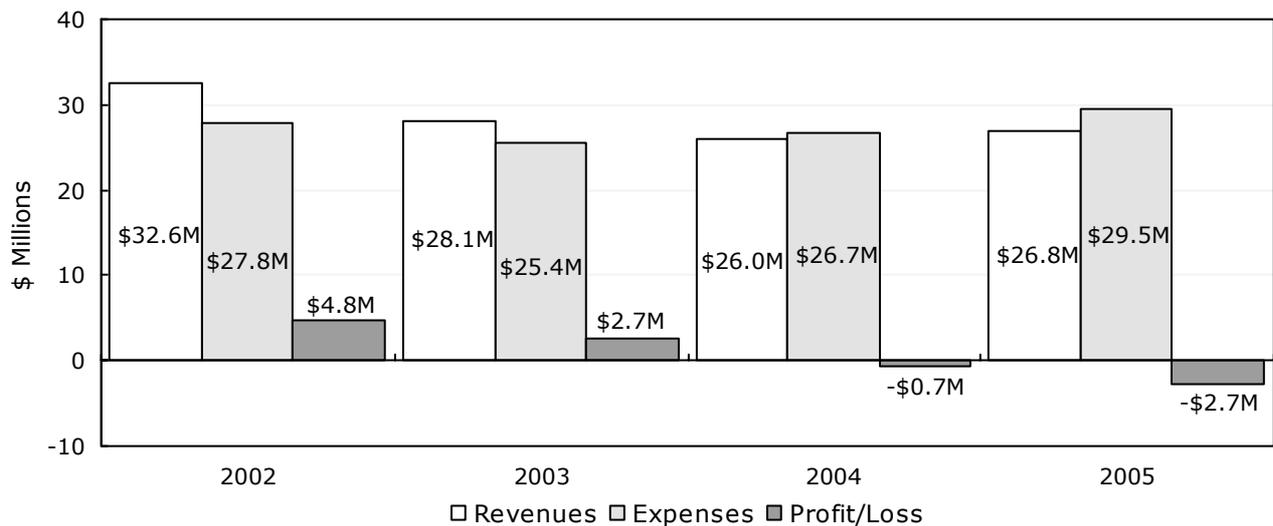
For the four years to 2005, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



Operating Result

The Corporation incurred a loss of \$2.7 million for the year compared to a loss of \$661 000 in 2004. The major items contributing to this change are the net loss on revaluation of buildings of \$2.3 million; a net gain on revaluation of other assets of \$1 million and a reduction of \$500 000 in contribution from the South Australian Government.

The following chart shows the revenues, expenses and profits/losses for the four years to 2005.



Statement of Financial Position

The net assets of \$153.9 million include \$139 million for buildings, plant and equipment.

Statement of Cash Flows

Cash held by the Corporation was \$17.3 million (\$16.2 million) and comprises \$8.4 million in cash on deposit, cash at bank and cash on hand; and \$8.9 million in specific purpose deposits - refer Note 24.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Facility charges	5	20 181	19 927
Contribution from SA Government		4 476	5 018
Interest		1 033	1 027
Net gain from disposal of assets	6	29	12
Net gain on revaluation of assets	16	1 036	-
Other Revenue		44	1
Total Revenues from Ordinary Activities		26 799	25 985
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	7	12 690	12 393
Supplies and services	10	10 080	9 817
Depreciation and amortisation	11	4 388	4 436
Net loss on revaluation of assets	16	2 344	-
Total Expenses from Ordinary Activities		29 502	26 646
NET LOSS FROM ORDINARY ACTIVITIES		(2 703)	(661)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 703)	(661)

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash on deposit, at bank and on hand	24	8 362	9 132
Receivables	13	525	930
Inventories		218	218
Other current assets	14	477	523
Total Current Assets		9 582	10 803
NON-CURRENT ASSETS:			
Specific purpose deposits	15	8 932	7 105
Buildings, plant and equipment	16	139 474	144 956
Total Non-Current Assets		148 406	152 061
Total Assets		157 988	162 864
CURRENT LIABILITIES:			
Payables	17	1 127	525
Security deposits held	18	1 566	1 978
Employee benefits	19(a)	679	561
Total Current Liabilities		3 372	3 064
NON-CURRENT LIABILITIES:			
Payables	17	61	56
Employee benefits	19(a)	681	621
Total Non-Current Liabilities		742	677
Total Liabilities		4 114	3 741
NET ASSETS		153 874	159 123
EQUITY:			
South Australian Government equity		77 804	77 804
Accumulated surplus	20	76 070	78 773
Asset revaluation reserve		-	2 546
TOTAL EQUITY		153 874	159 123
Commitments	21		
Contingent Assets and Liabilities	22		

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Facility charges		20 260	20 355
Contribution from SA Government		4 476	5 018
Interest received		1 017	1 026
GST receipts on facility charges		2 049	1 999
Other receipts		44	1
Total Inflows from Operating Activities		27 846	28 399
CASH OUTFLOWS:			
Payments to employees		(10 746)	(10 609)
Payments to suppliers		(11 193)	(11 739)
GST payments on purchases		(1 075)	(1 046)
GST payments to taxation authority		(1 044)	(989)
Total Outflows from Operating Activities		(24 058)	(24 383)
Net Cash Inflows from Operating Activities	24	3 788	4 016
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of plant and equipment		73	113
Payment for buildings, plant and equipment		(2 804)	(3 744)
Net Cash Outflows from Investing Activities		(2 731)	(3 631)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		-	(355)
Net Cash Outflows from Financing Activities		-	(355)
NET INCREASE IN CASH HELD		1 057	30
CASH AT 1 JULY		16 237	16 207
CASH AT 30 JUNE	24	17 294	16 237

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions of the Adelaide Convention Centre Corporation

1.1 Establishment

The Adelaide Convention Centre Corporation (Corporation) was established as a subsidiary to the Minister for Tourism by Regulations issued under the *Public Corporations Act 1993*.

1.2 Functions

The functions of the Corporation are to:

- Manage and operate the Adelaide Convention Centre site, and to hold and manage assets associated with the Corporation;
- Manage, promote and sponsor events at the Adelaide Convention Centre site or elsewhere;
- Attract economic benefits to the state of South Australia; and
- Foster and assist the commercial development of the Adelaide Convention Centre site in order to complement and enhance the commercial potential of the Corporation.

2. Funding

2.1 The South Australian Government (through the Minister for Tourism) provides funding to the Corporation for expenses relating to the maintenance of the common areas and the Riverbank Precinct, Exhibition Hall land rent and the depreciation of buildings.

2.1 (continued)

The funding for the depreciation of buildings is transferred by the Department of Treasury and Finance into an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Future Asset Replacement Account'. With the approval of the Treasurer, these funds are available for the replacement and upgrade of assets and minor works.

All other financial activities of the Corporation are conducted through an interest bearing Special Deposit Account titled 'Adelaide Convention Centre Operating Account'.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards;
- Other mandatory professional reporting requirements in Australia.

The Corporation's Statement of Financial Performance and Statement of Financial Position 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.

3.2 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

3.3 Rounding

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

3.4 Taxation

In accordance with Treasurer's Instructions issued under the *Public Finance and Audit Act 1987*, the Corporation is required to pay to the State Government an income tax equivalent. The income tax liability is based on the Treasurer's accounting profit method, which requires that the corporate income tax rate be applied to the net profit after extraordinary items.

The Corporation is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rates.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- The amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- Receivables and payables are stated with the amount of GST included.

No income tax equivalent is payable for 2004-05 due to the Corporation having a net loss of \$2 703 000 (2003-04 a net loss of \$661 000).

3.5 Dividend Policy

The Department of Treasury and Finance have determined a distribution policy, which will apply to the Corporation as being 75 percent of the operating profit before income tax equivalents. This distribution is reduced by the income tax equivalent expense plus the other Tax Equivalent Regime expenditure resulting in a dividend which is paid to the Department of Treasury and Finance. The deduction of income tax equivalent and other Tax Equivalent Regime expenditure from the gross 75 percent distribution ensures consistency with Competitive Neutrality and Department of Treasury and Finance policies concerning budget neutrality.

No dividend has been provided for 2004-05 due to the Corporation having a net loss of \$2 703 000 (2003-04 a net loss of \$661 000).

3.6 Revenue and Expenses

Revenue and Expenses are recognised in the Corporation's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenue and Expenses have been classified according to their nature in accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenue from facility charges is derived from the provision of goods and services to the public and other SA Government agencies at the conclusion of an event or after a service has been provided. This revenue is driven by consumer demand.

3.6 Revenue and Expenses (continued)

The contribution from the SA Government is recognised as revenue when the Corporation obtains control over the assets. Control over these revenues is normally obtained upon receipt and they are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

Interest revenues are recognised as they are accrued.

Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

The Corporation undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense unless they add to the service potential of the existing infrastructure asset.

3.7 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Corporation has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

3.8 Cash

For the purposes of the Statement of Cash Flows, cash includes cash on deposit, at bank, and on hand and deposits at call that are readily converted to cash. Cash on deposit (specific purpose deposits) cannot be used for operational cash purposes. Security deposits held at bank can be used for operational purposes at the conclusion of an event.

3.9 Receivables

Trade receivables arise in the normal course of selling goods and services to the public and to other SA Government agencies. Trade receivables are payable within 14 days after the issue of a tax invoice or the goods/services have been provided under a contractual arrangement.

The Corporation's Board of Directors has deemed that the provision for doubtful debts should be calculated at 0.25 percent of annual turnover plus an allowance for any debtor balances which are considered doubtful.

3.10 Inventories

Inventories are carried at cost as they are expected to be consumed in the holding of functions that will have a net realisable value that exceeds cost. Cost is assigned on a weighted average cost basis.

3.11 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost plus any incidental cost involved with the acquisition

The Corporation capitalises all non-current physical assets with a value of \$300 or a useful life greater than three years.

The Corporation capitalises costs associated with projects to work in progress. On completion of a project the capitalised costs are transferred to the relevant non-current asset account. The balance of work in progress reflects costs for projects which are at various stages of completion as at 30 June 2005.

3.12 Revaluation of Non-Current Assets

In accordance with APS 3 'Valuation of Non-Current Assets', all non-current physical assets are revalued every three years, with the last revaluation being undertaken as at 31 May 2005 by Rushton Valuers Pty Ltd with the fair value methodology being adopted as the valuation basis.

Notwithstanding the above, all non-current assets are reviewed annually to ensure that there are no material differences from their carrying amounts. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are re-valued to fair value.

3.13 Depreciation and Amortisation of Non-Current Assets

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

The useful lives of all major assets held by the Corporation are reassessed on an annual basis.

The value of leasehold improvements is amortised over the unexpired period of the relevant lease.

Depreciation/ amortisation for non-current assets is as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Buildings	Straight line	30-50
Leasehold improvements	Straight line	life of lease
Plant and equipment	Straight line	3-20

3.14 Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Corporation receives an invoice.

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

The Corporation makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

3.15 Security Deposits Held

The Corporation will hold all security deposits on behalf of the client/hirer and will not treat these monies as consideration until such time as the deposits are applied towards payment at the conclusion of the event/hiring period or are forfeited and applied towards a cancellation fee. Security deposits for car park cards are returned to the client when the card is returned.

3.16 Employee Benefits

Employer Superannuation

The Corporation made contributions of \$1 million (\$994 000) in respect of its employees for the financial year to several superannuation schemes operated by the South Australian Government.

Sick Leave

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

Accrued Salaries and Wages

Liability for salaries and wages are measured as the amount unpaid at 30 June 2005 at current remuneration rates.

Annual Leave

Provision has been made for the unused component of annual leave as at 30 June 2005. The liability is calculated at nominal amounts based on the 2005-06 pay rates and is expected to be paid over the next twelve months of the 2005-06 financial year.

Long Service Leave

A liability for long service leave is recognised and is measured as the current value of entitlements in respect of employees with seven or more years service. This base provides a reasonable approximate of the present value of the estimated future cash outflows to be made for these entitlements. On-costs have been included in the provision and calculated in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. The superannuation on-cost has been calculated on that component of long service leave that is expected to be taken as leave (55 percent of the liability at June 2005). This calculation is based upon an average percentage supplied by the Department of Treasury and Finance for long service leave that will be taken as a lump sum (45 percent). A weighted average superannuation contribution rate covering employees of various schemes of 10 percent was used as advised by the Department of Treasury and Finance.

The current component of long service leave is determined on what was taken during the current financial year and based on estimates of long service leave due to be taken during the 12 months ending 30 June 2006.

3.17 Equity contributed by the SA Government

Contributions made by the SA Government through its role as owner of the Corporation, which increase the net assets of the entity, are treated as contributions of equity.

3.18 Leases

Finance Leases

The Corporation has no finance leases.

Operating Leases

The Corporation has entered into operating leases for the land on which the buildings are situated and for office accommodation. The leases are reviewed each year for adjustments in the consumer price index.

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis, which is representative of the pattern of benefits derived from the leased assets.

3.19 Financial Instruments

The Corporation's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised as at 30 June 2005, are as follows:

Financial Assets

Cash on deposit and at bank comprises deposits at call with the Westpac Banking Corporation and Bank SA and are recorded at cost. Interest revenues are recognised as they accrue. For the deposit with the Westpac Banking Corporation, the interest rate ranged from 5.10 percent to 5.35 percent. For the account with Bank SA, the interest rate was nil.

Specific Purpose Deposits comprise the Future Asset Replacement Deposit Account with the Department of Treasury and Finance and the Adelaide Railway Station Area Service Facilities maintenance monies at SAFA. Both Deposits are recorded at cost and interest revenues are recognised as they accrue. The interest rate on the Deposit Account with the Department of Treasury and Finance ranged from 5.10 percent to 5.35 percent and the average interest rate on the monies at SAFA ranged from 5.47 percent to 5.75 percent.

Total Receivables (Note 13) are reported at amounts due less the provision for doubtful debts.

Financial Liabilities

Trade creditors (Note 17) are recognised for goods and services that have been supplied but have not been paid for and are normally settled within 30 days or in accordance with the terms of credit offered by the trade creditor.

Security Deposits held are Recorded at Cost.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

4. Changes in Accounting Policies

4.1 Government/Non-Government Disclosures

In accordance with APS 13, the authority has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in relevant notes to the accounts.

4.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (IFRS) for reporting periods commencing on or after 1 January 2005. The Corporation will adopt these standards for the first time in the financial report for the year ended 30 June 2006.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires disclosure of any key differences in accounting policies and, known or reliably estimable information about the impact on this financial report had this report been prepared using the Australian equivalents to the IFRS.

The Corporation's management, along with its Audit Committee, have assessed the significance of the adoption of the standards for the purpose of their implementation. This has involved assessment of accounting policy and topics in existing Australian Accounting Standards and Australian equivalent to IFRS to determine any key differences and significant financial impacts.

The assessment that has been undertaken identifies no key differences or financial impacts that will result from the adoption of Australian Equivalents to International Financial Reporting Standards.

5. Facility Charges	2005	2004
Facility Charges Received/Receivable from Entities External to the SA Government ⁽¹⁾ :	\$'000	\$'000
Catering	9 411	10 058
Room hire	2 642	2 891
Technical services	2 995	3 122
Car park	3 985	3 856
Total Facility Charges - Non-SA Government Entities⁽¹⁾	19 033	19 927

(1) The total includes facility charges received or due from SA Government entities where the amount received or due from the SA Government entity was less than \$100 000.

5. Facility Charges (continued)	2005	2004
Facility Charges Received/Receivable from Entities within the SA Government:	\$'000	\$'000
Catering	642	-
Room hire	197	-
Technical services	309	-
Total Facility Charges - SA Government Entities	1 148	-
Total Facility Charges	20 181	19 927
6. Net Gain from Disposal of Assets		
Plant and Equipment:		
Proceeds from disposal	73	113
Net book value of assets disposed	44	101
Total Net Gain from Disposal of Assets	29	12
7. Employee Expenses		
Salaries and wages	10 135	9 902
Long service leave	200	207
Annual leave	543	545
Payroll tax	635	636
Superannuation	1 019	994
Employment on-costs	112	63
Board fees	46	46
Total Employee Expenses	12 690	12 393
8. Remuneration of Employees	2005	2004
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees	Number of Employees
\$100 000 to \$109 999	1	3
\$110 000 to \$119 999	2	-
\$120 000 to \$129 999	1	-
\$150 000 to \$159 999	-	1
\$160 000 to \$169 999	1	-
\$250 000 to \$259 999	-	1
\$270 000 to \$279 999	1	-
Total Number of Employees	6	5
The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, Fringe Benefits Tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$885 000 (\$734 000).		
Employee Numbers		
The Corporation had 248 (278) full time equivalent employees as at 30 June 2005, of which 109 (143) were permanent and 139 (135) were casual. The number of casual employees actually working is dependent on the level of activity in the Centre. The Corporation has a casual labour base workforce of 326 (317) employees.		
9. Remuneration of Board Members	2005	2004
The number of Board members who received, or were due to receive, remuneration from the Corporation were:	Number of Members	Number of Members
\$0 (South Australian Government employee)	1	1
\$0 - \$9 999	5	6
\$10 000 - \$19 999	1	1
	7	8
Remuneration of Board members reflects all costs of service including, Board fees and superannuation.		
10. Supplies and Services	2005	2004
Supplies and services provided by entities external to the SA Government:	\$'000	\$'000
Administration expenses and sundries	2 472	2 333
Direct materials	2 788	2 639
Building service costs	2 333	2 228
Maintenance	915	927
Marketing and promotions	814	886
Other	-	-
Total Supplies and Services - Non-SA Government Entities⁽¹⁾	9 322	9 013

(1) The total includes supplies and services paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.

10. Supplies and Services (continued)		2005	2004
Supplies and services provided by entities within the SA Government:		\$'000	\$'000
Building service costs		758	804
Total Supplies and Services - SA Government Entities		758	804
Total Supplies and Services		10 080	9 817
The number and dollar amount of consultancies paid/payable that fell within the following bands:			
		2005	2004
	Number	\$'000	Number
Below \$10 000	-	-	-
Between \$10 000 and \$50 000	1	47	-
Above \$50 000	1	75	-
Total Paid/Payable to the Consultants Engaged	2	122	-
11. Depreciation and Amortisation		2005	2004
Depreciation:		\$'000	\$'000
Buildings		2 921	2 903
Plant and equipment		1 438	1 503
Total Depreciation		4 359	4 406
Amortisation:			
Leasehold improvements		29	30
Total Amortisation		29	30
Total Depreciation and Amortisation		4 388	4 436
12. Auditor's Remuneration			
Audit Fees paid/payable to the Auditor-General's Department		35	32
Total Audit Fees - SA Government Entities		35	32
13. Receivables			
Receivables from Non-SA Government Entities ⁽¹⁾ :			
Receivables		358	838
Less: Provision for doubtful debts		(50)	(50)
Accrued revenues		147	142
GST receivable		70	-
Total Receivables		525	930
(1) The total includes receivables received or due from SA Government entities where the amount received or due from the SA Government entity was less than \$100 000.			
14. Other Current Assets			
Other Current Assets from Non-SA Government Entities ⁽¹⁾ :			
Prepayments		472	518
Other current assets		5	5
Total Other Current Assets		477	523
(1) The total includes other current assets received or due from SA Government entities where the amount with the SA Government entity was less than \$100 000.			
15. Specific Purpose Deposits			
Investments with SAFA		1 647	1 566
Future assets replacement deposit account		7 285	5 539
Total Specific Purpose Deposits		8 932	7 105
16. Buildings, Plant and Equipment			
Buildings:			
Buildings		131 618	145 259
Accumulated depreciation		(244)	(7 858)
Total Buildings		131 374	137 401
Leasehold Improvements:			
Leasehold improvements		170	299
Accumulated amortisation		(1)	(101)
Total Leasehold Improvements		169	198

16. Buildings, Plant and Equipment (continued)	2005	2004
Plant and Equipment:	\$'000	\$'000
Plant and equipment	7 745	9 413
Accumulated depreciation	(100)	(3 408)
Total Plant and Equipment	7 645	6 005
Work in Progress:		
Work in progress	286	1 352
Total Work in Progress	286	1 352
Total Buildings, Plant and Equipment	139 474	144 956

Valuation of Non-Current Assets

Valuation of buildings, plant and equipment was performed by Rushton (Australia) Pty Ltd as at 31 May 2005.

Reconciliation of Buildings, Plant and Equipment

The following table shows the movement of Buildings, Plant and Equipment during 2004-05:	Buildings	Leasehold Improve-ments	Plant and Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	137 401	198	6 005	1 352	144 956
Additions	22	-	619	2 163	2 804
Disposals	-	-	(44)	-	(44)
Revaluation (decrement) increment	^(a) (4 890)	-	^(b) 1 036	-	(3 854)
Depreciation and amortisation	(2 921)	(29)	(1 438)	-	(4 388)
Acquisition from transfer	1 762	-	1 467	(3 229)	-
Carrying Amount at 30 June	131 374	169	7 645	286	139 474

(a) Revaluation decrement for buildings includes the previous revaluation increment recognised in the asset revaluation reserve with the balance being a net loss on revaluation.

(b) Revaluation increment for plant and equipment reverses the previous revaluation decrement recognised as a loss on revaluation.

17. Payables	2005	2004
Current:	\$'000	\$'000
Creditors	914	283
Accrued expenses	135	175
Employment on-costs	78	67
Total Current Payables	1 127	525
Non-Current:		
Employment on-costs	61	56
Total Non-Current Payables	61	56
Total Payables	1 188	581

Government/Non-Government Payables

Payables to Non-SA Government Entities:		
Creditors	420	283
Accrued expenses	135	175
Employment on-costs	139	123
Total Payables to Non-SA Government Entities⁽¹⁾	694	581
Payables to SA Government Entities:		
Creditors	494	-
Total Payables to SA Government Entities	494	-
Total Payables	1 188	581

(1) The total includes payables paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.

18. Security Deposits Held	2005	2004
Security Deposits Held from Non-SA Government Entities:	\$'000	\$'000
Security deposits held	1 566	1 978
Total Security Deposits Held⁽¹⁾	1 566	1 978

(1) The total includes security deposits paid by SA Government entities where the amount paid by the SA Government entity was less than \$100 000.

19. (a) Employee Benefits	2005	2004
Current:	\$'000	\$'000
Accrued salaries and wages	100	80
Annual leave	412	377
Long service leave	167	104
Total Current Employee Benefits	679	561
Non-Current:		
Long service leave	681	621
Total Non-Current Employee Benefits	681	621
Total Employee Benefits	1 360	1 182
(b) Employee Benefits and Related On-costs		
Accrued Salaries and Wages:		
Employee benefits - Current (Note 19(a))	100	80
	100	80
Annual Leave:		
On-costs included in payables - Current (Note 17)	63	58
Employee benefits - Current (Note 19(a))	412	377
	475	435
Long Service Leave:		
On-costs included in payables - Current (Note 17)	15	9
Employee benefits - Current (Note 19(a))	167	104
	182	113
Long Service Leave:		
On-costs included in payables - Non-current (Note 17)	61	56
Employee benefits - Non-current (Note 19(a))	681	621
	742	677
Total Employee Benefits and Related On-Costs	1 499	1 305
20. Equity		
Total Equity at 1 July		
Contributed Capital:		
Balance at 1 July	77 804	77 804
Balance at 30 June	77 804	77 804
Accumulated Surplus:		
Balance at 1 July	78 773	79 434
Net loss from ordinary activities	(2 703)	(661)
Balance at 30 June	76 070	78 773
Asset Revaluation Reserve:		
Balance at 1 July	2 546	2 546
Decrement in building due to revaluation	(2 546)	-
Balance at 30 June	-	2 546
Total Equity at 30 June	153 874	159 123
21. Commitments		
Not later than one year	450	430
Later than one year and less than five years	1 799	1 721
Later than five years	22 940	22 666
Total Commitments	25 189	24 817
22. Contingent Assets and Liabilities		
The Corporation has no contingent assets or liabilities as at 30 June 2005.		
23. Related Party		
The names of each person holding the position as Board member of the Corporation during the financial year was as follows:		
Ms J Jeffreys	-	Chairman
Mr D Minear	-	Deputy Chairman - Appointed 1 October 2004
Mr J Ellison		
Ms S Saville		
Ms D Von Wald		
Ms J Jose	-	Appointed 1 October 2004
Mr R Dundon	-	Term expired 30 September 2004

The members of the Board may use the services and facilities of the Centre under terms and conditions no more favourable than members of the public.

24. Cash Flow Reconciliation**Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on deposit, at bank and on hand. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2005	2004
	\$'000	\$'000
Current:		
Cash on deposit and at bank	8 285	9 075
Cash on hand	77	57
	8 362	9 132
Non-Current:		
Specific purpose deposits	8 932	7 105
	8 932	7 105
Cash as Recorded in the Statement of Financial Position and Statement of Cash Flows	17 294	16 237

Reconciliation of Net Cash Provided by Operating Activities to Net Loss from Ordinary Activities:

Net cash provided by operating activities	3 788	4 016
Add/Less Non-Cash Items:		
Depreciation and amortisation	(4 388)	(4 436)
Net gain from disposal of assets	29	12
Net gain on revaluation	1 036	-
Net (loss) on revaluation	(2 344)	-
Changes in Assets/Liabilities:		
Increase (Decrease) in receivables	(405)	33
Increase (Decrease) in inventories	-	1
Increase (Decrease) in other current assets	(46)	100
(Increase) Decrease in payables	(607)	119
(Increase) Decrease in security deposits held	412	(461)
(Increase) Decrease in employee benefits	(178)	(45)
Net Loss from Ordinary Activities	(2 703)	(661)

ADELAIDE ENTERTAINMENTS CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Adelaide Entertainments Corporation, a subsidiary to the Minister for Tourism, was established on 4 February 1999 pursuant to regulations under the *Public Corporations Act 1993*.

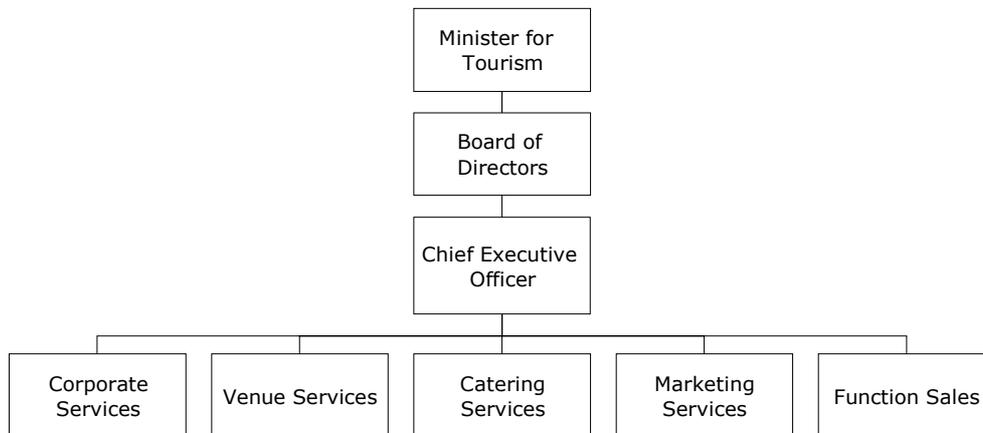
Functions

The functions of the Adelaide Entertainments Corporation are to:

- manage and operate the Adelaide Entertainment Centre (the Centre) site;
- manage, promote and sponsor events at the Centre site or elsewhere;
- foster and assist the commercial development of the Centre site in order to complement and enhance the commercial potential of the Centre;
- carry out other functions conferred on the subsidiary by the Minister.

Structure

The structure of the Adelaide Entertainments Corporation at 30 June 2005 is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The Schedule to the *Public Corporations Act 1993* provides for the Auditor-General to audit the accounts of the Adelaide Entertainments Corporation for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- Corporate Governance
- Risk Management
- Strategic Planning
- Revenue
- Payroll
- Expenditure
- Inventory
- Fixed Assets
- Cash
- Entrepreneurial Events

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer’s Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Entertainments Corporation as at 30 June 2005 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Entertainments Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Entertainments Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

Audit considered the current control environment of the Corporation to be effective. The audit revealed a number of areas where the control environment could be further enhanced. These areas were detailed in a management letter to the Chief Executive Officer. The response to the management letter was generally considered to be satisfactory.

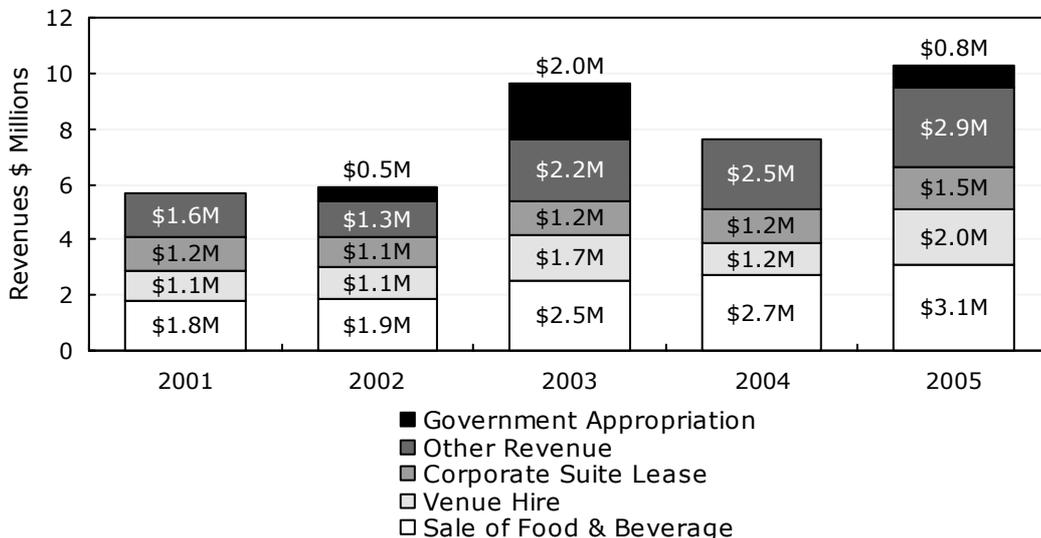
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Statement of Financial Performance

Revenues

The Corporation’s revenue of \$10.3 million in 2005 reflects the continued high trading activity during 2005.

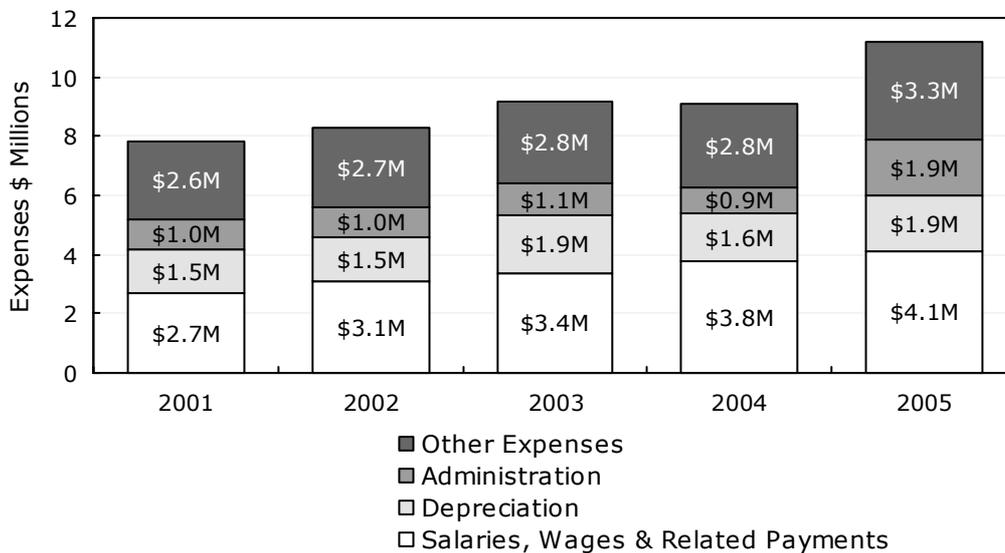
A structural analysis of operating revenues for the Corporation in the five years to 2005 is presented in the following chart.



Expenses

The Corporation’s expenses of \$11.2 million in 2005 (\$9.1 million in 2004) reflect the costs generated by the continued high trading activity during 2005, as well as the increased cost of salaries, wages and related payments.

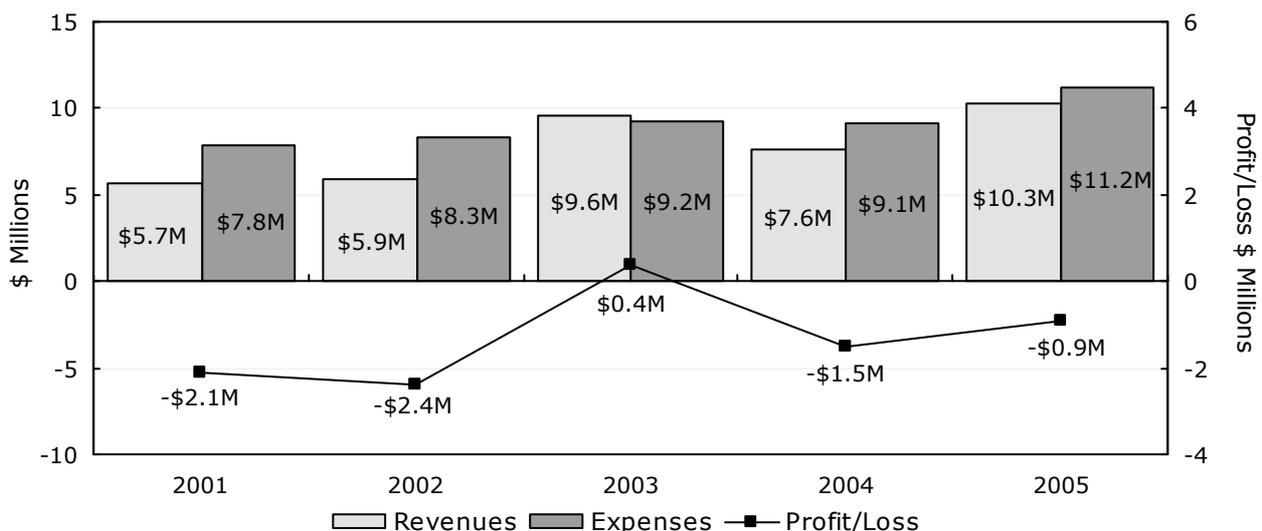
For the five years to 2005, a structural analysis of the main operating expense items for the Corporation is shown in the following chart.



Operating Result

The Corporation recorded a loss of \$900 000 for the year ended 30 June 2005 after a loss of \$1.5 million for the previous year. The Corporation’s reported operating loss for each of the past five years, excluding 2002-03, reflects the impact of depreciation expense associated with the Entertainment Centre building. These results are consistent with the Corporation’s trading activities not fully recovering the capital cost of constructing the Centre.

The following chart shows the revenues, expenses and profits/losses for the five years to 2005.

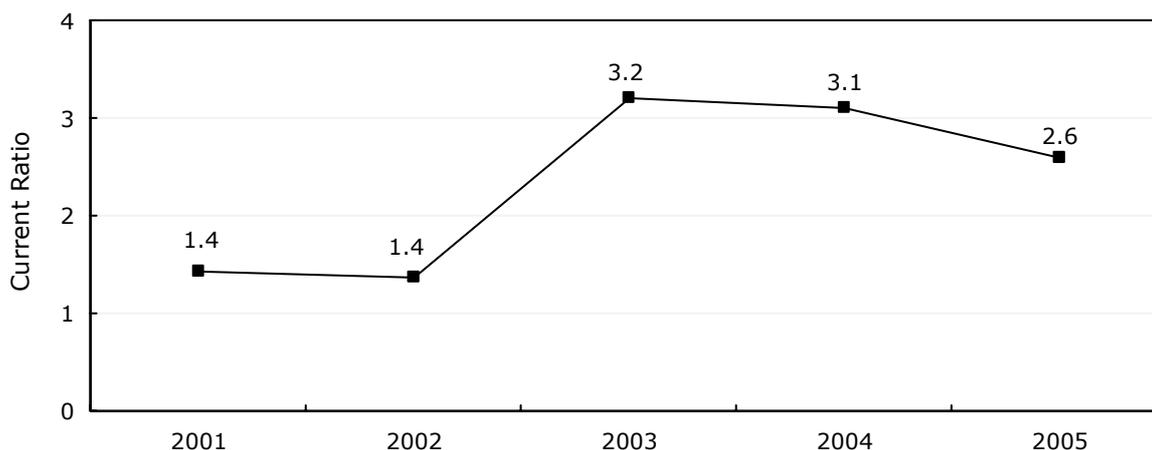


Statement of Financial Position

The Corporation’s current ratio (current assets divided by current liabilities) continues to be greater than 1 reflecting the Corporation’s ability to continue operating as a going concern.

The Corporation is an asset intensive public sector entity with net assets of \$57.1 million as at 30 June 2005.

For the five years to 2005, the movement in the current ratio is presented in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	1.3	(0.4)	2.8	(0.3)
Investing	(0.7)	(1.1)	(0.1)	(0.6)
Change in Cash	0.6	(1.5)	2.7	(0.9)
Cash at 30 June	3.2	2.6	4.1	1.4

The analysis of cash flows shows that the Adelaide Entertainments Corporation's cash holdings have increased from \$2.6 million in 2004 to \$3.2 million in 2005. The increase of \$600 000 (23 percent) is due to:

- operating inflows exceeding operating outflows by \$1.3 million due principally to appropriation of \$800 000 being received from the State Government in 2005 (no appropriation was received in 2004) which was offset by;
- the purchase of property, plant and equipment of \$700 000.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUE FROM TRADING ACTIVITIES:			
Sale of food and beverage	4	3 086	2 684
Corporate suite lease		1 461	1 155
Venue hire		2 029	1 245
Recovery of labour costs		569	410
Ticket sales revenue		558	528
Interest revenue		200	182
Merchandise revenue		214	165
Inside charges revenue		379	266
Equipment hire		160	163
Other revenue	5	778	634
Total Revenues		9 434	7 432
EXPENSES FROM TRADING ACTIVITIES:			
Salaries, wages and related payments	29(b)	3 938	3 660
Depreciation	6	197	186
Sales and marketing		1 127	506
Ticketing expenses		442	170
Food and beverage purchases		954	817
Artists expenses		347	289
Contractors		193	157
Insurance	29(a)	114	107
Repairs and maintenance		41	42
Consumables		94	64
Equipment hire		92	105
Utilities		120	95
Other expenses	8	780	664
Total Expenses		8 439	6 862
PROFIT FROM TRADING ACTIVITIES		995	570
REVENUES FROM PROPERTY MANAGEMENT ACTIVITIES:			
Grant		-	50
Other revenue	5	25	101
Total Revenues		25	151
EXPENSES FROM PROPERTY MANAGEMENT ACTIVITIES:			
Salaries, wages and related payments		191	156
Depreciation	6	1 702	1 381
Repairs and maintenance		424	322
Utilities		313	254
Other expenses	8	121	132
Total Expenses		2 751	2 245
LOSS FROM PROPERTY MANAGEMENT ACTIVITIES:		(2 726)	(2 094)
Asset write-off	7	-	(15)
Appropriation from Government		785	-
PROFIT (LOSS) FROM ORDINARY ACTIVITIES		(946)	(1 539)
Net increase in asset revaluation reserve	17	-	9 781
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(946)	8 242

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	9, 29(c)	3 210	2 605
Inventories	10	115	92
Receivables	11	474	320
Total Current Assets		3 799	3 017
NON-CURRENT ASSETS:			
Land and buildings	12	53 919	55 555
Plant and equipment	13	937	545
Total Non-Current Assets		54 856	56 100
Total Assets		58 655	59 117
CURRENT LIABILITIES:			
Payables	14	1 253	822
Employee benefits	15	212	159
Total Current Liabilities		1 465	981
NON-CURRENT LIABILITIES:			
Payables	14	15	15
Employee benefits	15	87	87
Total Non-Current Liabilities		102	102
Total Liabilities		1 567	1 083
NET ASSETS		57 088	58 034
EQUITY:			
Capital provided by South Australian Government	16	55 536	55 536
Asset revaluation reserve	17	17 497	17 497
Accumulated deficit	18	(15 945)	(14 999)
TOTAL EQUITY		57 088	58 034
Commitments	27		
Contingent Liabilities	28		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
Receipts from customers		9 359	7 191
Appropriation from Government		785	-
Grant received		-	50
GST received from customers		910	701
Interest received		200	182
Payments to suppliers and employees		(9 086)	(7 820)
Payment to Australian Taxation Office of GST		(404)	(262)
GST paid to suppliers		(504)	(435)
Net Cash provided by (used in) Operating Activities	26(a)	1 260	(393)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payment for property, plant and equipment		(655)	(1 064)
Net Cash used in Investing Activities		(655)	(1 064)
NET INCREASE (DECREASE) IN CASH HELD		605	(1 457)
CASH AT 1 JULY		2 605	4 062
CASH AT 30 JUNE	26(b)	3 210	2 605

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Establishment and Functions of the Adelaide Entertainments Corporation

The Adelaide Entertainments Corporation (AEC), trading as the Adelaide Entertainment Centre, was established on 4 February 1999 as a subsidiary of the Minister for Tourism by Regulations under the *Public Corporations Act 1993*.

The functions of the AEC are to:

- manage and operate the Adelaide Entertainment Centre site;
- manage, promote and sponsor events at the Adelaide Entertainment Centre site or elsewhere;
- foster and assist the commercial development of the Adelaide Entertainment Centre site in order to complement and enhance the commercial potential of the Adelaide Entertainment Centre;
- carry out any other functions conferred on the subsidiary by the Minister.

The AEC is governed by a Board of Directors and operates under a charter approved pursuant to the provisions of the *Public Corporations Act 1993*. The Act and the charter require the preparation of a general purpose financial report which reflects the performance and position of the AEC for each financial year ended 30 June.

2. Statement of Accounting Policies

The significant accounting policies that have been adopted in the preparation of these financial statements are:

(a) Basis of Preparation of Financial Statements

The financial statements have been prepared in accordance with the Statements of Accounting Concepts, applicable Australian Accounting Standards, Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and Urgent Issues Group Consensus Views.

The financial statements have been prepared on the basis of historical costs and are not adjusted to take into account changing money values or, except where stated, current valuations of major non-current assets.

(b) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised when it is earned.

(c) Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over its expected useful life. A combination of depreciation methods are used to write off the net cost of buildings and improvements over their expected useful life, with the reducing balance method being used for the building and improvements structure and the straight line method being used on the fit-outs and other integrated assets. Estimates of remaining useful lives are made on a regular basis for all depreciable assets. The major asset categories and their expected useful lives are as follows:

(c) Depreciation of Non-Current Assets (continued)	Years
Buildings and improvements - Structure	25-140
Buildings and improvements - Fit-outs and other integrated assets	17-56
Site plant and equipment	5-10
Kitchens and concessions	3-10
Office and administrations	3-10
Production equipment	3-10
Furniture and fittings	3-10
Audiovisual equipment	3-10

During the 2003-04 year buildings and improvements were depreciated using the straight line method. Refer Note 3.

(d) Inventories

Inventories are carried at cost, as they are expected to be consumed in the holding of events and functions that will have a net realisable value that exceeds cost.

(e) Non-Current Assets

Assets are initially recorded at cost plus any incidental cost involved with the acquisition.

In accordance with Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets', all non-current assets with a value at the time of acquisition greater than \$1 million are required to be revalued every three years. Licensed valuers Edward Rushton Australia Pty Ltd carried out an independent valuation for land and buildings as at 30 June 2004, valuing Land and Buildings at fair value. Non-current assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

(f) Employee Benefits

Provision has been made in the financial statements for the AEC's liability for employee entitlements arising from services rendered by employees to 30 June.

(i) Superannuation

The AEC contributes to externally managed superannuation funds. Contributions are charged as an expense in the period in which they occur. The AEC is not liable for payments to beneficiaries as this is the responsibility of the superannuation funds.

(ii) Wages and Salaries

Liabilities for wages and salaries are recognised as the amount unpaid at 30 June and are measured at current pay rates in respect of employees' services to that date.

(iii) Annual Leave

Provision has been made for the unused component of annual leave at 30 June. The provision has been calculated at nominal amounts based on estimated future wages and salary rates.

(iv) Long Service Leave

Provision has been made for employee entitlements to long service leave. The provision has been calculated at nominal amounts based on estimated future wages and salary rates, using a benchmark of seven years service as a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits', and as directed by Accounting Policy Statement No 9 'Employee Benefits'.

(v) Sick Leave

No provision has been made in respect of accumulated sick leave. Sick leave, when taken, is considered to be taken from the current year's accrual, therefore no liability is recognised.

(g) Financial Instruments

Financial Assets

Cash comprises cash on hand and deposits at call with the South Australian Government Financing Authority (SAFA) and Westpac Banking Corporation. Cash and deposits are recorded at cost. Interest revenues are recognised as they accrue.

Receivables are reported at amounts due, less the provision for doubtful debts.

Financial Liabilities

Trade creditors are recognised for goods and services that have been supplied but have not been paid as at 30 June 2005. Trade creditors are recorded at cost and are normally settled within 30 days.

Revenue received in advance mainly comprises corporate suite license and advertising fees, and event/function deposits received in advance, and is recognised as revenue at the time the event/function is held or service provided.

(h) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(i) Rounding

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

(j) Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except the amount of GST incurred by the Corporation as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with amounts of GST included. Cash flows are reported on a gross basis in the Statement of Cash Flows.

3. Changes in Accounting Policies

(a) Buildings and Improvements Depreciation

As at 30 June 2004 the land and buildings and improvements were revalued by licensed valuers Edward Rushton Australia Pty Ltd, to fair value. For the current year the reducing balance method has been used to calculate depreciation on the AEC building and improvements structure, and the straight line method has been used to calculate depreciation on the building and improvements fit-outs and other integrated assets. The fair value basis of valuation is market based, and the reducing balance depreciation method results in the best reflection of this fair value basis for structural assets. The impact on the Statement of Financial Performance is an increase in depreciation expense in the current year of \$95 000.

In the prior year the straight line method was used to calculate depreciation for all building and improvements. The basis of valuation prior to 30 June 2004 had been the deprival method, which uses the depreciated replacement cost basis, for which straight line depreciation is the most appropriate method.

(b) Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The AEC will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

The only impact of this adoption by the AEC is expected to be in relation to AASB 119 'Employee Benefits'. Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts. The AEC will use the Department of Treasury and Finance actuarial assessment to estimate the long service leave liability based on net present value.

4. Sale of Food and Beverage

	2005	2004
	\$'000	\$'000
Food	1 934	1 797
Beverage	1 152	887
	3 086	2 684
Cost of sales	1 377	1 173

5. Other Revenue

	2005			2004		
	Trading	Property	Total	Trading	Property	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Car park	157	-	157	189	-	189
Sundry	621	25	646	445	101	546
	778	25	803	634	101	735

6. Depreciation

	2005	2004
	\$'000	\$'000
Buildings (refer Note 12)	1 702	1 381
Plant and equipment (refer Note 13)	197	186
	1 899	1 567

7. Asset Write-Off

A review of the Fixed Asset Register was conducted during the 2003-04 financial year, and as a result a total of \$421 000 in gross carrying amount was written off. The impact on the Statement of Financial Performance was \$15 000, being the net book value of assets written off.

8. Other Expenses

	2005			2004		
	Trading	Property	Total	Trading	Property	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Legal expenses	72	-	72	12	-	12
Linen and laundry	70	-	70	61	-	61
Subscriptions	59	-	59	34	-	34
Other	579	121	700	557	132	689
	780	121	901	664	132	796

9. Cash Assets									2005	2004
									\$'000	\$'000
Cash at bank and on hand									1 981	1 442
SAFA investment									1 229	1 163
									3 210	2 605
10. Inventories									98	81
Beverages									17	11
Food									115	92
11. Receivables									219	243
Trade Debtors									8	9
Less: Provision for doubtful debts									211	234
Accrued income and sundry debtors									18	2
Prepaid expenses									245	84
									474	320
12. Land and Buildings										
Gross Carrying Amount:										
Balance at 1 July					Land	Buildings				
Additions					\$'000	\$'000				
					16 050	67 415				83 465
					-	66				66
Balance at 30 June					16 050	67 481				83 531
Accumulated Depreciation:										
Balance at 1 July					-	27 910				27 910
Depreciation expense					-	1 702				1 702
Balance at 30 June					-	29 612				29 612
Net Book Value:										
As at 30 June 2005					16 050	37 869				53 919
As at 30 June 2004					16 050	39 505				55 555
13. Plant and Equipment										
Gross Carrying Amount:										
Balance at 1 July		Site	Kitchens	Office						
Disposals		Plant and	and	and	Prodctn	Furniture	Audio			
Additions		Equip	Concesns	Admin	Equipmt	and	Visual	WIP		Total
		\$'000	\$'000	\$'000	\$'000	Fittings	Equipmt	\$'000	\$'000	\$'000
		70	499	363	783	507	369	-	-	2 591
		-	-	(57)	-	-	-	-	-	(57)
		-	98	53	65	176	29	168	-	589
Balance at 30 June		70	597	359	848	683	398	168	168	3 123
Accumulated Depreciation:										
Balance at 1 July		47	391	301	672	335	300	-	-	2 046
Disposals		-	-	(57)	-	-	-	-	-	(57)
Depreciation expense		8	34	38	45	39	33	-	-	197
Balance at 30 June		55	425	282	717	374	333	-	-	2 186
Net Book Value:										
As at 30 June 2005		15	172	77	131	309	65	168	168	937
As at 30 June 2004		23	108	62	111	172	69	-	-	545
14. Payables									2005	2004
Current:									\$'000	\$'000
Trade creditors and accruals									895	566
Income received in advance									325	232
Employee on-costs									33	24
									1 253	822
Non-Current:										
Employee on-costs									15	15
									15	15
15. (a) Employee Benefits										
Current:										
Accrued salaries and wages									70	19
Annual leave									128	123
Long service leave									14	17
									212	159
Non-Current:										
Long service leave									87	87
									87	87

(b) Employee Benefits and Related On-Cost Liabilities	2005	2004
Accrued Salaries and Wages:	\$'000	\$'000
On-costs included in payables - Current (Note 14)	7	-
Provision for employee benefits - Current (Note 15)	70	19
	77	19
Annual Leave:		
On-costs included in payables - Current (Note 14)	23	21
Provision for employee benefits - Current (Note 15)	128	123
	151	144
Long Service Leave:		
On-costs included in payables - Current (Note 14)	3	3
Provision for employee benefits - Current (Note 15)	14	17
	17	20
On-costs included in payables - Non-current (Note 14)	15	15
Provision for employee benefits - Non-current (Note 15)	87	87
	102	102
(c) The number of employees of the AEC as at 30 June:	2005	2004
	Number of	Number of
	Employees	Employees
Permanent	32	29
Casual	493	371
16. Capital provided by the South Australian Government	2005	2004
	\$'000	\$'000
Land	7 189	7 189
Buildings	44 534	44 534
Site plant and equipment	2 975	2 975
Working capital	838	838
	55 536	55 536
17. Asset Revaluation Reserve		
Land:		
Balance at 1 July	8 861	271
Increment on revaluation	-	8 590
Balance at 30 June	8 861	8 861
Buildings:		
Balance at 1 July	8 636	7 445
Increment on revaluation	-	1 191
Balance at 30 June	8 636	8 636
	17 497	17 497
18. Accumulated Deficit		
Balance at 1 July	(14 999)	(13 460)
Operating (deficit) surplus	(946)	(1 539)
Balance at 30 June	(15 945)	(14 999)
19. Financial Instruments		
(a) Credit Risk		
The credit risk of financial assets that have been recognised on the Statement of Financial Position is generally the carrying amount, net of any estimates for doubtful debts.		
(b) Interest Rate Risk		
The AEC's exposure to interest rate risk and the effective weighted interest rate is set out in the following table. Exposures arise predominantly from financial assets and financial liabilities bearing variable interest rates.		

	2005			
	Weighted Average Effective Interest Rate Percent	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank	5.30	1 981	-	1 981
SAFA investment account	5.51	1 229	-	1 229
Trade debtors		-	211	211
Other receivables		-	263	263
		3 210	474	3 684
Financial Liabilities:				
Trade creditors and accruals	5.30	259	684	943
Income received in advance		-	325	325
		259	1 009	1 268

(b) Interest Rate Risk (continued)

	2004			
	Weighted Average Effective Interest Rate Percent	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash at bank	4.77	1 442	-	1 442
SAFA investment account	5.07	1 163	-	1 163
Trade debtors	-	-	234	234
Other receivables	-	-	86	86
		<u>2 605</u>	<u>320</u>	<u>2 925</u>
Financial Liabilities:				
Trade creditors and accruals	4.77	153	452	605
Income received in advance	-	-	232	232
		<u>153</u>	<u>684</u>	<u>837</u>

(c) Net Fair Value

The carrying amount of financial assets and financial liabilities recorded in the Financial Statements approximate their net fair value.

20. Remuneration of Employees Greater than \$100 000

The number of executive officers who have received, or were due to receive, directly or indirectly from the AEC a total remuneration (including superannuation) in connection with the management of the affairs of the AEC, whether as Executive Officer or otherwise, as shown in the following bands, was:

	2005 Number of Executives	2004 Number of Executives
\$100 001 - \$110 000	2	-
\$140 001 - \$150 000	1	-
\$160 001 - \$170 000	-	1
\$230 001 - \$240 000*	1	-

The aggregate remuneration of employees greater than \$100 000 referred to in the above bands was \$580 000 (\$167 000).

* Includes a separation payment to a former employee whose normal remuneration exceeded \$100 000.

21. Superannuation

Pursuant to the Commonwealth Government's Superannuation Guarantee legislation, the AEC is required to contribute 9 percent of each AEC employee's eligible earnings to externally managed superannuation funds. Payments made to externally managed superannuation funds during the year totalled \$273 000 (\$262 000).

22. Board of Directors

The following Directors served on the Board of the AEC during the year:

R Foord (Chairman)	G Wallace
M Burgess (term concluded 5.2.2005)	G Kelly (term concluded 5.2.2005)
J Bell	G Pitt
A Herald (commenced 5.2.2005)	J Staugas (commenced 5.2.2005)
W Spurr*	

* W Spurr is a Government employee.

Members of the Board received Director's fees as shown in the following table:

	2005 Number of Members	2004 Number of Members
\$0 - \$10 000	4	-
\$10 001 - \$20 000	4	6

The aggregate amount of remuneration received, or due and receivable, by AEC Directors in connection with the management of the AEC was \$71 000 (\$71 000).

23. Related Party Transactions

The Directors of the Board may use the services of the AEC in accordance with terms and conditions determined under Board policy.

Directors of the Board used the services of the AEC during the year under normal commercial arrangements.

24. Remuneration of Auditors

Amounts received or due and receivable by the Auditor-General's Department for auditing the AEC Financial Statements were \$26 000 (\$26 000).

25. Payments to Consultants		2005	2004
Payments to consultants totalled \$14 000 (\$54 000) and fell within the following bands:		Number of Consultants	Number of Consultants
\$0 - \$10 000		3	10
\$10 001 - \$50 000		-	2
26. Notes to the Statement of Cash Flows		2005	2004
(a) Reconciliation of Net Cash provided by (used in) Operating Activities to (Loss) Profit from Ordinary Activities		\$'000	\$'000
Operating (loss) profit from ordinary activities		(946)	(1 539)
Non-Cash Items:			
Depreciation		1 899	1 567
Asset write-off		-	15
Change in assets and liabilities:			
(Increase) Decrease in receivables		(154)	(72)
(Increase) Decrease in inventory		(23)	(21)
(Decrease) Increase in payables		431	(399)
Increase (Decrease) in employee benefits and related payments		53	56
Net Cash provided by (used in) Operating Activities		1 260	(393)
(b) Reconciliation of Cash			
For the purposes of the Statement of Cash Flows, cash comprises cash on hand and in banks and investments in money market instruments. Refer Note 9.			
27. Commitments		2005	2004
As at 30 June, the AEC had commitments associated with the AEC's ongoing business operations and capital purchases, reflected by purchase orders issued but not filled and letters of intent. Included in this balance is arrangements the AEC has entered into for work to be performed on the Alchemy kitchen that has not commenced as at 30 June 2005 totalling \$617 000.		\$'000	\$'000
Not later than one year:			
Cancellable agreements		-	19
Operating expenditure commitments		43	23
Capital expenditure commitments		760	199
		803	241
28. Contingent Liabilities			
During the 2004-05 financial year an event arose at the AEC, which has resulted in legal claims against the Corporation. As at 30 June 2005 the Corporation is uncertain as to the timing and amount of any future sacrifices resulting from these legal claims. The AEC has insurance, which is expected to cover any financial liability arising from the claim.			
29. SA Government/Non-SA Government Transactions			
In accordance with APS 13 (para.18) the following information is provided:			
(a) Insurance Provided by SA Government Entities:		2005	2004
Insurance expense		\$'000	\$'000
		114	107
Total Insurance Expense		114	107
(b) Salaries, Wages and Related Payments Transactions with SA Government/Non-SA Government Entities:			
Payroll Tax Expense Paid to SA Government Entity:			
Salaries, wages and related payments		177	167
Non-SA Government Transactions			
Salaries, wages and related payments		3 761	3 493
Total Salaries, Wages and Related Payments		3 938	3 660
(c) Cash Assets held with SA Government/Non-SA Government Entities:			
Cash Assets held with SA Government Entities:			
SAFA Account		1 229	1 163
Cash Assets held with Non-SA Government Entities:			
Cash at bank and on hand		1 981	1 442
Total Cash Assets		3 210	2 605
(d)			
For all other expense, revenue, financial asset and financial liability balances reported the total includes amounts received or receivable/paid or payable from SA Government entities where the amount to the SA Government entities was less than \$100 000.			

30. Administered Items

The AEC includes a schedule of administered items as a note to the accounts as it is considered that administered transactions and balances are insignificant in relation to the AEC's overall financial performance and position.

The AEC receives gross box office receipts from its ticketing agency, and holds those receipts in a separate Event Funds bank account. In any instance where a show does not proceed, those monies are returned to the ticketing agency and refunded to patrons. Alternatively, the monies are paid to promoters, the AEC and other service providers.

Administered items comprise:

Schedule of Administered Revenues and Expenses

	2005	2004
	\$'000	\$'000
Administered Revenues:		
Gross box office receipts	20 312	10 284
Interest earned on event funds	259	86
Total Administered Revenues	20 571	10 370

Administered Expenses:

Settlements paid	18 186	10 311
Total Administered Expenses	18 186	10 311

Schedule of Administered Assets and Liabilities

Administered Assets:		
Cash at bank	3 195	810
Total Administered Assets	3 195	810

Administered Liabilities:

Payables	3 195	810
Total Administered Liabilities	3 195	810

ADELAIDE FESTIVAL CENTRE TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Trust is a Body Corporate established pursuant to the *Adelaide Festival Centre Trust Act 1971* (the Act).

Regulations have been enacted under the *Public Corporations Act 1993* requiring that certain provisions of that Act be applied to the Trust. The applied provisions relate mainly to the governance and performance aspects of the Trust's operations.

Functions

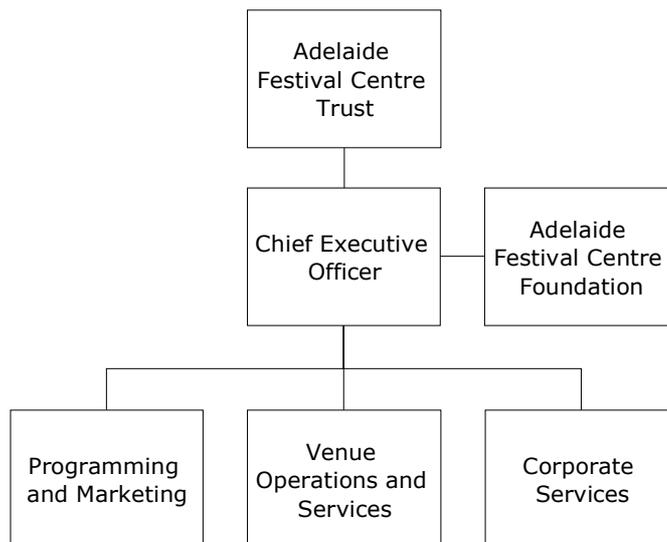
The Trust is charged with the responsibility of encouraging and facilitating artistic, cultural and performing arts activities throughout the State; and controlling, managing and maintaining the Adelaide Festival Centre and Her Majesty's Theatre.

In essence, the Trust is a presenter of arts programs and it aims to provide a balance of art forms for a variety of tastes and age levels. The major components of the Trust's operations include:

- management of various theatre facilities including the Adelaide Festival Centre complex comprising the Festival Theatre, the Space Theatre, the Amphitheatre and the Playhouse in addition to Her Majesty's Theatre;
- programming activities relating to the staging of various theatrical productions in Adelaide either as a producer or presenter;
- operation of the BASS ticketing system pursuant to a license agreement;
- operating the car park located within the Adelaide Festival Centre complex;
- utilising the services of contractors to operate catering facilities on its behalf;
- operating a scenery building and a stage engineering workshop.

Structure

The structure of the Trust is illustrated in the following organisation chart.



The Trust has eight trustees and is subject to the general control and direction of the Minister for the Arts. To assist in its deliberations the Trust has established certain committees. One of these committees is the Finance and Audit Committee which focuses on matters of a financial and audit nature.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 25(2) of the *Adelaide Festival Centre Trust Act 1971* provides for the Auditor-General to audit the accounts of the Adelaide Festival Centre Trust for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Adelaide Festival Centre Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- expenditure
- revenue
- payroll
- ticketing operations
- catering operations
- contract management
- fixed assets
- general ledger
- computing environment.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Festival Centre Trust as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Festival Centre Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to control environment and review of computing environment and operations as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Centre Trust have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Acting Chief Executive Officer in August 2005. The response to the management letter was considered to be satisfactory. Major matters raised with the Trust are discussed herein.

Control Environment

In past years, Audit has reported opportunities to improve the Trust's control environment. In 2004-05 Audit noted that, while the Trust had addressed a number of matters raised in past audit management letters, there remained a need to improve aspects of the Trust's control environment.

Audit raised with management a need for Trust staff to consistently comply with policies and procedures and establish appropriate mechanisms to ensure failures in the control environment are identified and addressed. These matters in the main related to processing improvements that, taken together, reflect a need for enhancement in a number of areas as discussed hereunder:

Expenditure Processing

Consistent with matters raised in the prior year's report, Audit found that expenditure processing by the Trust is such that individual officers were solely responsible for all expenditure entry processes from batching, checking the validity/approval of invoices to posting the expenditure for automatic payment. Notwithstanding the initial approval of a separate financial delegate, it was noted that expenditure transactions processed by an accounts payable officer were not subject to review by any other officer. Audit considers that this presented a risk that invalid expenditure or errors could be processed without detection.

It was recommended that expenditure control processes be modified to ensure no individual officer can process a payment from beginning to end.

The Trust responded that it is considering opportunities to provide an independent review process.

Expenditure Approvals

Audit noted a number of occasions where invoices were signed as approved by officers who did not have an adequate level of authority. Audit raised the need to ensure all expenditure is authorised within approved delegations.

In recent years there has been an increased use of electronic funds transfers (EFTs) and direct debit transfers as a method of disbursing payments.

In 2003-04 Audit recommended a number of improvements to controls surrounding these types of disbursements including the need for approval by two officers prior to release of payment. The 2004-05 follow up audit revealed that the Trust has implemented a number of additional EFT payment controls including a requirement for two authorised officers to approve such payments for release. Notwithstanding this, these controls were found to be compromised by staff who shared online EFT authorisation access. It is understood that these instances occurred due to the unavailability of authorised officers. Audit raised the importance of maintaining the confidentiality of EFT online identification numbers and passwords.

The Trust response indicated an intention to revise policy and delegation instruments and review processes to ensure appropriate levels of expenditure authority prior to payment. It also advised that it had addressed existing access to online transacting and proposes to nominate additional officers to be given authority in the event of unavailability of certain staff.

Segregation of Duties

The Financial Management Framework refers to segregation of duties as 'the allocation of duties to staff having regard to the need to ensure that people do not have sole control over activities and records such that unintentional and intentional errors can go undetected by other people'.

Audit review of control processes employed by the Trust noted that the achievement of segregation is often reliant on an independent officer's review of controls performed. Consistent with issues raised in prior years, Audit raised that for a number of important control processes an adequate independent review necessary for segregation of duties was not evident.

Contract Management

During 2004-05 the Trust entered into a number of contracts for catering services. The Trust earns revenue in return for contractor use of certain Trust locations including the restaurant, cafés and bars. Completeness of Trust revenue is reliant on the validity of contractor reporting of gross income earned through their operations. Audit raised a need to formalise the Trust's approach to ensuring veracity of contractor representations.

The Trust's response included a number of actions it is taking to address this matter.

Review of Computing Environment and Operations

Information systems and related computer processing environments (CPEs) are important in supporting agency operations, providing credible information for agency financial reporting and being integral to an overall effective internal control framework of the agency. In recognition of this, Audit regularly reviews the risk/control attributes of key information systems and related CPEs.

Best Available Seating Service (BASS) Follow-Up Review

Last year's Report included commentary with respect to information system audit reviews that were undertaken in 2004 of key aspects of the Trust's BASS system. The BASS information system is used by the Trust to provide ticketing services for the Trust and other promoter events.

The review addressed key aspects of the BASS information system and included coverage of information access security and integrity for both the CPE and BASS system and information and applications systems implementation and maintenance.

The previous Report indicated that the Trust recognised the need for continuous improvement and was considering an appropriate response.

During 2004-05 a follow-up audit was performed.

That review revealed that security vulnerabilities on the BASS CPE had been corrected, however, password history controls on the CPE had yet to be implemented because the existing operating system software had not been upgraded. In addition, the Trust had implemented a new security system for the computer room, exit procedures had been updated, change management procedures had been documented and the BASS backup process had been reviewed and appropriate tape storage methods implemented.

The Trust advised that negotiations with the software supplier were continuing.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	8.4	8.2	2
User charges and interest	18.2	23.6	(23)
Resources received free of charge	2.9	-	-
Total Operating Revenue	29.5	31.8	(7)
OPERATING EXPENDITURE			
Employment expenses	12.5	14.3	(13)
Other expenses	19.4	21.1	(8)
Total Operating Expenses	31.9	35.4	(10)
Surplus (Deficit)*	(2.5)	(3.6)	31
Net Cash Flows from Operations	(0.6)	0.1	-
ASSETS			
Current assets	5.0	7.3	(32)
Non-current assets	77.6	77.9	-
Total Assets	82.6	85.2	(3)
LIABILITIES			
Current liabilities	6.3	6.7	(6)
Non-current liabilities	27.3	28.1	(3)
Total Liabilities	33.6	34.8	(3)
EQUITY	49.0	50.4	(3)

* The surplus/deficit includes some non-operating items.

Statement of Financial Performance

User Charges and Interest

User charges and interest includes numerous revenue generating activities including: theatre hire; BASS ticketing sales; scenery building and stage engineering; catering associated with cafes, bars and restaurants; programming activities including box office sales; car parking charges; and interest on cash balances.

User fees and interest decreased by \$5.4 million to \$18.2 million reflecting changes and movements in a number of the Trust's revenue generating activities. Major changes and movements were as follows:

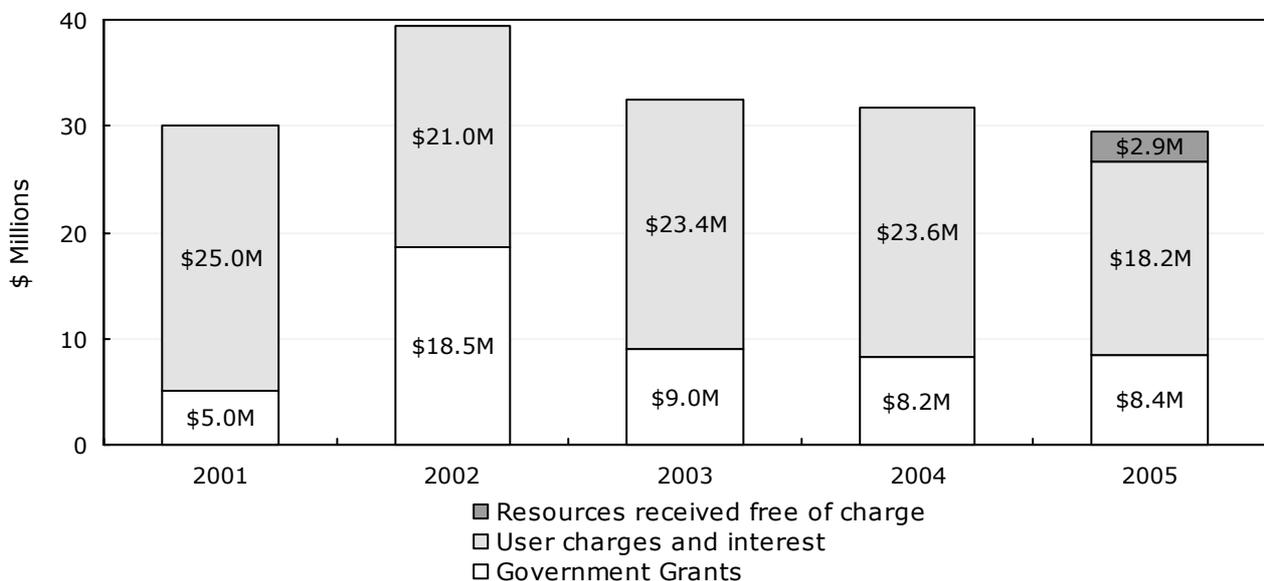
- In September 2004 the Trust entered into new catering contract arrangements. Prior to this date gross catering revenues and expenses were recognised in the Trust's accounts. Under the new arrangements contractors are charged a monthly fee. As a result catering revenues recognised in the financial statements decreased significantly which also resulted in a proportionate decrease in catering related expenses.
- Activity in the Trust's scenery and stage engineering workshop has slowed resulting in a decrease in revenue. This reduced activity has also resulted in reduced expenditure.
- Other areas of reduced activity during the year included: theatre hire; BASS ticketing; and car parking.
- Programming activity increased during 2004-05 resulting in an increase in revenue. This increased activity has also resulted in a proportionate increase in expenditure.

Resources Received Free of Charge

During 2004-05 the Trust's revenue included a non-operating item recognising the addition of an asset (a pedestrian bridge built as part of the Riverbank project) received free of charge amounting to \$2.9 million.

Operating Revenues

A structural analysis of operating revenues for the Trust in the five years to 2005 is presented in the following chart.



Operating Expenses

Expenses reduced by \$3.5 million to \$31.9 million due mainly to the following changes/movements in activities:

- catering related expenses reduced by \$3.3 million;
- scenery and stage engineering workshop expenditure reduced by \$1.8 million; offset by programming activity increased expenditure by \$1.3 million.

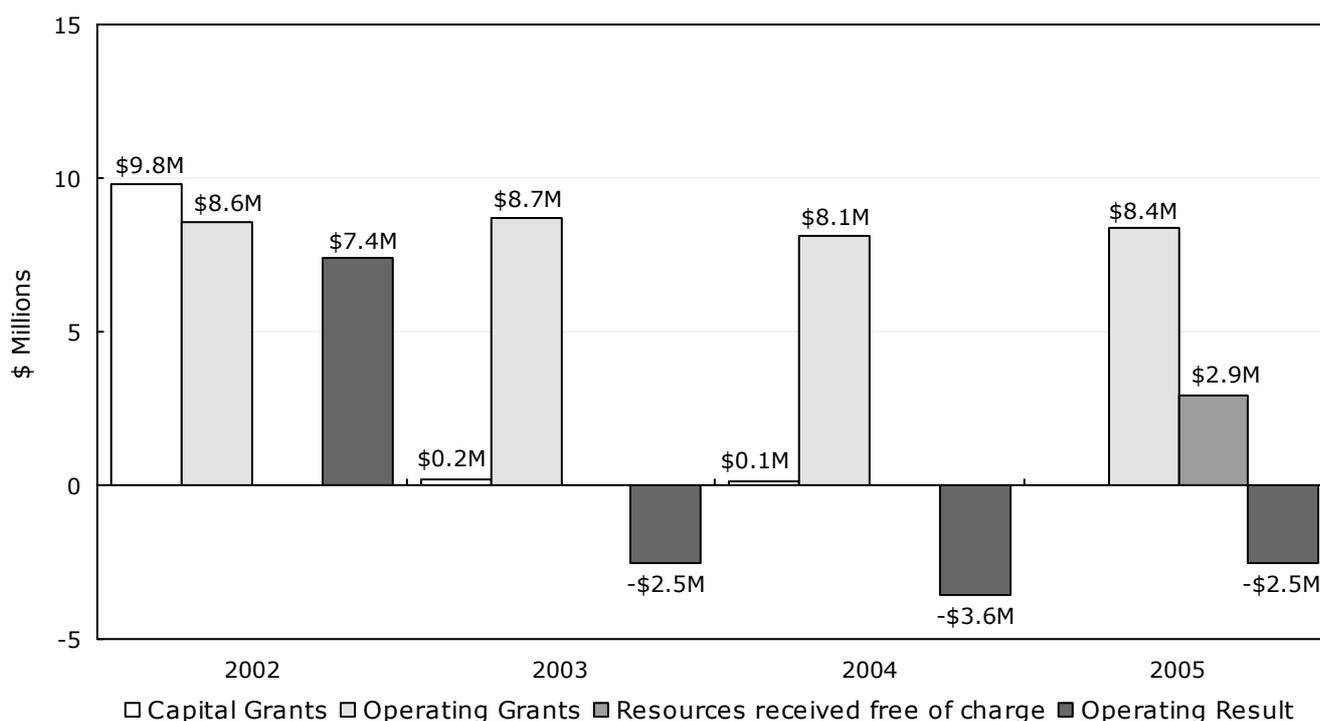
These items were discussed under 'User Charges and Interest'.

Operating Result

The operating result in 2004-05 was a deficit of \$2.5 million, compared to a deficit of \$3.6 million for 2003-04. The result reflects principally a large non-operating revenue of \$2.9 million being the value of resources received free of charge, without which the Trust's deficit would have increased from the prior year.

The following chart shows the relationship of the Trust's operating result with revenues not directly earned through the Trust's operating activities including Government operating and capital grants and revenues resulting from assets received free of charge.

Over the period of review the Trust has generally experienced operating losses, the exception being 2001-02 where the Trust's surplus coincided with the receipt of a large capital grant.



Statement of Financial Position

Current Assets and Liabilities – Solvency

As at 30 June 2005 current liabilities, \$6.3 million, exceeded current assets, \$ 5.0 million.

The change in position over the year is due to a decrease in current assets of \$2.3 million, principally being a decrease in cash. This is explained later in commentary under 'Statement of Cash Flows'.

The short term financial position of the Trust has been the subject of correspondence between the Trust and their Minister. The Trust, in seeking approval for its 2005-06 budget (as required pursuant to section 28 of the *Adelaide Festival Centre Trust Act 1971*) communicated a range of financial challenges it was facing to its Minister. In particular, the Trust indicated it was unable to make provision for a loan principal repayment (to Government) of \$926 000 in 2005-06. The Trust made some proposals to secure its long term viability.

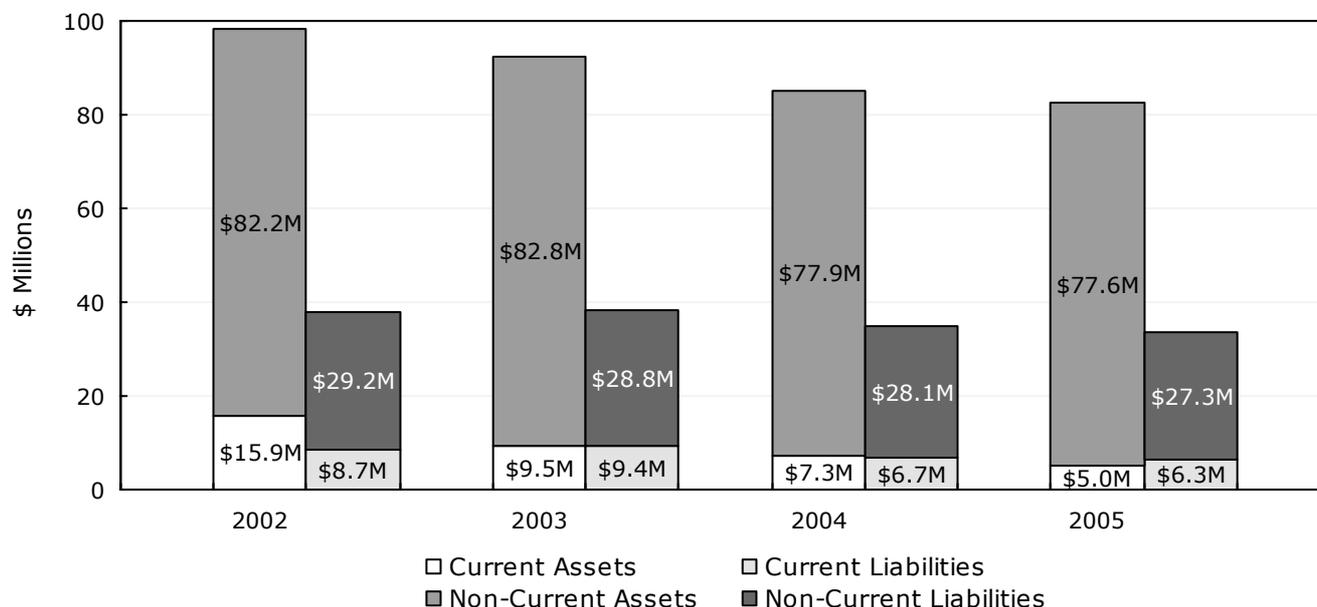
The Minister noted the Trust's position and that the Trust's urgent funding requirements needed to be considered through the 2005-06 Mid Year Budget Review process, and the 2006-07 State Budget process. The Trust would need to submit a budget proposal for consideration in these processes. The Minister approved the Trust's 2005-06 budget on a provisional basis to allow the Trust to incur expenditure from the beginning of the 2005-06 financial year. Any successful renegotiation of the budget would require resubmission for approval.

The Trust is taking action to address these circumstances. Audit also notes that the Trust is an instrumentality of the Crown and as such it is expected that if the circumstances arise, the Crown will meet any debts of the Trust as and when they fall due.

Non-Current Assets

Non-current assets, \$77.6 million, dominate the Trust's asset balances. Land and buildings amount to \$66.2 million, 85 percent, of non-current assets. The major movements in non-current asset balances during 2004-05 were the recognition of a newly constructed pedestrian bridge valued at \$2.9 million and depreciation of \$4.9 million.

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



The chart highlights that current assets and current liabilities have moved to a deficiency position for the first time in the period of review.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	(0.6)	0.1	2.1	12.3
Investing	(0.6)	(0.8)	(8.5)	(7.5)
Financing	(0.8)	(0.4)	(0.8)	(0.5)
Change in Cash	(2.0)	(1.1)	(7.2)	4.3
Cash at 30 June	3.9	5.9	7.0	14.2

A comparison between the operating result and cash flows shows a net operating deficit of \$2.5 million while the net cash outflow relating to operations was \$0.6 million. This position arises, in part, because the level of Government funding provided to the AFCT is not sufficient to meet expenses of an accrual nature and/or non-cash nature, for example depreciation of assets (\$4.9 million in 2004-05).

The large cash balance as at 30 June 2002 relates to unspent funds for the redevelopment of the Adelaide Festival Centre Plaza. These cash balances were utilised in 2003 and are reflected in the Statement of Cash Flows for investing activities.

In 2004-05 the Trust's operating activities have resulted in a net cash outflow for the first time. This outflow of \$0.6 million coupled with net outflows relating to investing and financing activities has led to an overall reduction of cash of \$2.0 million to \$3.9 million. As discussed in Statement of Financial Position, cash balances supplemented by other current assets, \$5.0 million, are not sufficient to meet the Trust's current liabilities of \$6.3 million. Consequently, the Trust's continued operation is reliant on adequate future funding from the Government.

Statement of Financial Performance for the year ended 30 June 2005

	Note	Consolidated		AFCT	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:					
Revenues from SA Government	3	8 369	8 183	8 319	8 133
User charges		17 634	23 058	17 266	22 701
Resources received free of charge	4	2 859	-	3 421	28
Interest	5	595	558	539	517
Total Revenues		29 457	31 799	29 545	31 379
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses	7	12 452	14 262	12 411	14 236
Supplies	8	1 409	3 642	1 409	3 596
Depreciation	8	4 883	5 010	4 883	5 010
Borrowing costs	8	1 966	1 928	1 966	1 928
Services	8	11 205	10 582	11 058	10 487
Net loss from disposal of assets	6	29	-	29	-
Total Expenses		31 944	35 424	31 756	35 257
Loss from Ordinary Activities	9	(2 487)	(3 625)	(2 211)	(3 878)
NON-OWNER TRANSACTION CHANGES IN EQUITY:					
Increase in asset revaluation reserve on revaluation of non-current assets	15	1 135	-	1 135	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(1 352)	(3 625)	(1 076)	(3 878)

Statement of Financial Position as at 30 June 2005

	Note	Consolidated		AFCT	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS:					
Cash	10	3 906	5 884	3 589	5 049
Receivables	11	945	1 282	844	1 282
Inventories	12	72	166	72	166
Other	13	53	1	53	1
Total Current Assets		4 976	7 333	4 558	6 498
NON-CURRENT ASSETS:					
Land and buildings		66 218	66 656	66 218	66 656
Plant and equipment		3 784	4 700	3 784	4 700
Leasehold improvements		879	1 008	879	1 008
Works of art		6 765	5 558	6 765	5 558
Total Non-Current Assets	14, 15	77 646	77 922	77 646	77 922
Total Assets		82 622	85 255	82 204	84 420
CURRENT LIABILITIES:					
Payables	16	3 634	4 462	3 634	4 321
Borrowings	17	926	775	926	775
Provisions	18	1 377	1 061	1 377	1 061
Other	19	365	432	365	432
Total Current Liabilities		6 302	6 730	6 302	6 589
NON-CURRENT LIABILITIES:					
Payables	16	122	114	122	114
Borrowings	17	26 237	27 163	26 237	27 163
Provisions	18	933	869	933	869
Total Non-Current Liabilities		27 292	28 146	27 292	28 146
Total Liabilities		33 594	34 876	33 594	34 735
NET ASSETS		49 028	50 379	48 610	49 685
EQUITY:					
Reserves	20	47 939	46 804	47 939	46 804
Accumulated surplus	21	1 089	3 575	671	2 881
TOTAL EQUITY		49 028	50 379	48 610	49 685
Commitments	22				
Contingent Liabilities and Contingent Assets	23				

Statement of Cash Flows for the year ended 30 June 2005

		Consolidated		AFCT	
		2005	2004	2005	2004
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
RECEIPTS:	Note	\$'000	\$'000	\$'000	\$'000
Receipts from patrons/customers		17 995	23 970	17 727	23 663
Interest received		578	561	522	520
GST receipts on sales		1 378	1 923	1 378	1 923
GST received from ATO		107	62	107	62
PAYMENTS:					
Interest paid on borrowings		(1 966)	(1 928)	(1 966)	(1 928)
Wages and related payments		(12 080)	(14 508)	(12 080)	(14 508)
Payments to suppliers		(13 421)	(16 206)	(13 092)	(16 099)
GST paid to suppliers		(1 153)	(1 548)	(1 153)	(1 548)
GST paid to ATO		(369)	(432)	(369)	(432)
		(8 931)	(8 106)	(8 926)	(8 347)
CASH FLOWS FROM GOVERNMENT:					
Operating grant		6 866	6 466	6 817	6 416
Debt servicing grant		1 503	1 592	1 503	1 592
Capital replacement grant		-	125	-	125
		8 369	8 183	8 320	8 133
Net Cash (used in) provided by Operating Activities	24	(562)	77	(606)	(214)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of property, plant and equipment and works of art		(641)	(768)	(79)	(768)
Net Cash used in Investing Activities		(641)	(768)	(79)	(768)
CASH FLOW FROM FINANCING ACTIVITIES:					
Repayment of Borrowing		(775)	(410)	(775)	(410)
Net Cash used in Financing Activities		(775)	(410)	(775)	(410)
NET DECREASE IN CASH HELD		(1 978)	(1 101)	(1 460)	(1 392)
CASH AT 1 JULY		5 884	6 985	5 049	6 441
CASH AT 30 JUNE	10	3 906	5 884	3 589	5 049

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Adelaide Festival Centre Trust Objectives

The objectives of the Adelaide Festival Centre Trust (the Trust) are to:

- (a) encourage and facilitate artistic, cultural and performing arts activities throughout the State;
- (b) be responsible for the care, control, management, maintenance and improvement of the Adelaide Festival Centre and its facilities;
- (c) provide expert advisory, consultative, managerial or support services to persons associated with artistic, cultural or performing arts activities;
- (d) promote the involvement of young people and their families and extend activities into the school sector; and
- (e) provide professional development opportunities for emerging talent.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared on an accrual basis of accounting in accordance with Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, and other mandatory reporting requirements. The financial report has been prepared on the basis of historical costs and does not take into account changing money values except where it is specifically stated.

(b) Changes in Accounting Policy

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Adelaide Festival Centre Trust will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

(c) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position.

Adelaide Festival Centre Trust capitalises all non-current physical assets with a value of \$10 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

(d) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Trust as at 30 June 2005, and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full.

(e) Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets':

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

Every three years, Adelaide Festival Centre Trust revalues its land, buildings, leasehold improvements and works of art. However, if at any time management considers that the carrying amount of an asset class materially differs from its fair value then the asset class will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

(f) Comparative Amounts

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(g) Depreciation

All depreciable plant and equipment, buildings and leasehold improvements are depreciated to estimated residual value over their estimated useful lives using the straight line method of allocation. Land and Works of Art are not depreciated.

Work in progress is not depreciated until assets are completed and have been commissioned for operation. Depreciation rates are reviewed annually.

Depreciation for non-current assets is determined as follows:

Asset Class	Depreciation Method	Useful Life Years
Buildings (substructure)	Straight line	60
Buildings (finishes)	Straight line	10
Buildings (fittings and services)	Straight line	25
Leasehold improvements	Straight line	10
Plant and equipment	Straight line	10-25

(h) Employee Benefits

Provision has been made in the financial report for the Trust's liability for employee benefits arising from services rendered by employees as at the reporting date. These benefits include accrued salaries and wages, annual leave and long service leave. Related on-costs consequential to the employment of the employees have been included in payables in accordance with Accounting Policy Statements 9 'Employee Benefits'.

Accrued Salaries and Wages

Accrued salaries and wages represents the amount of salaries and wages for services rendered by employees that are unpaid as at reporting date.

Annual Leave

Employee benefits for annual leave have been calculated by multiplying each employee's benefits by the remuneration rate expected when the leave is taken. The estimated rate of salary inflation is 4 percent. When leave loadings are paid these are included in the calculation.

Sick Leave

Employee sick leave benefits are non-vesting. No sick leave liability has been recorded as it is probable that sick leave taken in future periods will be less than the sick leave benefit accrued in those periods.

Long Service Leave

In calculating long service leave, the Trust has used a benchmark of 7 years, based on an actuarial assessment undertaken by the Department of Treasury and Finance. The long service leave benefit estimated to be paid within the next 12 months of balance date is calculated by multiplying each employee's benefits by the remuneration rate expected when the leave is taken. The estimated rate of salary inflation is 4 percent.

Superannuation

Contributions are made by the Trust to a number of 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 superannuation schemes. The only liability outstanding at balance date relates to contributions due but not yet paid to the superannuation schemes.

(i) Workers Compensation

Contributions are made by the Trust to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense when they occur. There is no liability for payments to claimants as they have been assumed by WorkCover Corporation.

(j) Provision for Doubtful Debts

Adelaide Festival Centre Trust determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

(k) Inventories

Inventories are maintained for set building, production and merchandising activities and are valued at cost.

(l) Revenues and Expenses

Operating Grants

Grants, subsidies and funding for community service obligations received from SA Government are recognised as revenues when the authority obtains control over the assets. Control over these revenues is normally obtained upon receipt and they are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

Catering Revenues and Expenses

The Trust has a contractual arrangement in place for the provision of catering services. In 2003-04 revenues and expenses from catering operations are brought to account based on the contractor's reports on catering activities for the year. In 2004-05 Catering arrangements were significantly restructured from October 2004, revenue is based on a turnover fee.

Assets Received/Provided Free of Charge

Assets received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value.

Other Revenues

The Trust's policy is to recognise revenue when a good is supplied or service completed.

(m) Income Tax Status

The activities of the entity are exempt from income tax.

(n) Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax' (GST) revenues, expenses and assets are recognised net of the amount of GST except that:-

- The amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and receivables and payables are stated with the amount of GST Included.
- The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

(o) Segment Information

The Trust has not established any partnership or body corporate to carry out any of its business operations. Business operations are conducted in the one business and geographical segment.

(p) Rounding

Unless otherwise indicated, all amounts have been rounded to the nearest thousand dollars.

3. SA Government Grants

Included in Revenues from Ordinary Activities were the following Government Grants:

	Consolidated		AFCT	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Operating Grants Received:				
Operating base	6 866	6 466	6 816	6 416
Debt servicing - Interest	1 503	1 592	1 503	1 592
Total State Government Operating Grants	8 369	8 058	8 319	8 008
Capital grants received:				
Capital replacement	-	125	-	125
Total Grants	8 369	8 183	8 319	8 133

4. Resources Received Free of Charge

Pedestrian Bridge Disability Access Ramp and other

infrastructure	2 859	-	2 859	-
Curtain	-	-	300	-
Grand piano	-	-	190	-
Indigenous art work	-	-	72	28
Total	2 859	-	3 421	28

5. Interest

Interest from Entities with the SA Government

	595	558	539	517
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6. Net Gain (Loss) on Disposal of Assets

Plant and Equipment:

Proceeds from disposal	-	-	-	-
Net book value of assets disposed	29	-	29	-
Net (Loss) from Disposal of Plant and Equipment	(29)	-	(29)	-

7. Employee Expenses

Salaries and wages	9 745	11 330	9 713	11 311
TVSP	-	204	-	204
Long service leave	194	286	193	286
Annual leave	612	560	609	558
Employment on-costs - Superannuation	875	832	872	832
Employment on-costs - Other	721	731	719	726
Board Fees	76	79	76	79
Other	229	240	229	240
Total	12 452	14 262	12 411	14 236

8. Operating Expenses

Supplies and Services provided by entities within the

SA Government:

Borrowing costs	1 966	1 928	1 966	1 928
Services:				
Contractors	111	65	111	65
Utilities	285	253	285	253
Financial transactions	150	168	150	168
Insurance	247	232	247	232
Total Services - SA Government Entities	793	718	793	718

Supplies and Services provided by entities external to the

SA Government:

Supplies	1 409	3 642	1 409	3 596
Depreciation	4 883	5 010	4 883	5 010
Services:				
Contractors	674	1 041	645	1 015
Artistic production expenses	2 994	2 029	2 994	2 029
Utilities	1 508	1 507	1 508	1 499
Financial transactions	843	769	843	769
Travel and accommodation	210	321	207	321
Premises rental	885	803	885	803
Insurance	15	10	14	6
Equipment	760	1 096	760	1 096
Other	2 523	2 288	2 409	2 231
Total Services - Non-SA Government Entities	10 412	9 864	10 265	9 769
Operating Expenses	19 463	21 162	19 316	21 021

9. Net Cost of Services	Consolidated		AFCT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenues from Ordinary Activities:				
Operating revenue - SA Government entities	1 121	-	1 121	-
Operating revenue	19 967	23 616	20 105	23 246
Total Revenues from Ordinary Activities	21 088	23 616	21 226	23 246
Expenses from Ordinary Activities:				
Operations and services	25 095	28 486	24 907	28 319
Depreciation	4 883	5 010	4 883	5 010
Borrowing costs	1 966	1 928	1 966	1 928
Total Expenses from Ordinary Activities	31 944	35 424	31 756	35 257
Total Cost of Services	(10 856)	(11 808)	(10 530)	(12 011)
Revenues from SA Government:				
Operating grant	6 866	6 466	6 816	6 416
Capital replacement grant	-	125	-	125
Debt servicing grant	1 503	1 592	1 503	1 592
Total Revenues from Government	8 369	8 183	8 319	8 133
Deficit from Ordinary Activities	(2 487)	(3 625)	(2 211)	(3 878)
10. Cash				
Cash at bank and on hand	3906	5 884	3 589	5 049
	3906	5 884	3 589	5 049
11. Receivables				
Trade debtors - SA Government entities	146	-	146	-
Interest Receivable	24	30	24	30
Total Receivables from SA Government	170	30	170	30
Trade debtors - Non-SA Government entities	864	1 367	763	1 367
Less: Provision for doubtful debts	89	115	89	115
Total Receivables from Non-SA Government	775	1 252	674	1 252
Total Receivables	945	1 282	844	1 282
12. Inventories				
Food and liquor	-	95	-	95
Raw materials	72	71	72	71
	72	166	72	166
13. Other Current Assets				
Prepayments	-	1	-	1
Work in progress	53	-	53	-
	53	1	53	1
14. Property, Plant and Equipment, Leasehold Improvements and Works of Art				
Land and Buildings:				
Freehold Land:				
At independent valuation 2003	7 670	7 670	7 670	7 670
Buildings:				
At independent valuation 2003	117 610	117 610	117 610	117 610
Less: Accumulated depreciation	(61 942)	(58 624)	(61 942)	(58 624)
At cost	55 668	58 986	55 668	58 986
At cost	2 880	-	2 880	-
Total Land and Buildings	66 218	66 656	66 218	66 656
Plant and Equipment:				
At independent valuation 2003	17 458	17 458	17 458	17 458
Less: Accumulated depreciation	(14 193)	(12 758)	(14 193)	(12 758)
At cost	3 265	4 700	3 265	4 700
At cost	548	-	548	-
Less: Accumulated depreciation	-	-	-	-
Disposals	548	-	548	-
Less: Accumulated depreciation	(57)	-	(57)	-
Disposals	28	-	28	-
Less: Accumulated depreciation	(29)	-	(29)	-
Total Plant and Equipment	3 784	4 700	3 784	4 700

14. Property, Plant and Equipment, Leasehold Improvements and Works of Art (continued)	Consolidated		AFCT	
	2005	2004	2005	2004
Leasehold Improvements:	\$'000	\$'000	\$'000	\$'000
At independent valuation 2003	1 330	1 330	1 330	1 330
Less: Accumulated depreciation	(451)	(322)	(451)	(322)
Total Leasehold Improvements	879	1 008	879	1 008
Works of Art:				
At independent valuation 2005	6 765	5 428	6 765	5 428
At cost	-	130	-	130
Total Works of Art	6 765	5 558	6 765	5 558
Total Property, Plant and Equipment, Leasehold Improvements and Works of Art	77 646	77 922	77 646	77 922

The Trust's land, buildings and leasehold improvements valuation was undertaken at 30 June 2003 by Mr Richard R Wood AAPI Certified Practising Valuer B App Sc PRM (Valuation) of Colliers Jardine (SA) Pty Ltd. Plant and Equipment was revalued as at 30 June 2003 by Mr S Kincaid Certified Valuer AAPI MSA of Dominion Valuers and Auctioneers (SA). Works of Art were valued by James F B Bruce Valuer MSAV of Theodore Bruce Auctions Pty Ltd as at 30 June 2005.

15. Asset Movement Schedule	Freehold		Plant and Equipment	Works of Art	Leasehold Improvements	Total
	Land	Buildings				
Gross Carrying Amount:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2004	7 670	117 610	17 458	5 558	1 330	149 626
Additions	-	2 880	548	72	-	3 500
Disposals	-	-	(57)	-	-	(57)
Revaluations	-	-	-	1 135	-	1 135
Balance at 30 June 2005	7 670	120 490	17 949	6 765	1 330	154 204
Accumulated Depreciation:						
Balance 1 July 2004	-	58 624	12 757	-	322	71 703
Depreciation Expense	-	3 318	1 436	-	129	4 883
Write back on disposals	-	-	(28)	-	-	(28)
Balance at 30 June 2005	-	61 942	14 165	-	451	76 558
Net Book Value	7 670	58 548	3 784	6 765	879	77 646

16. Payables	Consolidated		AFCT	
	2005	2004	2005	2004
Current Liabilities - SA Government Entities:	\$'000	\$'000	\$'000	\$'000
Unsecured creditors and accruals	894	-	894	-
	894	-	894	-
Current Liabilities - Other non-SA Government Entities:				
Unsecured creditors and accruals	2606	4312	2606	4171
Employee related expenses	134	150	134	150
	3634	4462	3634	4321
Non-Current Liabilities:				
Employee related expenses	122	114	122	114
Total	3 756	4 576	3 756	4 435

17. Borrowings	Consolidated		AFCT	
	2005	2004	2005	2004
Current Liabilities:				
Borrowings from government	926	775	926	775
	926	775	926	775
Non-Current Liabilities:				
Borrowings from government	26 237	27 163	26 237	27 163
Total	27 163	27 938	27 163	27 938

18. Provisions	Consolidated		AFCT	
	2005	2004	2005	2004
Employee Benefits				
Current Liabilities:				
Provision for annual leave	662	616	662	616
Provision for long service leave*	196	194	196	194
Payroll accruals	283	251	283	251
	1 141	1 061	1 141	1 061
Non-Current Liabilities:				
Provision for long service leave	933	869	933	869
Total Provision for Employee Benefits	2 074	1 930	2 074	1 930

* The current liability for long service leave has been determined using the average of the past ten years' actual leave taken.

24. Reconciliation of Surplus (Deficit) from Ordinary Activities to Net Cash provided by (used in) Operating Activities (continued)	Consolidated		AFCT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Changes in Assets and Liabilities:				
Decrease in receivables	363	1 119	464	1 119
Decrease in prepayments	1	-	1	-
(Increase) Decrease in other current assets	(53)	171	(53)	171
Decrease in inventories	94	14	94	14
(Decrease) in other salary related liabilities	(8)	-	(8)	-
(Decrease) in creditors and accruals	(812)	(2 118)	(671)	(2 206)
(Decrease) in other current liabilities	(67)	(188)	(67)	(138)
Net Cash provided by (used in) Operating Activities	(562)	77	(606)	(214)

25. Remuneration to Auditors and Consultants	Consolidated		AFCT	
Remuneration to auditors:				
Auditing the financial report	115	68	112	65
Other auditing services	18	21	18	21
	133	89	130	86

Number of Consultants:	Consolidated		AFCT	
	2005 Number of Consultants	2004 Number of Consultants	2005 Number of Consultants	2004 Number of Consultants
Under \$10 001	1	2	1	2
\$10 001 - \$50 000	-	1	-	1
	1	3	1	3

Payments to Consultants:	Consolidated		AFCT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Under \$10 001	4	11	4	11
\$10 001 - \$50 000	-	36	-	36
	4	47	4	47

26. Remuneration of Employees	2005 Number of Employees	2004 Number of Employees
The number of employees whose annual remuneration was over \$100 000 fell within the following bands:		
\$100 000 - \$109 999	2	2
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	1	1
\$130 000 - \$139 999	1	2
\$140 000 - \$149 999	1	-
\$190 000 - \$199 999	1	1
\$200 000 - \$209 999	1	-
\$280 000 - \$289 999	-	1

The aggregate of the remuneration referred to in the table above for all employees is \$1 129 000 (\$1 075 000).

27. Trustees' Remuneration and Related party Disclosures	2005 Number of Trustees	2004 Number of Trustees
Trustees' Remuneration		
The number of Trustees with income in the following bands was:		
\$0 - \$9 999	6	10
\$10 000 - \$19 999	2	1

The aggregate of the remuneration referred to in the above table for Trustees is \$76 300 (\$79 000).

Related Party Disclosures

The members of the Trust are appointed by the Government in accordance with the provisions of the *Adelaide Festival Centre Trust Act 1971*.

During the year the following persons occupied the position of Trustee of the Adelaide Festival Centre Trust:

Mr Richard Ryan AO
 Ms Joanne Staugas
 Mr Peter Goers
 Mrs Fiona Adler
 Ms Anne Moran
 Mr Ian Kowalick
 Ms Carolyn Cordeaux

Mr Paul Thompson (resigned 31.08.04)

Related Party Disclosures (continued)

The Trustees of the Trust, or their director related entities, have transactions with the Trust that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

As a part of the duties of office, from time to time, Trustees receive complimentary tickets to shows and events conducted by or through the Trust. These benefits serve to involve the Trustees in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

28. Targeted Voluntary Separation Package Scheme (TVSPs)

In 2004-05 TVSPs totalling \$nil (\$204 000) were paid and an additional \$nil (\$41 700) was paid on account of accrued annual leave and long service leave. The TVSP amount of \$nil (\$204 000) was paid by the Trust which subsequently received reimbursement of this amount from the Department of the Premier and Cabinet.

29. Financial Instruments**(a) Terms and Conditions**

Financial Instruments	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	10	Deposits are recognised at their nominal amount. Interest is credited to revenue as it accrues.	
Receivables	11	These receivables are recognised at the nominal amounts due less any provision for bad and doubtful debts. Collectability of debts is reviewed at balance date. Provisions are made when collection of the debt is judged to be less than likely.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Trade creditors	16	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is made net 30 days.
Other liabilities	19	Monies held in trust being deposits held for other entities and revenues earned in advance are recognised as liabilities.	The Trust holds monies on behalf of other entities and revenues earned in advance.
Borrowings	17	Borrowings are recognised at their nominal amounts.	The interest rate is determined by the Treasurer on borrowings from the Department of Treasury and Finance. There are two elements to these borrowings, one with no maturity date (interest paid quarterly) and a second borrowing with a maturity date in 2011 (interest paid monthly).

(b) Interest Rate Risk

	Consolidated 2005			Weighted Average Interest Rate Percent	AFCT 2005			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Assets:								
Cash	3 857	49	3 906		3 540	49	3 589	
Receivables	-	945	945		-	844	844	
	3 857	994	4 851	6.69	3 540	893	4 433	6.69

(b) Interest Rate Risk (continued)

	Consolidated 2005			Weighted Average Interest Rate Percent	AFCT 2005			Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	
Financial Liabilities:								
Other Liabilities	365	-	365		365	-	365	
Trade creditors	-	3 634	3 634		-	3 634	3 634	
Borrowings	26 237	926	27 163		26 237	926	27 163	
	26 602	4 560	31 162	7.17	26 602	4 560	31 162	7.17
Net Financial Assets (Liabilities)	(22 745)	(3 566)	(26 311)		(23 062)	(3 667)	(26 729)	
	2004				2004			
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent
Financial Assets:								
Cash	5 827	57	5 884		4 992	57	5 049	
Receivables	-	1 282	1 282		-	1 282	1 282	
	5 827	1 339	7 166	6.53	4 992	1 339	6 331	6.53
Financial Liabilities:								
Other Liabilities	432	-	432		432	-	432	
Trade creditors	-	4 462	4 462		-	4 321	4 321	
Borrowings	27 163	775	27 938		27 163	775	27 938	
	27 595	5 237	32 832	7.15	27 595	5 096	32 691	7.15
Net Financial Assets (Liabilities)	(21 768)	(3 898)	(25 666)		(22 603)	(3 757)	(26 360)	

(c) Net Fair Values

	Consolidated				AFCT			
	2005		2004		2005		2004	
	Carrying Amount \$'000	Net Fair Value \$'000						
Financial Assets:								
Cash	3 906	3 906	5 884	5 884	3 589	3 589	5 049	5 049
Receivables	945	945	1 282	1 282	844	844	1 282	1 282
Total Financial Assets	4 851	4 851	7 166	7 166	4 433	4 433	6 331	6 331
Financial Liabilities:								
Other Liabilities	365	365	432	432	365	365	432	432
Trade creditors	3 634	3 634	4 462	4 462	3 634	3 634	4 321	4 321
Borrowings	26 237	26 237	27 163	27 163	26 237	26 237	27 163	27 163
Total Financial Liabilities	30 236	30 236	32 057	32 057	30 236	30 236	31 916	31 916

(d) Credit Risk Exposure

The Trust's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The Trust has no significant exposure to any concentrations of credit risk.

30. Employee Benefits and Related On-Cost Liabilities

	Consolidated		AFCT	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Liabilities:				
Provision for annual leave (refer Note 18)	662	616	662	616
Provision for long service leave (refer Note 18)	196	194	196	194
Payroll accruals (accounted for in provisions refer Note 18)	283	251	283	251
On-costs (accounted for in payables refer Note 16)	134	150	134	150
	1 275	1 211	1 275	1 211
Non-Current Liabilities:				
Provision for long service leave (refer Note 18)	933	869	933	869
On-Costs (accounted for in payables refer Note 16)	122	114	122	114
	1 055	983	1 055	983
Aggregate Employee Benefits and Related On-Cost Liabilities	2 330	2 194	2 330	2 194

31. Economic Dependency

A significant proportion of revenue is derived from government, without which the Adelaide Festival Centre Trust would not be able to continue its operations. Revenue from government grants was \$8.4 million in 2004-05.

32. Controlled Entity

The consolidated financial statements at 30 June 2005 include the following controlled entity:

Name of Controlled Entity	Place of Incorporation
The Adelaide Festival Centre Foundation Incorporated	Australia

ADELAIDE FESTIVAL CORPORATION

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Adelaide Festival Corporation is a body corporate established pursuant to the *Adelaide Festival Corporation Act 1998*. The Corporation is an instrumentality of the Crown.

Functions

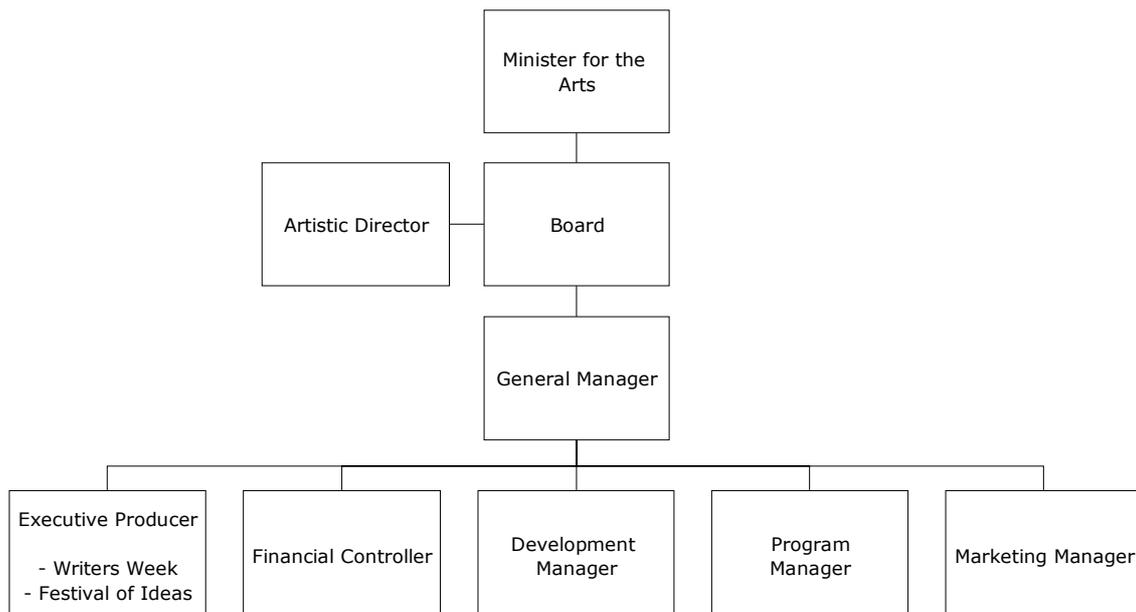
The functions of the Corporation, as set out by section 5 of the Act, are to:

- conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- continue to further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- conduct or promote other events and activities;
- provide advisory, consultative, managerial and support services within areas of the Corporation's expertise;
- undertake other activities that promote the arts or public interest in the arts, or that otherwise involve appropriate use of its resources;
- carry out such other functions assigned to the Corporation by or under this or any other Act, or by the Minister.

The Adelaide Festival of Arts is a biennial event with 2005 being a non-Festival year.

Structure

The structure of the Adelaide Festival Corporation is illustrated in the following organisational chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The Auditor-General audits the accounts of the Adelaide Festival Corporation pursuant to subsection 19(3) of the *Adelaide Festival Corporation Act 1998*.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Adelaide Festival Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- revenue, including cash receipting and debtors
- expenditure, including accounts payable and, salaries and wages
- general ledger
- contracts
- budgetary control.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Adelaide Festival Corporation as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Adelaide Festival Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Adelaide Festival Corporation have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the General Manager.

A satisfactory response was received to the matters raised in the management letter.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Given the biennial nature of the Adelaide Festival of Arts, the financial results for the event are recorded mainly over a cycle of two financial years. As 2005 is midway through the 2006 Festival an analysis and interpretation on the biennial financial results of the Corporation has not been undertaken.

In reviewing the financial performance of the Corporation it should be noted that, although the predominant role of the Corporation is to conduct the Adelaide Festival of Arts, its functions also extend to the promotion and conduct of other festivals and events such as the Festival of Ideas. The Statement of Financial Performance includes the expenses and revenues associated with these events as well as the Adelaide Festival of Arts.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Grants from Government	3	3 267	2 861
Box office		-	2 070
Interest		73	94
Sponsorship - Corporate		368	1 431
Sponsorship - Government		575	681
Other income	4	202	740
Total Revenue from Ordinary Activities		4 485	7 877
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses		1 414	2 342
Supplies and Services:			
Administration and marketing expenses	5	911	2 123
Programmed events	6	488	4 792
Total supplies and services	7	1 399	6 915
Total Expenses from Ordinary Activities		2 813	9 257
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		1 672	(1 380)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		*1 672	(1 380)

* Surplus from first year of biennial period to be carried forward to delivery of 2006 Festival (second year of biennial period). Comparative for last equivalent year, 2003, was a surplus of \$1 810 000.

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	8	1 908	172
Receivables	9	234	210
Total Current Assets		2 142	382
NON-CURRENT ASSETS:			
Plant and equipment	10	301	33
Total Non-Current Assets		301	33
Total Assets		2 443	415
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	11	246	98
Provision for employee benefits	12	85	63
Total Current Liabilities		331	161
NON-CURRENT LIABILITIES:			
Payables	11	179	4
Provision for employee benefits	12	49	38
Total Non-Current Liabilities		228	42
Total Liabilities		559	203
NET ASSETS		1 884	212
EQUITY:			
Accumulated surplus	13	1 884	212
TOTAL EQUITY		1 884	212

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH INFLOWS:			
Receipts from Government		3 607	2 515
Receipts from patrons, sponsors, donors and others		677	5 199
Receipts from Commonwealth		180	346
Interest received		73	94
GST receipts on sales		139	259
GST input tax credits		132	511
GST received from ATO		56	-
Total Inflows from Operating Activities		4 864	8 924
CASH OUTFLOWS:			
Employee payments		(1 369)	(2 326)
Supplies and services		(1 163)	(6 801)
GST payments on purchases		(145)	(560)
GST remitted to ATO		(125)	(294)
Total Outflows from Operating Activities		(2 802)	(9 981)
Net Cash Inflows (Outflows) from Operating Activities	14	2 062	(1 057)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Leasehold improvements	10	(316)	-
Purchase of plant and equipment		(10)	(5)
Total Outflows from Investing Activities		(326)	(5)
Net Cash Outflows from Investing Activities		(326)	(5)
NET INCREASE (DECREASE) IN CASH HELD		1 736	(1 062)
CASH AT 1 JULY		172	1 234
CASH AT 30 JUNE	8	1 908	172

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Functions of the Adelaide Festival Corporation

The functions of the Adelaide Festival Corporation are to:

- (a) conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- (b) continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- (c) conduct or promote other events and activities;
- (d) provide advisory, consultative, managerial or support services within areas of the Corporation's expertise;
- (e) undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources; and
- (f) carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act, or by the Minister.

2. Statement of Significant Accounting Policies

2.1 Basis of Accounting

The general purpose financial report has been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, Statements of Accounting Concepts, applicable Australian Accounting Standards, applicable Urgent Issues Group Consensus Views and other mandatory reporting requirements. The report has been prepared on the accrual basis of accounting and in accordance with conventional historical cost principles except where stated.

2.2 Foreign Exchange

Transactions in foreign currencies are translated at rates of exchange applicable at the date the foreign currency is acquired. Gains or losses arising from translation are taken directly to revenues or expenses.

2.3 Employee Benefits

Provision has been made in the financial report for the Corporation's liability for employee entitlements arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees have been included in payables.

Salaries and Wages

Salaries and wages have been recognised as the amount unpaid at the reporting date and have been calculated at nominal amounts based on current wage and salary rates.

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on current salary rates plus a provision for increase of 4 percent.

Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

Long Service Leave

Provision has been made for employee entitlements to long service leave based on a benchmark of seven years service and represents the present value of the estimated future cash flows to be made for those entitlements. This provision has been calculated at nominal amounts based on current salary rates.

2.4 Superannuation

Contributions are made by the Corporation to a number of 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 superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes.

2.5 Workers Compensation

Contributions are made by the Corporation to the WorkCover Corporation to provide insurance coverage in relation to workers compensation. These contributions are treated as an expense as they occur. There is no liability to claimants as they have been assumed by WorkCover Corporation.

2.6 Income Tax

The income of the Adelaide Festival Corporation is exempt from income tax.

2.7 Plant and Equipment

Office Furniture and Equipment is valued at cost.

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation of office furniture and equipment is calculated using the straight line method of allocation over a useful life of four years and is recognised from the date of acquisition.

2.8 Leasehold Improvements

Leasehold Improvements have been valued at cost and amortised over the length of the lease (six years).

2.9 Deferred Rent Incentive

The Corporation received a rent incentive on its new premises lease, to be taken as a rent free period within the first two years of the lease. The benefit of this will be recorded as a reduction of rental expense over the lease term on a straight line basis.

2.10 Revenue Recognition

Operating and Performing Arts Grants

In accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions', all grants are recognised as revenue when received.

Sponsorship, Sundry Income and Interest

All income of this nature is recognised as revenue as it accrues.

Donations

All income of this nature is recognised as revenue when received.

2.11 Economic Dependency

The normal business activity of the Adelaide Festival Corporation is dependent on the contribution of grants from the State at the appropriate levels. The State Government has advised that funding will be maintained and accordingly this financial report has been prepared on a going concern basis.

2.12 Comparative Figures

Where applicable, comparative amounts have been adjusted to conform with changes in presentation and classification in the current financial year.

2.13 Changes in Accounting Policies*Impact of Adopting Australian Equivalents to International Reporting Standards*

Australia will be adopting the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Corporation will adopt these standards for the first time in the published financial report for the financial year ended 30 June 2006.

Differences in Accounting Policies

The key differences in accounting policies that will be applied to the Corporation's financial reports as a result from the adoption of the Australian equivalents to the IFRS are outlined below.

- *Employee Benefits*

In accordance with accounting standard AASB 119 'Employee Benefits'; as of 1 July 2005, Employee Benefits, including long service leave and annual leave, payable later than 12 months from the end of the financial year will be measured at present value. Currently under the existing accounting standard AASB 1028 'Employee Benefits', employee benefits payable later than 12 months are measured at nominal amounts. The change in treatment will not have a material effect on the financial statements.

3. Grants from Government	2005	2004
	\$'000	\$'000
Grants from South Australian Government	3 087	2 515
Commonwealth grants	180	346
	3 267	2 861
4. Other Income		
Donations	51	106
Book and merchandise sales	-	262
Friends membership	31	46
Sundry	120	326
	202	740
5. Administration and Marketing Expenses		
Depreciation (refer Note 10)	58	40
Operating leases	18	108
Marketing	139	1 136
Development	90	200
Artistic Directorate	119	110
Communications	47	55
Other expenses	440	474
	911	2 123
6. Programmed Events		
Festival of Ideas 2005	227	184
Festival of Arts 2006	248	-
Festival of Arts 2004	13	4 608
	488	4 792
7. Supplies and Services		
Supplies and services provided by entities within the SA Government:		
Insurance	3	-
Audit	21	-
Motor Vehicle Expenses	9	-
Other	4	-
Total Supplies and Services - SA Government Entities	37	-
Supplies and services provided by entities external to the SA Government:		
Administration and marketing	876	-
Programmed events	486	-
Total Supplies and Services - Non-SA Government Entities	1 362	-
Total Supplies and Services	1 399	-
Comparatives have not been included because they can not be reliably determined.		
8. Reconciliation of Cash		
For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank.		
Cash on hand	1	1
Cash at bank	100	125
SAFA deposit	1 807	46
	1 908	172

9. Receivables	2005	2004
	\$'000	\$'000
Trade debtors	77	142
Less: Allowance for doubtful debts	-	20
Prepayments and accruals	157	88
	234	210
10. Plant and Equipment		
(a) Office equipment and furniture at cost	269	259
Less: Accumulated depreciation	249	226
Written Down Value	20	33
(b) Leasehold Improvements	316	-
Less: Amortisation of leasehold improvements	35	-
Written Down Value	281	-
Total Plant and Equipment Written Down Value	301	33
(c) Reconciliation of Carrying Amounts of Plant and Equipment		
Balance at 1 July	259	254
Add: Additions	10	5
Add: Leasehold improvements	316	-
Balance at 30 June	585	259
Accumulated Depreciation:		
Balance at 1 July	226	186
Add: Depreciation expense (Leasehold improvements)	35	40
Add: Depreciation expense (Plant and equipment)	23	-
Balance at 30 June	284	226
Net Book Value	301	33
11. Payables		
Current:		
Trade creditors and accruals	194	88
Employee on costs	12	10
Deferred rent incentive	40	-
	246	98
Non-Current:		
Employee on costs	7	4
Deferred rent incentive	172	-
	179	4
12. Provisions		
(a) Provision for Employee Benefits		
Current:		
Accrued salaries and wages	50	24
Annual leave	35	27
Long service leave	-	12
	85	63
Non-Current:		
Long service leave	49	38
	49	38
(b) Employee Benefits and Related On-cost Liabilities		
Accrued Salaries:		
On-costs included in payables - Current (Note 11)	7	4
Provision for employee benefits - Current (Note 12(a))	50	24
	57	28
Annual Leave:		
On-costs included in payables - Current (Note 11)	5	4
Provision for employee benefits - Current (Note 12(a))	35	27
	40	31
Long Service Leave:		
On-costs included in payables - Current (Note 11)	-	2
Provision for employee benefits - Current (Note 12(a))	-	12
	-	14
On-costs included in payables - Non-Current (Note 11)	7	4
Provision for employee benefits - Non-Current (Note 12(a))	49	38
	56	42
Aggregate employee benefits and related on-cost liabilities	153	115

13. Accumulated Surplus	2005	2004
	\$'000	\$'000
Balance at 1 July	212	1 592
Surplus (Deficit) from ordinary activities	1 672	(1 380)
Balance at 30 June	1 884	212

14. Reconciliation of Surplus (Deficit) from Ordinary Activities to Net Cash Inflows (Outflows) from Operating Activities		
Surplus (Deficit) from Ordinary Activities	1 672	(1 380)
Items not involving cash:		
Depreciation	58	40
Prepaid rent	62	-
Deferred rent incentive	(212)	-
Bad and doubtful debts	2	-
Changes in Assets and Liabilities:		
(Increase) Decrease in receivables	124	341
Increase (Decrease) in payables	323	(77)
Increase (Decrease) in provision for employee benefits	33	19
Net Cash Inflows (Outflows) from Operating Activities	2 062	(1 057)

15. Remuneration to Auditors
The amount due to and receivable by the Auditor-General's Department for auditing the accounts for the year was \$20 900 (\$14 500).

The auditors provided no other services.

16. Consultancies
During the year, the Board engaged consultants to assist in its operation. The costs of these consultancies was \$11 906 (\$13 000).

The number of consultancies whose payments fell within the following bands were:	2005	2004
	Number of	Number of
	Consultancies	Consultancies
\$Nil - \$9 999	2	1
\$10 000 - \$19 999	-	1

17. Commitments for Expenditure	2005	2004
Operating Leases:	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are payable as follows:		
Not later than one year	41	51
Later than one year and not later than five years	88	29
	129	80

These operating lease commitments are not recognised in the financial report as liabilities.

The equipment leases are non-cancellable, payable monthly in advance.

The current property lease commenced 1 November 2004 for a six year period. The gross rental payable is \$132 210 plus indexation of 4 percent per annum. Property lease commitments have been excluded from the above figures.

A fitout incentive of \$238 515 was included in the lease to be taken as a rent free period within the first two years of the term of the lease.

18. Remuneration of Employees	2005	2004
The number of employees whose total remuneration fell within the following bands:	Number of	Number of
	Employees	Employees
\$100 000 - \$109 999	1	-
\$110 000 - \$119 999	2	1
\$130 000 - \$139 999	1	-
\$140 000 - \$149 999	1	1

The aggregate remuneration referred to in the above table for employees is \$604 961 (\$261 892).

Included in the 2005 table is the Artistic Director who was employed as a staff member, whereas in the prior year this role was performed on a contract basis. Also included is one staff member who received a termination payment on retirement.

19. Remuneration of Board Members

Remuneration of the Board Members fell between the following bands:

	2005	2004
	Number of Members	Number of Members
\$Nil	1	2
\$1 - \$9 999	6	6
\$10 000 - \$19 999	1	1

The aggregate remuneration referred to in the above table for Board Members is \$72 349 (\$72 010).

As at 30 June 2005 one member of the Board, who is a government employee, received no sitting fees from the Corporation.

One member donated his board fee to the Festival on behalf of his employer.

20. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets:			
Cash on hand and at bank	8	Deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues.	All deposited funds attract interest. Rates are determined by the bank and SAFA at their discretion. The interest rate as at 30 June 2005 was 4 percent at Bank SA and 5.68 percent at SAFA. Interest is paid monthly.
Receivables	9	Receivables are recognised at their nominal amounts. Amounts are recognised when services are provided. Collectability of debts is assessed at balance date with any bad debts being written off prior to balance date.	Standard credit terms are 30 days.
Financial Liabilities:			
Payables	11	Creditors are recognised at their nominal amounts. Liabilities are recognised once the goods or services have been received.	Creditors are generally paid within 30 days

(b) Interest Rate Risk

Financial Instrument	Note	2005		2004		2005		2004	
		Floating Interest Rate \$'000	Floating Interest Rate \$'000	Non-Bearing Interest \$'000	Non-Bearing Interest \$'000	2005 Total \$'000	2004 Total \$'000	Weighted Average Effective Interest Rate Percent	Weighted Average Effective Interest Rate Percent
Financial Assets:									
Cash at bank	8	100	125	-	-	100	125	4.0	4
SAFA deposit	8	1 807	46	-	-	1 807	46	5.6	5.5
Cash on hand	8	-	-	1	1	1	1	-	-
Receivables	9	-	-	234	210	234	210	-	-
Total		1 907	171	235	211	2 142	382		
Financial Liabilities:									
Payables	11	-	-	425	102	425	102	-	-
Total		-	-	425	102	425	102		

(c) Net Fair Values of Financial Assets and Liabilities

The net fair values of the financial assets and liabilities in this report approximate their carrying value.

(d) Credit Risk Exposure

The maximum credit risk exposure at reporting date in relation to each class of recognised financial asset and financial liability is the amount as indicated in the Statement of Financial Position.

21. Related Party Disclosure

The Board members are appointed by the Governor in accordance with the *Adelaide Festival Corporation Act 1998*.

During the period, the following persons occupied the position of Board members of the Adelaide Festival Corporation:

Mr R Adler AO (Chair)	Mr R Angove AM	Ms Amanda Blair
Mr C Dunsford (Chair Finance Committee)	Mr L Warren	Mr Brett Rowse
Ms M Oates	Ms S Sdraulig	

As part of the duties of office, from time to time, Board Members receive complimentary tickets to shows or events conducted by the Adelaide Festival Corporation. These benefits serve to involve the Board Members in the product and business that is being managed and/or involve the execution of office in liaison with external parties.

DEPARTMENT FOR ADMINISTRATIVE AND INFORMATION SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department for Administrative and Information Services (DAIS) is an Administrative Unit established under the *Public Sector Management Act 1995*.

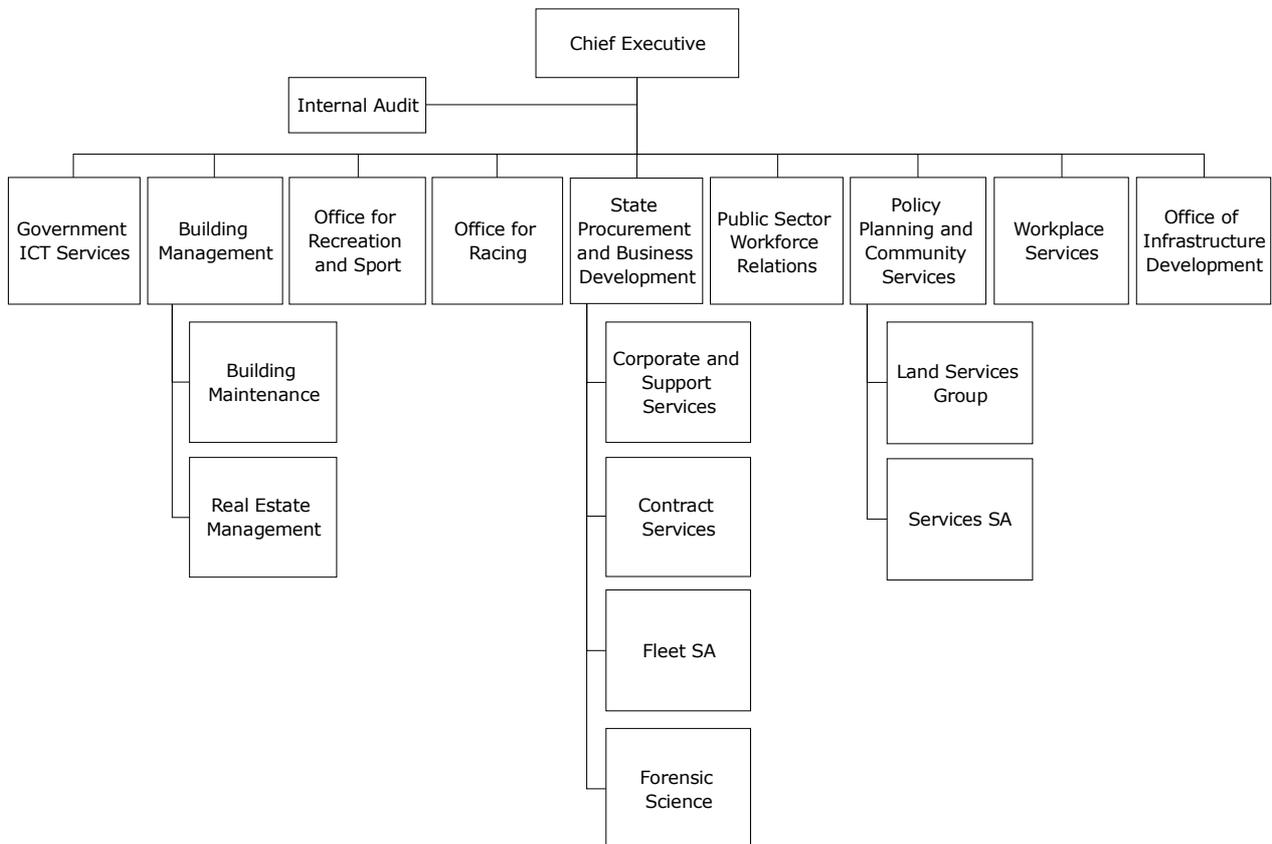
Functions

DAIS is the portfolio based agency that provides support to the Minister for Administrative Services, the Minister for Industrial Relations, the Minister for Recreation Sport and Racing, the Minister for Aboriginal Affairs and Reconciliation and the Minister for Infrastructure. During 2004-05 DAIS had responsibility for a diverse range of government activities including:

- project risk management, building asset management, procurement and contract services;
- capital building works and major projects delivery;
- information technology policy, support and management services;
- internal services to government, for example forensic services and fleet management;
- land valuation, survey and registration;
- workplace registration and regulation and industrial relations services;
- administration and assistance to the recreation, sport and racing industries;
- public sector workforce relations.

Structure

The structure of DAIS, highlighting the major business units, is illustrated in the following organisation chart.



The Department for Aboriginal Affairs and Reconciliation has been excluded from the above chart as it was transferred to another agency (refer to changes to functions and structure below).

Note 24 to the Department's Financial Statements provides a summary of the functions, and a breakdown of financial information for the business unit operations of DAIS. In addition, the financial statements presents information on funds and financial transactions administered by DAIS.

Audit Committee

DAIS has an Audit Committee which was operative during the 2004-05 financial year. The broad functions of the Audit Committee are to oversee financial reporting processes and monitor and evaluate: risk management activities; internal control framework and processes; and audit activities.

Changes to Functions and Structure

During the year the following changes to the functions of DAIS were effected:

- The Department for Aboriginal Affairs and Reconciliation was transferred to the Department for Families and Communities on 11 March 2005. For financial accounting and reporting purposes, the transfer of employees was proclaimed to occur on 1 July 2004.
- The transfer of land administration systems and functions to DAIS from the Department for Environment and Heritage. Refer to commentary later in this report.

The details of the above transfers, including the financial effect, are outlined in Note 7 to the DAIS financial statements.

In addition, the following transfers were proclaimed during 2004-05 and are to come into operation on 1 July 2005:

- Transfer of the Office for Infrastructure Development to the Department for Transport, Energy and Infrastructure.
- Transfer to DAIS of Employees of the Department for Transport, Energy and Infrastructure who hold a position at the Transport SA Call Centre or at a Transport SA Customer Service Centre at Mt Gambier; Berri; Kadina; Murray Bridge; Port Pirie or Adelaide.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department for Administrative and Information Services for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department for Administrative and Information Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

The audit was structured to cater for the diverse and self contained nature of the activities of the functional areas of DAIS and the separate financial accounting systems and processes maintained. The audit of the various functional areas assessed whether financial systems and controls assured the integrity of financial transaction processing and preparation of financial statement information. This included consideration of the diverse nature and risks of those areas, integrity of the stand alone and subsidiary financial systems and the materiality of the financial operations of that area compared with DAIS's overall operations and financial statements. The audit also included a review of risks and controls for certain key information systems and related computer processing environments.

In broad terms the scope of the audit included:

- governance and risk management
- revenue, expenditure, and payroll cycles
- maintenance of the general ledger and associated reconciliations and subsidiary systems
- asset and liability identification, valuation and management
- management of properties, motor vehicle fleet and other assets
- management of whole-of-government contracts, including maintenance and information technology projects and initiatives
- capital works and maintenance services.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2004-05 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification Light Motor Vehicles

Note 2.21 to the Financial Statements includes details of the accounting policy for periods to 30 June 2004 for the sale and leaseback of motor vehicles. This policy changed as at 30 June 2005. In my opinion the approach adopted by the Department for the periods to 30 June 2004 is not consistent with the principles of Australian Accounting Standard AAS 17 'Leases', and in the absence of a superior standard does not appropriately reflect the value of the underlying assets and liability of the transaction. The Department has adjusted its accounting treatment to reflect actual outstanding liabilities and assets as at 30 June 2005. The Financial Statement balances affected are:

Assets

Motor Vehicles under finance lease. In my opinion, had the standard been properly adopted assets as at 30 June 2004 would increase by \$42 million.

Liabilities

Current borrowings – Finance lease on motor vehicles. Non-current borrowings – Finance lease on motor vehicles. Other Current liabilities – Deferred profit on sale and leaseback of motor vehicles. In my opinion, had the standard been properly adopted liabilities as at 30 June 2004 would increase by \$39 million.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Administrative and Information Services as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Department for Administrative and Information Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to: governance and risk management; contract management; Facilities Asset Management Information System; payroll; masterpiece accounts payable; SA Government Commercial Properties; Office for Recreation and Sport; CaseMan; SACREDD DNA Database System; and Complete Human Resource Management System, as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department for Administrative and Information Services have been conducted properly and in accordance with law.

Due to the aforementioned exceptions under 'Assessment of Controls' an increased level of testing was performed to form an opinion on the financial statements. That testing did not reveal any matters that adversely impacted on the opinion on the financial statements.

Audit Communications to Management

Control matters arising during the course of the audit were detailed in management letters to the Chief Executive. Major matters raised with DAIS and the related responses are considered hereafter.

Governance and Risk Management

Last year I reported on the results of a review of governance and risk management practices within the DAIS. That review identified that DAIS had implemented measures aimed at governance and risk management. The review also observed that some important elements of good governance and risk management were still to be fully incorporated into DAIS' operations.

A follow-up review in 2004-05 revealed that DAIS has directed significant effort toward addressing the matters raised. The results of that follow-up review are detailed below.

Internal Control and the Financial Management Framework

2003-04 Observation

Audit observed that many aspects of the control framework used to manage the organisation had not been documented. There was no documented internal control framework that detailed the responsibilities, policies and procedures to be followed by business units and corporate units. A common observation from the audits of business units was that there was minimal coordination, monitoring and review of the internal control environment across DAIS. Further a review of compliance with the Financial Management Framework (FMF) had been commenced, however, the review was not completed.

Audit Observation 2005

Internal Audit has provided focus to the strategic and governance areas, including reviewing and reporting on key corporate business systems such as payroll, E- Purchase and accounts payable.

External contractors have been engaged to review DAIS Corporate Finance policies, including reviewing and prioritising existing policies and procedures and identifying gaps against the FMF, and recommending revisions. At the time of the audit, the review was not complete.

In addition, DAIS has developed a questionnaire aimed at providing the Chief Executive with assurance over the operation of internal controls for financial statement purposes and to identify areas where controls could be improved.

Organisational Responsibilities

2003-04 Observation

Audit observed there were no approved and documented terms of reference that outlined the composition and role and responsibility of the Departmental Executive (management group). In addition, financial reporting to Departmental Executive during 2003-04 was at a very summarised level and was generally limited to DAIS's overall revenue and expenditure. It was further noted that some aspects of the FMF prescribed elements for internal control and risk were not fully incorporated into monitoring and reporting processes.

Audit Observation 2005

Terms of Reference outlining the objective, roles and responsibilities of the Departmental Executive were documented and endorsed in September 2004. Further, the financial reporting to the Departmental Executive was revised. In addition, projects to examine the DAIS Structure, Corporate Services Delivery, Leadership (values and culture) and Customer Service Relationships were initiated.

Policy Coordination and Monitoring

2003-04 Observation

Audit noted that, while there was a policy development framework, the framework did not ensure that policy documents were coordinated from a corporate level, appropriately authorised, had designated time horizons and covered all Government mandated policies (eg such as whistleblower's policy) and legal requirements (eg Treasurer's Instructions and FMF compliance). Further, the audits of individual business units within DAIS revealed inconsistencies and gaps in the level of documented policies.

Audit Observation 2005

Significant effort and resources have been dedicated to policy development. A Policy Management Framework has been documented and is available on the DAIS intranet. In addition, DAIS has established a Policy Program Review Board (Task Force) and project team to strategically review policy structure (framework) and identify areas requiring policy development. Audit was advised that a software application to manage policy was being developed through the DAIS intranet.

Planning*2003-04 Observation*

DAIS prepared a strategic plan on a whole-of-government basis that addressed the Government Priorities. The Department Strategic Plan was formulated from the individual business unit plans. Audit review of the these plans highlighted that some business units' plans were not aligned with the Departmental objectives. The inconsistencies indicated that not all business units had complied with the developed corporate framework and that the overall quality control process could be improved.

Audit Observation 2005

DAIS has implemented a new strategic planning process for 2004-05 with updated guidelines and templates. Strategic Plans have been prepared on a directorate basis and all plans have been linked to DAIS' strategic principles and the State Strategic Plan. Audit was advised that each directorate plan is assessed at the corporate level to ensure compliance with DAIS strategic planning principles and guidelines. In addition, a system that reports achievement against planned action (at directorate and departmental levels) was developed and implemented.

Risk Management*2003-04 Observation*

Internal Audit reported in June 2004 that there was a significant difference in the application of formal risk management practices and processes across DAIS and at that time DAIS was unable to demonstrate the consistent application of risk management and reporting as required by the Government's risk management policy and the Financial Management Framework.

Audit Observation 2005

DAIS documented a Risk Management Framework in June 2004 and has revised the Risk Management Policy in October 2004. There has been increased importance placed on the management of risk by incorporating risk management plans into the strategic planning process. In addition, reporting on the progress of addressing risks has been included in the strategic management reporting system.

Contract Management

Contract Services manage a range of Across Government Contracts on behalf of the State Supply Board. Audit reviewed the overall contract management framework (policies and procedures) for Across Government Contracts, and the contract management practices and documentation for a sample of two contract areas.

The review revealed that DAIS had established some mechanisms for contract management. These included using checklists (and other tools) to manage the contract and performance reporting to the State Supply Board and various other specific purpose Committees/Groups (eg Across Government Savings Committee).

Notwithstanding the existing practices undertaken, the review revealed there was no overall documented policy/framework that outlined the management arrangements for Across Government Contracts. In addition, for the sample of contract areas reviewed: the existing measures (such as checklists) used to manage some aspects of the contracts reviewed were not comprehensive, were incomplete and evidence of their use could not be provided; it was not clear how the overall contractor performance was being assessed; and documentation to support some contract management and compliance activities could not be located. Further: there was no documented assessment of the reliability of information provided by the contractors; and there was no structured review process to ensure/assess compliance with the Across Government Contract by other Government agencies.

Audit recommended a policy/framework for the management of Across Government Contracts be developed, documented and approved. It was suggested that this include the documentation and use of a contract management plan for each major contract that considers risk management, reporting regime, contractor

performance assessment, contract compliance program; maintenance of documentation; measures to monitor Government agency compliance with mandatory contracts (if applicable); and periodic reviews to ensure that the contract management process is operating satisfactorily.

Departmental Response

DAIS management agreed there are benefits of having a policy framework for Across Government Contracts and are progressing the implementation of a contract management framework. DAIS advised that consideration will be given to exercising the audit right included in contracts to provide greater confidence on the reliability of information provided by the contractors.

With respect to reviewing compliance with the Across Government Contract by other Government agencies, 'DAIS believes it is the Chief Executive's responsibility to ensure compliance'.

Facilities Management Contract

An Internal Audit review of the Facilities Asset Management Information System (FAMIS) identified that a documented contract management framework for the Facilities Maintenance Contract was not used increasing the likelihood of key contractual obligations, risks and rights being overlooked. Audit agrees with the Internal Audit observations and considers the use of a structured framework to manage the risks to government for large complicated contracts improves the control environment.

Departmental Response

DAIS advised that it is planned that a framework including policies, procedures and processes for managing the contract will be developed from the beginning of 2006, for adoption at the commencement of the planned new arrangements for facilities management.

Facilities Asset Management Information System (FAMIS)

FAMIS was developed to manage asset maintenance and other services provided to Government agencies by three facilities management contractors. DAIS operates and manages the FAMIS application, which it uses to pay the contractors and raise invoices to Government agencies.

In 2004-05 Audit reviewed the FAMIS application and its computer processing environment, including information access security and integrity, application systems implementation and maintenance; and systems operations, including business recovery arrangements; and database, network and systems software support. The review identified significant concerns with the security controls over the FAMIS system and its associated computer processing environment. These matters included:

- FAMIS application security arrangements were not documented, including processes to approve (and grant), monitor, change and remove user access. It was also observed there was limited checking and monitoring of access provided;
- information on access profiles allocated to users and the general functionality of each user profile could not be easily obtained, explained or documented;
- examples of poor password controls (ie construction and confidentiality) for the FAMIS application and database;
- change management documentation was not always used, properly completed or approved. In addition server software (including security) updates had not been applied;
- no backup support personnel were available to assist in some key roles.

DAIS indicated FAMIS was designed as an interim system solution for corporate use, with an envisaged maximum of twenty users and that many of the issues raised relate to the access privileges and password controls and this is inherent from the base design of the system.

Departmental Response

DAIS has commenced work with a view to replace the FAMIS system with a new system planned to be operational by July 2006. The response by DAIS indicates that a risk based consideration position is being taken to implement remedial measures, balancing the course of action to invest in the design of the replacement system rather than in the legacy FAMIS applications.

Payroll

2003-04 Audit Findings

Last year's audit revealed that the control environment over the payroll business cycle was insufficient to enable Audit reliance to be placed on that environment in forming an opinion on the reasonableness of information produced by the system. This view was formed based on the observations that:

- the control framework was not documented;
- documents initiating payroll transactions and master file updates were not reviewed to ensure information processed was valid (ie appropriately authorised);
- the systems used for management review of payroll activity (bona fide and leave return systems) did not ensure that all critical reports were adequately reviewed and all matters followed up;
- testing of a sample of payroll leave transactions indicated that a significant proportion of leave taken was not recorded in CHRIS. In addition, examples were noted where attendance records were not kept and where time worked was not reviewed by a supervisor.

2004-05 Audit Findings

Audit review for 2004-05 revealed that considerable effort has been directed toward improving the payroll control environment. These measures included:

- The Chief Executive issuing directives in October 2004 to all business units to improve certain elements of monitoring and compliance. These directives were also reinforced through the Department Executive (DAIS' lead management group) on several occasions during the year;
- Reorganising payroll activities and responsibilities. This includes transferring full responsibility for management of the bona fide and leave return processes to business units in March 2005 and checking that data has been accurately input from August 2004;
- Internal Audit completing a review of payroll and leave management in April 2005;
- Documentation of a Payroll Internal Control Framework in June 2005. The framework is planned to be fully disseminated in 2005-06.

Internal Audit reviewed the internal control environment for the seven months to February 2005 and identified several areas where control required improvement. Internal Audit commented that the majority of issues raised concerned the need for greater clarity from Payroll and Employee Services (PAES) with respect to the supporting policy and procedural framework.

Audit review of the control environment in June/July 2005 revealed most of the matters raised from last year had been addressed at some time during the year and confirmed that significant progress had been made toward establishing the control framework for payroll. Additional observations were made on the monitoring of the control structure and the arrangements for controlling gross pay transactions (eg overtime, casual timesheets, etc) not captured by the bona fide and leave return processes.

Departmental Response

The response reiterated DAIS' efforts toward improving the payroll control environment and satisfactorily addressed the other matters raised.

Masterpiece Accounts Payable (MPAP)

2003-04 Audit Observations

DAIS operates many systems for processing expenditure. Most of these systems are designed to meet the unique operational needs of business units and automatically feed information into MPAP for payment. MPAP is also used to input invoices not processed through the various feeder systems.

Last year's audit revealed the control environment over the MPAP business cycle did not ensure only valid transactions were being processed by Business Services. This view was formed on the basis that:

- there was no documented control framework that detailed the minimum control procedures;

Administrative and Information Services

- the level of review (and evidence supporting that review) by Business Services to verify the validity, accuracy and completeness of transactions, both prior to or after processing, varied;
- payments made under a predetermined threshold were not reviewed by the Accounts Payable Section to ensure they were authorised. Review of payments over the threshold revealed that there was no reporting to management that communicated the level of compliance and/or non-compliance by business units;
- there was no review of the changes to the vendor master file for validity and accuracy and there was no approved documented listing of officers who could authorise changes to the vendor master file;
- there was no documented policy and procedure for the granting of access to the Masterpiece system and it had been over two years since a review was performed of the various users and their associated user profiles. Further, examples were identified where individual access levels were beyond that required for them to perform their duties.

2004-05 Audit Observations

Audit review for 2004-05 revealed that measures had been introduced to improve the accounts payable control environment. These measures included:

- progressively rolling out E-Purchase across DAIS in 2005. Audit was advised that E-Purchase contains inbuilt controls to ensure that only valid transactions are processed by limiting the functions of individual users. Audit was further advised that the majority of transactions previously processed through MPAP are now processed through E Purchase;
- revising the processes and documentation for invoices processed through Masterpiece. This includes a new form for evidencing the certification of: receipt of goods/services; approval by the financial delegate; and check for appropriate approval. Responsibility for the checking for appropriate approval was assigned to business units. Audit was advised that the changed arrangements were implemented in November 2004;
- internal Audit completing a review of accounts payable processing in January 2005 and the E-Purchase system in March 2005.

The report by Internal Audit on the accounts payable processing for the first six months of the financial year commented that there remain valid issues that need to be addressed for the accounts payable processing in DAIS; predominantly relating to the development of policy and procedural documentation for internal control processes and responsibilities. Audit review in June/July 2005 noted that most matters raised by Internal Audit were progressively addressed throughout 2004-05.

The Internal Audit report on E-Purchase identified control improvements were required in the areas of: policies and procedures; validity of E-Purchase users; validity of financial limits in E-Purchase; commitments; segregation of duties; certification of receipt of goods/services; completeness and validity of the invoice file; and the validity of changes made to vendor master files. Audit review in June 2005 noted that most matters raised by Internal Audit were still to be addressed.

In addition, the 2004-05 external audit identified matters concerning: the transaction processing control framework; independent review for accuracy and validity of input; vendor maintenance; monitoring of internal controls and reconciliation of cash imprest accounts.

Departmental Response

The response indicated the matters raised by Internal Audit have been addressed and that action had commenced to address the other issues raised.

Telecommunication Services Agreement

On 23 October 2001, the State entered into an Agreement with Telstra Corporation (Telstra) for the provision of a broad range of telecommunications services to South Australian Government Agencies.

Last year an audit of the management practices over the Agreement revealed that, whilst a number of measures were in place to manage the Agreement, these measures did not form part of a comprehensive contract management framework. In particular, there was limited documentation to support the contract management process, such as: risk assessments and monitoring; contract compliance programs; minimum management reporting requirements. In addition, certain actions taken and decisions made were not documented and evidenced as approved by the appropriate level of management.

The review also revealed that, at the time of audit, several matters envisaged by the Agreement were delayed and that certain benefits due to the State under the contract had not been resolved with Telstra.

The 2004-05 audit revealed that a contract management framework had been developed and applied to the TSA contract that included the following elements: contract overview; risk assessments; operational activities and contract governance. The audit also revealed that some matters were still in the process of being resolved with Telstra.

SA Government Commercial Properties (SAGCP)

From 1 July 2003 SAGCP implemented the new Office Accommodation Management Information System (OAMIS). OAMIS is used to manage revenue, expenditure and fixed assets for commercial properties. Last year, the audit identified some concerns regarding SAGCP financial processes and internal controls as well as security and operational controls for the OAMIS computer processing environment. The 2004-05 audit revealed that most of these control issues were addressed at various times during the year, with some matters requiring further attention. The audit also identified other areas where controls could be improved. The findings of these audits are detailed below:

SAGCP Financial Processes and Internal Controls

The matters arising from the 2004-05 audit included:

- policies and procedures for some processes were still to be documented and approved;
- management review over the completeness and validity of revenues for Government owned buildings could be improved;
- OAMIS debtors had not been reconciled to the General Ledger;
- the follow-up of outstanding debtors and controls over adjustments to accounts receivable could be improved;
- accounting policies and practices for fixed assets should be reviewed and documented.

OAMIS Information Technology Security and Operations

Observations from the 2004-05 follow-up review of matters raised last year were:

- some key documentation has not been finalised or has not been developed. Examples noted included system administration and operational procedures and an employee termination process;
- although the process has started, compliance with the Information Security Management Framework (ISMF) requirements has yet to be determined;
- determination of the logging and review requirements for the OAMIS system and a detailed review of configuration weaknesses and user privileges for the database has yet to occur;
- a number of specific weaknesses were identified with the OAMIS server including insufficient patching, insufficient passwords, and auditing of 'logon' and 'logoff' events disabled.

Departmental Response

The response on the financial processes and internal controls indicated action planned to address the matters raised. This included: documenting policies and procedures; documenting management reviews of the completeness and validity of revenues; reconciling and following up debtors; and documenting policies and practices for fixed assets.

The findings on the OAMIS Information Technology Security and Operations review were communicated to DAIS in late August 2005 and at the time of preparation of this Report were under consideration by DAIS.

Office for Recreation and Sport (ORS)

ORS is responsible for managing a range of unique and diverse contracts. The various contracts entered into to support and promote the objectives of ORS also create obligations and risks that need to be managed to ensure the exposure to Government is minimised. The audit revealed that there was no documented contract management framework in place and the register for facilities was being developed.

Departmental Response

The contracts register has been developed and a Corporate Contract Management Framework has been developed.

CaseMan (Forensic Branch)

The CaseMan system is used, amongst other tasks, to ensure the chain of evidence is correctly recorded for criminal proceedings. Last year's Report made comment on the findings of a review of the CaseMan system and its computer processing environment.

In brief the matters related to:

- absence of adequate documentation covering certain responsibilities and processes associated with day-to-day operations, including with the support vendor, and access security integrity requirements and system monitoring;
- specific matters requiring attention in relation to information access and integrity, including segregation of the computer processing production and testing environments;
- other matters associated with Disaster Recovery Plan development and testing, intellectual property rights and compliance with the Government mandated 'Information Security Management Framework'.

A follow-up review was undertaken during 2004-05 to assess the adequacy of corrective action taken.

The review indicated that effort had been applied to addressing a number of areas. However, there still remained some matters to be fully actioned. The following outlines the matters that had been identified as outstanding and action that has been taken, or still in progress, in respect of those matters, as advised to Audit by the Department in early September 2005.

- A risk assessment has been undertaken of information systems against the Government's 'Information Security Management Framework', from which key policies and procedures will be developed over the next twelve months, and contractual arrangements with the support vendor being finalised.
- Certain actions have been taken to address information access security and integrity arrangements including, development of a matrix of Caseman user roles/responsibilities and commencement of measures to segregate the production and test environments.
- Disaster Recovery and Business Continuity plans are progressing, with several procedures in draft form, and with expected completion in mid-2006.
- The position of the Department regarding Intellectual Property rights has been considered and finalised.

SACREDD DNA Database System (Forensic Science)

The South Australian Criminal Reference and Evidence DNA Database (SACREDD) system is a Laboratory Information Management Information System which tracks and manages samples through the entire analytical process and allows for the searching and matching of nominated DNA profiles.

During the year, Audit undertook a review of the SACREDD system and its computer processing environment (CPE), which included aspects of compliance of the DNA database system with the *Criminal Law (Forensic Procedures) Act 1998*.

The findings from the review and subsequent clarification of matters involved communication with the Department in November 2004 and February 2005.

The following outlines the main matters raised with the Department, together with action taken or proposed as advised by the Department in response to the Audit communications.

- Some legal and policy matters of clarification relating to DNA information recording and retention, and aspects of the DNA database operation, including documented policy and procedures.

- Security and control arrangements applying to the system, which in some respects did not meet the Government's mandated 'Information Security Management Framework' requirements. These principally related to information security classifications, security access arrangements involving users and third party service providers, user passwords and database security, separation of the DNA system, and monitoring of certain system events.
- System operations involving enhancement measures to facilitate information recording, maintaining and retention of information, and auditing of system operations.

The Department responded to the findings in a comprehensive manner, advising of remedial actions to be completed within timeframes extending into 2005-06. At the time of preparation of this Report, a follow-up review is being undertaken. Certain matters have been identified as addressed, and other actions are in progress generally in line with the advised timeframes.

The follow-up review involves some clarification or confirmation of certain actions advised, and the outcome of the review will be the subject of comment in a subsequent Report to Parliament.

Complete Human Resource Management System (CHRIS)

DAIS, as the lead agency for a number of participating agencies of government, is responsible for managing the contract and operation of the Complete Human Resource Information System (CHRIS) Human Resource Management System (HRMS) with a bureau service provided by an external service provider.

The CHRIS system is also contracted to the Department of Health (DH) as lead agency for use of the DH Central Office and all health units. The performance of the contracted bureau provider is subject to review by DAIS and DH as lead agencies for their sectors.

DAIS, in conjunction with the DH, has initiated a number of external consultancy security reviews over the past years, the latest being a joint external consultancy review of the bureau in late 2003.

Last year's Report to Parliament made specific comment on past reviews of the DAIS CHRIS HRMS system.

During 2004-05, Audit reviewed organisational management, systems, procedures and associated internal control environments, and the compliance by DAIS with the Bureau Service Agreement (BSA) between the Minister for Administrative and Information Services and the external service provider. The review also examined matters emanating from the joint external consultancy security review report.

The review identified that management had implemented controls over most elements of the management and security control arrangements of DAIS CHRIS HRMS. However, there were several areas where the existing control environment could be improved. Key areas included:

- there were outstanding issues from the 2003 DH/DAIS security review that still required resolution. These related to computer room access logging, network segregation issues, firewall rules and security patching;
- legal advice was required to determine whether the Government mandated Information Security Management Framework (ISMF) applied to the contract service provider;
- outstanding agreed variations to the BSA had not been finalised;
- there were no regular security assessments of the CHRIS operational environments to ensure that hardware, software and general computer controls were appropriate;
- the DAIS security patch management policy and procedures needed to be assessed for applicability to the external service provider;
- a complete physical test of the external service provider's Disaster Recovery and Business Resumption Plan had not taken place; and
- a business continuity plan for DAIS Payroll and Employee Services (PAES) CHRIS had not been established or tested.

Departmental Response

DAIS in their response indicated action is being taken to address all matters raised.

Information Technology - Business Resumption Planning

In my December 2003 Supplementary Report to Parliament 'Information Communication Technology - Future Directions: Management and Control' it was indicated that the matter of business resumption planning arrangements for the EDS Glenside Information Processing Centre, in the context of mainframe systems, would be subject to Audit follow-up review. In April 2004, a successful test of the SA Government Disaster Recovery Service for the mainframe business segment was conducted by EDS and SA Government representatives.

The operating system recovery was achieved by the EDS SA Government Mainframe Recovery Team which successfully restored the operating and application data using backup media and recovery procedures.

Other Control Matters

Other control matters raised with DAIS included:

Building Management

The audit identified some financial accounting matters requiring attention for the financial statements. These matters included: reconciliation of the Fees and Resources Management System (FARMS) to the general ledger; offsetting of assets and liabilities; work in progress/contractor reimbursements; and recognition of project losses.

Building Maintenance

The audit noted examples where controls could be improved. These included the access controls over the Maintenance and Construction System (MACS) and the compliance with some policies and procedures.

South Australian Government Residential Properties

The audit identified that the policies and procedures and valuation for fixed assets could be improved.

Service SA

Service SA provides receipt processing services for a range of clients. Monies received by Service SA are banked into the Service SA bank account and disbursed to clients. The audit revealed there were control measures in place to ensure monies received were being disbursed to clients. However, the Service SA bank reconciliation was not complete because it did not identify all the individual items that comprise the variance between the receipting (and disbursing) system and the bank statement.

Departmental Response

A satisfactory response was received regarding the above matters.

Motor Vehicle Fleet Finance Lease

The Government entered into a sale and leaseback facility managed by the Commonwealth Bank of Australia on 9 May 1996. On that date the Government sold all existing vehicles to a company for \$175.8 million. The book value of the vehicles at the time was \$169.9 million. The facility was set up on a perpetual basis with both parties having the option to terminate the agreement from year eight onwards. Once notice has been given that the facility is to be terminated the agreement has a 'wind down' period of seven years. The Department is responsible for the management of the motor vehicle lease arrangements. In 2003 the parties agreed to terminate the lease arrangements with a two year wind down period to be completed in July 2005.

Whilst Audit agreed with the Department that the lease facility was a finance lease as defined by Australian Accounting Standard AAS 17 'Accounting for Leases', there was a divergence of opinion on the interpretation of a number of key definitions in the Standard. The Department considered that the underlying asset is not the individual vehicles used by government agencies but a 'pool' of vehicles which is available for use and that a component of the residual value on the vehicles is not guaranteed by the Government. Audit, however, considered that there are separate 'lease agreements' in place for each vehicle and that the Government, under the lease facility, guarantees the full residual value of the vehicles.

As the difference in interpretations resulted in a material difference to the amounts disclosed in the Department's financial statements, Audit has issued a qualification since the inception of the lease facility in 1995-96 on the lease asset and liabilities.

As at 30 June 2005 the Department adjusted its accounting treatment to reflect actual outstanding liabilities and assets. Consequently, only the 2004 comparative amounts have been qualified.

Land Services Group - Land Ownership and Tenure System - Management Arrangements

The Land Ownership and Tenure System (LOTS) primarily records land information. Information from LOTS is provided to government and non-government users. LOTS information is provided by Internet access (Property Assist), by dial up/direct connection (LOTS enquiries) or over the counter.

My previous Reports have made comment concerning resolution of the future management and funding arrangements of the Land Ownership and Tenure System (LOTS). These issues have in recent years been the subject of ongoing discussion and agreement between DAIS and the Department for Environment and Heritage (DEH).

In January 2003 a Statement of Intent was agreed in principle between DEH and DAIS to re-align both agencies' land administration and land management information systems to the respective agencies roles. As a result the chief executives of DEH and DAIS agreed to transfer, from 1 September 2003, the management responsibilities for LOTS and Property Assist and related IT and financial services from DEH to DAIS. In addition, the Departments established a Joint Management Committee to manage the transition process.

Note 7 to the financial statements details transfers that have occurred during the year. DAIS advised that further transfers are planned to occur during 2005-06.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements**

	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Fees and charges	478	556	(14)
Appropriation for operating purposes	161	32	-
Other Revenue	19	23	(17)
Total Operating Revenue	658	611	8
OPERATING EXPENDITURE			
Employee expenses	131	125	5
Supplies and Services	405	409	(1)
Depreciation and Amortisation	68	57	19
Other expenses	53	46	15
Total Operating expenses	657	637	3
Result before restructure and tax	1	(26)	-
Net Cash Flows From Operating Activities	51	33	55
ASSETS			
Current Assets	158	245	(36)
Non-Current Assets	880	752	17
Total Assets	1 038	997	4
LIABILITIES			
Current Liabilities	218	121	80
Non-Current Liabilities	153	253	(40)
Total Liabilities	371	374	(1)
EQUITY	667	623	7

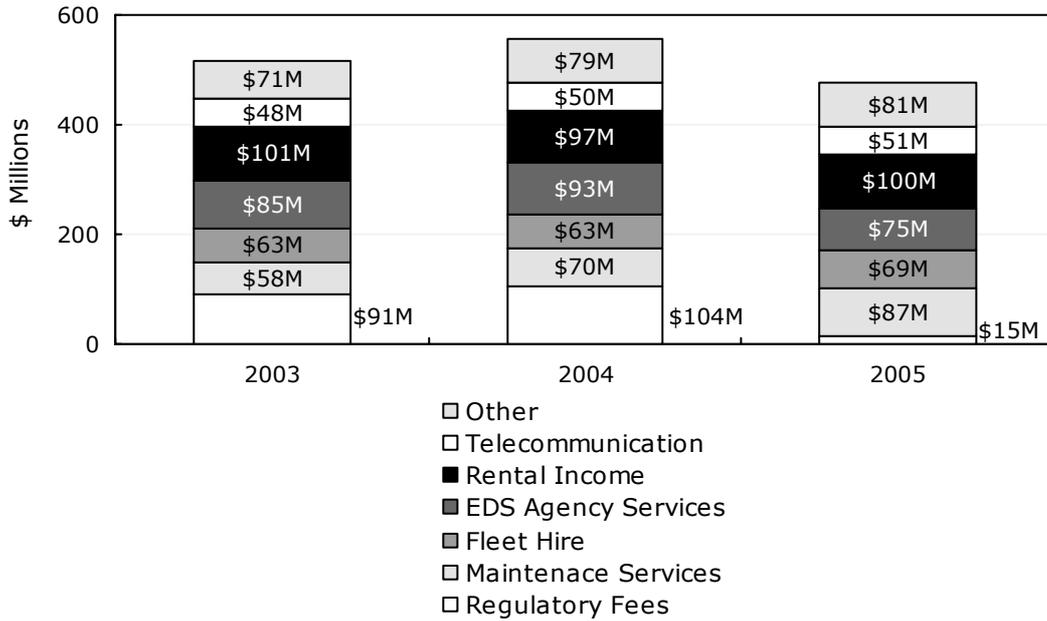
Statement of Financial Performance**Revenues**

The main source of revenue for the Department is sales revenue generated by its various business units (refer to Note 24 to the financial statements) and appropriation. A significant change from last year was that appropriation has increased by \$129 million from \$32 million in 2004 to \$161 million in 2005. This change was due to DAIS returning \$100 million appropriation in 2004 as a part of Department of Treasury and Finance cash alignment policy.

Administrative and Information Services

The majority of revenue is from services provided to other Government agencies.

A structural analysis of these revenues (excluding revenues from Government) for the three years to 2005 is presented in the following chart.

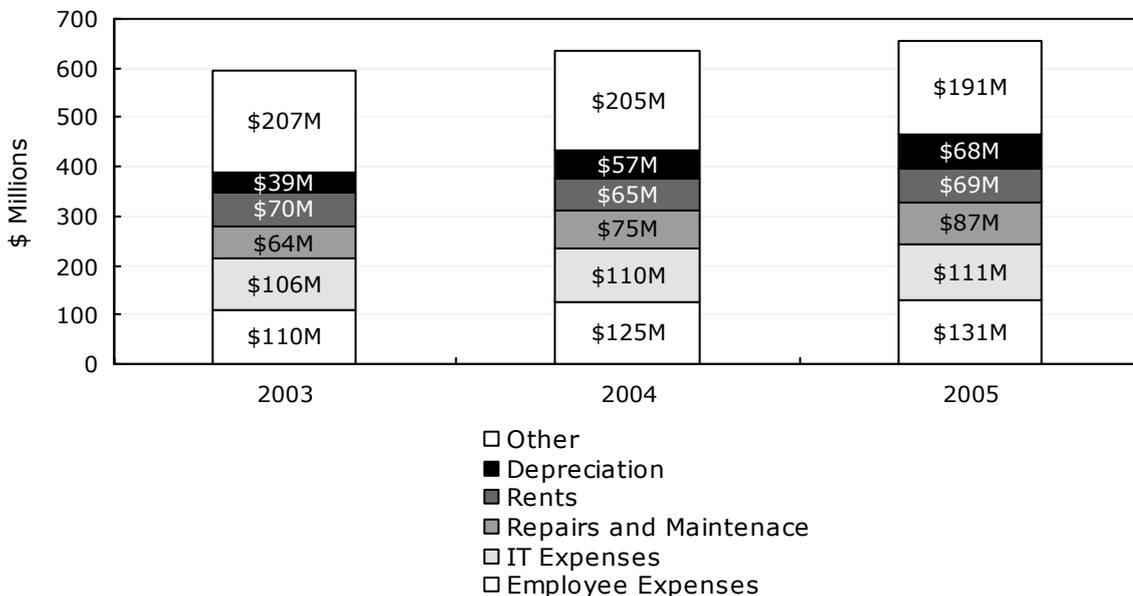


The chart highlights the changes in the revenue streams, with the most significant being:

- regulatory fees decreased by \$89 million, due mainly to land services regulatory charges being reclassified as administered in 2004-05;
- maintenance services increased by \$17 million in 2005 and \$12 million in 2004 (a \$29 million or 50 percent increase over two years) due mainly to additional work being undertaken for client agencies;
- EDS Agency Services decreased by \$18 million, due mainly to reduced activity being undertaken by client agencies;
- Fleet hire increase by \$6 million due mainly to additional vehicles being required by client agencies.

Expenses

For the three years to 2005, a structural analysis of the main operating expense items for the Department is shown in the following chart.



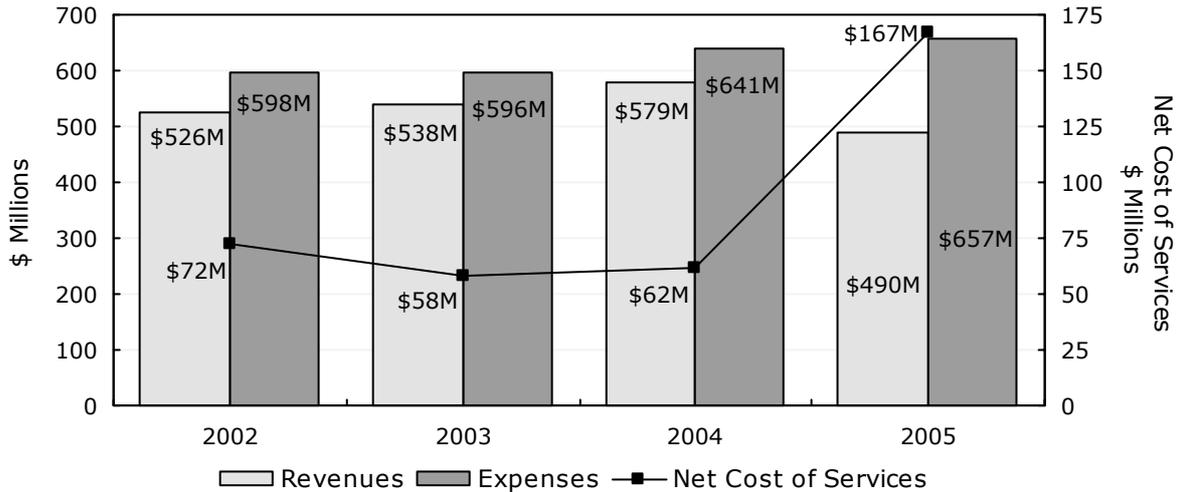
Other includes communication, lease, motor vehicle, warehouse goods and accommodation expenses.

The main factors contributing to the increase in expenses are:

- employee expenses increased by \$6 million, due mainly to salary rate increases;
- repairs and maintenance increased by \$12 million, due mainly to additional work undertaken for client agencies. Also refer comments under revenues;
- depreciation increased by \$11 million in 2005 and \$18 million in 2004 (an increase of \$29 million over two years), due mainly to DAIS now owning and depreciating fleet vehicles. These vehicles were previously leased - refer to earlier commentary in this Report.

Net Cost of Services

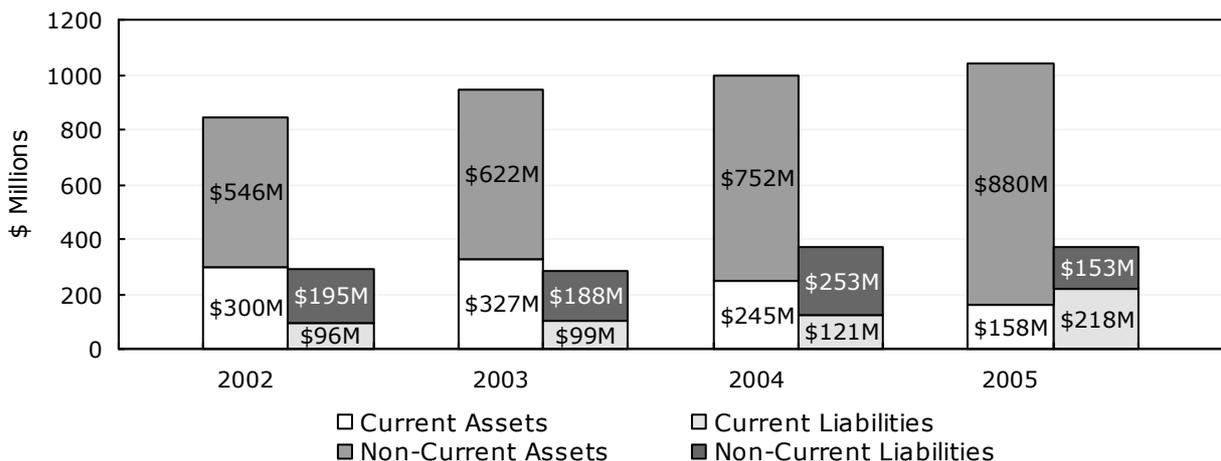
The following chart shows the operating revenues, operating expenses and net cost of services for the four years to 2005.



The increase in net cost of services in 2005 was due to DAIS no longer controlling land services regulatory charges (refer to revenue analysis).

Statement of Financial Position

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



The above chart highlights that since 2002 there has been a significant growth trend in non-current assets. This has been due primarily to:

- restructuring of government operations resulting in DAIS assuming control of additional assets such as sporting stadia;
- revaluation upwards of assets;
- DAIS now owning fleet motor vehicles. Fleet vehicles were previously leased (refer to earlier commentary in this Report).

Cash

The Department holds significant cash, which in 2005 amounted to \$70 million (\$161 million), representing 44 percent (66 percent) of total current assets. The decrease in cash is discussed under the Statement of Cash Flows analysis below.

Non-Current Assets

The property, plant and equipment item of non-current assets is the most significant item in the Statement of Financial Position. In 2005 this item amounted to \$849 million (\$722 million), representing 97 percent of total non-current assets and 73 percent of total assets. Major asset holdings at 30 June 2005 were: Commercial properties \$232 million; Residential Properties \$196 million; Motor Vehicles \$183 million; Sporting Stadia and Recreational Facilities \$142 million; and the Government Radio Network \$70 million.

Liabilities

Total liabilities amounted to \$371 million of which \$238 million are interest bearing liabilities and \$76 million are payables. In 2004 liabilities increased by \$90 million due mainly to DAIS borrowing money to purchase vehicles, which were previously acquired through a lease arrangement (refer to previous comments under the heading 'Motor Vehicle Fleet Finance Lease').

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	51	33	132	110
Investing	(111)	(127)	(34)	(68)
Financing	(31)	2	(43)	(48)
Change In Cash	(91)	(92)	55	(6)
Cash At 30 June	70	161	253	198

The Department's large cash flows from its operations have reduced significantly over the past two years. In 2004, the Department recorded a decrease in cash flows from operating activities due mainly to \$100 million return of appropriation (refer Note 6.3 to the financial statements).

While there was no return of appropriation in 2005, cash flows from operations remained at a lower level due to the re-classification of Land Service Group revenue as administered.

Financing activities included dividend to Government of \$15.2 million (\$71.4 million), and repayment of borrowings of \$119.4 million (\$30.1 million). In addition new borrowings were \$117 million (\$102 million). These new borrowings were mainly used to purchase property plant and equipment (mostly motor vehicles).

Business Unit Financial Analysis

The tables below indicate that, while a number of business units generate large revenue flows (ie Government ICS and SA Government Commercial Properties) they also have matching expenses.

Total Revenue (excluding appropriation and grants) by Business Unit

	2005	2004	2003	2002
	\$'million	\$'million	\$'million	\$'million
Business Unit				
Building maintenance	86	67	57	55
Contract services	22	22	24	24
Government ICS	142	156	149	142
Land Services	20	109	83	76
SA Government Commercial Properties	107	101	105	94
Fleet SA	78	70	71	64
Business and Corporate Services	26	31	28	33
Office for Recreation and Sport	3	3	6	5
Other Total	60	57	52	57
Intra-entity eliminations	(54)	(41)	(31)	(24)
Total	490	575	544	526

Total Expenditure from Ordinary Activities by Business Unit

Business Unit	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Building maintenance	85	67	56	54
Contract services	26	27	28	27
Government ICS	164	168	168	168
Land Services	43	38	27	30
SA Government Commercial Properties	103	102	99	92
Fleet SA	83	82	84	80
Business and Corporate Services	49	48	42	61
Office for Recreation and Sport	46	31	31	18
Other Total	112	115	93	92
Intra-entity eliminations	(54)	(41)	(31)	(24)
Total	657	637	597	598

Net Cost of (Surplus from) Services

Business Unit	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Building maintenance	(1)	-	(1)	(1)
Contract services	4	5	4	3
Government ICS	22	12	19	26
Land Services	23	(71)	(56)	(46)
SA government Commercial Properties	(4)	1	(6)	(2)
Fleet SA	5	12	13	16
Business and Corporate Services	23	17	14	28
Office for recreation and Sport	43	28	25	13
Other Total	52	58	41	35
Total	167	62	53	72

Major factors affecting business unit activity for the year were:

- Building maintenance: increased turnover of \$18 million due primarily to extra government funding for school and other public buildings maintenance;
- Contract services: operations have been stable over the past 4 years;
- Government ICTS: The main influence on revenues and expenditure are EDS. In 2004 there was higher revenue and expenses due to some systems being implemented in client agencies.
- Land Services: Land services regulatory charges were treated as administered in 2004-05 for the first time. The increase in Land Services Group revenue for each of the previous three years was, due mainly to the buoyant property market. The increase in expenditure is due mainly to work in progress assets (ATLAS) being expensed;
- SA Government Commercial Properties: operations have been stable over the past four years;
- Fleet SA: increase in income is due to additional vehicles being provided to clients. However, expenses have decreased reflecting accounting adjustments associated with the wind up of the motor vehicle finance lease;
- Business and Corporate Services: Revenue decreased due mainly to less interest earned (due to lower cash balances held - refer comments on Statement of Cash Flows);
- Office for Recreation and Sport: Expenditure increased due mainly to more grants being provided and the assumption of liabilities under guarantee arrangements.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	4.1	131 130	124 935
Supplies and services	4.2	405 169	412 402
Depreciation and amortisation	4.3	67 734	57 239
Grants, subsidies and transfers	4.4	25 914	27 422
Borrowing costs		18 635	13 676
Other expenses	4.5	8 395	5 050
Total Expenses from Ordinary Activities		656 977	640 724
REVENUE FROM ORDINARY ACTIVITIES:			
Fees and charges	6.1	477 745	560 174
Interest	6.2	8 023	16 145
Other revenue	6.3	4 653	2 137
Total Revenue from Ordinary Activities		490 421	578 456
Net Cost of Services from Ordinary Activities		166 556	62 268
REVENUES FROM SA GOVERNMENT:			
Appropriations for operating purposes	6.4	161 008	31 616
Grants		6 428	4 519
NET RESULT BEFORE RESTRUCTURING		880	(26 133)
(Decrease) Increase in net assets due to administrative restructure	7	(8 913)	14 339
NET RESULT AFTER RESTRUCTURING		(8 033)	(11 794)
Income tax expense relating to ordinary activities	2.4	3 376	638
NET RESULT AFTER RESTRUCTURING AND TAX		(11 409)	(12 432)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase in Asset Revaluation Reserve	19.3	83 686	43 557
Increase in Surplus Incentive Funds Reserve	19.3	-	101
TOTAL REVENUE AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		83 686	43 658
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		72 277	31 226

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	8	69 815	161 351
Receivables	9	76 122	71 957
Inventories	10	2 071	2 272
Other	13	10 376	10 377
Total Current Assets		158 384	245 957
NON-CURRENT ASSETS:			
Receivables	9	5 738	7 565
Property, plant and equipment	11, 12	849 072	722 519
Capital works in progress	12	23 349	21 039
Other	13	1 346	-
Total Non-Current Assets		879 505	751 123
Total Assets		1 037 889	997 080
CURRENT LIABILITIES:			
Payables	14	72 692	81 663
Interest bearing liabilities	15	120 062	21 536
Employee benefits	16	12 791	10 509
Provisions	17	5 187	1 500
Other	18	7 364	6 531
Total Current Liabilities		218 096	121 739
NON-CURRENT LIABILITIES:			
Payables	14	3 348	3 211
Interest bearing liabilities	15	117 631	218 926
Employee benefits	16	29 625	27 966
Provisions	17	2 691	2 632
Total Non-Current Liabilities		153 295	252 735
Total Liabilities		371 391	374 474
NET ASSETS		666 498	622 606
EQUITY:			
Contributed capital	19.1	209 710	222 891
Accumulated surplus	19.2	158 132	182 830
Reserves	19.3	298 656	216 885
TOTAL EQUITY		666 498	622 606
Commitments for Expenditure	25		
Contingent Liabilities	26		

Statement of Cash Flows for the year ended 30 June 2005

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:	Note	
Employee payments	(134 600)	(129 350)
Supplies and services	(414 970)	(386 921)
Grants and subsidies	(20 350)	(23 381)
Borrowing costs	(17 836)	(14 987)
GST payments on purchases	(75 716)	(69 538)
GST remitted to ATO	(270)	-
Construction work payments	(101 476)	(74 186)
Payment for restructuring activities	(9 383)	-
Total Outflows from Operating Activities	(774 601)	(698 363)
CASH INFLOWS:		
Fees and charges	482 917	538 143
Receipts from Commonwealth	672	961
Construction work reimbursement	96 736	72 136
Interest received	8 425	19 611
GST receipts on receivables	64 392	55 857
GST input tax credits	8 668	12 863
Proceeds from restructuring activities	-	1 335
Total Inflows from Operating Activities	661 810	700 906
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	168 454	137 477
Payments to SA Government	(5 018)	(106 971)
Total Cash Flows from SA Government	163 436	30 506
Net Cash Inflows from Operating Activities	50 645	33 049
	22(b)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(145 292)	(138 011)
Total Outflows from Investing Activities	(145 292)	(138 011)
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	33 359	9 265
Proceeds from repayment of leased assets	479	510
Proceeds from investment	-	1 000
Total Inflows from Investing Activities	33 838	10 775
Net Cash Outflows from Investing Activities	(111 454)	(127 236)
CASH FLOWS FROM FINANCING ACTIVITIES:		
CASH OUTFLOWS:		
Dividends to Government	(15 204)	(71 411)
Return of equity	(23 619)	-
Repayment of borrowings	(119 400)	(30 069)
Total Outflows from Financing Activities	(158 223)	(101 480)
CASH INFLOWS:		
Capital contributions from Government (not operations)	10 439	458
Proceeds from borrowings	117 034	102 679
Increase prepayment of MV Fleet operating expenses	23	477
Total Inflows from Financing Activities	127 496	103 614
Net Cash (Outflows) Inflows from Financing Activities	(30 727)	2 134
NET DECREASE IN CASH HELD	(91 536)	(92 053)
CASH AT 1 JULY	161 351	253 404
CASH AT 30 JUNE	69 815	161 351
	22(a)	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of the Department

The Department for Administrative and Information Services (DAIS) is an agency that undertakes a broad range of functional responsibilities on behalf of the Government of South Australia. By its leadership, DAIS delivers sustainable economic and social value for the South Australian Government and community through specialist government and community services, quality infrastructure, information provision and policy advice.

It maintains this leadership role in the areas of building management, forensic science services, industrial relations, information and communication technology support, infrastructure development, land administration, project and contract management, sport, recreational and racing activities, records management, shared corporate services and workplace safety. To achieve this DAIS focuses on delivering quality services to the community and government stakeholders by pursuing the following strategic challenges:

- work strategically and collaboratively to improve its specialist services and develop the State's infrastructure
- promote across government services and strategies that achieve government savings
- focus on demonstrated results to build public confidence in government
- align its culture, business processes and staff practices with customer, industry and community expectations
- apply innovative technologies and leading industry practices working with national conventions where appropriate
- ensure that its programs contribute to social inclusion and community well-being
- adopt transparent and accountable management and information practices
- be a fair and just employer that encourages its workforce to be informed, skilled and motivated
- ensure fair, responsive and safe employment conditions for the Public Sector workforce

DAIS provides direct support to the Minister for Administrative Services, the Minister for Industrial Relations, the Minister for Recreation, Sport and Racing, and the Minister for Infrastructure. In addition to the Ministers, DAIS' key stakeholders include the Government of South Australia, Government agencies, key industry groups, Government boards, committees and members of the public.

Within DAIS there are a range of capabilities and competencies that support the delivery of the Government's broader strategic priorities, such as community services, project management, contract management, e-business, shared services and management of information technology and government assets.

The functional areas of the Department are:



The governance arrangements for DAIS' operations are based on eight directorates and the Office of Racing. All of the directorates are overseen by Executive Directors.

The heads of the eight directorates, along with DAIS' Chief Executive, form the Departmental Executive (DE). This group meets on a weekly basis to discuss strategic, policy, management, planning and administrative matters of relevance to the Department.

The principal registered office is Level 2, Wakefield House, 30 Wakefield Street, Adelaide SA 5000. Telephone number is 08 8226 5060.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

Accounting Standards

The financial report is a general purpose financial report. The Financial Statements have been prepared in accordance with:

- Treasurer's Instructions (TI) and Accounting Policy Statements (APS) promulgated under the provision of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards (AAS)
- Consensus views of the Urgent Issues Group (UIG)
- Other mandatory professional reporting requirements in Australia

The Department's Statement of Financial Performance and Statement of Financial Position 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.

Reporting Period

The financial report has been prepared for the period 1 July 2004 to 30 June 2005.

Comparative Information

Comparative figures have been adjusted to conform to changes in presentation in accordance with the model financial report issued by the Department of Treasury and Finance.

Rounding

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

2.2 Reporting Entity

The Department for Administrative and Information Services produces both Departmental and Administered financial statements:

- The Departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.
- The Administered financial statements include the revenues, expenses, assets and liabilities, which the Department administers on behalf of the SA Government but does not control.

During the course of 2004-05, the Department agreed with the Department of Treasury and Finance that the activity of the Land Services Group in collecting fees and charges under the *Real Property Act* and related Acts, was to be transferred, effective from 1 July 2004, from the controlled entity to an Administered Item (refer Note A2.13 to the accounts for Administered Items).

2.3 Principles of Consolidation

The financial statements consolidate the activities of all operational business units of the Department as detailed in Note 1 as controlled activities.

All inter-business unit balances and transactions, and unrealised profits arising from intra-Department transactions affecting the Statement of Financial Performance and Statement of Financial Position have been eliminated.

2.4 Taxation Equivalents

The activities of the Department are exempt from Commonwealth income tax but subject to other taxes such as fringe benefits tax, payroll tax, goods and services tax and other State and Local Government taxes.

In accordance with the National Competition Policy principles, several business units engage in trading activities in competition with private sector enterprises and are liable for equivalent tax payments to the South Australian Government.

Income Taxation Equivalents are required to be paid by the following business units of the Department:

- Fleet SA
- Building Management
- Building Maintenance
- SA Government Employee Residential Properties
- SA Government Commercial Properties.
- Government Supplies Warehouse (Supply SA)

In relation to Income taxation equivalents the 'Accounting Profits' model is applied.

Under the Accounting Profits Model, income tax expense is calculated separately for each business unit by applying the income tax rate (currently 30 percent) to the individual business unit's accounting profit for the year.

2.5 Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax' (GST) revenue, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

The net GST due from the Australian Taxation Office has been recognised as a receivable in the Statement of Financial Position. The Department prepares a Business Activity Statement on behalf of its administered entities under the grouping provisions of the GST legislation. Under these provisions, the Department is liable for the payments and entitled to the receipt of GST. As such the GST applicable to these entities forms part of the Statement of Financial Position and Cash Flow Statement of the Department.

2.6 Revenues and Expenses

Revenues and expenses are recognised in the Department's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenues and expenses have been classified according to their nature in accordance with APS 13 Form and Content of General Purpose Financial Reports and have not been offset unless required or permitted by another accounting standard.

Fees and Charges

The Department derives the majority of its revenue from fees and commissions for services rendered to other State Government Agencies on a cost recovery basis.

Supplies and Services

The majority of expenditure incurred is associated with the Department's service provision function to other State Government Agencies.

Grants, Subsidies and Transfers

Grants, subsidies and transfers are amounts provided by the Department, to entities for general assistance or for a particular purpose. Grants, subsidies and transfers may be for capital or recurrent purposes and the name or category reflects the use of the grant. The grants, subsidies and transfers given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.7 Revenues from/Payments to SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the funds. Control over appropriations is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

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 it is recorded as contributed capital.

Payments include the return of surplus cash pursuant to the cash alignment policy, taxation revenues and other fees paid directly to the Department of Treasury and Finance consolidated account.

2.8 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore, the assets and liabilities that will be realised as part of the normal operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 Cash

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

Cash Alignment Policy/Reduction in Appropriation

During the financial year an amount of \$110.8 million in surplus working cash was returned to the Consolidated Account as part of the Government's Cash Alignment Policy. In accordance with the provisions of the policy, the Department nominated for the amount to be applied as follows:

- Reduction in debt \$87.2 million
- Return of Equity \$23.6 million

In 2003-04, it was determined that the Department could fund its operations primarily from the available cash balances held. The Department's appropriation was reduced by \$100 million. This had the effect of advancing the implementation of the Government's Cash Alignment Policy, which commenced on 1 July 2004.

2.10 Receivables

Receivables include amounts receivable from trade, loans, finance leases and accrued revenues.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within thirty days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Loan receivables - debtors receive financial assistance in the form of advances. The terms of these loans are contained in Deeds of Agreement between the Ministers and the borrower.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified and deemed irrecoverable.

Finance lease receivable - The Department has entered into a number of finance lease arrangements for the purpose of providing housing accommodation for government agencies. These leases have been brought to account in the Statement of Financial Position and accounted for in accordance with AAS 17 'Leases'.

Revenue is accrued for work that has been performed but not billed as at 30 June 2005.

2.11 Inventories

Inventories are Stock on Hand held in the government supplies warehouse (Supply SA) and are valued at the lower of average cost or net realisable value.

2.12 Work in Progress - Construction Projects

The Department acts as a project manager for the construction of capital projects and minor maintenance work on behalf of other agencies. Profits on construction contracts are brought to account on the percentage of completion basis, as determined by the current engineering estimates. Where losses are foreseeable, such losses are provided in full based on current engineering estimates.

Work in progress is stated at cost plus profit recognised to date less progress billings to the agencies. Excess of progress billings against cost plus profit is disclosed as other liabilities as at 30 June 2005. These balances were offset as at 30 June 2004.

2.13 Non-Current Assets

Asset Recognition Threshold

Non-current assets are initially recognised at cost in the Statement of Financial Position except for items costing less than \$10 000, which are expensed in the year of acquisition.

Where acquired for no value, or minimal value, non-current assets are recorded at their fair value in the Statement of Financial Position. If acquired as part of a restructuring of administrative arrangements for no or nominal value then the assets are recorded at the amount recorded by the transferor prior to transfer.

Revaluations in General

In accordance with the requirements of AASB 1041 'Revaluation of Non-Current Assets' and Accounting Policy Statement No 3 'Valuation of Non-Current Assets', all non-current assets, subsequent to initial recognition, are carried at valuation. Revaluations have been undertaken for all assets that satisfy the APS 3 revaluation thresholds in accordance with fair value methodology. The revaluation thresholds require a non-current asset or class of non-current assets to be re-valued when the fair value at the time of acquisition is greater than \$1 million and has an estimated useful life greater than three years.

Under fair value methodology, the assets are valued at the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Valuation Methodology – Property, Plant and Equipment

- *Recreation, Sporting and Stadia Infrastructure* are revalued independently using written down current cost. The latest independent valuations were made at 30 June 2005.
- *Commercial and Heritage Properties* are revalued using written down current cost every 2 years.
- *Residential Properties*, inclusive of fit outs, are revalued to fair value annually using estimates provided by the Valuer-General and then adjusted by management for the average gains/losses experienced over an average of the previous 4 years, so as to ensure the valuation is in accordance with the recoverable amount. The adjustment rate used for the reporting period is an increase of 4.89 percent (3.05 percent reduction in 2003-04).
- *Fit outs* are valued at cost and depreciated over a period between 3-10 years.
- *Plant and Equipment* is brought to account at cost and depreciated on a straight-line basis over its estimated service life in accordance with APS 3 'Valuation of Non-Current Assets'.

Valuation Methodology – Property, Plant and Equipment (continued)

- PABX equipment is independently revalued using written down current cost. Independent valuations were obtained as at 30 June 2005.
- *Motor Vehicles* owned by the Department are brought to account at cost and depreciated on a straight-line basis over their estimated useful lives.
- *Government Radio Network*
All Government Radio Network assets that are operationally available for use as at 30 June 2005 are revalued at their written down current cost. Independent valuations were obtained as at 30 June 2005.

Disposal of Non-Current Assets

The gain or loss on disposal of all non-current assets, including revalued assets, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the operating profit in the year of disposal. Any realised amounts within the Asset Revaluation Reserve are transferred to accumulated surplus on disposal.

Depreciation

All non-current assets, excluding freehold land are depreciated using the straight-line method over their useful lives in a manner that reflects the consumption of their service potential, commencing from the time the asset is held ready for use. The useful lives of all major assets held by the Department are reassessed on an annual basis.

The following maximum years are generally used for the life of the assets:

	Years
Buildings and Fitouts:	
Recreation, sporting and stadia infrastructure	3-72
Commercial and Heritage Properties	40
Residential properties	66
Fit outs	3-10
Plant and equipment:	
Computers	3-5
PABX	3-7
Transmission equipment	5-20
State core net	3-5
Office equipment	5
Sporting equipment	2-10
Scientific equipment	3-10
Other equipment	3-10
Motor vehicles	2-4
Government radio network:	
Buildings and towers/masts	30-40
Data and voice network equipment	10-15
Other plant and equipment	3-10

2.14 Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with TI 8 'Expenditure for Supply Operations and Other Goods and Services' after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur.

2.15 Client Advances

The Department has entered into advance payment arrangements with specific agencies for minor and major works undertaken on their behalf. At 30 June 2005 the balance amounted to \$1.343 million (\$5.728 million).

2.16 Incentives Monies Owning

Surplus Incentive Funds Reserve

Incentives provided by private building owners in relation to office accommodation contracts for government entities are applied for refitting relevant accommodation. Upon completion of the fit out project any unspent monies are transferred to the Surplus Incentives Funds Reserve. Funds from the reserve are provided to fund approved fit out projects.

EDS Centre Incentives

During the 1998-99 to 2001-02 financial years monies were receipted into the Department's operating account on behalf of the Minister for Administrative Services for the management and administration of the design and construction of the EDS fit out works. Approval is required from the Minister before these monies can be committed for expenditure in relation to fit out works in the EDS Centre.

Monies receipted in relation to the management and administration of the EDS fit out works have initially been recognised through the Statement of Financial Position as part of incentive monies owing. Monies spent during a financial year on the management and administration of the EDS fit out works is recognised through the Statement of Financial Performance as income and expenditure in the financial year in which the expenditure is incurred. The balance of monies unspent at the end of the financial year is included in incentive monies owing within the Statement of Financial Position.

2.17 Income Received in Advance

Prepaid Revenue has been recognised where monies have been received but work has not been performed as at 30 June 2005.

2.18 Interest Bearing Liabilities

Borrowings are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled. Loans are drawn from the Department of Treasury and Finance, and repayments are determined in negotiation with this Department. Interest on loans is recognised as an expense and is based on the common public sector interest rate (including a guaranteed margin) 7.5 percent as at 30 June 2005 (7.5 percent).

Light Motor Vehicles - Loan Arrangements with SAFA

Arrangement for the on-going acquisition of motor vehicles was approved with the South Australian Financing Authority during 2003. Funding has been provided through a loan facility direct to Fleet SA, through the Minister for Administrative Services. The Department commenced using this facility on 7 July 2003 with vehicle purchases financed monthly on a credit foncier basis for a fixed two-year period. During the reporting period an amount of \$117.5 million (\$109 million) was borrowed.

Other Loans

This represents loans underwritten by the Department as guarantor to external organisations. These are recognised as liabilities due to the high probability the Department will have to service future loan repayments.

2.19 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. No provision has been made for sick leave as 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 to sick leave.

Liability for salary and wages are measured as the amount unpaid at reporting date at remuneration rates current at reporting date. The liability for annual leave reflects the value of total annual entitlements of employees as at 30 June 2005 and is measured at the nominal amount.

Liability for long service leave is recognised and measured at the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with the Department's experience of employee retention and leave taken.

2.20 Provisions

Provisions are recognised when the Department has a present legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of a past transaction or event, and it is probable that a future sacrifice of economic benefits will arise and a reliable estimate can be made of the obligation. However the amount or timing of the present obligation is uncertain.

Workers Compensation

The Department is responsible for all workers compensation with an actuarial estimate of the outstanding liability as at 30 June 2005 provided by a consulting actuary through the Public Sector Injury Prevention and Management Unit.

These figures reflect an apportionment of the whole-of-government estimate of workers compensation liability of \$319 million according to the Public Sector Injury Prevention and Management Unit experience of claim numbers and payments over the period 1 July 1987 to 30 June 2005. A separate valuation of the liabilities of this Department has not been undertaken.

Workers Compensation (continued)

The whole-of-government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated August 2005, and submitted to the Public Sector Injury Prevention and Management branch (PSIPM) of the Department.

This report conforms to WorkCover Guidelines for Actuaries, AAS 26 'Financial Reporting of General Insurance Activities', Accounting Guidance Release AAG 13 'Determination of Discount Rates for Measuring Certain Liabilities at Present Value' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance', of the Institute of Actuaries of Australia.

Income Tax Equivalent

The provision for income tax was calculated on estimated profit for the year for those business units that are liable for Taxation Equivalent payments to the South Australian Government (refer Note 2.4).

Restructuring Costs

An amount of \$2.789 million has been provided for estimated restructuring costs arising from an inter-Departmental transfer of land administration and infrastructure systems from the Department of Environment and Heritage (DEH) to the Department. In order to secure the benefits of the land administration and infrastructure systems, the Department implemented a formal restructure plan with DEH named LASAFT (Land Administration Systems and Functional Transfer). The Department raised a liability for restructuring costs in 2003-04 to recognise the financial effect of implementing the LASAFT plan, the key features of which included the transfer of the Land Ownership and Tenure System (LOTS), Property Assist, Section 7 system, and land databases to the Department. The LASAFT plan is expected to be completed in 2005-06.

2.21 Leases

A distinction is made between finance leases and operating leases in AAS 17 'Leases'. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets. In operating leases, the lessor effectively retains all such risks and benefits.

Operating Leases

The Department's operating leases include office accommodation and state government car parking facilities. These operating lease payments are expensed in the period they are incurred, and are representative of the pattern of benefits derived from the leased assets.

Numerous lease arrangements have been entered into with private sector organisations for office accommodation in which the terms range from monthly to between four and ten years. Generally, the leases are cancellable, however for those that are for a fixed term, significant financial penalties are attached. Terms for renewal vary between three and five years.

The operating lease in relation to state government car parking facilities remains in a hold over period while negotiations are conducted for the future provision of these facilities.

Finance Leases

In accordance with AAS 17, where a non-current asset is acquired by means of a finance lease, the asset is capitalised at the present value of minimum lease payments at the beginning of the lease term and a liability recognised at the same time and for the same amount. The discount rate used is the interest rate implicit in the lease term. Leased assets are amortised over the period of the lease. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Lease liabilities are classified as both current and non-current.

The Department expenses contingent rental payments in the reporting period in which they are incurred, similar to interest expenses. Contingent rentals arise from a movement in the base lease payment as a result of factors occurring subsequent to the inception of the lease. Increases or decreases in lease payments arising from subsequent changes to factors after the inception of the lease are excluded from the minimum lease payments.

Light Motor Vehicles - Arrangements with CBA

In May 1996, the Government sold and leased back its light motor vehicle fleet through an arrangement managed by the Commonwealth Bank of Australia (CBA). The term of the facility was for a 15-year period, which included a 7-year wind down.

Prior to 1 July 2004 and given the exposure of the lease in which the residual values were only partly guaranteed by the lessee, the lease asset and matching liability had been valued by deducting from the fair value of the motor vehicles the value of the unguaranteed residual value, which is expected to accrue to the lessor at the end of the lease term. Any adjustments to the minimum lease payments have been treated as contingent rentals and brought to account as either revenues or expenses in the period in which they occur.

In April 2003 a voluntary termination effective over a 24-month period from 10 July 2003 to 10 July 2005 was agreed ahead of the contemplated 2011 expiry.

Light Motor Vehicles - Arrangements with CBA (continued)

Any adjustments to the vehicle minimum lease payments are treated as contingent rentals and reflected as revenues and expenses in the Statement of Financial Performance. The adjustments essentially arise from periodic reviews of agreed vehicle residual values, which have a direct effect on the calculation of the lease payments to be applied to new vehicles leased under the arrangement.

At 30 June 2005, 636 motor vehicles remained under lease with the CBA, for a remaining term of 11 days, and with an outstanding principal of \$13.6 million, which was reflected on the Statement of Financial Position at that date.

Plant and Equipment

The Department has progressively taken up numerous leases with EDS for information technology computer hardware and associated software. The lease terms are generally three or five years and are non-cancellable. At the end of the lease term, ownership is transferred to the Department upon payment of a nominal sum.

Accommodation Leases

The Department is responsible for the finance lease in relation to office accommodation for the Roma Mitchell House, North Terrace. The Roma Mitchell House is for a lease term of 40 years and ownership transfers on payment of a nominal sum at the end of the lease term. The agreement has a buy-out option halfway through the lease term.

Under the lease arrangements, a Contingent rental is paid for the building based on the Adelaide Consumer Price Index. Contingent rental payments for 2004-05 were \$1.44 million (\$1.378 million).

3. Changes in Accounting Policy

3.1 Government/Non-Government Disclosures

In accordance with APS 13 'Form and Content of General Purpose Financial Reports', the Department has included details of revenues, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in a Note to the accounts.

3.2 Interest Free Loans

In accordance with APS 17, an interest free loan has been discounted to its net present value. The discount has been expensed.

3.3 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

An assessment of the assets and liabilities of the Department indicate there are no material adjustments required for the transition to AIFRS.

AASB 138 'Intangible Assets'

The Department previously capitalised computer software as Property, Plant and Equipment. Under AASB 138, computer software that is not an integral part of an item of computer hardware (application software) is capitalised as an intangible asset.

From 1 July 2005 all material application software will be transferred to the Intangible assets category on adoption of AIFRS. The adoption of the new standard also requires the Department to derecognise \$308 000 of capitalised research costs arising from internally developed software.

AASB 5' Non-Current Assets Held for Sale'

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale, and the sale must be highly probable. On reclassification, the asset will be measured at the lower of the carrying amount or fair value less costs to sell, and the asset will cease to be depreciated. Assets qualifying as non-current assets held for sale will be transferred from non-current to current.

The Department has reviewed its Property, Plant and Equipment and identified assets requiring reclassification to the new category Non-Current Assets held for sale. There is no impact on total assets.

4. Expenses

4.1 Employee Expenses

	Note	2005	2004
	2.19	\$'000	\$'000
Wages and salaries		98 749	91 889
Long service leave		4 621	3 447
Annual leave		9 508	10 609
Employment on-cost - Superannuation *		11 381	11 923
Employment on-cost - Other *		6 871	7 067
Total Employee Expenses		131 130	124 935

* These are payments to SA Government

4.1.1 Targeted Voluntary Separation Packages (TVSPs)	2005	2004
	\$'000	\$'000
TVSP payments	-	6 719
Annual and long service leave paid over the period	214	2 361
Recovered from DPC in respect of TVSPs	(705)	(6 014)
	(491)	3 066

Number of employees that were paid TVSPs during the reporting period were nil (90).

4.1.2 Remuneration of Employees

Amounts received or receivable by employees of the Department whose remuneration is greater than \$100 000. The amounts include salaries and related payments, superannuation benefits and motor vehicle benefits were 13 252 (10 417).

The number of employees of the Department whose remuneration falls within the following bands for the year ended were:	Number of Employees	Number of Employees
\$100 000 - \$109 999	20	17
\$110 000 - \$119 999	15	15
\$120 000 - \$129 999	13	6
\$130 000 - \$139 999	9	7
\$140 000 - \$149 999	3	6
\$150 000 - \$159 999	7	-
\$160 000 - \$169 999	4	4
\$170 000 - \$179 999	2	3
\$180 000 - \$189 999	3	3
\$190 000 - \$199 999	2	3
\$200 000 - \$209 999	1	1
\$210 000 - \$219 999	3	2
\$220 000 - \$229 999	3	2
\$230 000 - \$239 999	-	3
\$240 000 - \$249 999	-	1
\$250 000 - \$259 999	2	-
\$260 000 - \$269 999	1	-
\$270 000 - \$279 999	2	-
\$280 000 - \$289 999	1	-
	91	73

The number of full time equivalent employees at reporting date is 2 002.2 (2 047.2). Of this total, 11 (12) are full time equivalent employees for Administered Activities.

4.2 Supplies and Services	Note	2005	2004
	2.6	\$'000	\$'000
Supplies and services provided by entities within the SA Government:			
Information Technology expenses		591	4 916
Insurance		7 729	6 652
Repairs and maintenance		2 599	9 576
Rents		5 850	8 382
Lease expenses		233	983
Professional fees		2 729	2 455
Accommodation		7 407	7 713
Communication		1 890	6 254
Motor vehicles expenses		2 074	2 022
Cost of goods (warehouse)		576	604
Others		2 426	9 805
Total Supplies and Services Expenses - SA Government Entities		34 104	59 362
Supplies and services provided by entities external to the SA Government:			
Information Technology expenses		110 203	105 228
Insurance		446	330
Repairs and maintenance		84 683	64 995
Rents		63 244	56 701
Lease expenses		381	15 588
Professional fees		14 076	11 097
Accommodation		14 550	12 985
Communication		21 836	22 946
Motor vehicles expenses		16 306	14 317
Cost of goods (warehouse)		16 032	19 106
Others		29 308	29 747
Total Supplies and Services Expenses - Non-SA Government Entities		371 065	353 040
Total Supplies and Services Expenses		405 169	412 402

4.2	Supplies and Services (continued)			
	The number and dollar amount of consultancies paid/payable that fell within the following band:	2005	2005	2004
		Number	\$'000	Number
	Below \$10 000	118	280	119
	Between \$10 000 and \$50 000	19	453	29
	Above \$50 000	5	1 043	8
	Total Paid/Payable to the Consultants Engaged	142	1 776	156
				2 852
4.3	Depreciation and Amortisation Charges		Note	2005
	Amortisation of Leased Assets:		2.13	\$'000
	Building plant and equipment			2004
	Buildings			\$'000
	Fleet			
	Depreciation:			
	Building, plant and equipment and fitouts			406
	Motor vehicles			507
				14 461
				18 559
				27 455
				24 905
				67 734
				57 239
4.4	Grants, Subsidies and Transfers			
	Grants, subsidies and transfers paid/payable to entities within the SA Government:			
	Recurrent grants			-
	Other			5 238
	Total Grants, Subsidies and Transfers - SA Government Entities			6 174
				7 419
				6 174
				12 657
	Grants, subsidies and transfers paid/payable to entities external to the SA Government:			
	Recurrent grants			10 174
	Capital grants			9 690
	Other			6 967
	Total Grants, Subsidies and Transfers - Non-SA Government Entities			2 599
				-
				19 740
				14 765
	Total Grants, Subsidies and Transfers			25 914
				27 422
4.5	Other Expenses			
	All other expenses paid/payable to entities external to SA Government:			
	Bad and doubtful debts expenses			1 352
	Guarantee payments	2.18		4 815
	Write-off of fixed assets			808
	Revaluation decrement			865
	Relief for bush fire			555
	Early termination of lease			-
	Total Other Expenses			8 395
				3 996
				8 395
				5 050
5.	Auditor's Remuneration			
	Estimated amounts paid/payable to the auditors of the Department			587
				485
	The Auditor-General received no other benefits.			
6.	Revenues		2005	2004
6.1	Fees and Charges		\$'000	\$'000
	Fees and charges received/receivable from entities within the SA Government:			
	Regulatory fees		9 383	82 691
	Maintenance services		83 724	66 953
	Fleet hire		69 072	61 858
	EDS agency services		74 915	92 978
	Telecommunication		50 779	51 462
	Service provision fee and commission		6 555	13 551
	Rental income		83 034	80 837
	Sales of goods		11 338	12 598
	Others		37 254	32 954
	Total Fees and Charges - SA Government Entities		426 054	495 882
	Fees and charges received/receivable from entities external to the SA Government:			
	Regulatory fees		5 686	24 790
	Maintenance services		3 222	4 222
	Service provision fee and commission		13 585	4 826
	Rental income		16 549	16 986
	Sales of goods		4 269	4 845
	Others		8 380	8 623
	Total Fees and Charges - Non-SA Government Entities		51 691	64 292
	Total Fees and Charges		477 745	560 174

6.2 Interest Income		2005	2004
	Note	\$'000	\$'000
Interest from entities within the SA Government		8 023	16 145
Total Interest Received		8 023	16 145
6.3 Other Revenue			
Gain from disposal of assets		3 982	1 176
Commonwealth revenue		671	961
Total Other Revenues		4 653	2 137
6.4 Appropriation for Operating Purposes	2.7		
Appropriations from consolidated account pursuant to <i>Appropriation Act</i>		161 008	131 616
Less: Return of Appropriation pursuant to Cash Alignment Policy		-	(100 000)
Total Revenue from SA Government		161 008	31 616

7. Net Revenues (Expenses) from Restructuring

The net revenues (expenses) relating to the restructuring of Administrative arrangements are the following:

(a) Department for Aboriginal Affairs and Reconciliation	(9 241)	-
(b) Land Administration Systems and Functions (LASAFT)	328	983
(c) Public Sector Workforce Relations Unit	-	(290)
(d) Santos Stadium	-	11 896
(e) Office for Infrastructure Development	-	968
(f) Vaughan Terrace Berri	-	782
	(8 913)	14 339

(a) Department for Aboriginal Affairs and Reconciliation

On 11 March 2004, the Government announced the transfer of the Department for Aboriginal Affairs and Reconciliation to the Department for Families and Communities. For accounting and reporting purposes the transfer of net assets of \$9.241 million is effective on 1 July 2004. Assets and liabilities were transferred in accordance with APS 16 'Entity Restructuring' and AAS 29 'Financial Reporting by Government Departments'.

The following assets and liabilities were transferred from the Department:

Assets:	2005	2004
	\$'000	\$'000
Current assets	(9 758)	-
Non-current assets	(868)	-
Total Assets	(10 626)	-
Liabilities:		
Current liabilities	1 385	-
Total Liabilities	1 385	-
Net Assets	(9 241)	-

(b) Land Administration Systems and Functions (LASAFT)

In the current reporting period additional land administration plant and equipment assets were identified as having been physically transferred to DAIS on 1 September 2003 that were not taken into account in determining the gain on restructure in the previous reporting period. The correction of this error resulted in an additional net gain of \$0.33 million to the Department.

In the previous reporting period the following administrative restructures occurred.

On 24 July 2003, the Chief Executives of the Department and the Department for Environment and Heritage (DEH) approved transfer arrangements for a range of land administration functions from DEH to DAIS. The functions include Section 7, LOTS, Property Assist and related information technology and financial services. The land administration functions were realigned on 1 September 2003, resulting in a transfer of functions and staff from the Department for Environment and Heritage to the Department and a net gain of \$0.98 million due to the transfer of assets and liabilities.

The following assets and liabilities were transferred to the Department:

Assets:	2005	2004
	\$'000	\$'000
Non-current assets	328	1 078
Total Assets	328	1 078
Liabilities:		
Current liabilities	-	37
Non-current liabilities	-	58
Total Liabilities	-	95
Net Assets	328	983

(b) Land Administration Systems and Functions (LASAFT) (continued)	2005	2004
Summary of the total revenue and expenses from ordinary activities that were recognised by the Department for Environment and Heritage during the reporting period 1 July 2003 to 31 August 2003 were:	\$'000	\$'000
Revenue	-	2 323
Expenses	-	1 274
Net Result	-	1 049

(c) Public Sector Workforce Relations (PSWR) Unit (2004 Comparative Only)
During the year the Government announced (gazette date of 24 July 2003) the transfer of the Public Sector Workforce Relations Unit from the Department of the Premier and Cabinet to the Department for Administrative and Information Services, effective from 11 August 2003. The closest month end (31 July 2003) was adopted to determine a financial position. Assets and liabilities were transferred in accordance with APS 16 and AAS 29. The PSWR Unit provides industrial relations and injury prevention and management services to Government to ensure fair, responsive and safe employment conditions for the public sector workforce.

The following assets and liabilities were transferred to the Department:	2005	2004
Assets:	\$'000	\$'000
Non-current assets	-	578
Total Assets	-	578
Liabilities:		
Current liabilities	-	233
Non-current liabilities	-	635
Total Liabilities	-	868
Net Liabilities	-	290

Summary of the total revenue and expenses from ordinary activities that were recognised by the Department of the Premier and Cabinet during the reporting period 1 July 2003 to 31 July 2003 were:		
Revenue	-	-
Expenses	-	521
Net Result	-	(521)

(d) Santos Stadium (2004 Comparative Only)
On 6 November 2003 Santos Stadium, trading as SA Athletics Stadium and operating as a public corporation, was transferred to the Office of Recreation and Sport. Santos Stadium offers a comprehensive athletics facility to promote and enhance sporting activities in South Australia. Assets and liabilities were transferred in accordance with APS 16 and AAS 29.

The following assets and liabilities were transferred to the Department:	2005	2004
Assets:	\$'000	\$'000
Current assets	-	134
Non-current assets	-	11 807
Total Assets	-	11 941
Liabilities:		
Current liabilities	-	45
Total Liabilities	-	45
Net Assets	-	11 896

(e) Office for Infrastructure Development (OFID) (2004 Comparative Only)
During the year the Government announced (gazette date of 4 December 2003) the transfer of DBMT (State Infrastructure) staff and resources to the Office for Infrastructure Development (OFID) in DAIS. OFID is dedicated to changing the ad hoc approach to the development of infrastructure in South Australia. OFID prioritises critical infrastructure issues, resolves competing demands and defines investments necessary to achieve Government outcomes. Assets and liabilities were transferred in accordance with APS 16 and AAS 29.

The following assets and liabilities were transferred to the Department:	2005	2004
Assets:	\$'000	\$'000
Current assets	-	1 273
Non-current assets	-	2
Total Assets	-	1 275
Liabilities:		
Current liabilities	-	49
Non-current liabilities	-	258
Total Liabilities	-	307
Net Assets	-	968

(f) Vaughan Terrace (Berri) (2004 Comparative Only)

On 2 February 2004 Cabinet approved the transfer of No. 28 Vaughan Terrace, Berri from the Department for Environment and Heritage (DEH) and the South Australian Water Corporation (SA Water) to DAIS. The transfer is in line with DAIS' central management of office accommodation through its Real Estate Management Unit. Assets and liabilities were transferred in accordance with APS 16 and AAS 29.

The following assets were transferred to the Department:

	Note	2005 \$'000	2004 \$'000
Assets:			
Non-current assets		-	782
Total Assets		-	782
Net Assets		-	782
8. Cash	2.9		
Cash held with Treasury		69 550	161 120
Cash held in imprest account and petty cash		265	231
Total Cash		69 815	161 351
9. Receivables	2.10		
Current:			
Trade debtors		45 602	42 872
Less: Provision for doubtful debts		1 086	679
		44 516	42 193
Loans receivable		-	4 546
Less: Provision for doubtful debts		-	4 503
		-	43
Finance lease receivable		513	479
GST receivable	2.5	4 316	-
Other receivable		31	-
Accrued revenue		26 123	28 215
Accrued interest on bank		623	1 027
Total Current Receivables		76 122	71 957
Non-Current:			
Loans receivable		1 248	2 910
Less: Provision for doubtful debts		-	247
		1 248	2 663
Finance lease receivable		4 389	4 902
Others		101	-
Total Non-Current Receivables		5 738	7 565
Total Receivables		81 860	79 522
Receivables from SA Government Entities:			
Receivables		44 458	41 135
Accrued revenues		25 454	28 118
Total Receivables from SA Government Entities		69 912	69 253
Receivables from Non-SA Government Entities:			
Receivables		6 209	9 144
Accrued revenues		1 291	1 125
GST receivable		4 316	-
Others		132	-
Total Receivables from Non-SA Government Entities		11 948	10 269
Total Receivables		81 860	79 522
Finance Lease Receivable:	2.10		
Not later than one year		913	858
Later than one year and not later than five years		2 926	2 947
Later than five years		3 314	4 101
		7 153	7 906
Deduct future finance charges		2 251	2 525
		4 902	5 381
10. Inventories			
Current:			
Stock on hand	2.11	2 071	2 272
Total Inventories		2 071	2 272

11. Property, Plant and Equipment	Note	2005	2004
(a) Land, Buildings and Fitouts	2.13	\$'000	\$'000
Land, Buildings and Improvements - At Valuation:			
Land		168 918	137 008
Buildings and Facilities		370 259	338 879
Less: Accumulated Depreciation		2 134	9 373
		537 043	466 514
Fit Outs:			
In owned buildings - At cost		2 069	10 140
Less: Accumulated Depreciation		1 824	4 800
		245	5 340
In leased buildings - At cost		19 554	18 231
Less: Accumulated Depreciation		9 659	8 632
		9 895	9 599
Total Fit Outs		10 140	14 939
Total Land, Buildings and Fitouts		547 183	481 453
(b) Assets under Finance Lease	2.21		
Motor Vehicles:			
At valuation		111 278	111 278
Less: Accumulated amortisation		97 636	83 174
		13 642	28 104
Accommodation:			
At valuation		19 300	14 862
Less: Accumulated amortisation		-	1 241
		19 300	13 621
Plant and Equipment:			
At valuation		3 087	3 087
Less: Accumulated amortisation		2 835	2 429
		252	658
Total Assets under Finance Lease		33 194	42 383
(c) Plant and Equipment	2.13		
At cost		39 667	58 576
At valuation		3 122	-
Less: Accumulated depreciation		26 886	45 042
		15 903	13 534
(d) Government Radio Network	2.13		
At cost		-	103 475
At valuation		70 292	-
Less: Accumulated depreciation		-	33 728
		70 292	69 747
(e) Motor Vehicles	2.13		
At cost		209 371	124 598
Less: Accumulated depreciation		26 871	9 196
		182 500	115 402
Total Property, Plant and Equipment		849 072	722 519

12. Reconciliation of Property, Plant and Equipment	2005			
(a) The following table shows the movements of property, plant and equipment:	Land	Buildings and Improvements	Fit Outs	Assets Under Finance Lease
	\$'000	\$'000	\$'000	\$'000
Carrying amount as at 1 July	137 008	329 506	14 939	42 383
Additions	(178)	6 211	2 703	293
Disposals	(1 111)	(1 798)	-	-
Transfer from WIP	-	2 874	21	-
Revaluation increment (decrement)	33 222	35 292	-	5 892
Restructure transfer	(23)	(509)	(180)	-
Depreciation	-	(7 656)	(3 138)	(15 374)
Class transfers	-	4 205	(4 205)	-
Carrying Amount as at 30 June	168 918	368 125	10 140	33 194

(a) **The following table shows the movements of property, plant and equipment (continued):**

	2005			Total Property, Plant and Equipment \$'000
	Plant and Equipment \$'000	Motor Vehicles \$'000	Government Radio Network \$'000	
Carrying amount as at 1 July	13 534	115 402	69 747	722 519
Additions	6 661	117 844	2 680	136 214
Disposals	-	(25 841)	-	(28 750)
Transfer from WIP	1 703	-	-	4 598
Revaluation increment (decrement)	(304)	-	8 720	82 822
Restructure transfer	115	-	-	(597)
Depreciation	(5 806)	(24 905)	(10 855)	(67 734)
Class transfers	-	-	-	-
Carrying Amount as at 30 June	15 903	182 500	70 292	849 072

(b) **The following table shows the movements of capital works in progress:**

	2005			Total Capital WIP \$'000
	Land, Buildings and Fit Outs \$'000	Plant and Equipment \$'000	Government Radio Network \$'000	
Carrying amount as at 1 July	5 680	14 914	445	21 039
Additions	6 603	4 186	1 158	11 947
Transfer (to) PPE	(2 895)	(1 703)	-	(4 598)
Transfer (to) expenses	-	(5 039)	-	(5 039)
Carrying Amount as at 30 June	9 388	12 358	1 603	23 349

13. Other Assets

		2005	2004
Current:	Note	\$'000	\$'000
Prepaid expenses		6 300	7 115
Contracts work in progress*	2.12	4 076	3 262
Total Current Other Assets		10 376	10 377

* Contract work for SA Government entities

Non-Current:

Prepaid expenses		1 346	-
Total Non-Current Other Assets		1 346	-
Total Other Assets		11 722	10 377

14. Payables

		2005	2004
Current:			
Client advances	2.15	1 343	5 728
Trade creditors	2.14	5 224	3 880
Accrued expenses		63 686	66 171
GST payable	2.5	-	3 831
Employment on-cost		2 439	2 053
Total Current Payables		72 692	81 663

Non-Current:

Employment on-cost		3 348	3 211
Total Non-Current Payables		3 348	3 211
Total Payables		76 040	84 874

Payables to SA Government Entities:

Client advances		1 343	5 728
Creditors		628	2 114
Accrued expenses		7 690	7 237
Employment on-cost		5 787	5 264
Total Payables to SA Government Entities		15 448	20 343

Payables to Non-SA Government Entities:

Trade creditors		4 596	1 767
Accrued expenses		55 996	58 933
GST payable		-	3 831
Total Payables to Non-SA Government Entities		60 592	64 531
Total Payables		76 040	84 874

	Note	2005	2004
	2.18	\$'000	\$'000
15. Interest Bearing Liabilities			
Current:			
Finance leases		14 315	21 536
Borrowings from State Government		105 505	-
Other		242	-
Total Current Interest Bearing Liabilities		120 062	21 536
Non-Current:			
Finance leases		20 228	28 402
Borrowings from State Government		92 830	190 524
Other		4 573	-
Total Non-Current Interest Bearing Liabilities		117 631	218 926
Total Interest Bearing Liabilities		237 693	240 462
16. Employee Benefits			
Current:			
Accrued salaries and wages		1 620	728
Annual leave	2.19	8 898	7 752
Long service leave	2.19	2 273	2 029
Total Current Employee Benefits		12 791	10 509
Non-Current:			
Long service leave	2.19	29 625	27 966
Total Non-Current Employee Benefits		29 625	27 966
Total Employee Benefits		42 416	38 475
Employee Benefits and Related On-Costs			
Accrued Salaries and Wages:			
On-costs included in payables - Current	2.19	754	561
Provisions for employee benefits - Current		1 620	728
		2 374	1 289
Annual Leave:			
On-costs included in payables - Current	2.19	1 428	1 259
Provisions for employee benefits - Current		8 898	7 752
		10 326	9 011
Long Service Leave:			
On-costs included in payables - Current	2.19	257	233
Provisions for employee benefits - Current		2 273	2 029
		2 530	2 262
On-costs included in payables - Non-current		3 348	3 211
Provisions for employee benefits - Non-current		29 625	27 966
		32 973	31 177
Aggregate Employee Benefit and Related On-Costs		48 203	43 739
17. Provisions	2.20		
Current:			
Workers compensation		1 076	1 144
Across Government initiatives		-	356
Income Tax Equivalents payable to SA Government		1 322	-
Restructuring costs		2 789	-
Total Current Provisions		5 187	1 500
Non-Current:			
Workers compensation		2 691	2 632
Total Non-Current Provisions		2 691	2 632
Total Provisions		7 878	4 132
Movements in Provisions			
Current:			
Workers Compensation:			
Balance 1 July		1 144	1 330
Net movement during the year		(68)	(186)
Balance 30 June		1 076	1 144
Across Government Initiatives:			
Balance 1 July		356	356
Net movement during the year		(356)	-
Balance 30 June		-	356

		2005	2004
		\$'000	\$'000
Movements in Provisions (continued)			
Income Tax Equivalents:			
	Note		
Balance 1 July		-	-
Net movement during the year		<u>1 322</u>	-
Balance 30 June		<u>1 322</u>	-
Restructuring Costs:			
Balance 1 July		-	-
Net movement during the year		<u>2 789</u>	-
Balance 30 June		<u>2 789</u>	-
Non-Current:			
Workers Compensation			
Balance 1 July		2 632	3 522
Net movement during the year		<u>59</u>	<u>(890)</u>
Balance 30 June		<u>2 691</u>	2 632
18. Other Liabilities			
Current:			
Prepaid reimbursements relating to the sale and leaseback of motor vehicles		1 444	1 422
Income received in advance	2.17	1 715	2 161
Incentive monies owing	2.16	2 867	1 880
Contractor reimbursements in advance	2.12	1 338	-
Deferred profit on sale and leaseback of motor vehicles		-	1 068
Total Other Liabilities		<u>7 364</u>	6 531
19. Equity			
19.1 Contributed Capital			
Balance at 1 July		222 891	222 433
Contributed Capital during the year		10 455	458
Return of equity		<u>(23 636)</u>	<u>-</u>
Balance at 30 June		<u>209 710</u>	222 891
19.2 Accumulated Surplus			
Balance at 1 July		182 830	264 799
Net result after restructuring and tax		(11 409)	(12 432)
Dividend declared		(15 204)	(71 411)
Transfers to and from reserves:			
Transfer from Asset Revaluation Reserve		<u>1 915</u>	<u>1 874</u>
Balance at 30 June		<u>158 132</u>	182 830
19.3 Reserves			
Asset Revaluation Reserve:			
Balance at 1 July		210 572	168 889
Revaluation increments		83 686	43 557
Transfer to accumulated surplus		<u>(1 915)</u>	<u>(1 874)</u>
Balance at 30 June		<u>292 343</u>	210 572
Surplus Incentive Funds Reserve:			
Balance at 1 July		767	666
Net movement during the year		<u>-</u>	<u>101</u>
Balance at 30 June		<u>767</u>	767
Capital Reserves:			
Balance at 1 July		5 546	5 546
Net movement during the year		<u>-</u>	<u>-</u>
Balance at 30 June		<u>5 546</u>	5 546
Total Reserves		<u>298 656</u>	216 885
20. Finance Lease Commitments	2.21		
Motor Vehicles:			
Not later than one year		13 642	12 129
Later than one year and not later than five years		<u>-</u>	<u>7 500</u>
		13 642	19 629
Add future finance charges and contingent rentals		<u>-</u>	<u>8 474</u>
		<u>13 642</u>	28 103

20. Finance Lease Commitments (continued)		2005	2004
Classified as:	Note	\$'000	\$'000
Current		13 642	20 603
Non-current		-	7 500
		13 642	28 103
Accommodation:			
Not later than one year		3 200	3 132
Later than one year and not later than five years		12 799	12 527
Later than five years		54 394	53 241
		70 393	68 900
Deduct future finance charges and contingent rentals		49 718	47 707
		20 675	21 193
Classified as:			
Current		546	517
Non-current		20 129	20 676
		20 675	21 193
Plant and Equipment:			
Not later than one year		138	443
Later than one year and not later than five years		106	244
		244	687
Deduct future finance charges and contingent rentals		18	45
		226	642
Classified as:			
Current		127	416
Non-current		99	226
		226	642
Total Finance Lease Commitments:			
Current		14 315	21 536
Non-current		20 228	28 402
		34 543	49 938
21. Operating Lease Commitments	2.21		
Not later than one year		61 097	67 711
Later than one year and not later than five years		150 935	195 694
Later than five years		55 465	64 317
Total Operating Lease Commitments		267 497	327 722
22. Statement of Cash Flows			
(a) Reconciliation of Cash			
Cash at year end as per Statement of Cash Flows	8	69 815	161 351
(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services			
Net cash provided by operating activities		50 645	33 049
Less: Revenues from SA Government		(167 436)	(36 135)
Add: Payments to SA Government (income tax expense)		3 376	637
Less: Net expense (revenue) on restructuring		8 913	(14 339)
Add/Less Non Cash Items:			
Depreciation of buildings, plant and equipment		(52 360)	(37 260)
Gain on disposal of assets		2 914	115
Amortisation of finance lease		(15 374)	(19 979)
Profit on sale and leaseback		1 068	1 176
Net revenue on restructuring		-	13 004
Revaluation decrement		(865)	-
Doubtful debts expense		(1 352)	(1 054)
Other		(1 617)	(481)
Change in Assets and Liabilities:			
Increase in receivables		4 643	16 341
(Decrease) in inventories		(201)	(247)
Decrease in other assets		1 345	53
Decrease (Increase) in payables		8 265	(15 952)
(Increase) Decrease in provisions		(7 687)	186
(Increase) in other liabilities		(833)	(1 382)
Net Cost of Services from Operating Activities		(166 556)	(62 268)
23. Financial instruments			
(a) Terms, Conditions and Accounting Policies			
(i) <i>Financial Assets</i>			
Cash is available at call and is recorded at cost.			
Receivables are raised for all goods and services provided for which payment has not been received.			
Receivables are normally settled within 30 days.			

(ii) *Financial Liabilities*

Creditors and accruals are raised for all amounts billed but unpaid during 2004-05.

Sundry creditors are normally settled within 30 days.

Loans are recognised when issued at the amount of the net proceeds received and carried at cost less any repayments until the loan is settled. Loans are drawn from the Department of Treasury and Finance, and repayments are determined in negotiation with the Department. Interest on loans is recognised as an expense and is based on the common public sector interest rate plus a guarantee margin which, as at 30 June 2005, was 7.5 percent (7.5 percent).

(b) *Credit Risk Exposure*

The credit risk on financial assets recognised on the Statement of Financial Position is generally the carrying amount, net of any provisions for doubtful debts.

(c) *Net Fair Value*

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

(d) *Interest Rate Risk*

The Department's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

	2005						Weighted Average Interest Rate Percent
	Floating Interest Rate \$'000	Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000	
		1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000			
Financial Assets:							
Cash and cash equivalents	69 550	-	-	-	265	69 815	5.2
Finance lease receivable	-	513	1 869	2 520	-	4 902	7.5
Receivables	-	-	-	-	76 958	76 958	
Total Financial Assets	69 550	513	1 869	2 520	77 223	151 675	
Financial Liabilities:							
Borrowings from State							
Government	-	105 505	92 830	-	-	198 335	7.5
Finance lease liabilities	-	14 315	2 599	17 629	-	34 543	9.4
Other loans	-	242	1 171	3 402	-	4 815	7.8
Payables	-	-	-	-	76 040	76 040	
Total Financial Liabilities	-	120 062	96 600	21 031	76 040	313 733	
Net Financial Assets (Liabilities)	69 550	(119 549)	(94 731)	(18 511)	1 183	(162 058)	
	2004						
	Floating Interest Rate \$'000	Fixed Interest 1 year or less \$'000	Maturing in Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	Total \$'000	Weighted Average Interest Rate Percent
Financial Assets:							
Cash and cash equivalents	161 120	-	-	-	231	161 351	6.4
Finance lease receivable	-	479	1 891	3 011	-	5 381	7.0
Receivables	-	-	-	-	74 141	74 141	
Total Financial Assets	161 120	479	1 891	3 011	74 372	240 873	
Financial Liabilities:							
Borrowings from State							
Government	87 676	-	102 848	-	-	190 524	7.5
Finance lease liabilities	-	21 536	10 097	18 305	-	49 938	9.8
Payables	-	-	-	-	84 874	84 874	
Total Financial Liabilities	87 676	21 536	112 945	18 305	84 874	325 336	
Net Financial Assets (Liabilities)	73 444	(21 057)	(111 054)	(15 294)	(10 502)	(84 463)	

24. *Business Units*

DAIS carries out a number of functions and services through its business units. The functions for 2004-05 were as follows:

BUILDING MAINTENANCE	Provides a comprehensive facilities management service to Government agencies.
BUILDING MANAGEMENT	Provides leadership to Government and the building and construction industry for policy and practices in the management and procurement of Government built assets.

24. Business Units (continued) CORPORATE AND SUPPORT SERVICES (BUSINESS SERVICES)	Delivers a range of corporate business functions and services, project management services, business policy and planning services, to DAIS and other Government agencies on a 'shared services' basis. Corporate Services includes the activities of the Office of the Chief Executive, Employee Ombudsman and the Ministers' Office.
CONTRACT SERVICES	Best value Government procurement including contract development and management, advice and supply, distribution and disposal operations; secretariat support to the State Supply Board.
DEPARTMENT FOR ABORIGINAL AFFAIRS AND RECONCILIATION	Creates Aboriginal sustainable development, provides and maintains community infrastructure, administers Aboriginal heritage legislation, supports the State's land holding authorities and monitors and evaluates Government services. This business unit transferred to the Department for Families and Communities (Refer Note 7(a)).
FLEET SA	Provides fleet management services for Government vehicles including policy advice, vehicle leasing, car-pooling, maintenance, accident and fuel management, vehicle fit out, disposals preparation and a Chauffeured VIP Fleet Service.
FORENSIC SCIENCE	Provides independent pathology and scientific analysis services to the justice system and the community.
GOVERNMENT INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES	Supports the efficient electronic delivery of Government services and takes a strategic leadership role in the planning, management and delivery of information and communication services across the public sector.
GOVERNMENT PUBLISHING SA	Manages the publication and dissemination of a range of key parliamentary and Government publications for the South Australian Government.
INDUSTRIAL RELATIONS COURT, COMMISSION AND WORKERS COMPENSATION TRIBUNAL	Provides administrative and financial management support and carries out the registry functions for the Industrial Relations Court and Commission and Workers Compensation Tribunal.
LAND SERVICES GROUP	Provides a Government-guaranteed system of land titling and land boundary security, and a viable and impartial property valuation service for the benefit of business, Government and the community.
OFFICE FOR INFRASTRUCTURE DEVELOPMENT	Infrastructure development unit provides specialist project management services in strategic partnership with other Government agencies to deliver major and complex projects that support the economic development of the State.
OFFICE FOR RACING	Provides strategic policy advice to the SA Government to assist the racing industry to operate successfully and flourish financially within an environment that promotes public confidence.
OFFICE FOR RECREATION AND SPORT	Promotes growth and excellence in recreation and sport for South Australia by providing leadership, services and assistance to State bodies, local government, community and private sector organisations servicing the recreation and sporting industries.
POLICY, PLANNING AND COMMUNITY SERVICES	Enhances organisational performance by facilitating strategy, planning, policy and communications so that the Department is responsive to stakeholder and the community needs.
PUBLIC SECTOR WORK FORCE RELATIONS	Assists the Government to achieve its economic development and social goals, working within the parameters of relevant legislation and Government policy, by providing industrial relations services, occupational health, safety and injury management and strategic workforce policy and projects.
REAL ESTATE MANAGEMENT (INCLUDING SA GOVERNMENT COMMERCIAL AND EMPLOYEE RESIDENTIAL PROPERTIES)	Provides expert services to manage all aspects of Government agencies' commercial office accommodation and housing for Government employees who provide essential public services in country areas. The portfolio of owned and leased office accommodation is represented by SA Government Commercial Properties and the portfolio of housing assets is represented by SA Government Employee Residential Properties.
SERVICE SA	Services SA provides a common first line service delivery point for South

Australians to conduct financial transactions with Government, access Government related information services or receive referral for more specialised Government services.

STATE RECORDS

Provides records management services across all State Government agencies and local councils and provides a range of archival services for preservation of and access to official records.

WORKPLACE SERVICES

Promotes and encourages effective occupational health, safety and welfare and workplace relations practices by informing and educating employees and employers of their responsibilities, rights and obligations, and ensuring compliance with relevant legislation.

Abridged Statement of Financial Performance

	Employee Expenses \$'000	Supplies and Services \$'000	Depreciation and Amortisation \$'000	Others \$'000	Total Expenses from Ordinary Activities \$'000
Building Maintenance	7 146	77 216	5	178	84 545
Building Management	6 328	7 057	193	224	13 802
Business Services	24 856	20 887	1 732	895	48 370
Contract Services	6 759	18 157	87	555	25 558
Department for Aboriginal Affairs and Reconciliation	-	-	-	-	-
Fleet SA	4 975	28 598	39 425	10 040	83 038
Forensic Science	7 139	4 784	1 097	59	13 079
Government ICT Services	11 108	138 338	13 367	895	163 708
Government Publishing SA	916	1 308	45	-	2 269
Industrial Relations Court, Commission and Workers Compensation Tribunal	5 230	3 266	134	3	8 633
Land Services Group	20 048	21 631	1 044	33	42 756
Office for Infrastructure Development	746	341	27	1	1 115
Office for Racing	286	198	-	-	484
Office for Recreation and Sport	6 800	11 280	1 985	25 540	45 605
Policy, Planning and Community Services	1 613	721	3	6	2 343
Public Sector Workforce Relations	3 080	1 757	211	5 847	10 895
Real Estate Management	3 372	1 877	247	2 215	7 711
SA Government Commercial Properties	-	92 363	4 702	5 930	102 995
SA Government Employee Residential Properties	-	13 542	2 656	2 606	18 804
Service SA	3 916	3 020	179	81	7 196
State Records	2 392	3 850	552	7	6 801
Workplace Services	14 504	7 165	43	123	21 835
Eliminations	(84)	(52 187)	-	(2 294)	(54 565)
Consolidation	131 130	405 169	67 734	52 944	656 977

	Sales and Misc Revenue \$'000	Net Cost (Revenue) of Services \$'000	Revenues from SA Govern- ment \$'000	2005 Surplus (Deficit) before Restruc- turing Tax \$'000	2004 Surplus (Deficit) before Restruc- turing Tax \$'000
Building Maintenance	85 863	(1 318)	-	1 318	177
Building Management	10 063	3 739	-	(3 739)	(5 229)
Business Services	25 520	22 850	(710)	(23 560)	(16 282)
Contract Services	21 708	3 850	-	(3 850)	(4 799)
Department for Aboriginal Affairs and Reconciliation	-	-	-	-	6 863
Fleet SA	77 954	5 084	-	(5 084)	(11 806)
Forensic Science	3 423	9 656	-	(9 656)	(2 932)
Government ICT Services	141 404	22 304	-	(22 304)	(12 316)
Government Publishing SA	2 116	153	-	(153)	(84)
Industrial Relations Court, Commission and Workers Compensation Tribunal	5 080	3 553	-	(3 553)	(2 759)
Land Services Group	20 132	22 624	-	(22 624)	70 539
Office for Infrastructure Development	(56)	1 171	-	(1 171)	(1 130)
Office for Racing	-	484	-	(484)	(502)
Office for Recreation and Sport	2 737	42 868	6 683	(36 185)	(23 906)

Abridged Statement of Financial Performance (continued)

	Sales and Misc Revenue \$'000	Net Cost (Revenue) \$'000	Revenues from SA Govern- ment \$'000	2005 Surplus (Deficit) before Restruc- turing Tax \$'000	2004 Surplus (Deficit) before Restruc- turing Tax \$'000
Policy, Planning and Community Services	6	2 337	-	(2 337)	(2 531)
Public Sector Workforce Relations	1 050	9 845	-	(9 845)	421
Real Estate Management	6 390	1 321	244	(1 077)	315
SA Government Commercial Properties	107 061	(4 066)	-	4 066	(884)
SA Government Employee Residential Properties	22 108	(3 304)	-	3 304	1 632
Service SA	3 714	3 482	211	(3 271)	(3 418)
State Records	358	6 443	-	(6 443)	(5 860)
Workplace Services	8 355	13 480	-	(13 480)	(11 641)
Whole of DAIS appropriation	-	-	161 008	161 008	-
Eliminations	(54 565)	-	-	-	-
Consolidation	490 421	166 556	167 436	880	(26 133)

Abridged Statement of Financial Position

	Current Assets \$'000	Non- Current Assets \$'000	Total Assets \$'000	Current Liabilities \$'000
Building Maintenance	19 515	22	19 537	8 650
Building Management	29 814	11 267	41 081	21 366
Business Services	160 458	11 530	171 988	9 437
Contract Services	(9 173)	896	(8 277)	1 885
Department for Aboriginal Affairs and Reconciliation	-	-	-	-
Fleet SA	15 215	196 369	211 584	140 632
Forensic Science	(9 800)	5 813	(3 987)	793
Government ICT Services	24 373	79 953	104 326	19 581
Government Publishing SA	(155)	178	23	432
Industrial Relations Court, Commission and Workers Compensation Tribunal	(3 167)	580	(2 587)	624
Land Services Group	72 943	1 700	74 643	5 732
Office for Infrastructure Development	644	17	661	41
Office for Racing	(840)	-	(840)	38
Office for Recreation and Sport	(35 961)	142 439	106 478	2 558
Policy, Planning and Community Services	(5 212)	89	(5 123)	181
Public Sector Workforce Relations	(8 783)	120	(8 663)	287
Real Estate Management	1 835	702	2 537	445
SA Government Commercial Properties	(17 475)	232 304	214 829	6 069
SA Government Employee Residential Properties	(30 848)	196 357	165 509	1 288
Service SA	(4 306)	902	(3 404)	932
State Records	(14 889)	3 998	(10 891)	669
Workplace Services	(20 138)	269	(19 869)	2 122
Eliminations	(5 666)	(6 000)	(11 666)	(5 666)
Consolidation	158 384	879 505	1 037 889	218 096

	Non- Current Liabilities \$'000	Total Liabilities \$'000	2005 Net Assets \$'000	2004 Net Assets \$'000
Building Maintenance	3 372	12 022	7 515	6 695
Building Management	2 704	24 070	17 011	22 640
Business Services	7 753	17 190	154 798	21 313
Contract Services	1 734	3 619	(11 896)	(7 592)
Department for Aboriginal Affairs and Reconciliation	-	-	-	9 241
Fleet SA	99 047	239 679	(28 095)	(22 990)
Forensic Science	1 657	2 450	(6 437)	2 722
Government ICT Services	2 535	22 116	82 210	102 304
Government Publishing SA	414	846	(823)	(159)
Industrial Relations Court, Commission and Workers Compensation Tribunal	953	1 577	(4 164)	(686)
Land Services Group	5 631	11 363	63 280	96 402
Office for Infrastructure Development	-	41	620	1 621
Office for Racing	49	87	(927)	(443)
Office for Recreation and Sport	5 530	8 088	98 390	115 375

Abridged Statement of Financial Position (continued)

	Non-Current Liabilities \$'000	Total Liabilities \$'000	2005 Net Assets \$'000	2004 Net Assets \$'000
Policy, Planning and Community Services	234	415	(5 538)	(3 202)
Public Sector Workforce Relations	766	1 053	(9 716)	130
Real Estate Management	905	1 350	1 187	2 265
SA Government Commercial Properties	20 130	26 199	188 630	172 256
SA Government Employee Residential Properties	-	1 288	164 221	126 032
Service SA	1 629	2 561	(5 965)	(2 696)
State Records	317	986	(11 877)	(5 436)
Workplace Services	3 935	6 057	(25 926)	(13 186)
Eliminations	(6 000)	(11 666)	-	-
Consolidation	153 295	371 391	666 498	622 606

25. Commitments for Expenditure**Major Contractual Arrangements**

The Department manages a range of across Government contracts. Contracts in which the Department has financial management involvement are:

Facilities Maintenance Contract

The Department holds two contracts with private facility management contractors to undertake minor works and maintenance on behalf of Government agencies. The value of these contracts annually is approximately \$75 million (excluding management fees).

Information Technology Services

In October 1995, the South Australian Government signed the 'Information Technology Services and State Economic Development Agreement' with EDS (Australia) Pty Ltd that has a term of slightly more than 9 years. The primary term of the agreement expires in July 2005 followed by an 18 months disengagement period. The agreement requires EDS to provide information technology infrastructure services relating to mainframe, midrange, local area network, wide area network and workstation segments to most South Australian Government agencies.

The Department also incurs expenditure for this contract on behalf of other Government agencies, which it recovers from those agencies.

During the year the value of the contract (excluding management fees) was \$84 million.

Government Radio Network

On 29 April 1999 the South Australian Government signed a contract with Telstra Corporation Ltd to design, construct, operate and maintain the South Australian Government Radio Network (SA-GRN) for a period of 7 years with a commencement date of 24 May 1999.

The contract is directed to the establishment of a single integrated Government-owned, radio network providing voice, and for the first time, wide area data and paging communications to support public safety and other Government operations and includes a significant industry development program.

South Australian Government commitments to Telstra Corporation Ltd over the life of the contract total \$155.5 million. Other commitments associated with the project's development, over the life of the contract, total \$63.5 million. An additional provision of \$28.7 million has been established for contingencies over the duration of the contract

Considerations are underway for provision of radio services beyond May 2006. Cabinet has considered this matter and the period beyond this date is being actioned via the Future ICT procurement project.

Capital Works Program

The Department undertakes a risk management role within the Capital Works Program (ie Building). As a consequence of this role, building contractors are engaged to construct Government assets on behalf of agencies. The annual value of construction work managed by the Department is approximately \$250 million.

26. Contingent Liabilities**26.1 Netball Stadium - ETSA Park**

In 1997 the Government entered into formal arrangements with the South Australian Netball Association (SANA), regarding the construction of a netball stadium at Mile End. The arrangements resulted in the SANA securing a loan of \$3.5 million from an external banking institution to be applied with Government funding toward the stadium construction. As part of the arrangements the loan of SANA is underwritten by the Government. As such the Department is contingently liable for the outstanding balance of the loan of the SANA. At balance date the outstanding balance of the loan was \$3.05 million. During the reporting period the Department was required to contribute \$70 000 (\$20 000) to SANA to offset repayment obligation shortfalls. SANA reimbursed \$70 000 (\$nil) during the year.

26.2 Transition from present EDS ITSSSED Relationship

As part of the disengagement process as contained within provisions of the 'Information Technology Services and State Economic Development Agreement' with EDS (Australia) Pty Ltd (refer Note 25) are costs pertaining to the withdrawing from existing services. With the transitional arrangements estimated to be of 18 to 24 months duration the SA Government through DAIS is contingently liable for the following costs associated in maintaining existing services:

Purchase of Dedicated Infrastructure

Under the contractual arrangements the Government is required to purchase dedicated assets from EDS at the market rate as determined by the age profile of equipment as well as actual assets required. An amount of \$5 million is estimated.

Software Licensing Transfer Fees

As part of maintaining existing services there may be the requirement to purchase relevant software licences as pertaining to software, database and mainframe applications. An amount of \$2 million is estimated.

Software Maintenance Transfer Fees

As part of maintaining existing services there may be the requirement to acquire software maintenance licences as pertaining to software, database and mainframe applications. An amount of \$200 000 is estimated. The amounts provided above are estimates as it is not possible to reliably measure their value due to variations in the market value of the assets as well as an ability to offset costs through the reassigning.

27. Events After Balance Date

During the year the Government announced (gazette date of 18 April 2005) the establishment of the Department for Transport, Energy and Infrastructure (DTEI). For accounting and reporting purposes the Office of Infrastructure Development was transferred on 1 July 2005 to the new department.

On 7 March 2005 Cabinet approved a joint Service SA expansion submission in line with the South Australian Strategic Plan priority action to extend Service SA across South Australia. The submission has enabled Service SA to assume operation of the Transport SA Customer Service Centres located at Mount Gambier, Naracoorte, Berri, Kadina, Murray Bridge, Port Pirie, Adelaide CBD (North Terrace) and the Transport SA Call Centre. Service SA (DAIS) assumed responsibility for these centres on 1 July 2005.

**Statement of Administered Revenue and Expenses
for the year ended 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
ADMINISTERED REVENUE:			
Revenues from SA Government	A3	16 736	8 478
Fees and charges	A4	267 631	187 821
Interest	A5	383	354
Total Administered Revenue		284 750	196 653
ADMINISTERED EXPENSES:			
Employee expenses	A7	3 266	3 372
Supplies and services	A8	168 332	212 283
Grants and subsidies	A9	5 050	2 859
Payments to consolidated account	A10	97 925	-
Total Administered Expenses		274 573	218 514
NET OPERATING SURPLUS (DEFICIT) BEFORE RESTRUCTURING		10 177	(21 861)
Decrease in net assets due to administrative restructure	A6	-	(23 075)
NET OPERATING SURPLUS(DEFICIT) AFTER RESTRUCTURING		10 177	(44 936)

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
ADMINISTERED CURRENT ASSETS:			
Cash	A11	26 237	19 360
Receivables	A12	722	2 874
Total Current Assets		26 959	22 234
ADMINISTERED NON-CURRENT ASSETS:			
Receivables	A12	108	182
Total Non-Current Assets		108	182
Total Administered Assets		27 067	22 416
ADMINISTERED CURRENT LIABILITIES:			
Payables	A13	12 367	9 710
Employee benefits	A13	149	114
Prepaid revenue	A13	1 361	10 946
Provisions	A14	1 600	-
Outstanding claims	A13	4 914	5 793
Total Current Liabilities		20 391	26 563
ADMINISTERED NON-CURRENT LIABILITIES:			
Employee benefits	A13	175	222
Outstanding claims	A13	11 203	15 841
Total Non-Current Liabilities		11 378	16 063
Total Administered Liabilities		31 769	42 626
NET LIABILITIES ASSETS		(4 702)	(20 210)
ADMINISTERED EQUITY:			
Funds held in trust	A15	5 344	13
Accumulated (Deficit) Surplus		(10 046)	(20 223)
TOTAL ADMINISTERED EQUITY		(4 702)	(20 210)

Administered Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH INFLOWS:	Note	\$'000	\$'000
Receipts from SA Government		19 338	13 444
Taxes, fees and charges		105 732	7 389
State auctions		84 329	81 060
Proceeds from administrative restructure		-	1 834
CBA vehicles		54 056	73 553
Gaming machines		23 474	26 756
Other receipts		5 343	4 389
		292 272	208 425
CASH OUTFLOWS:			
Employees payments		(3 227)	(3 198)
Grants		(5 050)	(2 859)
Payment to consolidated account		(87 364)	-
State auctions		(83 860)	(81 690)
CBA vehicles		(57 027)	(73 363)
Gaming machines		(23 419)	(27 564)
Payments to suppliers		(15 506)	(20 769)
Payment due to administrative restructure		(9 892)	-
		(285 395)	(209 443)
Net Cash Inflows (Outflows) from Operating Activities	A16	6 877	(1 018)
NET INCREASE (DECREASE) IN CASH HELD		6 877	(1 018)
CAST AT 1 JULY		19 360	20 378
CASH AT 30 JUNE		26 237	19 360

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (ADMINISTERED ITEMS)

A1. Summary of Significant Accounting Policies

All accounting policies for the Department for Administrative and Information Services are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both DAIS and the Administered Financial Statements.

A2. Administered Items

The following funds and financial transactions are administered by the department as at 30 June 2005. They do not represent controlled transactions of the Department. As such, they are not recognised in the financial statements of the Department.

A2.1 Asset Sales Deposit Account and WorkCover Review

During the reporting period these accounts were closed due to no further activity being conducted.

A2.2 Commonwealth Bank of Australia (CBA) Deposit Account

This account was established as a result of the sale and leaseback of the light motor fleet. This account is non-interest bearing and is utilised to collect the proceeds from sales of vehicles on behalf of the fleet owner. After the 10 July 2005 there will be no further activity in this account.

A2.3 Gaming Machines Operations Deposit Account

Contract Services holds funds on behalf of the State Supply Board for the purchase and sale of gaming machines as provided for under section 26 of the *Gaming Machines Act 1992*.

A2.4 Government Workers Rehabilitation and Compensation Fund

The Government Workers Rehabilitation and Compensation Fund (the GWRC Fund) was established to provide for the funding of rehabilitation programs and payment of workers compensation benefits for government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work.

A2.5 Land Services Trust Funds

The Department administers the following trust accounts in accordance with the following Acts:

- Real Property Act Assurance Fund (RPAAF) - Section 201 *Real Property Act 1886*
- Real Property Act Trust Accounts - Section 146 *Real Property Act 1886*
- Workers Liens Trust Account - Section 16 *Workers Liens Act 1893*.

A2.6 Major Administered Projects

The Department holds funds in trust for capital works on behalf of other agencies for certain major projects. The Department holds any carries forward funds on behalf of the Government and applies expenditure to these projects subject to project manager approval.

This arrangement has been established for the following:

- Riverbank
- Riverbank Stage 2
- West Lakes Contamination
- Deep Sea Grain Port at Outer Harbour
- Head Works Infrastructure development at Outer Harbour
- SARDI Pipeline (Completed Sept 2003)

These projects do not contribute to the asset base of the Department, in that the Department has no control over these assets once they are completed. The finished capital projects are transferred to the controlling agency.

Due to an Administrative Restructure effective 1 July 2005, some of these projects managed by the Office for Infrastructure Development will transfer to the Department for Transport, Energy and Infrastructure (DTEI).

A2.7 Recreation and Sport Fund

The Department administers this fund on behalf of the Minister for Recreation, Sport and Racing. In accordance with provisions of the *Soccer Football Pools Act 1981*, *Racing Act 1976*, and *State Lotteries Act 1966*, monies are paid into the Fund for the purpose of supporting and developing such recreational and sporting facilities and services within the state, as are approved by the Minister.

The major sources of annual income are receipts from licensees to promote, conduct and operate soccer pools, and income derived from designated sports lotteries. Soccer pool income is returned to the Treasurer at the end of each financial year under an administrative arrangement agreed to in 1995.

A2.8 Special Acts Salaries

The Department receives a separate appropriation for the payment of salaries in relation to:

- Minister for Administrative Services
- Presidents, Deputy Presidents and Magistrates of the Industrial Relations Court and Commission and Workers Compensation Tribunal
- Valuer General
- Employee Ombudsman

Funding is provided under 'Recurrent Expenditure - Special Acts'. The Department has no control over the use of these funds.

A2.9 Sport and Recreation Fund

The Department administers this fund on behalf of the Minister for Recreation, Sport and Racing. In accordance with provisions of the *Gaming Machines (Miscellaneous Amendments) Act 1966*, monies are paid into the fund for the following programs:

- Management Development Program
- Active Club Program
- Move IT Program
- SASI Talent Scholarship Program
- State Facilities Fund

A2.10 State Government Auctions

Contract Services (a business unit within DAIS) holds proceeds on behalf of agencies from the auction of government motor vehicles and other plant and equipment.

A2.11 Land Services Regulatory Fees

The Land Services Group collects regulated fees and charges revenue through various land administration Acts administered under the statutory authority of the Registrar General and the Surveyor General. Prior to 2004-05 these revenues were returned to the Consolidated Account net of the cost of Land Services Group operations. From 2004-05 the Land Services Group was fully appropriated for the cost of the operations and the regulated revenues treated as a DAIS Administered Item. The revenue is collected through the following legislation:

- *Real Property Act 1886*, Regulation 3
- *Strata Titles Act 1988*, Regulation 4
- *Community Titles Act 1996*, Schedule 2
- Real Properties (Land Division) Regulations 1995, Schedule 1
- *Bills of Sale Act 1886*, Regulation 4
- *Registration of Deeds Act 1935*, Regulation 3, Schedule 1
- *Workers Liens Act 1893*, Regulation 3, Schedule 1

A2.12 Medical Specialist Fund

The fund forms part of the Forensic Science Pathologists award whereby the Department is required to contribute 5 percent of their base salary for the purpose of professional development. Prior to 1 July 2004 the fund was administered by the Institute of Medical and Veterinary Science.

A3. Revenues from SA Government	2005	2004
Appropriation and Funding:	\$'000	\$'000
Special acts	3 817	2 673
Government Workers Rehabilitation and Compensation Fund	5 795	3 705
Major projects	7 124	2 100
	16 736	8 478
A4. Fees and Charges		
Fees and Charges received/receivable from entities within the SA Government:		
Other fees and charges	568	70
Project revenue	906	1 362
Gaming revenue	64	37
Total Fees and Charges - SA Government	1 538	1 469
Fees and Charges received/receivable from entities external to the SA Government:		
Regulatory fees	97 925	3 138
Betting and gaming revenue	3 636	3 694
State Government auctions	83 632	81 843
Gaming machines	23 096	25 392
Motor vehicle sales	53 497	66 895
Other	4 307	5 390
Total Fees and Charges - Non-SA Government	266 093	186 352
Total Fees and Charges	267 631	187 821
A5. Other Revenues from SA Government		
Interest	383	354
	383	354
A6. Net Gain (Loss) from Administrative Restructure		
Government Workers Rehabilitation and Compensation Fund	-	(23 075)
	-	(23 075)

On 11 March 2004, the Government announced the transfer of the Department of Aboriginal Affairs to the Department for Families and Communities. The AT SIS Capital Works Fund, an administered item of the Department of Aboriginal Affairs, has also transferred to that department.

The following administered assets and liabilities were transferred out of the Department:	2005	2004
Assets:	\$'000	\$'000
Current	9 922	-
Total Assets	9 922	-
Liabilities:		
Current	9 922	-
Total Liabilities	9 922	-
Net Assets (Liabilities)	-	-

A7. Employee Expenses	2005	2004
	\$'000	\$'000
Wages and salaries	2 431	2 469
Long service leave	176	86
Annual leave	52	70
Employment on-costs - Superannuation*	445	563
Employment on-costs - Other*	162	184
Total Employee Expenses	3 266	3 372
* Expenses paid to SA Government		
A8. Supplies and Services		
Supplies and Services provided by entities within the SA Government:		
Professional fees	1 617	22
State Government auctions	83 643	81 835
Project expenditure	3 513	372
Gaming machine expenditure	441	-
Others	455	114
Total Supplies and Services - SA Government Entities	89 669	82 343
Supplies and Services provided by entities external to the SA Government:		
Professional fees	52	2 510
Gaming machines	16 558	27 561
Gaming licences	6 350	-
Disbursement of vehicle proceeds	54 056	73 407
Project expenditure	2 557	13 310
Others	(910)	13 152
Total Supplies and Services - SA Non-Government Entities	78 663	129 940
Total Supplies and Services	168 332	212 283
A9. Grants and Subsidies		
Grants and Subsidies paid/payable to entities within the SA Government:		
Recurrent grants	5 050	2 859
Total Grants and Subsidies - SA Government Entities	5 050	2 859
Total Grants and Subsidies	5 050	2 859
A10. Payment to Consolidated Account		
Payment to consolidated account	97 925	-
Total Payment to Consolidated - SA Government Entities	97 925	-
A11. Cash		
Cash held with Treasury	26 237	19 360
A12. Receivables		
Current:		
Accrued interest	-	59
Accrued revenue	-	1 698
Receivables	722	1 117
Total Current Receivables	722	2 874
Non-Current:		
Receivables	108	182
Total Non-Current Receivables	108	182
Total Receivables	830	3 056
Receivables from SA Government entities:		
Accrued interest	-	59
Accrued revenue	-	912
Receivables	729	739
Total Receivables from SA Government Entities	729	1 710
Receivables from Non-SA Government entities:		
Receivables	101	560
Accrued revenue	-	786
Total Receivables from Non-SA Government Entities	101	1 346
Total Receivables	830	3 056

A13. Liabilities	2005	2004
Current Liabilities:	\$'000	\$'000
Payables	12 367	9 710
Employee benefits	149	114
Provision for legal fees	1 600	-
Prepaid revenue	1 361	10 946
Outstanding claims (refer to the GWRC Fund)	4 914	5 793
	20 391	26 563
Non-Current Liabilities:		
Employee benefits	175	222
Outstanding claims (refer to the GWRC Fund)	11 203	15 841
	11 378	16 063
Total Administered Liabilities	31 769	42 626
Liabilities to SA Government Entities:		
Payables	10 642	14
Provision for legal fees	1 600	-
Total Liabilities from SA Government Entities	12 242	14
Liabilities to Non-SA Government Entities:		
Payables	1 725	9 696
Employee benefits	324	336
Prepaid revenue	1 361	10 946
Outstanding claims (refer to the GWRC Fund)	16 117	21 634
Total Liabilities from Non-SA Government Entities	19 527	42 612
Total Liabilities	31 769	42 626
A14. Provisions		
Current:		
Legal fees	1 600	-
Total Current Provisions	1 600	-
Movement in Provisions:		
Balance at 1 July	-	-
Net movement during the year	1 600	-
Balance at 30 June	1 600	-
Major Projects has an estimated \$1.6 million obligation for legal costs not yet finalised.		
A15. Equity		
Funds held in trust	5 344	13
Accumulated deficit	(10 046)	(20 223)
	(4 702)	(20 210)
LSG hold funds in trust which have been treated as liabilities in prior years.		
A16. Cash Flow Reconciliation		
(a) Reconciliation of Cash - Cash at 30 June		
Statement of Administered Cash Flows	26 237	19 360
(b) Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services		
Net cash provided by operating activities	6 877	(1 018)
Reclassification of liabilities to equity	(5 331)	-
Change in Assets/Liabilities:		
Increase (Decrease) in receivables	(2 226)	(4 495)
(Increase) Decrease in payables	(2 657)	(6 669)
(Increase) Decrease in employee benefits	12	(220)
(Increase) Decrease in prepaid revenue	9 585	(10 946)
(Increase) Decrease in provisions	(1 600)	-
Decrease (Increase) in outstanding claims	5 517	(21 588)
Net Cost of Services from Ordinary Activities	10 177	(44 936)

A17. Statement of Financial Performance

	Receipts and Other Revenue \$'000	Receipts from Government \$'000	Total Administered Revenues \$'000	Employee Expenses \$'000
Asset Sales Deposit Account	165	-	165	-
ATSIS Capital Works Fund	-	-	-	-
CBA Vehicles	53 497	-	53 497	-
Gaming Machines	23 479	-	23 479	-
Government Workers Compensation Fund	254	5 795	6 049	-
Lands Services Group				
Regulatory Fees	97 925	-	97 925	-
Lands Services Group Trust Funds	731	-	731	-
Major Administered Projects	4 483	7 124	11 607	(42)
Medical Specialist Fund	130	-	130	-
Rec and Sport Fund	200	-	200	-
Special Acts Salaries	-	3 817	3 817	3 308
Sport and Rec Fund	3 500	-	3 500	-
State Government Auctions	83 632	-	83 632	-
WorkCover Review	18	-	18	-
Total	268 014	16 736	284 750	3 266

	Other Operating Expenses \$'000	Total Administered Expenses \$'000	2005 Net Operating (Deficit) Surplus before Restructuring \$'000
Asset Sales Deposit Account	-	-	165
ATSIS Capital Works Fund	-	-	-
CBA Vehicles	54 056	54 056	(559)
Gaming Machines	23 356	23 356	123
Government Workers Compensation Fund	(1 146)	(1 146)	7 195
Lands Services Group Regulatory Fees	97 925	97 925	-
Lands Services Group Trust Funds	731	731	-
Major Administered Projects	7 668	7 626	3 981
Medical Specialist Fund	24	24	106
Rec and Sport Fund	-	-	200
Special Acts Salaries	-	3 308	509
Sport and Rec Fund	5 050	5 050	(1 550)
State Government Auctions	83 643	83 643	(11)
WorkCover Review	-	-	18
Total	271 307	274 573	10 177

A18. Statement of Financial Position

	Current Assets \$'000	Non- Current Assets \$'000	Total Assets \$'000	Current Liabilities \$'000
Asset Sales Deposit Account	-	-	-	-
ATSIS Capital Works Fund	-	-	-	-
CBA Vehicles	251	-	251	(1)
Gaming Machines	1 305	-	1 305	1 305
Government Workers Compensation Fund	3 175	108	3 283	5 249
Lands Services Group Regulatory Fees	10 562	-	10 562	10 562
Lands Services Group Trust Funds	6 150	-	6 150	806
Major Administered Projects	4 808	-	4 808	2 283
Medical Specialist Fund	106	-	106	-
Rec and Sport Fund	242	-	242	-
Special Acts Salaries	(2 049)	-	(2 049)	149
Sport and Rec Fund	2 371	-	2 371	-
State Government Auctions	38	-	38	38
WorkCover Review	-	-	-	-
Total	26 959	108	27 067	20 391

**A18. Statement of Financial Position
(continued)**

	Non- Current Liabilities \$'000	Total Liabilities \$'000	2005 Net (Liabilities) Assets \$'000	2004 Net (Liabilities) Assets \$'000
Asset Sales Deposit Account	-	-	-	(165)
ATSIS Capital Works Fund	-	-	-	-
CBA Vehicles	-	(1)	252	813
Gaming Machines	-	1 305	-	(123)
Government Workers Compensation Fund	11 203	16 452	(13 169)	(20 365)
Lands Services Group Regulatory Fees	-	10 562	-	-
Lands Services Group Trust Funds	-	806	5 344	13
Major Administered Projects	-	2 283	2 525	(1 455)
Medical Specialist Fund	-	-	106	-
Rec and Sport Fund	-	-	242	42
Special Acts Salaries	175	324	(2 373)	(2 884)
Sport and Rec Fund	-	-	2 371	3 921
State Government Auctions	-	38	-	11
WorkCover Review	-	-	-	(18)
Total	11 378	31 769	(4 702)	(20 210)

A19. Remuneration of Employees

Amounts received or receivable by employees as Administered Items whose remuneration is greater than \$100 000. The amounts include salaries, related payments and superannuation benefits	2005 \$'000	2004 \$'000
	2 821	2 970

The number of employees of the Department whose remuneration falls within the following bands for the year ended were:

	2005 Number of Employees	2004 Number of Employees
\$120 000 - \$129 999	1	1
\$140 000 - \$149 999	-	1
\$150 000 - \$159 999	1	-
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	-	1
\$210 000 - \$219 999	-	2
\$220 000 - \$229 999	1	-
\$230 000 - \$239 999	1	1
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	-	1
\$270 000 - \$279 999	1	-
\$310 000 - \$319 999	-	4
\$330 000 - \$339 999	2	-
\$340 000 - \$349 999	1	1
\$370 000 - \$379 999	1	-
	11	12

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

ADMINISTERED RESPONSIBILITY

The Government Workers Rehabilitation and Compensation Fund (the GWRC Fund) is administered (but not controlled) by the Department for Administrative and Information Services (DAIS).

Costs of the Fund are processed through a non-interest bearing Special Deposit Account titled 'Government Workers Rehabilitation and Compensation Fund'. The payments processed through the account include all lump-sum claim payments and costs of administering the GWRC Fund. The principal source of funds consists of monies provided to the GWRC Fund by the State Government.

The GWRC Fund was established to provide funding for the rehabilitation programs and payments of workers compensation benefits for government workers in accordance with current workers compensation legislation and for claims for damages at common law for injury and disease suffered as a result of work.

Over the past 12 years the responsibility for meeting the cost of certain aspects of claims has gradually been devolved to Government agencies.

As at 30 June 2004 the GWRC Fund was closed to any new claims, with the responsibility for meeting all claim costs being transferred to Government agencies. The impact of this change is that from 1 July 2004 the GWRC Fund will only meet certain costs of existing claims as at 30 June 2004.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Government Workers Rehabilitation and Compensation Fund for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Government Workers Rehabilitation and Compensation Fund in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

The major focus of the audit was financial reporting, including valuations undertaken of the Fund's liabilities and assets, where applicable. The audit also included a review of controls over the claims management system.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the Government Workers Rehabilitation and Compensation Fund as at 30 June 2005, its financial performance and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Government Workers Rehabilitation and Compensation Fund in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Government Workers Rehabilitation and Compensation Fund have been conducted properly and in accordance with law.

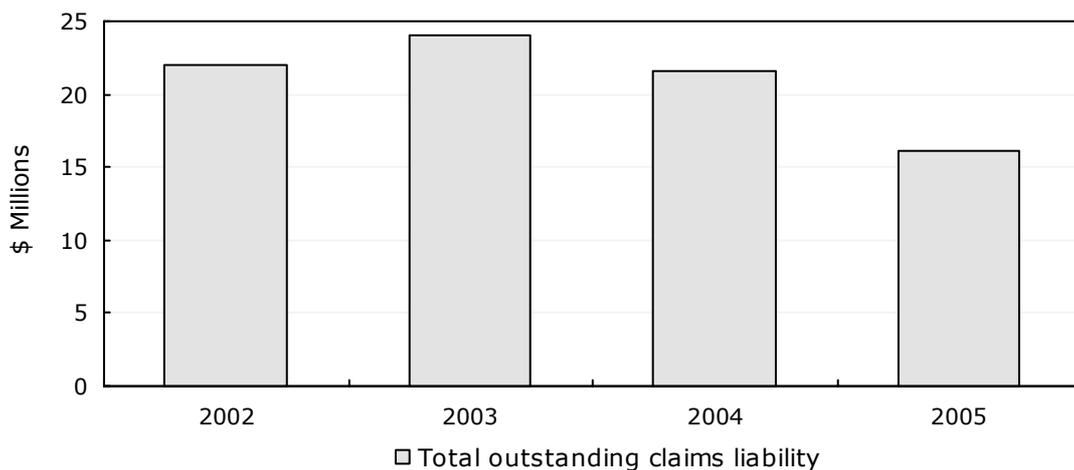
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Outstanding Claims

The GWRC Fund's Statement of Financial Position is dominated by the provision for outstanding claims, which by its nature is subjective. As a result, an independent actuary is appointed to undertake an analysis each year of the outstanding claims liability for the whole-of-government.

The outstanding claims liability is based on the number of claims reported and payments for each payment type during each accident period. The actuary then uses a statistical model to estimate the total outstanding claims. The liability is adjusted for several factors, including inflating claims and then discounting them to their present value and an estimate of the cost of administering the outstanding claims.

The following chart shows the total outstanding claims liability for the four years to 2005.



The outstanding claim liability for the GWRC Fund as at 30 June 2005 was \$16.1 million (\$21.6 million). The decrease of \$5.5 million is due to lump sum settlements and the reassessment of the outstanding claims liability by the actuary.

GOVERNMENT WORKERS REHABILITATION AND COMPENSATION FUND

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Transfer from Targeted Voluntary Separation Package Scheme	5	-	1 292
Other revenues	6	254	195
Total Revenues from Ordinary Activities		254	1 487
EXPENSES FROM ORDINARY ACTIVITIES:			
Claims expenses	3	(1 216)	2 359
Other expenses	4	70	123
Total Expenses from Ordinary Activities		(1 146)	2 482
NET REVENUE OF SERVICES FROM ORDINARY ACTIVITIES		1 400	(995)
REVENUES FROM SA GOVERNMENT:			
Grants and subsidies		5 795	3 705
Net Results from Ordinary Activities	10	7 195	2 710
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		7 195	2 710

Statement of Financial Position as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash		3 139	670
Receivables	7(a)	36	969
Total Current Assets		3 175	1 639
NON-CURRENT ASSETS:			
Receivables	7(b)	108	182
Total Non-Current Assets		108	182
Total Assets		3 283	1 821
CURRENT LIABILITIES:			
Payables	8	336	552
Outstanding claims liability	9(a)	4 914	5 793
Total Current Liabilities		5 250	6 345
NON-CURRENT LIABILITIES:			
Outstanding claims liability	9(b)	11 203	15 841
Total Non-Current Liabilities		11 203	15 841
Total Liabilities		16 453	22 186
NET DEFICIENCY		(13 170)	(20 365)
EQUITY:			
Accumulated deficit	10	(13 170)	(20 365)
TOTAL DEFICIENCY		(13 170)	(20 365)

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:		\$'000	\$'000
CASH INFLOWS:	Note		
Other Receipts:			
Other receipts from ordinary activities		349	77
Transfer from Targeted Voluntary Separation Package Scheme		912	530
Total Cash Inflows		1 261	607
CASH OUTFLOWS:			
Claim payments		(4 493)	(5 417)
Other payments from ordinary activities		(94)	(59)
Total Cash Outflows		(4 587)	(5 476)
CASH FLOWS FROM GOVERNMENT:			
Receipts from SA Government		5 795	3 705
Net Cash Inflows (Outflows) from Operating Activities	11	2 469	(1 164)
NET INCREASE (DECREASE) IN CASH HELD		2 469	(1 164)
CASH AT 1 JULY		670	1 834
CASH AT 30 JUNE		3 139	670

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives

The Government Workers Rehabilitation and Compensation Fund (the Fund) was established to provide for the funding of rehabilitation programs and payment of workers compensation benefits for Government workers in accordance with current workers compensation legislation and in respect of claims for damages at common law for injury and disease suffered as a result of work. From 1 July 2004, the Treasurer approved the closure of the Fund to any new liabilities from claims formally registered on/ from that date. Agencies are now responsible for all costs associated with workers compensation claims registered from 1 July 2004.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The accounts have been prepared in accordance with the Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Australian Accounting Standards and Urgent Issue Group Consensus Views. The accounts are prepared on the accrual basis and in accordance with conventional historical cost principles except where stated.

(b) The Reporting Entity

The financial report encompasses all activities transacted through a Special Deposit Account entitled 'Government Workers Rehabilitation and Compensation Fund'. The Fund is administered by, but not controlled by, the Department for Administrative and Information Services.

The Fund's principal sources of funding consist of:

- Monies appropriated to the Department for Administrative and Information Services for the Fund by Parliament. These monies are recognised as grants and subsidies.
- Monies reimbursed from the Targeted Voluntary Separation Package Scheme's Special Deposit Account for the settlement of outstanding workers compensation claims, which is a pre-requisite of the separation process.

(c) Claims expenses met from the Fund

The following expenses for claims are met by the Fund:

- Lump sum settlements for small and certain medium sized Government agencies covered by the Fund.
- A portion of lump sum settlements to larger Government agencies.
- Income maintenance, legal costs and other costs for three specific agencies.

(d) Grants and Subsidies

Grants and Subsidies are recognised as revenue when the Fund obtains control over the assets comprising the contribution. Control over Grants and Subsidies is normally obtained upon their receipt.

(e) Receivables

Funding is obtained by recoveries from third parties. The level of receivables in relation to third party recoveries has been established on the basis of an independent actuarial assessment of the estimated revenue expected from recovery action against third parties. The actuarial assessment includes the separation of the receivable into current and non-current.

(f) Payables

Payables include creditors and accrued expenses.

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 Fund and are normally settled within 30 days.

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.

(g) Outstanding Claims Liability

The provision for outstanding liability of the Fund covers those claims expenses stated in Note 2(c) as being met from the Fund.

A liability for outstanding claims is recognised in respect of claims incurred but not yet paid and the anticipated direct and indirect costs of settling those claims.

The liability for outstanding claims has been established on the basis of an independent actuarial assessment of the estimated costs of settlement of claims, inflated for the anticipated effects of inflation and other factors, and discounted to a present value at balance date.

(h) Financial Instruments

The Fund's accounting policies, including the terms and conditions of each class of financial assets and financial liabilities recognised at 30 June 2005, are as follows:

Financial Assets

Cash at Bank includes cash deposits which are readily convertible to cash on hand and which are used in the cash management function on a day-to-day basis. Cash deposits are non-interest bearing.

Receivables (Note 7) include recoveries from third parties.

Financial Liabilities

Payables (Note 8) include creditors and accrued expenses.

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value.

(i) Changes in Accounting Policies

Government/Non-Government Disclosures

In accordance with APS 13 'Form and Content of General Purpose Financial Reports', the Fund has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in a Note to the accounts.

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Fund will adopt these standards for the first time in the published financial report for the year ending 30 June 2006.

In accordance with AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' the Fund has assessed that there are no adjustments required from the transition to AIFRS.

3. Claims Expense

	Operating Payments		Movement in Outstanding Liability and Payables		Total Expense	
	2005	2004	2005	2004	2005	2004
Claims expense comprised of:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lump sum settlements	4 154	4 987	(5 264)	(2 576)	(1 110)	2 411
Income maintenance	39	121	(305)	(371)	(266)	(250)
Legal costs	9	7	-	-	9	7
Other	291	302	(140)	(111)	151	191
	4 493	5 417	(5 709)	(3 058)	(1 216)	2 359

3. Claims Expense (continued)

The movement in the outstanding liability has been allocated on an apportionment basis of the total current and non-current claims liability.

The reduction in Operating Payments was mainly due to the closure of the Fund to any new liabilities from claims from 1 July 2004.

4. Other Expenses

	2005	2004
	\$'000	\$'000
Other Expenses paid/payable to entities within the SA Government:		
Audit fees	9	17
Total Other Expenses to SA Government Entities	9	17
Other Expenses paid/payable to entities external to the SA Government:		
Consultants ⁽ⁱ⁾	51	56
Other	10	50
Total Other Expenses - Non-SA Government Entities	61	106
Total Other Expenses	70	123

(i) The consultant expenses relate to the services provided by the Actuary (Taylor Fry Consulting Actuaries).

5. Transfer from Targeted Voluntary Separation Package Scheme

Transfer from Targeted Voluntary Separation Package Scheme	-	1 292
	-	1 292

There was no Targeted Voluntary Separation Package Scheme in 2004-05.

6. Other Revenue

Recoveries from third parties	44	118
Recoveries from SA Government entities	209	-
Sundry revenue	1	77
	254	195

7. Receivables

The Fund's third party recoveries receivable was determined by an independent actuary valuation performed by Taylor Fry Consulting Actuaries.

Receivables from SA Government Entities

(a) Current:		
Receivable from Targeted Voluntary Separation Package Scheme	-	912
Third party recoveries	36	57
	36	969
(b) Non-Current:		
Third party recoveries	108	182
	108	182
Total Receivables from SA Government Entities	144	1 151

8. Payables

Payables to SA Government Entities:		
Lump sum settlements	32	-
Audit fees	13	17
Other	-	74
Total Payables to Other SA Government Entities	45	91

Payables to Non-SA Government Entities:

Consultant fees	51	55
Lump sum settlements	182	406
Other	58	-
Total Payables to Non-SA Government Entities	291	461
Total Payables	336	552

9. Outstanding Claims Liability

The Fund's liability reflects an actuarial assessment of the Government workers compensation liability as outlined in Note 2(g), according to the experience of claim numbers and payments over the period 1 July 1987 to 30 June 2005. The whole of Government estimate can be found in a report prepared by Taylor Fry Consulting Actuaries, dated 31 August 2005 and submitted to the Department for Administrative and Information Services. This report conforms to the WorkCover Guidelines for Actuaries, Accounting Standard AASB 1023 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial reports and advice on outstanding claims in General Insurance Activities' of the Institute of Actuaries of Australia. The whole of Government estimate in relation to this Fund is detailed below.

9. Outstanding Claims Liability (continued)	2005	2004
(a) Current:	\$'000	\$'000
Income maintenance	148	223
Lump sum settlements	4 699	5 472
Other	67	98
	4 914	5 793
(b) Non-Current:		
Income maintenance	817	1 047
Lump sum settlements	10 089	14 388
Other	297	406
	11 203	15 841
(c) Total:		
Income maintenance	965	1 270
Lump sum settlements	14 788	19 860
Other	364	504
	16 117	21 634
10. Accumulated Deficit		
Balance at 1 July	(20 365)	(23 075)
Increase in net assets resulting from operations	7 195	2 710
Balance at 30 June	(13 170)	(20 365)
11. Cash Flow Reconciliation		
Reconciliation of Cash - Cash at 30 June		
Statement of Cash Flows	3 139	670
Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Net Revenue (Cost of Services) from Ordinary Activities		
Net cash inflows (outflows) operating activities	2 469	(1 164)
Cash flow from SA Government	(5 795)	(3 705)
Change in operating assets and liabilities:		
(Decrease) Increase in receivables	(1 007)	879
Decrease in payables	216	622
Decrease in claims liability	5 517	2 373
Net Revenue (Cost of Services) from Ordinary Activities	1 400	(995)

ART GALLERY BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Board was established under subsection 4(1) of the *Art Gallery Act 1939*.

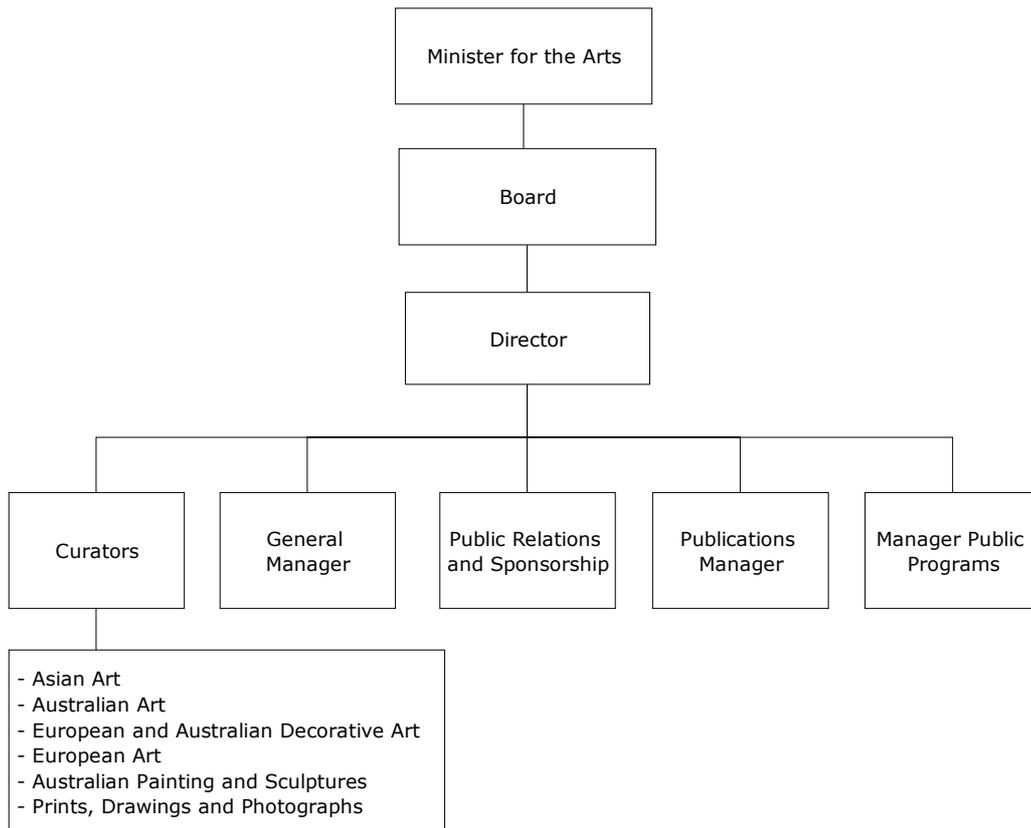
Functions

The functions of the Art Gallery Board are as follows:

- Undertake the care and control of the Art Gallery and of all the lands and premises placed under the care and control of the Board.
- Undertake the care and control of all works of art, exhibits and other personal property acquired for the purposes of the Art Gallery.
- Assist in the promotion and supervision of art galleries, and collections of art, and any body or association established for the promotion of art within the State.

Structure

The structure of the Art Gallery of South Australia is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 26(2) of the *Art Gallery Act 1939* provides for the Auditor-General to audit the accounts of the Art Gallery Board for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Art Gallery Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

The audit program covered major financial systems and was directed primarily to obtaining sufficient evidence to enable an audit opinion to be formed with respect to the financial statements and internal controls. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2004-05, specific areas of audit attention included:

- expenditure including accounts payable and salaries and wages
- revenue including cash receipting and banking and bookshop operations
- property plant and equipment
- heritage collection management
- investments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Art Gallery of South Australia as at 30 June 2005 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Art Gallery of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters of Payroll which are commented upon under 'Matters Raised with the Board', are sufficient to provide reasonable assurance that the financial transactions of the Art Gallery of South Australia have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Director. A satisfactory response was received to the matters raised in the management letter.

Matters Raised with the Board

The audit identified the need for the Art Gallery Board to establish policies and procedures and develop or strengthen controls over payroll, processing heritage collection updates to the fixed asset register and Bookshop operations.

Payroll

In September 2004, the Department of the Premier and Cabinet signed a new agreement with the Department for Administrative and Information Services (DAIS) for the provision of payroll services. This new agreement included the provision of a payroll bureau service for the Art Gallery of South Australia.

The audit of the new arrangements identified:

- areas for improvement in the Service Level Agreement entered into by the Department with DAIS;
- the need to develop and document an internal control framework including policies and procedures which specify the responsibilities of each agency;
- weaknesses in procedures and controls to ensure the completeness, accuracy and recording of payroll data in the CHRIS payroll system;
- the need to prepare documented policies and procedures which support an effective review of Bona Fide Certificate reports by Art Gallery Managers;
- the Leave Reports provided to check that leave taken was updated to the CHRIS payroll system did not reflect all leave taken.

The audit findings were provided to Art Gallery and Department of the Premier and Cabinet officers who have identified action to address the matters which arose from the audit.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004	Percentage
	\$'000	\$'000	Change
OPERATING REVENUE			
State Government grants	6 388	6 279	2
Other revenue	8 746	5 672	54
Total Operating Revenue	15 134	11 951	27
OPERATING EXPENDITURE			
Employment expenses	2 777	2 702	3
Other expenses	7 477	6 843	9
Total Operating Expenses	10 254	9 545	7
Surplus from Ordinary Activities	4 880	2 406	
Net Cash Flows from Operations	4 470	1 245	
ASSETS			
Current assets	3 892	3 449	13
Non-current assets	580 410	576 685	1
Total Assets	584 302	580 134	1
LIABILITIES			
Current liabilities	945	1 159	(18)
Non-current liabilities	559	600	(7)
Total Liabilities	1 504	1 759	(14)
EQUITY	582 798	578 375	1

Statement of Financial Performance

Revenues

Revenues from Ordinary Activities for the year totalled \$15 million (\$12 million). The increase of \$3 million is attributable mainly to:

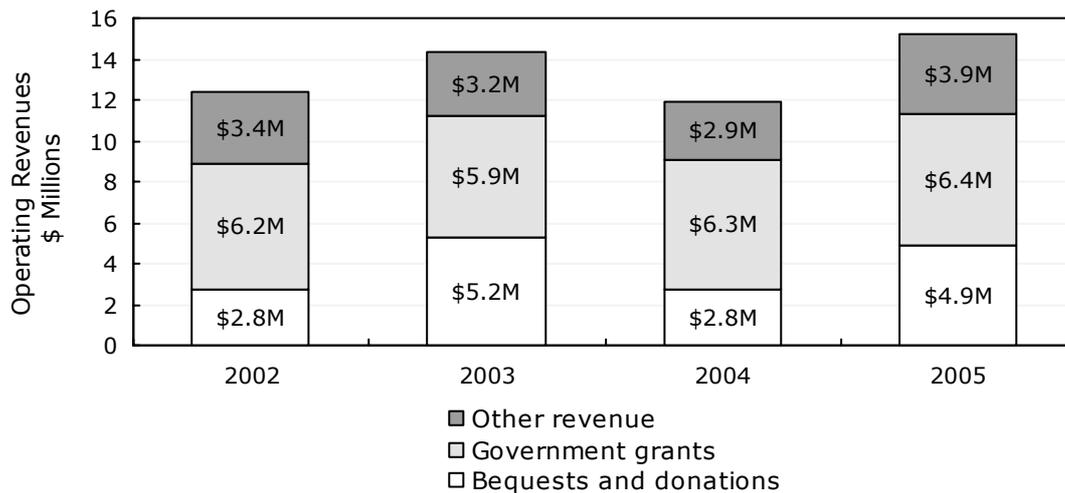
- an increase of \$2.5 million in the value of bequests and donations received this year. Bequests and donations received in 2005-06 totalled \$3.4 million (\$849 000). The level of this source of revenue is uncertain from year to year;

- an increase in interest and investment income of \$677 000 to \$1.2 million. The increase in interest and investment income is offset in part by a reported loss on sale of investment associated with the sale of shares under share buy-back arrangements.

Grants from the State Government represent 42 percent (53 percent) of Revenues from Ordinary Activities which is consistent with the view that the Board is dependent on the ongoing financial support of the State Government as expressed in Note 2.16 to the Financial Statements.

Bequests and donations represent 55 percent (47 percent) of Revenues from Ordinary Activities.

A structural analysis of operating revenues for the Board in the four years to 2005 is presented in the following chart.

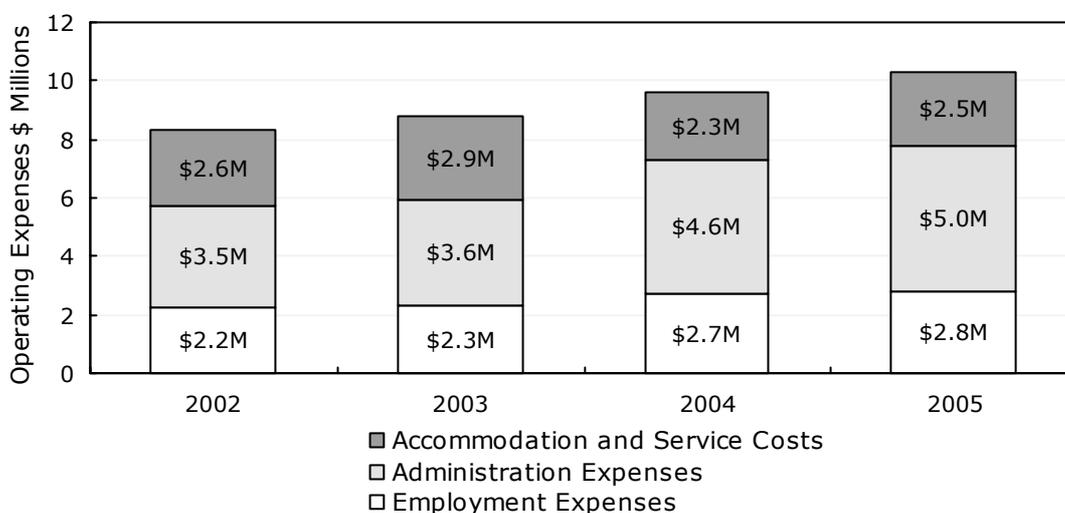


Expenses

Expenditure for the year increased by \$709 000 to \$10.3 million. The increase is attributable mainly to an increase in:

- supplies and services costs of \$420 000. Included in these costs is the loss on sale of investments of \$603 000;
- accommodation and facilities expenditure of \$201 000 which is largely due to an increase in security charges of \$226 000.

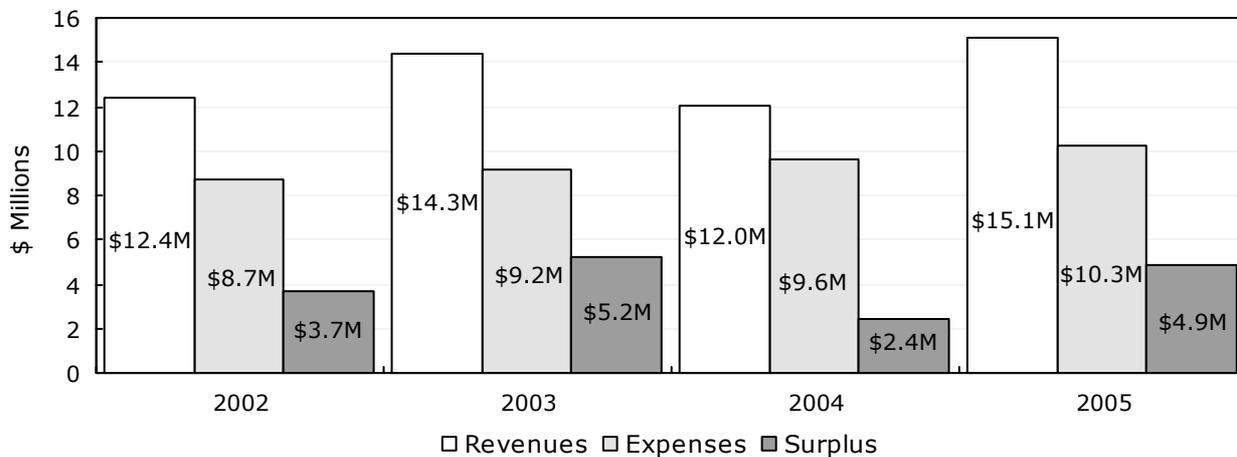
For the four years to 2005, a structural analysis of the main operating expense items for the Board is shown in the following chart.



Net Result

The net result from ordinary activities for the year was a surplus of \$4.9 million, compared with a surplus of \$2.4 million in 2003-04. The increase in the surplus is attributable mainly to the increase of \$2.5 million in bequests and donations received during the year.

The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2005.

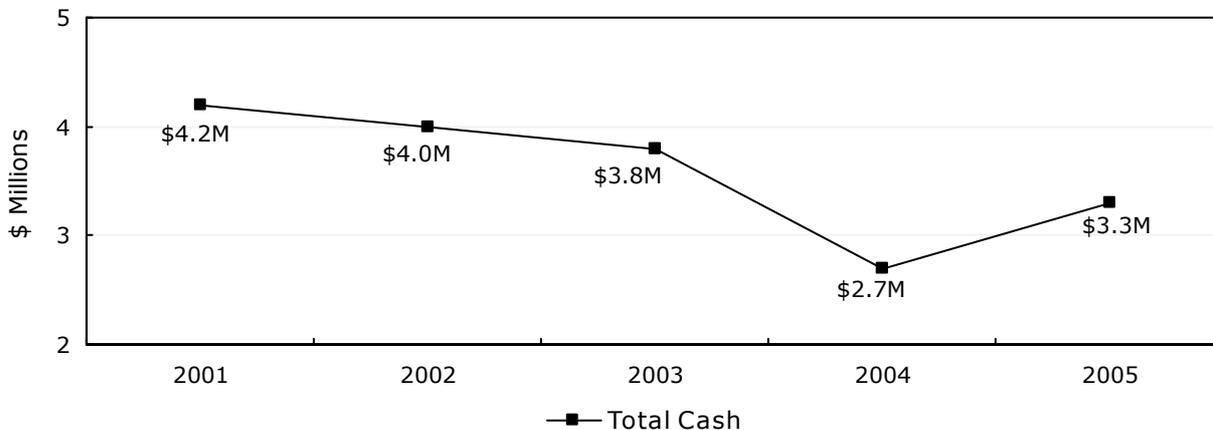


Statement of Financial Position

Current Assets

Cash Assets

The following chart shows the movement in the Art Gallery’s cash assets over the five years to 2005.



As at 30 June 2005, the Art Gallery’s cash assets totalled \$3.3 million, an increase of \$571 000 from the previous year.

The increase in cash is due primarily to the increased bequests and donations received in 2004-05.

A factor in the previous years’ reduction in cash was the result of the Gallery’s commercial operations and in particular its Exhibition and Touring activities which have resulted in losses and net cash outflows.

The Art Gallery Board has reviewed the commercial operations during the year and implemented measures to better manage future commercial budgets and hence cash flows.

Non-Current Assets

Heritage Collections

The Board has accumulated these assets over a significant period of time primarily through the use of government funding, together with bequests and donations.

The heritage collections were revalued to fair value as at 30 June 2003. (Refer Note 2.6).

During the year, heritage assets valued at \$4 million were added to the collections, of which \$1.5 million were donated assets.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	3	2 777	2 702
Supplies and services	4	4 460	4 040
Accommodation and facilities	5	2 478	2 277
Depreciation	6	539	526
Total Expenses from Ordinary Activities		10 254	9 545
REVENUES FROM ORDINARY ACTIVITIES:			
Sale of goods		943	892
User charges	7	702	654
Bequests and donations		3 389	849
Donations of heritage assets		1 467	1 922
Sponsorships		112	213
Resources received free of charge	2.21	358	-
Interest and investment income	8	1 230	553
Other revenue	9	557	798
Total Revenues from Ordinary Activities		8 758	5 881
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(1 496)	(3 664)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenue from SA Government - Recurrent operating grant		6 376	6 070
Total Revenues from SA Government		6 376	6 070
NET RESULT FROM ORDINARY ACTIVITIES		4 880	2 406
(Decrease) Increase in the Asset Revaluation Reserve	20	(457)	313
TOTAL REVENUE, EXPENSE AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		(457)	313
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		4 423	2 719

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
CURRENT ASSETS:	Note	\$'000	\$'000
Cash	24	3 255	2 684
Receivables	12	35	142
Inventories		185	218
Investments	16	-	259
Other	13	417	146
Total Current Assets		3 892	3 449
NON-CURRENT ASSETS:			
Property, plant and equipment	14	30 066	31 082
Heritage collections	15	545 721	541 701
Investments	16	4 623	3 902
Total Non-Current Assets		580 410	576 685
Total Assets		584 302	580 134
CURRENT LIABILITIES:			
Payables	17	627	912
Revenue received in advance		65	-
Employee benefits	18	218	216
Provisions	19	35	31
Total Current Liabilities		945	1 159
NON-CURRENT LIABILITIES:			
Payables	17	50	53
Employee benefits	18	421	446
Provisions	19	88	101
Total Non-Current Liabilities		559	600
Total Liabilities		1 504	1 759
NET ASSETS		582 798	578 375
EQUITY:			
Retained profits	20	383 147	378 267
Asset revaluation reserve	20	199 651	200 108
TOTAL EQUITY		582 798	578 375
Commitments for Expenditure	22		
Contingent Liabilities	23		

**Statement of Cash Flows
for the year ended 30 June 2005**

	2005	2004
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
CASH OUTFLOWS:		
Payment to employees	(2 811)	(2 573)
Payments to suppliers	(3 447)	(3 980)
Accommodation and facilities	(2 556)	(2 147)
Total Outflows from Operating Activities	(8 814)	(8 700)
CASH INFLOWS:		
Sale of goods	947	800
User charges	727	651
Bequests and donations	3 389	849
Sponsorships	167	158
Interest and investment income	1 024	517
Other	654	900
Total Inflows from Operating Activities	6 908	3 875
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government - Recurrent operating grant	6 376	6 070
Total Cash Flows from SA Government	6 376	6 070
Net Cash Inflows from Operating Activities	4 470	1 245
	24	
CASH FLOWS FROM INVESTING ACTIVITIES:		
CASH OUTFLOWS:		
Payments for investments	(1 827)	(356)
Payments for property, plant and equipment	(481)	(527)
Payments for heritage collections	(2 689)	(1 921)
Total Outflows from Investing Activities	(4 997)	(2 804)
CASH INFLOWS:		
Receipts from the sale/maturity of investments	1 092	420
Receipts from the sale of property, plant and equipment	6	-
Receipts from the sale of heritage collections	-	38
Total Inflows from Investing Activities	1 098	458
Net Cash Outflows from Investing Activities	(3 899)	(2 346)
NET INCREASE (DECREASE) IN CASH HELD	571	(1 101)
CASH AT 1 JULY	2 684	3 785
CASH AT 30 JUNE	3 255	2 684
	24	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Art Gallery Board (The Board)

The Art Gallery Board is charged with the management of the Art Gallery of South Australia, as prescribed under the *Art Gallery Board Act 1939*.

The Art Gallery of South Australia's objectives are to:

- collect heritage and contemporary works of art of aesthetic and art historical or regional significance;
- ensure the preservation and conservation of the Gallery collections;
- display the collections and to program temporary exhibitions;
- research and evaluate the collections, and to make the collections and documentation accessible to others for the purposes of research, as a basis for teaching and communications;
- document the collections within a central cataloguing system;
- provide interpretative information about collection displays and temporary exhibitions and other public programs;
- promote the Gallery's collections and temporary exhibitions;
- ensure that the Gallery's operations, resources and commercial programs are managed efficiently, responsibly and profitably; and
- advise the South Australian Government on the allocation of South Australian resources to works of art, art collections, art museums and art associations.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- applicable Australian Accounting Standards; and
- other mandatory professional reporting requirements in Australia.

The Board's Statement of Financial Performance and Statement of Financial Position 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.

2.2 Sources of Funds

The Board's principal source of funds consists of grants from the State Government. In addition, the Board also receives monies from sales, admissions, donations, bequests, sponsorships and other receipts, and uses the monies for the achievement of its objectives.

2.3 Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting the Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Board will adopt these standards for the first time in the published financial report for the financial year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', an assessment has been made of any know or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

In accordance with AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement', the Board will be measuring its financial assets and liabilities at cost. This will result in an estimated decrease in total assets of \$2.168 million and a corresponding decrease in the asset revaluation reserve.

In accordance with AASB 119 'Employee Benefits', the Board will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value. This standard will have some impact on the financial statements, although it is expected that the impact will not be significant.

Government/Non-Government Disclosures

In accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports', the Board has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in the notes to the accounts.

2.4 Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. Government Grants are recognised as revenues in the period in which the Board obtains control over the grants.

2.5 Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets. Cost is determined as the fair value of the assets given the consideration plus costs incidental to the acquisition. Assets donated during the year have been brought to account at fair value.

2.6 Valuation of Non-Current Assets

Land and Buildings

An independent valuation of the land and buildings was conducted as at 30 June 2005 by the Australian Valuation Office. Land and buildings are independently valued every three years. The valuation at 30 June 2005 was prepared on a fair value basis instead of the deprival value basis previously used. This change was required by AASB 1044. The valuation resulted in a decrement of \$762 000 which was charged to the Asset Revaluation Reserve.

Plant and Equipment

Plant and equipment including computer equipment, on acquisition, has been deemed to be held at fair value.

Heritage Collections

The heritage collections are large and diverse. They include many items that are complex to value given considerations of market value and their uniqueness. The Board adopted the following methodology for valuing heritage assets held as at 30 June 2003.

Works of art were valued by the appropriate internal curator and external valuers either by valuing all items or establishing an average value through representative sampling and in the event of variations between the values the following policy was adopted. Where there was disagreement between the internal and external valuation, the higher valuation was recorded as the correct valuation unless the difference in the valuation was substantial and greater than 50 percent in which case the average of the two valuations was recorded as the correct valuation.

Where there was minor disagreement between the internal and external valuation, the higher valuation was recorded if provided by the external valuer. When the external valuation was lower than the internal, and when the difference in the two valuations was substantial and greater than 50 percent, the average of the two valuations was recorded as the correct valuation.

The external valuations were carried out by the following recognised industry experts:

Collection

Australian Paintings and Sculptures
Australian and European Decorative Arts
Asian Art

European Paintings and Sculptures:

Pre-1850
Post-1850

Numismatics

Australian Prints and Drawings

Australian and International Photography

International Prints:

Pre-1800
Post-1800

International Drawings:

Pre-1800
Post-1800

Krichauf and Murray Stamp Collection

Industry Expert

Mr J Jones
Mr K Rayment, Mr J Borthwick and Mr J Evans
Mr R Radford and Mr D Richards,
assisted by Mr T McInerney and Mr B Lynch

Mr N Hall
Mr T Klingender and Mr P Nahum

Mr G Morton

Ms J Hylton

Mr J Lebovic

Mr C Mendez

Mr F Mulder

Mr J-L Baroni

Mr F Mulder

Mr B Parker

The Research Library collections were valued by sampling 5 percent of the collections and providing a market valuation of the entire stock based on the sample. The values were determined by searching catalogues in second-hand and antiquarian bookshops. Where a value was not available, an estimate was provided by the Librarian, Ms Jin Whittington.

The Archival Collections, consisting of ephemera such as material on individual artists and galleries was given a nil valuation as there is no reliable market value for this collection.

2.7 Depreciation of Non-Current Assets

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each non-current asset over its expected useful life except for land and heritage collections, which are not depreciable. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Class of Asset

Buildings and improvements
Plant and equipment

Useful Life (Years)

Useful life depends on individual asset item
3-15

2.7 Depreciation of Non-Current Assets (continued)

Heritage collections are kept under special conditions so that there is no physical deterioration and they are anticipated to have very long and indeterminate useful lives. No amount for depreciation has been recognised, as their service potential has not, in any material sense, been consumed during the reporting period.

2.8 Inventories

Inventories are valued at average cost.

2.9 Employee Benefits

(i) Liabilities for Wages, Salaries and Annual Leave

Liabilities for wages, salaries and annual leave have been recognised as the amount unpaid at the reporting date. The liability for annual leave has been calculated at nominal amounts based on current wage and salary rates and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(ii) Long Service Leave

A liability for long service leave has been recognised which represents the amount which the Board has a present obligation to pay resulting from employees' services provided up to the reporting date. The liability has been calculated at nominal amounts based on current wage and salary rates using a benchmark of seven years of service and a salary inflation rate of 4 percent as determined by the Department of Treasury and Finance.

(iii) Superannuation

Contributions are made by the Board to several superannuation schemes operated by the State Government and private sector. 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.

2.10 Workers Compensation Provision

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

2.11 Investments

Investments have been revalued to reflect market value at 30 June 2005.

2.12 Leases

The Art Gallery Board has entered into a number of operating lease agreements for vehicles and photocopiers where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the operating leases.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and accordingly are charged to the Statement of Financial Performance in the periods in which they are incurred.

2.13 Cash Assets

For the purposes of the Statement of Cash Flows, cash includes cash at bank and cash on hand. Cash is measured at nominal value.

2.14 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required in 2004-05.

2.15 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of the Urgent Issues Group UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)' revenues, expenses and assets are recognised net of the amount of GST.

The amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or part of an item of expense.

The net GST receivable/payable to the Australian Taxation Office is not recognised as a receivable/payable in the Statement of Financial Position as the Board is a member of an approved GST group of which Arts SA, a division of the Department of the Premier and Cabinet, is responsible for the remittance and collection of GST. There are no cash flows relating to GST transactions with the Australian Taxation Office in the Statement of Cash Flows.

2.16 State Government Funding

The financial reports are presented under the assumption of ongoing financial support being provided to the Board by the State Government.

2.17 Rounding

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

2.18 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Board has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.19 Payables

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

Creditors and accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period. All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction No. 8 'Expenditure for Supply Operations and Other Goods and Services' after the Board receives an invoice.

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

2.20 Insurance

The Board has arranged, through the SA Government Captive Insurance Corporation, to insure all major risks of the authority. The excess payable is fixed under this arrangement.

2.21 Resources Received Free of Charge

Under an arrangement with Arts SA and Artlab Australia, a division of the Department of the Premier and Cabinet, Artlab Australia receives SA Government appropriation to perform conservation services on the Art Gallery's heritage collections. The value of this work performed is recognised as resources received free of charge in Revenues from Ordinary Activities and a corresponding amount is Artlab conservation expenditure in the Expenses from Ordinary Activities (refer Note 4 'Supplies and Services').

3. Employee Expenses

	2005	2004
	\$'000	\$'000
Salaries and wages	2 197	2 160
Superannuation and payroll tax	378	371
Annual and long service leave	110	156
Other employee related expenses	92	15
Total Employee Expenses	2 777	2 702

Remuneration of Employees

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

\$100 000 - \$109 999

\$180 000 - \$189 999

Total Number of Employees

	2005	2004
	Number of	Number of
	Employees	Employees
	1	-
	-	1
Total Number of Employees	1	1

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by this employee for the year was \$104 000 (\$181 000).

Targeted Voluntary Separation Packages Scheme (TVSPs)

There were no TVSPs paid in either 2004-05 or 2003-04.

Remuneration of Board Members

The number of Board Members who received income from the Board fell within the following bands:

\$0 - \$9 999

\$10 000 - \$19 999

Total Number of Board Members

	2005	2004
	Number of	Number of
	Members	Members
	7	12
	1	1
Total Number of Board Members	8	13

The total income received by these Board Members for the year was \$81 000 (\$81 000).

Related Party Disclosures

During the financial year the following persons held a position on the Art Gallery Board:

Mr M Abbott QC, Chairman, Ms V Hickey, Ms S Tweddell, Mr A Wynn, Ms L LeCornu, Mr P Ward, Mr AW Gwinnett and Mr P Speakman.

Board members or their related entities have transactions with the Board that occur within a normal customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonably expected the entity would have adopted if the transactions were undertaken with any other entity at arm's length in similar circumstances.

4. Supplies and Services	2005	2004
Supplies and Services provided by entities external to the SA Government:	\$'000	\$'000
Administration expenses	555	623
Audit fees	1	1
Board expenses	74	75
Preservation activities	128	115
Contractors fees	72	66
Cost of goods sold	397	311
Entertainment	30	30
Communications	8	7
Information technology	53	21
Maintenance	28	22
Marketing and promotion	493	553
Minor equipment purchases and leasing	74	137
Motor vehicle expenses	1	3
Valuation expenses	32	16
Fees - Exhibitions and publications	222	80
Tours	40	40
Loss on sale of heritage collections	-	22
Loss on sale of investments	603	86
Commission	-	91
Projects	9	31
Travel and accommodation	119	125
Other	52	67
Total Supplies and Services - Non-SA Government Entities	2 991	2 522
Supplies and Services provided by entities within the SA Government:		
Administration expenses	95	90
Audit fees	22	25
Business services charge	278	278
Artlab conservation work	416	414
EDS charges	20	37
Insurance and risk management	544	569
Communications	4	3
Information technology	3	3
Maintenance	52	76
Marketing and promotion	7	3
Minor equipment purchases and leasing	5	-
Motor vehicle expenses	21	19
Travel and accommodation	2	1
Total Supplies and Services - SA Government Entities	1 469	1 518
Total Supplies and Services	4 460	4 040
Payments to Consultants	2005	2004
The dollar amount of consultancies paid/payable that fell within the following bands:	Number of Consultants	Number of Consultants
\$0 - \$10 000	-	1
Total Number of Consultancies	-	1
There were no payments to consultants during 2004-05. Payments to consultants during 2003-04 totalled \$1 000.		
5. Accommodation and Facilities	2005	2004
Accommodation and facilities provided by entities external to the SA Government:	\$'000	\$'000
Accommodation	409	468
Total Accommodation and Facilities - Non-SA Government Entities	409	468
Accommodation and facilities provided by entities within the SA Government:		
Accommodation	177	139
Facilities	747	751
Security	1 145	919
Total Accommodation and Facilities - SA Government Entities	2 069	1 809
Total Accommodation and Facilities	2 478	2 277
6. Depreciation		
Buildings and improvements	479	467
Plant and equipment	60	59
Total Depreciation	539	526

7. User Charges	2005	2004
User charges received/receivable from entities external to the SA Government:	\$'000	\$'000
Fees for services	229	285
Admissions to temporary exhibitions	473	369
Total User Charges	702	654
8. Interest and Investment Income		
Interest from entities within the SA Government	93	90
Interest and investment income from entities external to the SA Government	1 137	463
Total Interest and Investment Income	1 230	553
9. Other Revenues from Ordinary Activities		
Other revenues received/receivable from entities external to the SA Government:		
Rent and facilities hire	236	211
Recoup recoverables	70	60
Exhibition hire	92	136
Profit on sale of investments	24	34
Grant from Commonwealth Government	75	88
Other receipts	38	60
Total Other Revenues from Ordinary Activities - Non-SA Government Entities	535	589
Other revenues received/receivable from entities within the SA Government:		
State Government grants	12	209
Other receipts	10	-
Total Other Revenues from Ordinary Activities - SA Government Entities	22	209
Total Other Revenues from Ordinary Activities	557	798
10. Net Gain (Loss) from Disposal of Assets		
Plant and equipment:		
Proceeds from disposal	6	-
Net book value of assets disposed	6	-
Net Gain (Loss) from Disposal of Plant and Equipment	-	-
Heritage collections:		
Proceeds from disposal	-	38
Net book value of assets disposed	-	60
Net Gain (Loss) from Sale of Heritage Collections	-	(22)
Investments:		
Proceeds from the sale of investments	1 092	420
Net book value of investments	1 671	472
Net Gain (Loss) from Sale of Investments	(579)	(52)
Total Assets:		
Total proceeds from disposal	1 098	458
Total net book value of assets	1 677	532
Total Net Gain (Loss) from Disposal of Assets	(579)	(74)
11. Auditors' Remuneration		
Audit fees paid/payable to the Auditor-General's Department	22	21
Total Audit Fees - SA Government Entities	22	21
Other Services		
No other services were provided by the Auditor-General's Department to the Board.		
12. Receivables		
Receivables from Non-SA Government entities	35	142
Total Receivables	35	142
13. Other Current Assets		
Other current assets receivable from entities external to the SA Government:		
Prepayments	26	-
Accrued revenue	377	135
Total Other Current Assets - Non-SA Government entities	403	135

13. Other Current Assets (continued)	2005	2004
Other current assets receivable from entities within the SA Government:	\$'000	\$'000
Conservation prepayment	6	6
Accrued revenue	8	5
Total Other Current Assets - SA Government Entities	14	11
Total Other Current Assets	417	146
14. Property, Plant and Equipment		
Land, buildings and improvements:		
Land at valuation	3 625	3 290
Buildings and improvements at valuation	40 959	39 962
Works in progress	-	650
Accumulated depreciation	(14 722)	(13 075)
Total Land, Buildings and Improvements	29 862	30 827
Plant and equipment:		
Plant and equipment at cost (deemed fair value)	436	427
Accumulated depreciation	(232)	(172)
Total Plant and Equipment	204	255
Total Property, Plant and Equipment	30 066	31 082

Valuation of Non-current Assets

Valuation of land, buildings and improvements was performed by the Australian Valuation Office as at 30 June 2005.

Reconciliation of Property Plant and Equipment

	Land	Buildings and Improvements	Works in Progress	Plant and Equipment	2005 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 290	26 887	650	255	31 082
Additions	-	-	276	15	291
Disposals	-	-	-	(6)	(6)
Depreciation expense	-	(479)	-	(60)	(539)
Transfers from work in progress	-	926	(926)	-	-
Revaluation increments (decrements)	335	(1 097)	-	-	(762)
Carrying Amount at 30 June	3 625	26 237	-	204	30 066

15. Heritage Collections	2005			2004		
	At	At	Total	At	At	Total
	Valuation	Cost	Valuation	Cost	Valuation	Cost
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian Paintings and Sculptures	159 210	3 340	162 550	159 210	1 830	161 040
Australian and European Decorative Arts	29 205	742	29 947	29 205	209	29 414
Asian Art	12 473	1 212	13 685	12 473	945	13 418
European Paintings and Sculptures	295 951	1 495	297 446	295 951	117	296 068
Prints, Drawings and Photographs	35 469	954	36 423	35 469	655	36 124
Numismatics	3 622	-	3 622	3 622	-	3 622
Philatelic material	500	-	500	500	-	500
Library	1 482	66	1 548	1 482	33	1 515
Total Heritage Collections	537 912	7 809	545 721	537 912	3 789	541 701

Reconciliation of Carrying Amounts of Heritage Collections

	Balance 01.07.04	Additions	Disposals	Balance 30.06.05
	\$'000	\$'000	\$'000	\$'000
Australian paintings and sculptures	161 040	1 510	-	162 550
Australian and European decorative arts	29 414	533	-	29 947
Asian art	13 418	267	-	13 685
European paintings and sculptures	296 068	1 378	-	297 446
Prints, drawings and photographs	36 124	299	-	36 423
Numismatics	3 622	-	-	3 622
Philatelic material	500	-	-	500
Library	1 515	33	-	1 548
Carrying Amount at 30 June	541 701	4 020	-	545 721

Reconciliation of Carrying Amounts of Heritage Collections (continued)	Balance 01.07.03 \$'000	Additions \$'000	Disposals \$'000	Balance 30.06.04 \$'000
Australian paintings and sculptures	159 270	1 830	(60)	161 040
Australian and European decorative arts	29 205	209	-	29 414
Asian art	12 473	945	-	13 418
European paintings and sculptures	295 951	117	-	296 068
Prints, drawings and photographs	35 469	655	-	36 124
Numismatics	3 622	-	-	3 622
Philatelic material	500	-	-	500
Library	1 482	33	-	1 515
Carrying Amount at 30 June	537 972	3 789	(60)	541 701

16. Investments		2005	2004
Investments with entities other than SAFA:		\$'000	\$'000
Current:			
Commonwealth securities		-	259
Total Current Investments		-	259
Non-Current:			
Shares, convertible notes and other investments in companies		4 623	3 902
Total Non-Current Investments		4 623	3 902
Total Investments		4 623	4 161
17. Payables			
Current:			
Creditors and accruals		593	879
Employee on-costs		34	33
Total Current Payables		627	912
Non-Current:			
Imprest account		2	2
Employee on-costs		48	51
Total Non-Current Payables		50	53
Total Payables		677	965
Payables to Non-SA Government entities:			
Creditors and accruals		552	711
Total Payables - Non-SA Government Entities		552	711
Payables to SA Government entities:			
Creditors and accruals		41	168
Imprest account		2	2
Employee on-costs		82	84
Total Payables - SA Government Entities		125	254
Total Payables		677	965
18. (a) Employee Benefits			
Current:			
Annual leave		147	153
Long service leave		37	39
Accrued salaries and wages		34	24
Total Current Employee Benefits		218	216
Non-Current:			
Long service leave		421	446
Total Non-Current Employee Benefits		421	446
Total Employee Benefits		639	662
(b) Employee Benefits and Related On-Costs			
Accrued Salaries and Wages:			
On-costs included in payables - Current (Refer Note 17)		6	4
Provision for employee benefits - Current (Refer Note 18(a))		34	24
Total Accrued Salaries and Wages		40	28
Annual Leave:			
On-costs included in payables - Current (Refer Note 17)		24	25
Provision for employee benefits - Current (Refer Note 18(a))		147	153
Total Annual Leave		171	178

(b) Employee Benefits and Related On-Costs (continued)		2005	2004
		\$'000	\$'000
Long Service Leave:			
	On-costs included in payables - Current (Refer Note 17)	4	4
	Provision for employee benefits - Current (Refer Note 18(a))	37	39
	On-costs included in payables - Non-current (Refer Note 17)	48	51
	Provision for employee benefits - Non-current (Refer Note 18(a))	421	446
	Total Long Service Leave	510	540
	Total Employee Benefits and Related On-costs	721	746
19. Provisions			
Current:			
	Provision for workers compensation	35	31
	Total Current Provisions	35	31
Non-Current:			
	Provision for workers compensation	88	101
	Total Non-Current Provisions	88	101
	Total Provisions	123	132
Reconciliation of the Provision for Workers Compensation			
	Provision at 1 July	132	153
	Decrease in provision during the year	(9)	(21)
	Provision for Workers Compensation at 30 June	123	132
20. Equity			
	Retained profits	383 147	378 267
	Asset revaluation reserve	199 651	200 108
	Total Equity	582 798	578 375
Retained profits:			
	Balance at 1 July	378 267	375 861
	Net result from ordinary activities	4 880	2 406
	Balance at 30 June	383 147	378 267
Asset revaluation reserve:			
	Balance at 1 July	200 108	199 795
	Decrement in land, buildings and improvements due to revaluation	(762)	-
	Increment in investments due to revaluation	305	313
	Balance at 30 June	199 651	200 108
	Total Equity at 30 June	582 798	578 375
21. Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets			
Cash assets	24	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis although some funds held within the total cash balance are non-interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Art Gallery Board are the Special Deposit Account titled 'Arts South Australia Operating Account' and the Deposit Account titled 'Art Gallery Board Bequests Account' and the Bank SA account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which is currently 5.35 percent as at 30 June 2005. The interest rate for funds held at Bank SA is currently 5.20 percent as at 30 June 2005.
Receivables	12	Receivables are recorded at amounts due to the Art Gallery Board. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	16	Investments are brought to account at market value. Interest is credited to revenue as it accrues. Dividend revenue is recognised when the right to receive the dividend has been established.	Portfolio of shares, fixed interest securities and convertible notes. Interest (or investment) income is received quarterly.
Financial Liabilities			
Payables	17	Payables are recorded at the agreed amounts at which the liabilities are to be settled. They are recorded when invoices are received.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.

(b) Interest Rate Risk

The effective weighted average interest rate risk is outlined below for the following financial assets and liabilities.

Financial Instrument	2005			
	Interest Rate Percent	Interest Bearing - Floating Rate \$'000	Non- Interest Bearing Rate \$'000	Total \$'000
Financial Assets:				
Cash assets	5.28	3 246	9	3 255
Receivables	-	-	35	35
Investments ⁽¹⁾	5.54	1 635	2 988	4 623
		4 881	3 032	7 913
Financial Liabilities:				
Payables	-	-	595	595
		-	595	595

Financial Instrument	2004			
	Interest Rate Percent	Interest Bearing - Floating Rate \$'000	Non- Interest Bearing Rate \$'000	Total \$'000
Financial Assets:				
Cash assets	5.03	2 674	10	2 684
Receivables	-	-	142	142
Investments ⁽¹⁾	6.36	1 844	2 317	4 161
		4 518	2 469	6 987
Financial Liabilities:				
Payables	-	-	881	881
		-	881	881

(1) Non-interest bearing investments represent shares which are subject to payment of dividends.

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instrument	Note	2005		2004	
		Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:					
Cash assets	24	3 255	3 255	2 684	2 684
Receivables	12	35	35	142	142
Investments	16	4 623	4 623	4 161	4 161
		7 913	7 913	6 987	6 987
Financial Liabilities:					
Payables	17	595	595	881	881
		595	595	881	881

The net fair value is determined as the carrying value of all assets and liabilities, except for investments where market value has been used.

(d) Credit Risk Exposure

The Art Gallery Board's maximum exposure to credit risk at reporting date in relation to financial assets is the carrying amount of those assets as indicated on the Statement of Financial Position. The Art Gallery Board has no significant exposures to any concentrations of credit risk.

22. Commitments for Expenditure

Operating Lease Commitments:	2005 \$'000	2004 \$'000
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	10	7
Later than one year and not later than five years	2	1
Total Operating Lease Commitments	12	8

22. Commitments for Expenditure (continued)

The operating lease commitments comprise:

- Non-cancellable motor vehicle leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their terms.
- A non-cancellable photocopier lease, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no option exists to renew the lease at the end of its term.

23. Contingent Liabilities

There are no known contingent liabilities as at 30 June 2005.

24. Cash Flow Reconciliation

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the items in the Statement of Financial Position as follows:

	2005	2004
	\$'000	\$'000
Deposits with Treasurer	2 010	1 439
Deposits with Bank SA	1 236	1 235
Cash on hand	9	10
Cash as recorded in the Statement of Financial Position	3 255	2 684

Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services

Net cash provided by operating activities	4 470	1 245
Less: Revenues from SA Government	(6 376)	(6 070)
Add (Less): Non-cash items:		
Depreciation of property, plant and equipment	(539)	(526)
Donations of heritage collections	1 467	1 922
Loss on disposal of investments	(579)	(52)
Loss on disposal of heritage collections	-	(22)
Changes in assets and liabilities:		
Increase in assets	131	78
(Increase) in liabilities	(70)	(239)
Net Cost of Services from Ordinary Activities	(1 496)	(3 664)

25. Events After Balance Date

There were no events occurring after balance date.

ATTORNEY-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Attorney-General's Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

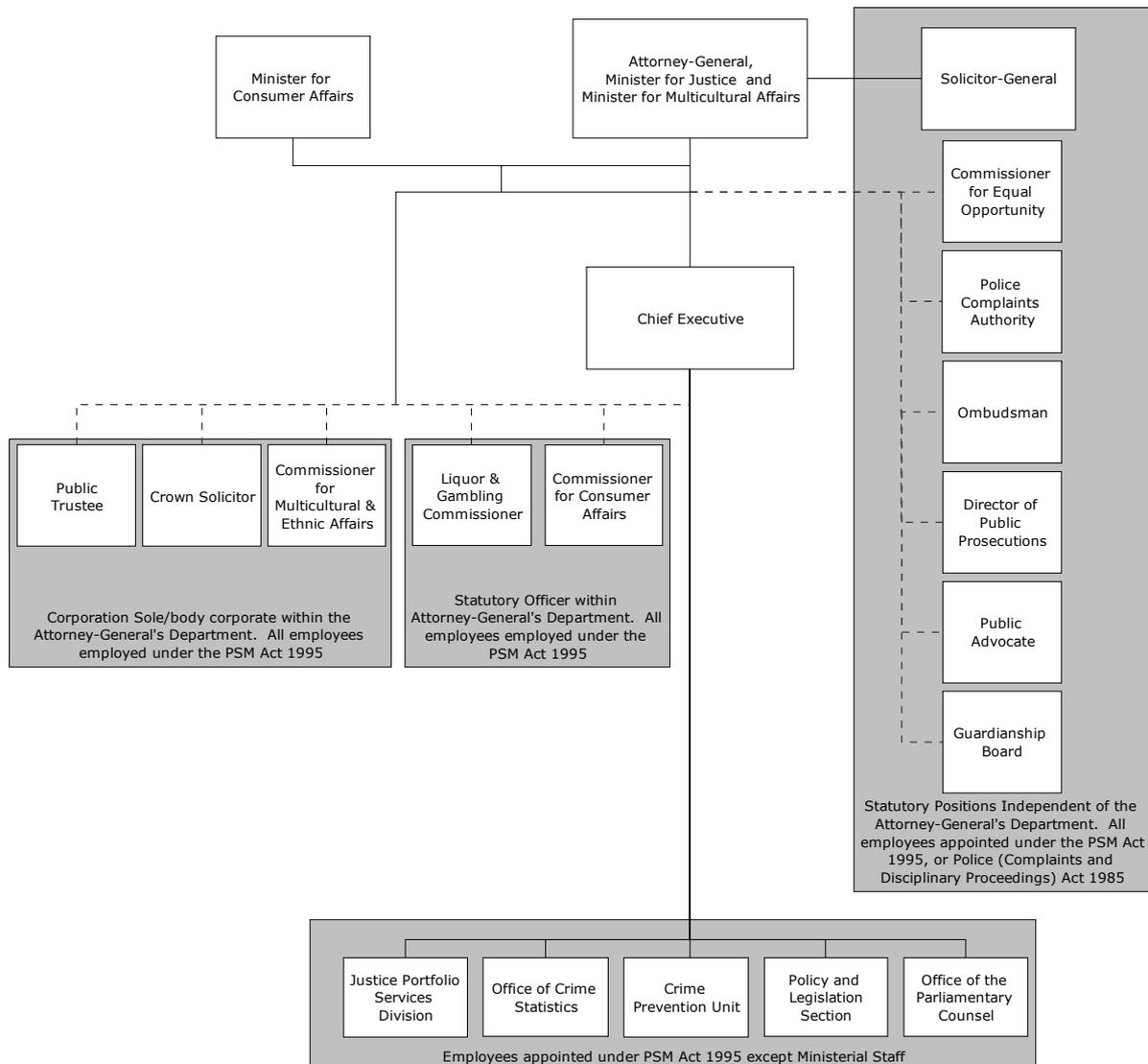
Functions

The functions of the Attorney-General's Department are as follows:

- Provide professional, legal and associated services to Ministers of the Crown and government agencies.
- Service the people of South Australia by upholding their legal and property rights and maintaining community and business standards.
- Provide strategic policy advice to the agencies comprising the Justice portfolio.

Structure

The structure of the Attorney-General's Department is illustrated in the following organisation chart.



Changes to Functions and Structure

Effective from 1 July 2004, the management of the Guardianship Board and Office of the Public Advocate was transferred from the Department of Human Services.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor General to audit the accounts of the Attorney-General's Department for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Attorney-General's Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- cash
- payroll
- expenditure
- licensing and regulatory fee revenue
- taxation receipts
- head office revenue
- general ledger processing.

The work of the internal auditor was considered in designing the audit programs.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards, and other mandatory professional reporting requirements in Australia, the financial position of the Attorney-General's Department as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Attorney-General's Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to classification of revenue recoveries as outlined under 'Audit Communications to Management' are sufficient to provide reasonable assurance that the financial transactions of the Attorney-General's Department have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

Classification of Revenue Recoveries

In June 2005 Audit noted that finance personnel did not check invoice requests received from other units within the Department to ensure that general ledger account details were correct prior to processing to the ACCPAC accounts receivable system.

Review by Audit of a sample of invoices identified a number of revenue transactions where the revenue recoverable from external parties had been credited to expense accounts in the general ledger. This setting-off of revenues and expenses is not consistent with the requirements of Australian Accounting Standards. Audit recommended that the Department review all ACCPAC transactions for 2003-04 and 2004-05 to determine the value of revenue transactions which had been inappropriately recorded.

The subsequent review by the Department identified \$1.97 million worth of revenue transactions for 2004-05 and \$2.4 million for 2003-04 which had been incorrectly recorded. The Department has processed a series of journals to correctly reflect the identified revenue transactions and has advised that a new version of the ACCPAC system will be implemented during 2005-06. Once completed the system will be programmed to restrict processing of revenue transactions to approved general ledger account codes. Further, effective 1 July 2005 the Department has implemented a new financial policy that requires any request to raise an invoice through the ACCPAC system to include a revenue account code.

Classification of Expenditure

Audit noted that finance personnel did not check the appropriateness of general ledger details prior to processing accounts payable transactions. Further, Audit noted that over 200 Departmental personnel may provide general ledger details for processing.

Audit commented that the large number of officers who may provide accounts classification details, together with the absence of a review by finance staff of general ledger classifications, increased the risk that expenditure is incorrectly recorded in the general ledger. Audit recommended that the Department develop checking procedures to review accounts payable transactions for appropriate general ledger account details.

The Department responded that a formal procedure will be introduced in 2005-06 for finance personnel to check invoice classifications for material transactions to reduce the risk of misstatement.

Expenditure Delegations

Audit observed that the Department's delegations of authority for 2004-05 provided over 200 officers with delegated authority to approve expenditure. Audit also noted that accounts payable staff are required to check that expenditure is correctly authorised prior to processing.

Whilst this large number of delegated officers reflects the diverse nature of the Department's activities, Audit recommended that the Department review its procedures to reduce the number of signatories that accounts payable staff are required to check before processing transactions.

The Department responded that in preparing the delegations for 2005-06 the number of officers with expenditure delegation had been reduced by approximately 50 officers.

General Ledger Processing

Audit noted that the Department had not:

- formally assigned responsibility to approve manual general ledger journals to specific Departmental personnel;
- developed procedures to check that manual general ledger journals were appropriately authorised.

The Department responded that delegations of authority for 2005-06 would include a schedule assigning responsibility to approve general ledger journals and that finance procedures would be updated to include a check that general ledger journals were authorised in accordance with these delegations.

Crown Solicitor's Trust Account

As commented in last year's report, during 2003-04 the Department advised Audit of certain transactions processed by the Department which involved payments from the Department's Operating Account to the

Crown Solicitor's Trust Account. The payments were not made with respect to goods or services received by the Department but were to transfer funds, unspent in one year, to the Crown Solicitor's Trust Account from which they could be expended in the following year.

In November 2004 the Acting Crown Solicitor developed and documented policy and procedure for the use and operation of the Crown Solicitor's Trust Account (CSTA). Following the implementation of this policy and procedure, the Department conducted an internal audit review of the controls over the receipting, maintenance and disbursement of CSTA funds. The review noted:

- that a fund administration function to oversee the operation of the CSTA did not exist within the Crown Solicitor's Office to ensure that the CSTA is used strictly for its intended purpose;
- the CSTA Statement of Purpose and Operating Principles/Procedures did not specify how interest accrued on funds should be treated. Internal audit recommended that advice from the Department of Treasury and Finance be sought. At the time of the review interest held in the CSTA was \$795 000;
- the absence of proper approval for the retention of approximately \$92 000 of unallocated funds.

In response to these findings the Crown Solicitor's Office has:

- formally assigned responsibility for fund administration of the CSTA to the Director, Business Services;
- sought clarification from the Department of Treasury and Finance for the treatment of interest earned by the CSTA;
- undertaken activity to identify and allocate approximately \$86 000 worth of unallocated funds. The remaining unidentified funds will be transferred to the Unclaimed Monies account in the Department of Treasury and Finance.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

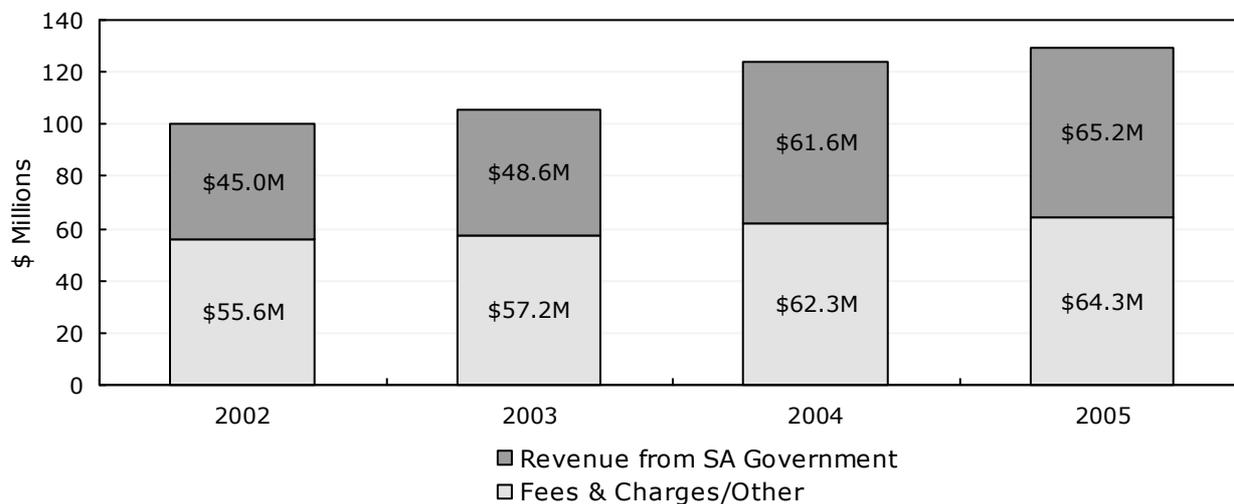
	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Revenue from SA Government	65	62	5
Fees and charges/Other	64	62	3
Total Operating Revenue	129	124	4
OPERATING EXPENDITURE			
Employment expenses	76	74	3
Supplies and services	34	38	(11)
Payments to SA Government	14	-	-
Other expenses	15	10	50
Total Operating Expenses	139	122	14
Surplus (Deficit)	(10)	2	-
Net Cash Flows from Operations	(3)	2	-
ASSETS			
Current assets	27	34	(21)
Non-current assets	8	9	(11)
Total Assets	35	43	(19)
LIABILITIES			
Current liabilities	13	12	8
Non-current liabilities	18	17	6
Total Liabilities	31	29	7
EQUITY	4	14	(71)

Statement of Financial Performance

Operating Revenues

In 2005, the increase in revenues from South Australian Government mainly reflects the transfer of the management responsibility for the Guardianship Board and Office of the Public Advocate from the Department of Human Services. In 2005, \$3.0 million was appropriated for these activities.

A structural analysis of operating revenues for the Department in the four years to 2005 is presented in the following chart.

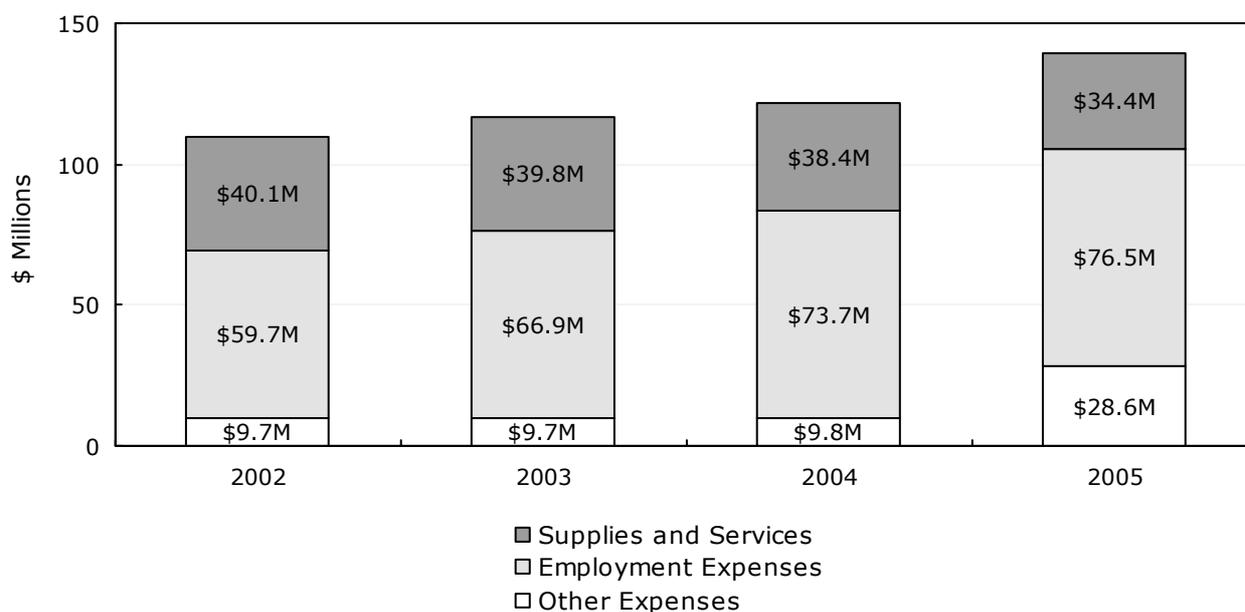


Operating Expenses

As with operating revenues, in 2005 the increase in employment expenses of \$2.8 million mainly reflects the transfer of management responsibility for the Guardianship Board and Office of the Public Advocate. Employment expenses for Guardianship Services totalled \$2.1 million for 2005.

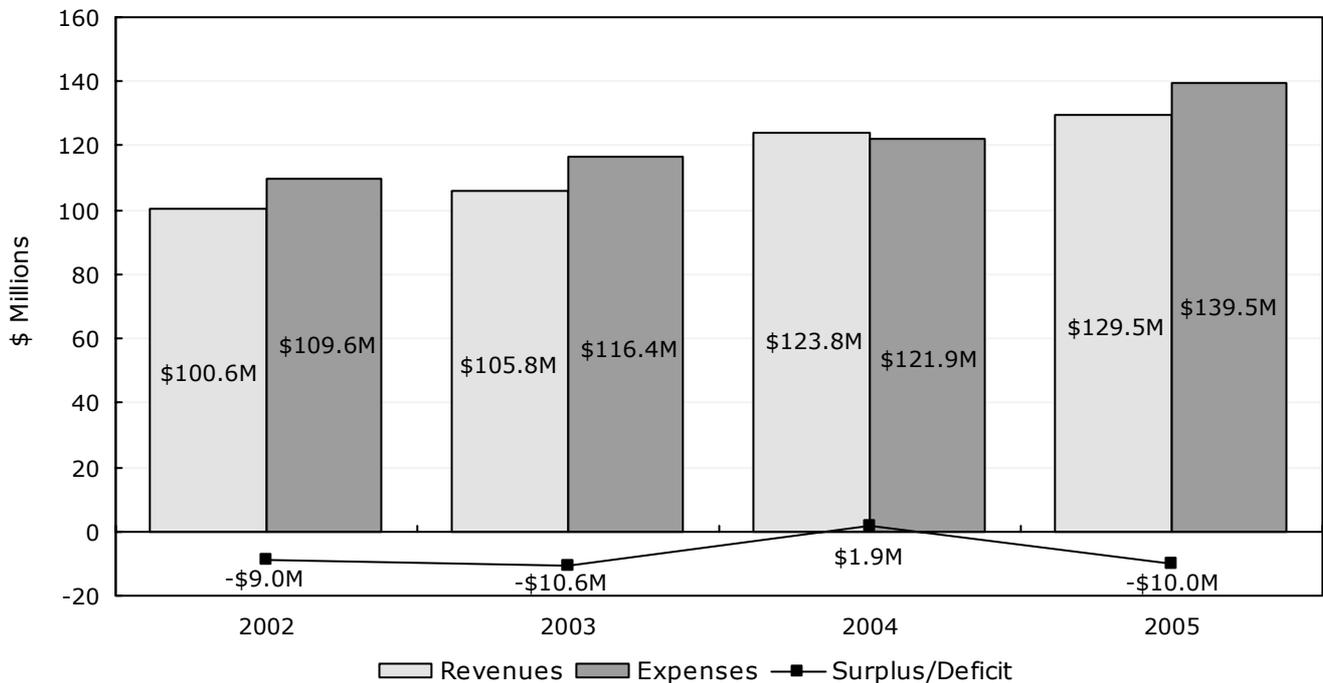
In 2003 the Government required surplus cash held by government agencies to be returned to the Treasurer. Other expenses for 2005 increased by \$19 million mainly as a result of a payment to government of \$14.2 million in accordance with this policy.

For the four years to 2005, a structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

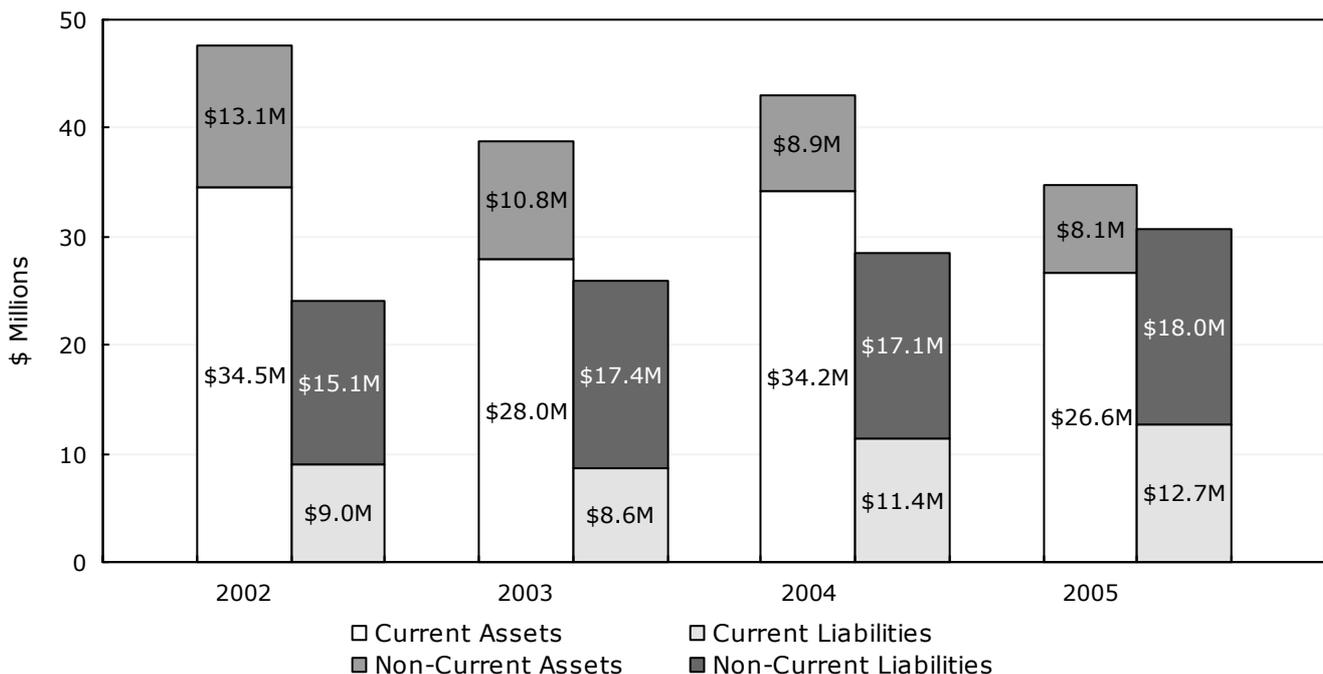
The large decrease in the Department's operating result for 2005 is due mainly to the \$14.2 million payment to the South Australian Government. The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2005.



Statement of Financial Position

Current assets decreased by \$7.6 million due mainly to the reduction in cash and receivables. Receivables decreased by \$3.2 million due mainly to the transfer of \$3.6 million held in the Crown Solicitor's Trust Account as at 30 June 2004.

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	(2.7)	2.3	(3.9)	(5.6)
Investing	(1.7)	(1.2)	(1.5)	(2.9)
Financing	-	-	-	1.2
Change in Cash	(4.4)	1.1	(5.4)	(7.3)
Cash at 30 June	19.9	24.3	23.2	28.6

The analysis of cash flows shows that cash has decreased by \$4.4 million in 2005. This decrease is due mainly to the payment to SA Government of \$14.2 million partly offset by the transfer of \$3.6 million from the Crown Solicitors Trust Account (administered cash) and cost reductions.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS FOR ADMINISTERED ACTIVITIES

Highlights of Financial Statements

The administered items of the Department are identified in Note 2.2 to the Financial Statements.

	2005 \$'million	2004 \$'million	Percentage Change
REVENUES			
Revenues from Government	54	44	23
Taxation receipts	325	308	6
Community Emergency Services Fund revenue	170	163	4
Other revenues	53	49	8
Total Revenues	602	564	7
EXPENSES			
Payments to Consolidated Account	352	327	8
Emergency Services Levy payments	168	165	2
Grants	32	32	-
Other expenses	46	34	35
Total Expenses	598	558	7
Surplus (Deficit)	4	6	(33)
Net Cash Flows from Operations	34	(203)	117
ASSETS			
Current assets	154	125	23
Non-current assets	73	68	7
Total Assets	227	193	18
LIABILITIES			
Current liabilities	88	65	35
Non-current liabilities	30	26	15
Total Liabilities	118	91	30
EQUITY	109	102	7

Statement of Financial Performance

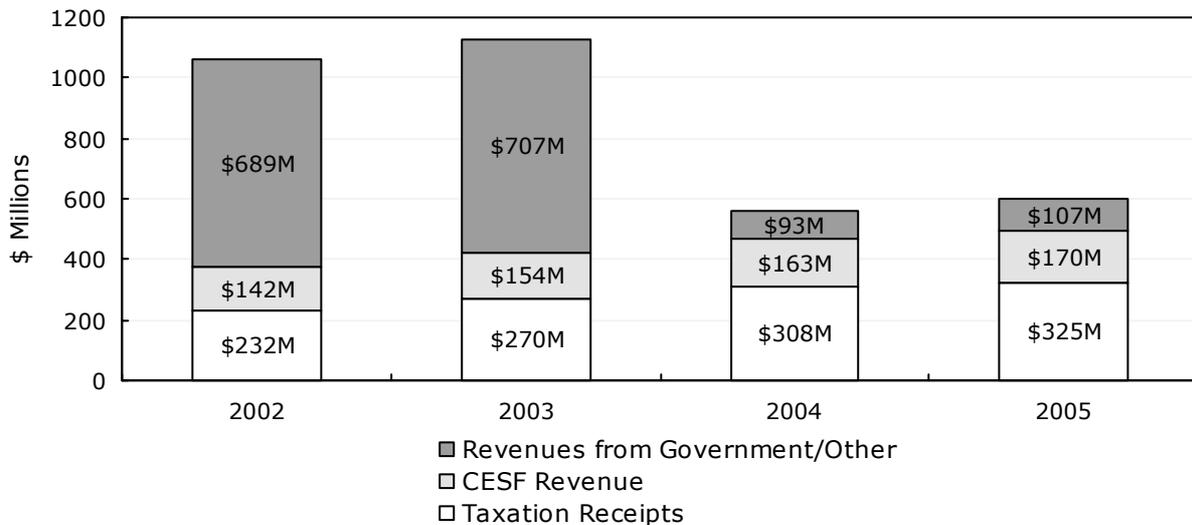
Revenues

Taxation receipts increased by 6 percent to \$325 million due mainly to the \$13 million increase in the tax generated by gaming machines.

Receipts for the Community Emergency Services Fund increased by \$6.8 million to \$169.5 million due mainly to a \$6.5 million increase in fixed property remissions received from Revenue SA.

The decrease in revenues from Government and other revenue since 2003 reflects revised arrangements for providing appropriations to Justice portfolio agencies which are no longer provided through the Department of Justice Special Deposit Account but paid directly to the Justice portfolio agencies by the Treasurer. Revenue from Government for 2005 increased by 23 percent to \$54 million due mainly to \$4.1 million received for the Justice Radio and Telecommunications project.

For the four years to 2005 a structural analysis of administered revenues for the Department is presented in the following chart.

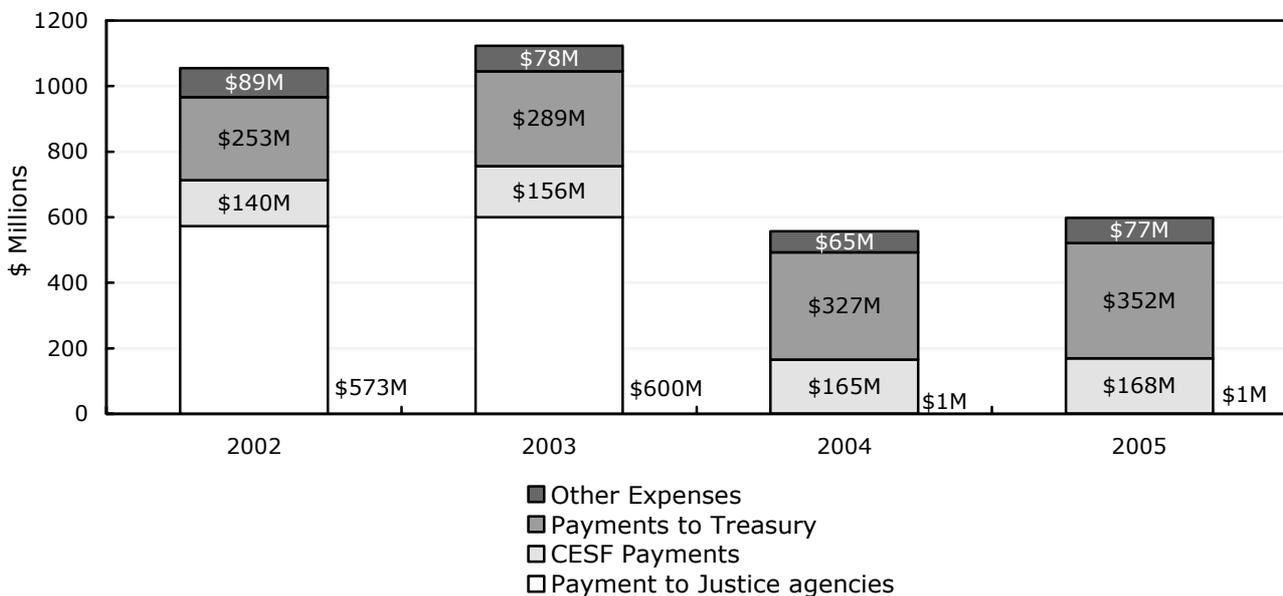


Expenses

Reduced payments to Justice agencies in 2004 is attributable to the changed arrangements for providing appropriation funding to Justice Portfolio agencies.

The increase in other administered expenses in 2005 is due mainly to an increase in Agents Indemnity Fund claims and contributions to Justice agencies for costs associated with the Government Radio Network (GRN).

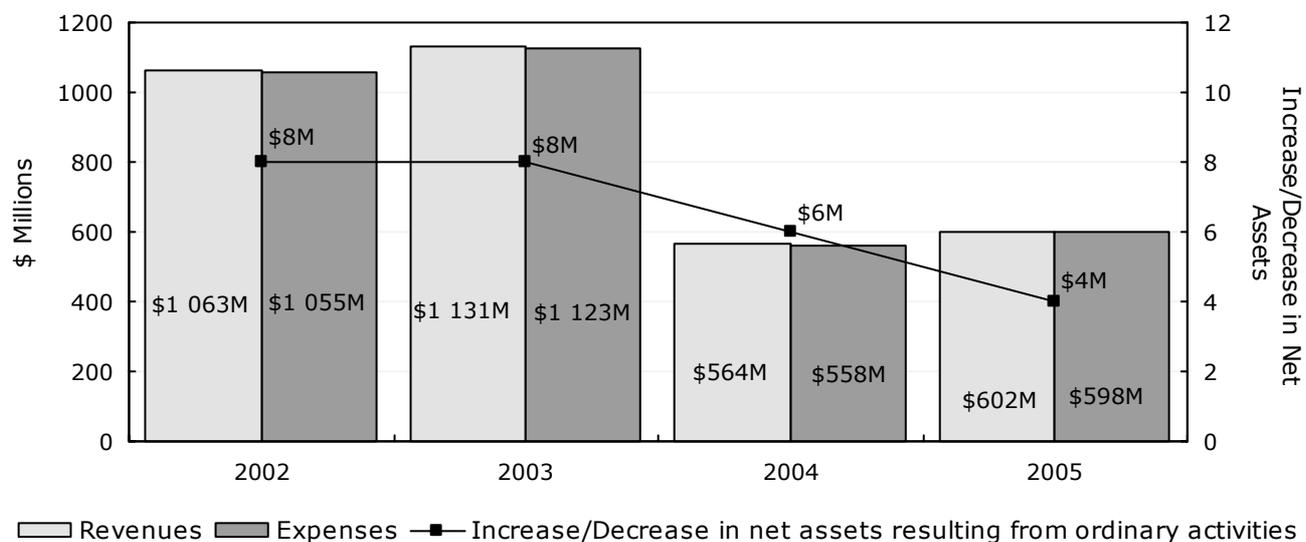
For the four years to 2005 a structural analysis of the main administered operating expense items for the Department is shown in the following chart.



Operating Result

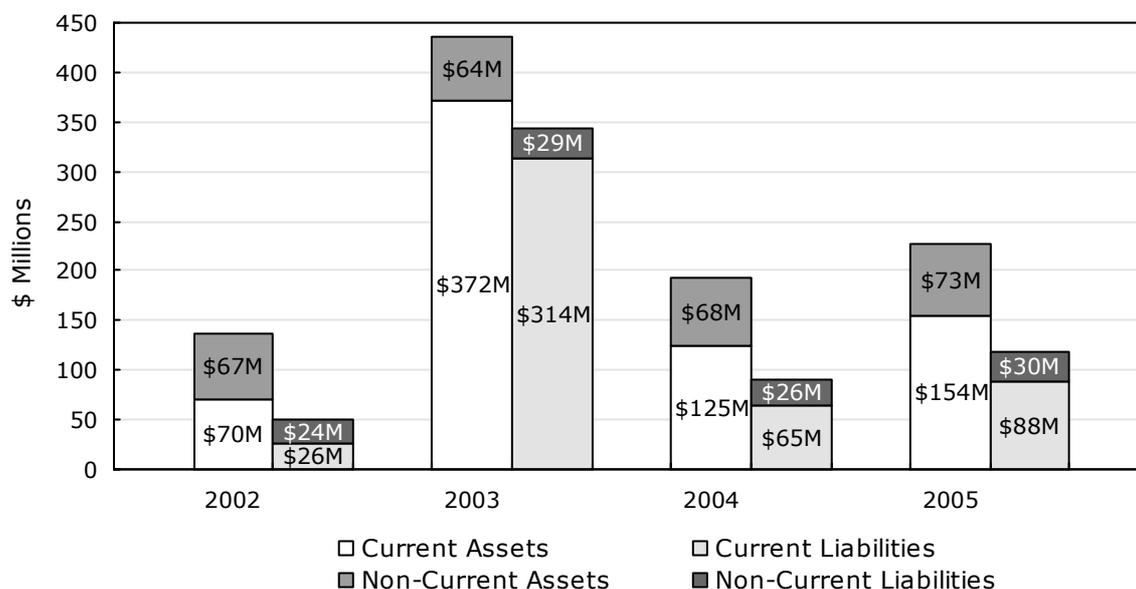
The nature of the administered activities is such that the net asset position should always be positive.

The following chart shows the operating revenues, operating expenses and the increase/decrease in net assets resulting from ordinary activities for the four years to 2005.



Statement of Financial Position

In 2003, a change in banking arrangements for the South Australian Government impacted on the transfer of taxation and other receipts to Consolidated Account. As a result, in 2003, administered Cash on Hand and on Deposit reflects an amount of \$288 million payable to Consolidated Account while Other Assets reflects a receivable of \$53 million due from Consolidated Account. The process was resolved by 30 June 2004.



Statement of Cash Flows

The following table summarises the administered net cash flows for the four years to 2004.

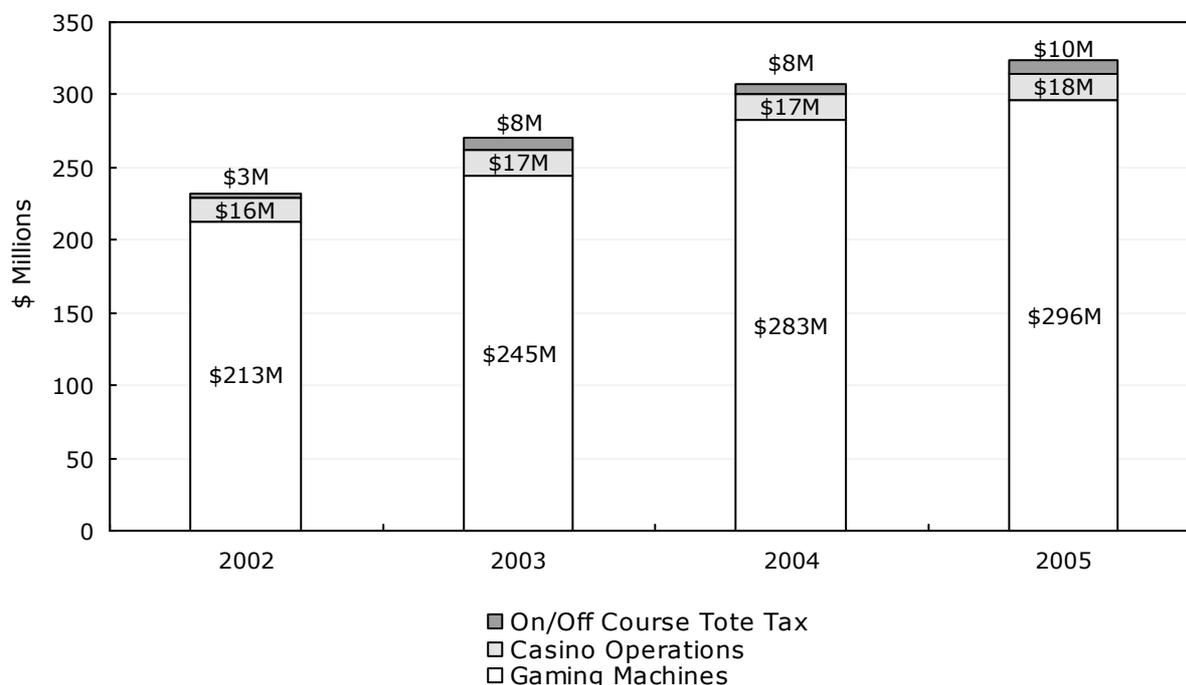
	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	34.1	(202.8)	239.7	15.2
Investing	(8.8)	(5.2)	(3.9)	(4.8)
Financing	-	-	-	0.3
Change in Cash	25.3	(208.0)	235.8	10.7
Cash at 30 June	93.6	68.3	276.3	40.5

FURTHER COMMENTARY ON OPERATIONS

Taxation Receipts

Taxation receipts for 2004-05 totalled \$325 million (\$308 million).

For the four years to 2005 a structural analysis of taxation receipts is presented in the following chart.



The following information is provided in relation to revenue from gaming machines.

Gaming Machine Administration

The *Gaming Machines Act 1992* (the Act), section 5, provides that the Liquor and Gambling Commissioner is responsible to the Independent Gambling Authority for the scrutiny of the operations of all licences under the Act.

Under the Act, the operations of gaming machines in licensed premises must return winnings to players of not less than 85 percent in the case of machines installed prior to 31 May 2001, and 87.5 percent in the case of machines installed subsequent to that date. A prescribed percentage of the net gambling revenue (NGR) is then required to be paid to the Treasurer (Consolidated Account).

The *Gaming Machines (Miscellaneous) Amendment Act 2005* was proclaimed on 13 January 2005. Key provisions of the Act included the:

- introduction of gaming machine entitlements for each authorised gaming machine licence; and
- transferability of gaming machine entitlements at a fixed price.

Provisions reflecting the maximum number of gaming machines that can be operated under a licence did not come into effect until 1 July 2005. Audit has been advised that the number of operational machines as at 1 July 2005 was 12 595.

The following table summarises gaming machine activity for four years to 2005.

	2005	2004	2003	2002
	Number	Number	Number	Number
Machines (installed as at 30 June)	14 062	14 799	14 841	14 647
	2005	2004	2003	2002
	\$'million	\$'million	\$'million	\$'million
Turnover	6 995	6 502	5 853	5 225
Amount Won	6 246	5 778	5 184	4 618
NGR	749	724	669	607
Tax	296	283	245	213

Independent Gaming Corporation Limited

Pursuant to section 25 of the Act, the Liquor and Gambling Commissioner granted the gaming machine monitor licence to the Independent Gaming Corporation (IGC). The IGC is, under this licence, charged with the responsibility for monitoring the operations of gaming machine licensees.

Section 75 of the Act, specifically provides for the accounts and operations of the IGC, in performing its monitoring role, to be audited by the Auditor General.

With respect to the 2004-05 operations, the audit of the IGC has been completed and an unqualified audit opinion issued.

Victims of Crime Fund

The Attorney-General's Department is responsible for administering the *Victims of Crime Act 2001* (the Act), with effect from 1 January 2004. The Department was previously responsible for administering the *Criminal Injuries Compensation Act 1978* which was repealed by the Act.

The Act, establishes principles for the treatment of victims of crime and provides rights to statutory compensation for injuries suffered as a result of criminal offences. The maximum compensation that may be awarded under the Act is \$50 000.

Payments made for the year through the Special Deposit Account titled 'Victims of Crime Fund' totalled \$13.9 million (\$12.4 million) on account of 1140 (1227) compensation claims.

Recoveries from Offenders

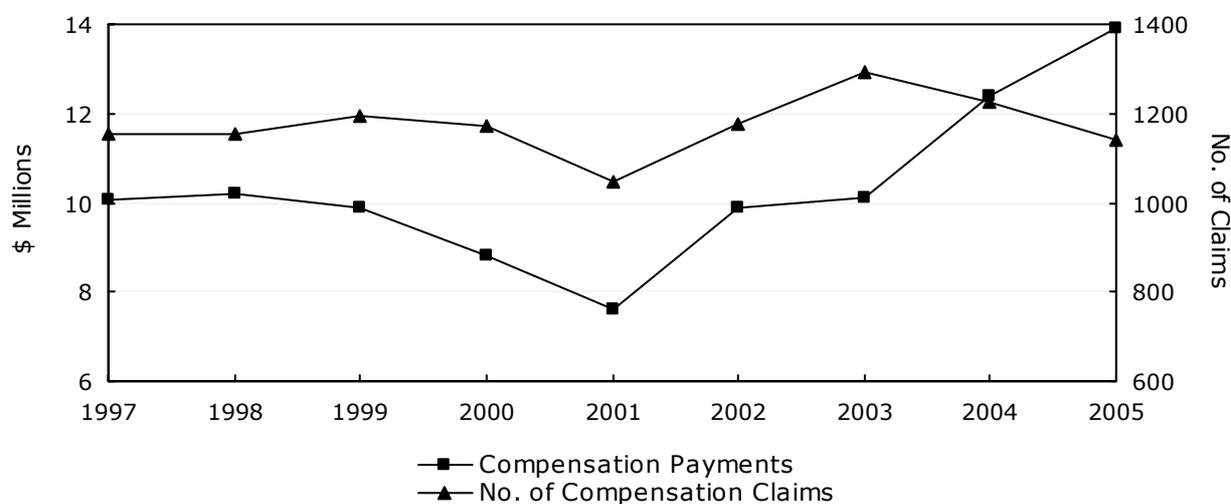
Pursuant to the Act, the Attorney-General can recover, as a debt, from an offender who has been convicted of an offence, the amount of any payment made by the Attorney-General pursuant to the Act. Recovery of amounts is difficult as most compensation claims are for unknown offenders. This is demonstrated by the following:

- Outstanding amounts at 30 June 2005 were \$42.4 million (\$40.0 million) with \$26.6 million (\$13.7 million) having been written off during the year.
- The amounts recovered during the year totalled \$925 000 (\$870 000).

As a result of the size of compensation payments and the small amounts recovered from offenders, funds are transferred from the Consolidated Account to enable compensation payments to be made.

In order to supplement these funds a levy is imposed by the Act on all persons convicted of offences and on expiation notices. Levies for 2004-05 totalled \$7.7 million (\$7.8 million). In addition, for 2004-05 the Government appropriated \$6.2 million (\$6.2 million) to the Fund.

The following chart illustrates compensation payments and claims made over the past nine years.



Community Emergency Services Fund

The Department is responsible for administering the Community Emergency Services Fund.

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

In addition, the Government makes a contribution in the form of remissions of levies charged.

All levy receipts are paid into a fund titled the Community Emergency Services Fund from which the Department makes payment to Emergency Services agencies. The Fund also meets the cost of collecting the levies and operating the Fund.

Levies for 2004-05 totalled \$169.5 million (\$162.7 million), comprising:

	2005	2004
	\$'million	\$'million
Fixed property collections	63.9	57.0
Fixed property remissions	62.5	64.1
Mobile collections	27.5	26.3
Mobile remissions	8.9	8.6
Pensioner concessions	6.2	6.2
Other	0.5	0.5
	169.5	162.7

Payments totalling \$168.0 million (\$164.5 million) were made from the Fund as follows:

	2005	2004
	\$'million	\$'million
Emergency Services Administration Unit	0.5	0.5
South Australian Metropolitan Fire Services	75.8	76.2
Country Fire Services	48.6	44.5
South Australian Police	16.1	16.8
Department for Environment and Heritage	2.1	2.1
SA St John Ambulance Service	1.1	1.0
Surf Lifesaving	1.1	0.9
State Emergency Services	12.2	10.8
Volunteer Marine Rescue	0.9	0.7
State Rescue helicopter	0.5	0.5
Levy collection fees:		
Revenue SA	6.1	6.2
Department of Transport and Urban Planning	0.7	0.6
Attorney-General's Department	0.4	1.1
Other	1.9	2.6
	168.0	164.5

Bodies in the Barrel Case

The Department's Administered Expenses include \$2.0 million (\$2.8 million) of costs associated with the Bodies in the Barrel case. These costs were funded from specific appropriations.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	6	76 498	73 692
Supplies and services	7	34 360	38 441
Grants and subsidies	9	10 740	9 034
Depreciation and amortisation	8	2 481	2 921
Net loss from disposal of assets	13	77	24
Net expense resulting from correction of errors	25	-	(2 785)
Other expenses	10	1 143	590
Total Expenses from Ordinary Activities		125 299	121 917
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges	12	51 936	50 536
Commonwealth revenue		3 432	3 013
Interest revenue		1 020	886
Net revenue resulting from correction of errors	25	-	(13)
Other revenue	14	7 931	7 873
Total Revenues from Ordinary Activities		64 319	62 295
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		(60 980)	(59 622)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
Revenues from SA Government	15	65 209	61 563
Payments to SA Government	15	14 198	-
NET RESULT FROM ORDINARY ACTIVITIES		(9 969)	1 941
Net expense from restructuring		(429)	(227)
NET RESULT AFTER RESTRUCTURING		(10 398)	1 714
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		(10 398)	1 714

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and on deposit	16	19 914	24 320
Receivables	17	6 063	9 307
Other	18	653	563
Total Current Assets		26 630	34 190
NON-CURRENT ASSETS:			
Property, plant and equipment	19	8 112	8 862
Total Non-Current Assets		8 112	8 862
Total Assets		34 742	43 052
CURRENT LIABILITIES:			
Payables	20	4 922	4 253
Employee benefits	21(a)	6 224	5 335
Provisions	22	296	248
Other	23	1 249	1 605
Total Current Liabilities		12 691	11 441
NON-CURRENT LIABILITIES:			
Payables	20	1 946	1 868
Employee benefits	21(a)	13 705	12 982
Provisions	22	1 512	1 174
Other	23	823	1 124
Total Non-Current Liabilities		17 986	17 148
Total Liabilities		30 677	28 589
NET ASSETS		4 065	14 463
EQUITY:			
Accumulated surplus	24	2 455	12 853
Asset revaluation reserve		1 610	1 610
TOTAL EQUITY		4 065	14 463
Commitments	28		
Contingent Liabilities and Assets	27		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH OUTFLOWS:	Note	\$'000	\$'000
Employee payments		(74 702)	(69 508)
Payments to SA Government		(14 198)	-
Grants and subsidies		(10 740)	(8 959)
GST payments on purchases		(6 566)	(6 499)
Other		(31 896)	(38 337)
Total Outflows from Operating Activities		(138 102)	(123 303)
CASH INFLOWS:			
Receipts from SA Government		65 209	61 563
Fees and charges		51 571	49 868
GST receipts on revenue		3 703	3 525
Commonwealth revenue		3 432	3 013
GST input tax credits		2 579	2 974
Interest revenue		1 030	890
Other		7 927	3 764
Total Inflows from Operating Activities		135 451	125 597
Net Cash (Outflows) Inflows from Operating Activities	26	(2 651)	2 294
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(1 755)	(1 152)
Total Outflows from Investing Activities		(1 755)	(1 152)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		-	10
Total Inflows from Investing Activities		-	10
Net Cash Outflows from Investing Activities		(1 755)	(1 142)
NET (DECREASE) INCREASE IN CASH HELD		(4 406)	1 152
CASH AT 1 JULY		24 320	23 168
CASH AT 30 JUNE	16	19 914	24 320

**Program Class Schedule of Assets, Liabilities, Revenues and Expenses
for the year ended 30 June 2005**

	Program (Refer Note 4) 1	Program 2	Program 3	Program 4	Program 5	Program 6
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:						
CURRENT:						
Cash on hand and on deposit	8 739	1 275	3 319	1 739	425	368
Receivables	2 486	2 336	225	400	98	-
Other	384	20	15	33	13	1
NON-CURRENT:						
Property, plant and equipment	2 242	2 667	288	5	287	67
Total	13 851	6 298	3 847	2 177	823	436
LIABILITIES:						
CURRENT:						
Payables	(2 373)	(565)	(403)	(354)	(62)	(23)
Employee benefits	(2 632)	(1 141)	(510)	(329)	(138)	(79)
Other	(125)	(54)	(1 967)	(16)	687	(4)
NON-CURRENT:						
Payables	(688)	(442)	(222)	(108)	(54)	(25)
Employee benefits	(4 842)	(3 117)	(1 567)	(758)	(380)	(178)
Other	(534)	(344)	(173)	(84)	(42)	(20)
Total	(11 194)	(5 663)	(4 842)	(1 649)	11	(329)
NET ASSETS	2 657	635	(995)	528	834	107
REVENUES:						
Revenues from SA Government	32 433	1 288	5 874	2 879	2 257	1 120
Fees and charges	12 903	25 565	1 288	2 338	180	-
Commonwealth revenue	53	23	9	6	30	1
Interest	-	-	-	-	-	(76)
Net revenue resulting from correction of errors	-	-	-	-	-	-
Other revenue	1 984	769	1 271	278	96	7
Total	47 373	27 645	8 442	5 501	2 563	1 052
EXPENSES:						
Employee expenses	(33 085)	(14 311)	(5 567)	(4 015)	(1 553)	(903)
Supplies and services	(7 841)	(6 292)	(2 015)	(1 366)	(616)	(282)
Payments to SA Government	(6 154)	(2 642)	(1 032)	(749)	(286)	(167)
Grants and subsidies	(3 023)	(30)	-	(564)	(40)	-
Depreciation and amortisation	(778)	(504)	(303)	(29)	(114)	(39)
Net loss from disposal of assets	(10)	(6)	(2)	(1)	(1)	-
Net expense resulting from correction of errors	-	-	-	-	-	-
Other expenses	(1 113)	(30)	-	-	-	-
Total	(52 004)	(23 815)	(8 919)	(6 724)	(2 610)	(1 391)
NET RESULT FROM ORDINARY ACTIVITIES	(4 631)	3 830	(477)	(1 223)	(47)	(339)

**Program Class Schedule of Assets, Liabilities, Revenues and Expenses
for the year ended 30 June 2005 (continued)**

	Program 7	Program 8	Program 9	Program 10	Program 11	Program 12	2005 Total \$'000
(Refer Note 4)	\$'000	\$'000	\$'000	\$'000		\$'000	
ASSETS:							
CURRENT:							
Cash on hand and on deposit	626	159	(316)	3 033	547	-	19 914
Receivables	7	-	280	230	1	-	6 063
Other	2	4	1	179	1	-	653
NON-CURRENT:							
Property, plant and equipment	95	20	267	2 146	28	-	8 112
Total	730	183	232	5 588	577	-	34 742
LIABILITIES:							
CURRENT:							
Payables	(35)	(40)	(29)	(960)	(78)	-	(4 922)
Employee benefits	(105)	(30)	(105)	(1 007)	(148)	-	(6 224)
Other	(6)	(1)	(5)	(48)	(6)	-	(1 545)
NON-CURRENT:							
Payables	(45)	(8)	(16)	(316)	(22)	-	(1 946)
Employee benefits	(321)	(56)	(113)	(2 220)	(153)	-	(13 705)
Other	(35)	(6)	(12)	(245)	(17)	(823)	(2 335)
Total	(547)	(141)	(280)	(4 796)	(424)	(823)	(30 677)
NET ASSETS	183	42	(48)	792	153	(823)	4 065
REVENUES:							
Revenues from SA							
Government	1 719	2 058	1 743	10 852	2 986	-	65 209
Fees and charges	-	-	-	9 662	-	-	51 936
Commonwealth revenue	2	1	2	3 308	(3)	-	3 432
Interest	(19)	-	-	1 115	-	-	1 020
Net revenue resulting from correction of errors	-	-	-	-	-	-	-
Other	10	101	587	2 604	224	-	7 931
Total	1 712	2 160	2 332	27 541	3 207	-	129 528
EXPENSES:							
Employee expenses	(1 352)	(364)	(1 520)	(11 712)	(2 116)	-	(76 498)
Supplies and services	(409)	(137)	(370)	(13 736)	(1 296)	-	(34 360)
Payments to SA Government	(251)	(67)	(280)	(2 178)	(392)	-	(14 198)
Grants and subsidies	-	(1 389)	(30)	(5 664)	-	-	(10 740)
Depreciation and amortisation	(52)	(6)	(53)	(582)	(21)	-	(2 481)
Net loss from disposal of assets	-	-	(1)	(55)	(1)	-	(77)
Net expense resulting from correction of errors	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	(1 143)
Total	(2 064)	(1 963)	(2 254)	(33 927)	(3 826)	-	(139 497)
NET RESULT FROM ORDINARY ACTIVITIES	(352)	197	78	(6 386)	(619)	-	(9 969)

**Statement of Administered Revenue and Expenses
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Taxation receipts		324 774	308 325
Community Emergency Services Fund revenue		169 530	162 712
Revenues from SA Government		53 754	44 288
Commonwealth Specific Purpose grants		24 562	22 475
Fees and charges		12 276	10 655
Interest revenue		9 589	7 602
Agents Indemnity Fund revenue		5 634	6 253
Net revenue resulting from correction of errors	44	-	(6 074)
Other	34	2 573	7 774
Total Revenues from Ordinary Activities		602 692	564 010
EXPENSES FROM ORDINARY ACTIVITIES:			
Payment to Consolidated Account		351 557	327 193
Community Emergency Services Fund payments	31	168 029	164 529
Grants		31 981	31 591
Employee expenses	30	6 857	5 506
Payments to Justice Agencies		1 004	1 139
Depreciation and amortisation	32	384	340
Net expense resulting from correction of errors	44	-	5
Other	33	38 401	27 224
Total Expenses from Ordinary Activities		598 213	557 527
OPERATING SURPLUS		4 479	6 483
Increase in net assets due to administrative restructure		-	227
Amounts transferred to asset revaluation reserve		2 281	1 781
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNERS		6 760	8 491

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	35	93 628	68 278
Receivables	36	28 530	35 707
Financial assets	38	21 449	15 916
Other	37	10 310	5 220
Total Current Assets		153 917	125 121
NON-CURRENT ASSETS:			
Financial assets	38	72 437	67 155
Property, plant and equipment	39	619	754
Other	37	-	330
Total Non-Current Assets		73 056	68 239
Total Assets		226 973	193 360
CURRENT LIABILITIES:			
Payables	40	2 964	2 172
Employee benefits	41(a)	282	150
Other	42	85 144	62 841
Total Current Liabilities		88 390	65 163
NON-CURRENT LIABILITIES:			
Payables	40	35	32
Employee benefits	41(a)	249	225
Other	42	29 700	26 101
Total Non-Current Liabilities		29 984	26 358
Total Liabilities		118 374	91 521
NET ASSETS		108 599	101 839
EQUITY:			
Accumulated surplus	43	103 373	98 894
Asset revaluation reserve		5 226	2 945
TOTAL EQUITY		108 599	101 839
Contingent Liabilities and Assets	46		

**Statement of Administered Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
CASH FLOWS FROM OPERATING ACTIVITIES:		(Outflows)	(Outflows)
CASH INFLOWS:	Note	\$'000	\$'000
Taxation receipts		325 125	312 001
Community Emergency Services Fund revenue		169 459	165 215
Receipts from SA Government		53 754	44 288
Fees and charges		19 199	10 980
Commonwealth Specific Purpose grant		24 562	22 475
Interest revenue		9 521	7 627
Other		8 495	43 625
Total Inflows from Operating Activities		610 115	606 211
CASH OUTFLOWS:			
Payments to Consolidated Account		(351 557)	(592 936)
Community Emergency Services Fund payments		(168 029)	(164 522)
Grants		(31 981)	(31 591)
Victims of Crime compensation payments		(14 009)	(10 090)
Employee payments		(6 681)	(5 530)
Payments to Justice agencies		(1 004)	(1 139)
Other		(2 722)	(3 198)
Total Outflows from Operating Activities		(575 983)	(809 006)
Net Cash Inflows (Outflows) from Operating Activities	45	34 132	(202 795)
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for investments		(8 533)	(4 927)
Payments for property, plant and equipment		(249)	(289)
Total Outflows from Investing Activities		(8 782)	(5 216)
Net Cash Outflows from Investing Activities		(8 782)	(5 216)
NET INCREASE (DECREASE) IN CASH HELD		25 350	(208 011)
CASH AT 1 JULY		68 278	276 289
CASH AT 30 JUNE	35	93 628	68 278

**Program Schedule of Administered Revenues, Expenses, Assets and Liabilities
for the year ended 30 June 2005**

	Program 1	Program 2	Program 3	Program 4	Program 5
(Refer Note 5)	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS:					
CURRENT:					
Cash on hand and on deposit	48 494	7 005	18 147	17 073	(182)
Financial assets	-	6 037	-	-	-
Receivables	26 782	132	864	552	-
Other	3 567	1 375	1 800	-	182
NON-CURRENT:					
Financial assets	-	26 902	-	-	-
Property, plant and equipment	-	-	-	-	-
Other	-	-	-	-	-
Total Administered Assets	78 843	41 451	20 811	17 625	-
LIABILITIES:					
CURRENT:					
Payables	(38)	(259)	(625)	(65)	(117)
Employee benefits	-	-	-	-	-
Other	(51 130)	(1 002)	-	-	-
NON-CURRENT:					
Payables	-	-	-	-	-
Employee benefits	-	-	-	-	-
Other	-	-	-	-	-
Total Administered Liabilities	(51 168)	(1 261)	(625)	(65)	(117)
NET ASSETS	27 675	40 190	20 186	17 560	(117)
ADMINISTERED REVENUES AND EXPENSES					
REVENUES:					
Revenues from SA Government	10 011	392	6 200	-	2 099
Fees and charges	2 810	685	8 611	-	-
Taxation receipts	324 774	-	-	-	-
Community Emergency Services Fund revenue	-	-	-	169 530	-
Commonwealth Specific Purpose grants	-	11 965	-	-	-
Interest revenue	-	2 244	935	2 479	-
Agents Indemnity Fund revenue	-	5 634	-	-	-
Other	-	425	1 033	-	-
Total Administered Revenues	337 595	21 345	16 779	172 009	2 099
EXPENSES:					
Employee expenses	-	(502)	(406)	-	(279)
Other	(2 216)	(7 293)	(16 192)	-	(1 766)
Depreciation and amortisation	-	-	-	-	-
Payments to Consolidated Account	(326 405)	(11 966)	-	-	-
Payments to Justice agencies	-	-	-	-	-
Community Emergency Services Fund payments	-	-	-	(168 029)	-
Grants	(6 996)	-	(1 201)	-	-
Total Administered Expenses	(335 617)	(19 761)	(17 799)	(168 029)	(2 045)
NET INCREASE (DECREASE) IN ADMINISTERED NET ASSETS	1 978	1 584	(1 020)	3 980	54

**Program Schedule of Administered Revenues, Expenses, Assets and Liabilities
for the year ended 30 June 2005 (continued)**

	Program 6	Program 7	Program 8	Program 9	2005 Total \$'000
(Refer Note 5)	\$'000	\$'000	\$'000	\$'000	
ASSETS:					
CURRENT:					
Cash on hand and on deposit	6 461	(2 660)	(51)	(659)	93 628
Financial assets	15 412	-	-	-	21 449
Receivables	181	13	-	6	28 530
Other	-	2 722	76	588	10 310
NON-CURRENT:					
Financial assets	45 535	-	-	-	72 437
Property, plant and equipment	406	-	-	213	619
Other	-	-	-	-	-
Total Administered Assets	67 995	75	25	148	226 973
LIABILITIES:					
CURRENT:					
Payables	(1 249)	(193)	-	(418)	(2 964)
Employee benefits	-	(65)	-	(217)	(282)
Other	(32 421)	(155)	(25)	(411)	(85 144)
NON-CURRENT:					
Payables	-	(3)	-	(32)	(35)
Employee benefits	-	(21)	-	(228)	(249)
Other	(29 700)	-	-	-	(29 700)
Total Administered Liabilities	(63 370)	(437)	(25)	(1 306)	(118 374)
NET ASSETS	4 625	(362)	-	(1 158)	108 599
ADMINISTERED REVENUES AND EXPENSES					
REVENUES:					
Revenues from SA Government	-	5 809	23 534	5 709	53 754
Fees and charges	-	170	-	-	12 276
Taxation receipts	-	-	-	-	324 774
Community Emergency Services Fund revenue	-	-	-	-	169 530
Commonwealth Specific Purpose grants	-	-	12 597	-	24 562
Interest revenue	3 931	-	-	-	9 589
Agents Indemnity Fund revenue	-	-	-	-	5 634
Other	163	1 414	-	(462)	2 573
Total Administered Revenues	4 094	7 393	36 131	5 247	602 692
EXPENSES:					
Employee expenses	(2 750)	(936)	-	(1 984)	(6 857)
Other	(1 592)	(5 906)	-	(3 436)	(38 401)
Depreciation and amortisation	(346)	(1)	-	(37)	(384)
Payments to Consolidated Account	-	-	(12 597)	(589)	(351 557)
Payments to Justice agencies	-	-	-	(1 004)	(1 004)
Community Emergency Services Fund payments	-	-	-	-	(168 029)
Grants	-	-	(23 534)	(250)	(31 981)
Total Administered Expenses	(4 688)	(6 843)	(36 131)	(7 300)	(598 213)
NET INCREASE (DECREASE) IN ADMINISTERED NET ASSETS	(594)	550	-	(2 053)	4 479

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of the Attorney-General's Department

The Attorney-General's Department (AGD) serves the Government and the people of South Australia by achieving excellence in the provision of legal services to the State Government, and in the provision of consumer law-related and regulatory services, and complaint handling function to the South Australian Community.

The Department believes that the following corporate objectives are critical to its operational success. The Department will:

- Recognise the importance of good leadership by managers, supervisors and team leaders;
- Facilitate and encourage open communications and participative decision making and provide easy access to all information and publications of relevance to staff;
- Foster client satisfaction by providing high quality services which meet their needs;
- Maintain high professional and management standards, including encouraging professional membership and participation of professional bodies, and provide identified training programs which are consistent with the strategic direction of Government and Departmental objectives;
- Recognise performance management and quality principles as tools which assist the organisation to evaluate the contribution of its people in day-to-day activities and which contributes to continuous performance improvement and learning;
- Recognise that through policy and planning the organisation's values are communicated, adopted and reinforced throughout the organisation;
- Facilitate a cooperative and participative industrial relations culture through the Enterprise Bargaining process.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The financial report has been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards;
- Other mandatory professional reporting requirements in Australia.

The Department's Statement of Financial Performance and Statement of Financial Position 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 continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and outputs.

2.2 Reporting Entity

The Attorney-General's Department produces both Departmental and Administered financial statements. The Departmental financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. The Administered financial statements includes the use of assets, liabilities, revenues and expenses which the Department administers on behalf of the SA Government but does not control.

For the purposes of accrual accounting and external financial reporting, the Ombudsman Services, Police Complaints Authority, Guardianship Board and Office of the Public Advocate are included in the financial reporting entity of the Attorney-General's Department.

The Ombudsman and the Police Complaints Authority do undertake investigations into complaints or matters under their respective Acts without interference from the Attorney-General's Department and both report separately to Parliament on their operations. The Guardianship Board is a court-like tribunal which has the power to make important decisions affecting the lives and property of persons over whom it has jurisdiction. The Public Advocate provides education, investigation, advocacy and guardianship services in accordance with its statutory functions. The Guardianship Board and Public Advocate were established pursuant to the *Guardianship and Administration Act 1993* (the Act) and are not subject to the direction of the Minister in the performance of their functions under the Act.

The cash at bank balance for the trust accounts listed below are included in the Attorney-General's Department - Administered Items Statement of Financial Position.

Administered items of the Department are listed below:

- Liquor and Gambling Services
 - Payment of Liquor Subsidies
 - Racing Services
 - Taxation Receipts (Casino, Gaming, Gambling, Liquor)

2.2 Reporting Entity (continued)

- Consumer and Business Affairs
 - Agents Indemnity Fund
 - Second Hand Vehicles Compensation Fund
 - Companies Liquidation Account
 - Cooperatives Liquidation Account
 - Consumer Credit Fund
 - HIH Fund
 - Private Plated Vehicles Contributions
 - Recreation Services
 - Remission - Fees and Charges
- Victims of Crime
- Community Emergency Services Fund
- Bodies in the Barrel Case
- Trust Accounts
 - Crown Solicitor's Trust Account
 - Residential Tenancies Fund
 - Retail Shop Leases Fund
- Audio Management System/Computer Aided Dispatch
- Contribution to Legal Services Commission for Legal Aid
- Other
 - Child Abuse Project
 - Ministerial Salary and Allowances
 - Special Act Payments (Ombudsman, Solicitor-General)
 - Unclaimed Salaries and Wages
 - Expensive Criminal Cases
 - Software Centre Inquiry
 - Legal Practitioners Act Fund
 - Compensation Companies Regulation (formerly Companies Code Fees)

2.3 Restructuring Activities

In the Government Gazette (dated 1 July 2004), it was reported that the Guardianship Board and Office of the Public Advocate were transferred from the Department of Human Services to the Attorney-General's Department, effective from 1 July 2004. Net expenses of \$0.307 million from the transfer of assets and liabilities have been recognised in the Statement of Financial Performance for 2004-05.

Effective 1 July 2004 administration of the Lottery and Gaming Unit of the Department of Treasury and Finance was transferred to the Attorney-General's Department. A net expense of \$0.122 million from the transfer of assets and liabilities has been recognised in the Statement of Financial Performance for 2004-05.

The Commission of Inquiry (Children in State Care) was included as part of the Attorney-General's administered items during 2004-05. Activities of the Commission were included in the Attorney-General's administered items given it is an independent judicial inquiry.

2.4 Revenues and Expenses

Revenues and expenses are recognised in the Department's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenues and expenses have been classified according to their nature in accordance with APS 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenues from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is driven by consumer demand.

Community Emergency Services Fund revenue is received from Revenue SA and the Department of Transport and Urban Planning.

Administered Fees and Charges includes Victims of Crime levies totalling \$7.7 million (\$7.8 million) received from other SA Government entities.

Revenues from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grant expenditure administered by the Department includes \$23.8 million (\$20.7 million) paid to SA Government entities.

2.5 Revenues from/Payments to SA Government

Appropriations whether recurrent, capital, special or other are recognised as revenues when the Department obtains control over the assets comprising the contribution. Control over appropriations and granted assets is normally obtained upon their receipt and are accounted for in accordance with Treasurer's Instruction 3 'Appropriation'.

2.6 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Attorney-General's Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.7 Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and are subject to an insignificant risk of changes in value. Cash is measured at nominal value.

Cash on deposit represents funds held in a Special Deposit Account with Westpac Bank. Investments represent funds deposited with the Public Trustee's Office.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During 2004-05 the Department has transferred \$14.198 million of its cash balance to the Consolidated Account.

2.8 Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

The Department determines the provision for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

2.9 Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired for no cost, or minimal cost, they are recorded at their fair value in the Statement of Financial Position. If however, the assets are acquired at no or nominal cost as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

The Department capitalises all non-current physical assets with a value of \$2 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'. Items with an acquisition cost less than \$2 000 are expensed in the year of acquisition.

2.10 Revaluation of Non-Current Assets

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets', the Department has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' and has applied the fair value methodology to all non-current assets revalued.

Land, buildings, infrastructure, leasehold improvements, plant and equipment and heritage assets were revalued in accordance with the 'fair value' method of valuation as at 1 July 2002. Library collections were revalued in May 2002. Information technology assets are valued at cost.

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

Revaluation increments are recognised in the asset revaluation reserve and revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Database and Licensing Records

The Department has developed and maintains databases for the maintenance of records such as retail shop leases, births, deaths and marriages, occupational licensing and incorporation of associations. These databases are not included as assets as their values cannot be measured reliably, thereby failing the asset recognition test, in accordance with Statement of Accounting Concepts (SAC) 4 'Definition and Recognition of the Elements of Financial Statements'.

Justice Information System

As a result of the transfer of the former Justice Information System Services (JISS) to the Department in 2001, the Department has brought to account all assets of the former JISS with the exception of the application software. The application has not been included as an asset as its value cannot be measured reliably, thereby failing the asset recognition test, in accordance with SAC 4.

2.11 Depreciation and Amortisation of Non-Current Assets

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

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Department using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Heritage assets include many items that are unique due to their historical or cultural interest and are not depreciated due to their long and indeterminate useful lives.

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current and future reporting periods as appropriate.

Depreciation and amortisation for non-current assets is determined as follows:

Class of assets	Depreciation method	Remaining Useful life (Years)
Buildings and other structures	Straight line	4-26
Leasehold improvements	Straight line	Remaining life of lease
Plant and equipment	Straight line	1-8
Information Technology	Straight line	3-5
Mobile transport assets	Straight line	5-16

2.12 Payables

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of the Attorney-General's Department.

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Department receives an invoice.

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

The Department 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.

2.13 Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. 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.

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The liability for annual leave is measured using the remuneration rate expected to apply at the time of settlement. The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

The liability for long service leave has been calculated in accordance with the short hand method using a benchmark number of seven years service as advised by the Department of Treasury and Finance. The calculation is consistent with the Department's experience of employee retention and leave taken.

2.14 Provisions

Workers Compensation

A liability has been reported to reflect workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services.

Workers Compensation (continued)

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2005 valuation, the Justice, DETE, DH and all other portfolios have been analysed separately. The Attorney-General's Department's liability is an allocation of the Justice Portfolio's total assessment.

2.15 Leases

The Department has a number of operating leases and payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

2.16 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, Fringe Benefits Tax and the Goods and Services Tax.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

2.17 Comparative Figures

The following comparative figures for 2004 have been adjusted to conform with changes in presentation of the financial report.

Other Revenue

Other revenue for 2004 was increased by \$2.4 million to reclassify receipts previously credited in error to Employee Expenses, Supplies and Services, Grants and Subsidies and Other Expenses.

Taxation Receipts

Taxation receipts for 2004 was increase by \$7.7 million to reclassify duties received pursuant to the *Authorised Betting Operations Act 2000* (On-Course and Off-Course Totalizator Tax), previously recognised as Fees and Charges.

2.18 Rounding

Amounts have been rounded to the nearest \$1 000.

3. Changes in Accounting Policies**3.1 Government/Non-Government Disclosures**

In accordance with Accounting Policy Statement (APS) 13 'Form and Content of General Purpose Financial Reports', the Department has included details of revenue, expenditure, financial assets and financial liabilities according to whether the transactions are with entities internal or external to the SA Government in a Note to the accounts.

3.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Attorney-General's Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', the Department has assessed the impacts on the Financial report for the year ended 30 June 2005 had it been prepared using Australian Equivalents to IFRS's. This assessment has concluded that the impacts will not be significant.

4. Program Class Schedule of the Department

Information about the Department's programs are set out in the Programs Schedule. A program is a grouping of related sub-programs that contribute to the achievement of agency and government objectives.

Program 1: Policy Advice and Legal Services

This program is focused on increasing the SA community's and industry's awareness of their rights, responsibilities and confidence that the system of justice is fair, equitable and accessible. It also provides the people of South Australia with an independent and effective prosecution service which is timely, efficient and just.

- Program 2: Consumer and Business Affairs**
This program covers the fair trading legislation, regulating defined business activities and maintaining business and civil records for South Australia through the provision of court and tribunal case resolution, alternative dispute resolution, licensing, regulatory and registration services.
- Program 3: Liquor and Gambling Services**
This program deals with encouraging responsible attitudes towards the promotion, sale, supply, consumption and use of liquor and gambling products.
- Program 4: Multicultural Services**
This program is focused on building community capacity and safe communities by having sound public sector programs that are designed to implement the State Government's policy commitments and promote equity of access to services.
- Program 5: Equal Opportunity**
This program is focused on promoting equality of opportunity for the community through the administration of anti-discrimination legislation by examining and responding to complaints and providing information, education and training to encourage compliance with legislation.
- Program 6: Police Complaints Authority**
Included in this program is the requirement to maintain public confidence in, and proper accountability of SA Police Department through the provision of complaint investigation and resolution services.
- Program 7: Ombudsman Services**
This program covers the investigation and complaints resolutions against State and Local government agencies. It is focused on ensuring that the public receives fair treatment from government bodies and that public administration is reasonable and just.
- Program 8: Crime Prevention**
This program deals with initiating and supporting crime prevention projects and local crime prevention programs by achieving a reduction in crime through working with a range of partners to develop appropriate crime prevention strategies and improved practices.
- Program 9: Crime Statistics**
This program covers monitoring, research and evaluation into crime and criminal justice by accurate and timely reporting on trends in crime and criminal justice.
- Program 10: Justice Portfolio Services**
This program is focused on providing excellence in customer service in the delivery of the following support services: financial, business and contract management, Justice technology, portfolio human resources, information knowledge management, strategic development and communications, business reform, Ministerial offices and support, Justice executive and legal community centre along with other grants.
- Program 11: Guardianship Services**
This program covers services to promote and protect the rights and interests of people with reduced mental capacity and, where appropriate, their carers, through the Guardianship Board and the Office of the Public Advocate.
- Program 12: General - Not Attributed**
Information about the Department's revenues, expenses, assets and liabilities that are not attributable to the above programs.

5. Administered Items

- Program 1: Liquor and Gambling Services**
This administered program recognises activities in relation to the receipt of payments associated with Casino Operations, Gaming Machines and Gaming Taxation. It also recognises receipts and payments associated with Betting Services and Racing Operations.
- Program 2: Consumer and Business Affairs**
This administered program recognises activities in relation to the Agents Indemnity Fund, the Second Hand Vehicles Compensation Fund, the *Co-operatives Liquidation Act* and the *Companies Liquidation Act*. This program also includes the receipts of Commonwealth grants to State Government for 'Forgone Revenue' per the Corporations Agreement 2002. The Commonwealth funds received by AGD are paid to the Consolidated Account.
- Program 3: Victims of Crime**
This administered program relates to receipts and payments associated with the *Victims of Crime Act 2001*. The Act provides for payment of compensation to persons who suffer injury as a result of criminal acts and the recovery from the offenders. Payments to victims and the monies recovered from offenders are processed through a special interest bearing deposit account.

Program 4: Community Emergency Services Levy

This administered program relates to the collection of the Community Emergency Services Levy and the application of these funds. The levies are collected in accordance with the *Emergency Services Funding Act 1998* by Revenue SA and the Department for Transport and Urban Planning and are credited to the fund from which Attorney-General's Department makes payment to the emergency services agencies, meets the costs of collecting the levies and operating the Fund.

Program 5: Bodies in the Barrels

This administered program relates to the bodies in the Barrels murder case. Cabinet approved the commencement of activities relating to the Snowtown Murders matter. Due to the significant level of uncertainty in the estimated cost and duration of the case, Cabinet noted the possibility of future submissions for additional funding. The Attorney-General's Department was endorsed to manage the operation relating to this case.

Program 6: Trust Accounts

This administered program relates to activities associated with the Residential Tenancies Trust, Crown Solicitor's Trust and the Retail Shop Leases Trust. The Attorney-General's Department (AGD) receives monies which are held in trust pending the outcome of future events or settlements. AGD does not have direct control over these funds and acts in the capacity as trustee. Beneficiaries include other government departments for the sale of government property, claims from individuals and funding for the administration of these trusts (funded by the income earned from investing the Funds' monies).

Program 7: Emergency Management Communications

This program relates to activities associated with the implementation of the Audio Management System (AMS), Computer Aided Dispatch (CAD) and Portfolio Radio and Telecommunications Costs for the Justice Portfolio.

Program 8: Legal Aid

This administered program relates to grant payments made to the Legal Services Commission. The Attorney-General's Department receives annual specific grant funding from the Commonwealth which together with the State Government component is paid to the Legal Services Commission. The Commonwealth grant funding provides legal assistance for matters arising under Commonwealth law, while the State Government grant funding is expended on State law matters.

Program 9: Other

This program reflects the financial performance and position of various administered activities, including: the payment of the Minister, Ombudsman and Solicitor-General's salaries; the Child Abuse project and Expensive State Criminal Cases. This program accommodates the minor programs that do not warrant their own specific program.

6. Employee Expenses

	2005	2004
	\$'000	\$'000
Salaries and wages	56 115	53 854
Employee on-costs	11 350	10 659
Annual leave	5 317	4 818
Long service leave	2 013	2 157
TVSP (refer below)	-	832
Board fees	1 034	734
Other	669	638
Total Employee Expenses	76 498	73 692

Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid to employees during the reporting period	-	*832
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	-	(622)
Annual and long service leave accrued over the period of employment for employees who received TVSPs	-	286

	2005	2004
	Number of Employees	Number of Employees
Number of employees who were paid TVSPs during the reporting period	-	11

* The balance of TVSPs not recovered from the Department of the Premier and Cabinet is self funded by the Attorney-General's Department.

6. Employee Expenses (continued)

Remuneration of Employees

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

	2005	2004
	Number of Employees	Number of Employees
\$100 001 - \$110 000	26	37
\$110 001 - \$120 000	17	10
\$120 001 - \$130 000	8	3
\$130 001 - \$140 000	10	9
\$140 001 - \$150 000	20	20
\$150 001 - \$160 000	9	3
\$160 001 - \$170 000	2	5
\$170 001 - \$180 000	5	3
\$180 001 - \$190 000	3	6
\$190 001 - \$200 000	4	4
\$200 001 - \$210 000	2	*5
\$210 001 - \$220 000	2	1
\$220 001 - \$230 000	2	1
\$230 001 - \$240 000	2	1
\$250 001 - \$260 000	2	1
\$260 001 - \$270 000	-	2
\$270 001 - \$280 000	2	-
\$280 001 - \$290 000	1	-
\$290 001 - \$300 000	-	1
\$350 001 - \$360 000	1	1
Total Number of Employees	118	113

The table includes all employees who received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. Total remuneration received or due and receivable by these employees was \$17.4 million (\$16.3 million).

* Includes officers who received a termination payment.

Average Number of Employees during the Reporting Period

On average, the Department employed 1045 (1016) people throughout the reporting period.

7. Supplies and Services

Supplies and Services provided by entities within the SA Government:

	2005	2004
	\$'000	\$'000
Accommodation	8 024	7 637
Computing and communication	5 602	6 335
Motor vehicle expenses	977	1 002
Telephone related expenses	913	960
Staff payments	232	282
Insurance	80	83
Promotion and publications	72	47
Legal fees	65	906
Office expenses	35	29
Consultancies	-	15
Other	1 445	2 347
Total Supplies and Services - SA Government Entities	17 445	19 643

Supplies and Services provided by entities external to the SA Government:

Accommodation	381	286
Computing and communication	3 598	1 636
Motor vehicle expenses	70	76
Telephone related expenses	665	774
Staff payments	1 868	2 238
Promotion and publications	796	1 160
Legal fees	1 613	635
Office expenses	1 983	1 862
Tax and taxable payments	749	792
Contract staff	1 688	2 119
Consultancies	200	290
Other	3 304	6 930
Total Supplies and Services - Non-SA Government Entities	16 915	18 798
Total Supplies and Services	34 360	38 441

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

	2005	2005	2004	2004
	Number	\$'000	Number	\$'000
Below \$10 000	13	36	17	59
\$10 000 - \$50 000	8	164	9	193
Above \$50 000	-	-	1	53
Total paid/payable to the Consultants Engaged	21	200	27	305

8. Depreciation and Amortisation	2005	2004
	\$'000	\$'000
Information technology	1 221	1 471
Leasehold improvements	807	915
Plant and equipment	397	480
Mobile transport assets	34	33
Buildings and other structures	22	22
Total Depreciation and Amortisation	2 481	2 921
9. Grants and Subsidies		
Grants and subsidies paid/payable to entities within the SA Government:		
Native Title Unit	718	1 065
Crime Prevention Unit	565	775
Other	933	424
Total Grants and Subsidies - SA Government Entities	2 216	2 264
Grants and subsidies paid/payable to entities external to the SA Government:		
Community Legal centre	3 622	3 450
Aboriginal Legal Rights Movements	1 516	1 805
Crime Prevention Unit	805	700
Native Title Unit	731	-
Other	1 850	815
Total Grants and Subsidies - Non-SA Government Entities	8 524	6 770
Total Grants and Subsidies	10 740	9 034
10. Other Expenses		
Other expenses paid/payable to entities within the SA Government:		
Other	329	188
Total Other Expenses - SA Government Entities	329	188
Other expenses paid/payable to entities external to the SA Government:		
Witness payments	674	439
Other	140	(37)
Total Other Expenses - Non-SA Government Entities	814	402
Total Other Expenses	1 143	590
11. Auditor's Remuneration		
Audit fees paid/payable to the Auditor-General's Department	195	193
Total Auditor's Remuneration	195	193
Other Services		
No other services were provided by the Auditor-General's Department.		
12. Fees and Charges		
Fees and charges received/receivable from entities within the SA Government:		
Legal services	12 744	11 660
Network services	9 217	9 509
Recovery of administration expenditure	5 357	6 318
Licence and regulatory fees	4	3
Other	2 030	1 966
Fees and Charges - SA Government Entities	29 352	29 456
Fees and charges received/receivable from entities external to the SA Government:		
Licence and regulatory fees	21 876	19 650
Recovery of administration expenditure	56	48
Legal services	79	55
Other	573	1 327
Fees and Charges - Non-SA Government Entities	22 584	21 080
Total Fees and Charges	51 936	50 536
13. Net Loss from Disposal of Assets		
Fixtures and Fittings:		
Proceeds from disposal	-	-
Net book value of assets disposed	(72)	-
Net Loss from Disposal of Fixtures and Fittings	(72)	-
Plant and Equipment:		
Proceeds from disposal	-	6
Net book value of assets disposed	(1)	(4)
Net (Loss) Gain from Disposal of Plant and Equipment	(1)	2

13. Net Loss from Disposal of Assets (continued)	2005	2004
Information Technology:	\$'000	\$'000
Proceeds from disposal	-	4
Net book value of assets disposed	(4)	(30)
Net Loss from Disposal of Information Technology	(4)	(26)
Total Assets:		
Total proceeds from disposal	-	10
Total net book value of assets disposed	(77)	(34)
Total Net Loss from Disposal of Assets	(77)	(24)
14. Other Revenues		
Other Revenues received/receivable from entities within the SA Government:		
Sundry recoveries	3 849	5 635
Other	1 241	796
Total Other Revenues - SA Government Entities	5 090	6 431
Other Revenues received/receivable from entities external to the SA Government:		
Sundry recoveries	1 171	1 103
Other	1 670	339
Total Other Revenues - Non-SA Government Entities	2 841	1 442
Total Other Revenues	7 931	7 873
15. Revenues from/Payment to SA Government		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	65 209	61 563
Total Revenues from SA Government	65 209	61 563
Payments to SA Government:		
Payment to Treasury under Cash Alignment Policy	14 198	-
Payments to SA Government	14 198	-
16. Cash on Hand and on Deposit		
Special Deposit Account with Westpac Bank ⁽¹⁾	19 738	24 172
Cash and cheques in transit	135	107
Cash on hand (including petty cash)	41	41
Total Cash on Hand and on Deposit	19 914	24 320
(1) This amount includes accrual appropriation of \$11.1 million (\$7.2 million).		
17. Receivables		
Receivables	5 207	4 713
Less: Provision for doubtful debts	(530)	(390)
GST receivable	1 354	1 324
Accrued interest	32	41
Other	-	3 619
Total Receivables	6 063	9 307
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Receivables	4 637	4 228
Less: Provision for doubtful debts	(530)	(390)
Accrued interest	32	41
Other	-	3 619
Total Receivables from SA Government Entities	4 139	7 498
Receivables from Non-SA Government entities:		
GST receivable	1 354	1 324
Receivables	570	485
Total Receivables from Non-SA Government Entities	1 924	1 809
Total Receivables	6 063	9 307
18. Other Assets		
Prepayments	380	399
Work in progress	273	164
Total Other Assets	653	563

18. Other Assets (continued)	2005	2004
Government/Non-Government Other Assets:	\$'000	\$'000
Other assets from SA Government entities:		
Prepayments	1	2
Work in progress	273	164
Total Other Assets from SA Government Entities	274	166
Other Assets from Non-SA Government entities:		
Prepayments	379	397
Total Other Assets from Non-SA Government Entities	379	397
Total Other Assets	653	563

19. (a) Property, Plant and Equipment	2005		
	Cost/ Valuation \$'000	Accumulated Depreciation/ Amortisation \$'000	Written Down Value \$'000
Leasehold improvements ⁽²⁾	9 691	7 306	2 385
Plant and equipment ⁽²⁾	8 324	6 144	2 180
Information technology	7 593	5 452	2 141
Land ⁽¹⁾	415	-	415
Library collections ⁽⁴⁾	407	-	407
Buildings and other structures ⁽¹⁾	1 215	907	308
Mobile transport assets ⁽²⁾	460	299	161
Heritage assets ⁽³⁾	115	-	115
	28 220	20 108	8 112
		2004	
	Cost/ Valuation \$'000	Accumulated Depreciation/ Amortisation \$'000	Written Down Value \$'000
Leasehold improvements ⁽²⁾	9 514	6 556	2 958
Plant and equipment ⁽²⁾	8 078	5 741	2 337
Information technology	6 696	4 591	2 105
Land ⁽¹⁾	415	-	415
Library collections ⁽⁴⁾	407	-	407
Buildings and other structures ⁽¹⁾	1 215	885	330
Mobile transport assets ⁽²⁾	460	265	195
Heritage assets ⁽³⁾	115	-	115
	26 900	18 038	8 862

- (1) Valuations of land, buildings and infrastructure were performed by David Conigrave, AAPI, Certified Practising Valuer of the Australian Valuation Office as at 1 July 2002.
- (2) Valuations of leasehold improvements, furniture, mobile transport assets and specialised plant and equipment were performed by Simon B O'Leary, AAPI, MSAA, Certified Practising Valuer – Plant and Machinery of the Australian Valuation Office as at 1 July 2002.
- (3) Valuations of heritage assets were performed by David Kabbani of H.J. Quigley Antiques Pty Ltd as at 1 July 2002.
- (4) Library collections represents valuation as per M Treloar as at 15 May 2002.

(b) Property, Plant and Equipment Movement Schedule	Asset Cost/Valuation					
	Opening Balance \$'000	Additions \$'000	Disposals \$'000	Reval's \$'000	Other \$'000	Closing Balance \$'000
Property:						
Land	415	-	-	-	-	415
Total Land	415	-	-	-	-	415
Buildings and other structures	1 215	-	-	-	-	1 215
Leasehold improvements	9 514	294	117	-	-	9 691
Total Buildings	10 729	294	117	-	-	10 906
Total Property	11 144	294	117	-	-	11 321
Plant and Equipment:						
Mobile transport assets	460	-	-	-	-	460
Information technology	6 696	1 263	364	-	(2)	7 593
Library collections	407	-	-	-	-	407
Plant and equipment	8 078	198	5	-	53	8 324
Heritage assets	115	-	-	-	-	115
Total Plant and Equipment	15 756	1 461	369	-	51	16 899
Total Property, Plant and Equipment	26 900	1 755	486	-	51	28 220

**(b) Property, Plant and Equipment
Movement Schedule (continued)**

	Accumulated Depreciation					Closing Balance \$'000
	Opening Balance \$'000	Depreciation Charge \$'000	Disposals \$'000	Reval's \$'000	Other \$'000	
Property:						
Land	-	-	-	-	-	-
Total Land	-	-	-	-	-	-
Buildings and other structures	885	22	-	-	-	907
Leasehold improvements	6 556	807	45	-	(12)	7 306
Total Buildings	7 441	829	45	-	(12)	8 213
Total Property	7 441	829	45	-	(12)	8 213
Plant and Equipment:						
Mobile transport assets	265	34	-	-	-	299
Information technology	4 591	1 221	360	-	-	5 452
Library collections	-	-	-	-	-	-
Plant and equipment	5 741	397	4	-	10	6 144
Heritage assets	-	-	-	-	-	-
Total Plant and Equipment	10 597	1 652	364	-	10	11 895
Total Property, Plant and Equipment	18 038	2 481	409	-	(2)	20 108

	Net Book Value	
	2005 \$'000	2004 \$'000
Property:		
Land	415	415
Total Land	415	415
Buildings and other structures	308	330
Leasehold improvements	2 385	2 958
Total Buildings	2 693	3 288
Total Property	3 108	3 703
Plant and Equipment:		
Mobile transport assets	161	195
Information technology	2 141	2 105
Library collections	407	407
Plant and equipment	2 180	2 337
Heritage assets	115	115
Total Plant and Equipment	5 004	5 159
Total Property, Plant and Equipment	8 112	8 862

20. Payables	2005	2004
Current:	\$'000	\$'000
Creditors	2 630	1 909
Employee on-costs	1 217	1 049
GST payable	537	791
Accruals	538	504
Total Current Payables	4 922	4 253
Non-Current:		
Employee on-costs	1 946	1 868
Total Non-Current Payables	1 946	1 868
Total Payables	6 868	6 121
Payables to SA Government entities:		
Creditors	538	643
Employee on-costs	3 163	2 917
Accruals	198	194
Total Payables to SA Government Entities	3 899	3 754
Payables to Non-SA Government entities:		
Creditors	2 092	1 266
GST payable	537	791
Accruals	340	310
Total Payables to Non-SA Government Entities	2 969	2 367
Total Payables	6 868	6 121

21. (a) Employee Benefits	2005	2004
Current:	\$'000	\$'000
Annual leave	4 298	3 794
Long service leave	875	771
Accrued salaries and wages	1 051	770
Total Current Employee Benefits	6 224	5 335
Non-Current:		
Long service leave	13 705	12 982
Total Non-Current Employee Benefits	13 705	12 982
Total Employee Benefits	19 929	18 317
 (b) Employee Benefits and Related On-Costs		
Accrued Salaries and Wages:		
On-costs included in Payables - Current (Note 20)	176	122
Employee Benefits - Current (Note 21(a))	1 051	770
	1 227	892
Annual Leave:		
On-costs included in Payables - Current (Note 20)	917	816
Employee Benefits - Current (Note 21(a))	4 298	3 794
	5 215	4 610
Long Service Leave:		
On-costs included in Payables - Current (Note 20)	124	111
Employee Benefits - Current (Note 21(a))	875	771
	999	882
Long Service Leave:		
On-costs included in Payables - Non-Current (Note 20)	1 946	1 868
Employee Benefits - Non-Current (Note 21(a))	13 705	12 982
	15 651	14 850
Aggregate Employee Benefit and Related On-Costs	23 092	21 234
 22. Provisions		
Current:		
Provisions for workers compensation	296	248
Total Current Provisions	296	248
Non-Current:		
Provisions for workers compensation	1 512	1 174
Total Non-Current Provisions	1 512	1 174
Total Provisions	1 808	1 422
 23. Other Liabilities		
Current:		
Control and working account balances	1 027	1 058
Lease incentive	211	323
Unearned revenue	11	26
Other	-	198
Total Current Other Liabilities	1 249	1 605
Non-Current:		
Lease incentive	823	1 124
Total Non-Current Other Liabilities	823	1 124
Total Other Liabilities	2 072	2 729
Government/Non-Government Other Liabilities:		
Other liabilities from SA Government entities:		
Lease incentive	1 034	1 447
Control and working account balances	268	331
Other	-	198
Total Other Liabilities from SA Government Entities	1 302	1 976
Other Liabilities from Non-SA Government entities:		
Control and working account balances	759	727
Unearned revenue	11	26
Total Other Liabilities from Non-SA Government Entities	770	753
Total Other Liabilities	2 072	2 729

24. Equity

Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community. Equity comprises:

Accumulated Surplus:	2005	2004
	\$'000	\$'000
Balance as at 1 July	12 853	11 139
Restructure transfers	(429)	(227)
(Decrease) Increase in net assets resulting from operations	(9 969)	1 941
Balance as at 30 June	2 455	12 853

25. Net Revenue/Expense Resulting from Correction of Errors**Net Expense Resulting from Correction of Errors**

The financial statement for the Attorney-General's Department for the year ended 30 June 2003 recognised payments to the Crown Solicitor's Trust Account as expenses which should have been recognised as cash deposits. This error has the effect of overstating expenses and understating cash by \$3.061 million in 2003.

(a) Fundamental Error

	2005	2004
	\$'000	\$'000
	Restated	Restated
Expenses	-	121 688
Revenue (including from SA Government)	-	120 568
Net cost of services from ordinary activities	-	(1 120)
Re-statement of Equity:		
Previously reported balance as at 1 July	-	11 139
Correction of fundamental error	-	3 061
Restated accumulated surplus	-	14 200
Restructure transfers	-	(227)
Increase in net assets resulting from operations	-	(1 120)
Balance as at 30 June	-	12 853

Monies transferred to Crown Solicitor's Trust Account and recognised as expenses in AGD Operating Account	-	(3 061)
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(b) Other Errors

Cash balance in AGD Operating Account overpaid by DTF	-	861
Non-current assets of less than \$2 000 not written off according to accounting policies	-	357
Depreciation of non-current assets over expensed in previous years	-	(20)
Long service leave on-costs over expensed in previous years	-	(922)
Net Expense Resulting from Correction of Errors	-	(2 785)

Net Revenue Resulting from Correction of Errors**(c) Other Errors**

Cash at bank balance of Administered Items in AGD Operating Account	-	(13)
Net Revenue Resulting from Correction of Errors	-	(13)

26. Cash Flow Reconciliation

Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:	2005	2004
	\$'000	\$'000
Cash at year end per Statement of Cash Flows	19 914	24 320
Statement of Financial Position item comprising cash	19 914	24 320
Reconciliation of Net Result from Ordinary Activities to Net Cash from Operating Activities:		
Net (deficit) surplus	(9 969)	1 941
Less: Items classified as investing activities:		
Loss on disposal	77	24
Add: Non-Cash Items:		
Depreciation and amortisation	2 481	2 921
Allowance for doubtful debts	140	(116)
Correction of errors	-	(514)
Change in Assets and Liabilities:		
Increase in employee benefits	1 410	1 343
Increase in payables	443	1 206
(Decrease) Increase in other liabilities	(213)	219
Increase in receivables	(515)	(1 086)
Decrease (Increase) in prepayments	19	(75)
Decrease (Increase) in other assets	3 476	(3 569)
Net Cash (Outflows) Inflows from Operating Activities	(2 651)	2 294

27. Contingent Liabilities and Assets

The Attorney-General's Department does not have any contingent liabilities or assets.

28. Commitments**Operating Leases**

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

	2005	2004
	\$'000	\$'000
Payable no later than one year	7 811	6 554
Payable later than one year and not later than five years	17 613	13 911
Payable later than five years	7 447	1 536
Total Operating Leases	32 871	22 001

These operating lease commitments are not recognised in the financial report as liabilities.

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.

	2005	2004
	\$'000	\$'000
Other Commitments		
Grants ⁽³⁾	57 405	15 535
Capital ⁽²⁾	1 047	500
Motor vehicles ⁽¹⁾	855	1 112
Other ⁽⁴⁾	34	514
Total	59 341	17 661
Payable no later than one year	19 334	16 663
Payable later than one year and not later than five years	40 007	998
Total Operating Leases	59 341	17 661

- (1) Agreements for the provision of motor vehicles to senior executive officers or sections (ie pool vehicles) with Fleet SA, Department for Administrative and Information Services. There are no purchase options available to the Department.
- (2) Outstanding contractual payments for building works and maintenance under construction.
- (3) Grant amounts payable under agreements in respect of which the grantee has yet to provide the services required under the agreement. The grants cover the period 2005 to 2009.
- (4) Other commitments relate to purchase orders placed for goods and services before 30 June 2005.

29. Financial Instruments**(a) Terms, Conditions and Accounting Policies***Financial Assets*

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are reported at amounts due to the Department. Receivables are due within 30 days of an invoice being raised.

Financial Liabilities

- Payables 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.

(b) Interest Rate Risk

	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount as per Statement of Financial Position		Weighted Average Effective Interest Rate	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Percent	Percent
Financial Assets:								
Cash on hand	-	-	41	41	41	41	-	-
Cash at bank	19 738	24 172	-	-	19 738	24 172	5.35	4.87
Cash and cheques in transit	-	-	135	107	135	107	-	-
Receivables	-	-	4 709	4 364	4 709	4 364	-	-
Total	19 738	24 172	4 885	4 512	24 623	28 684		
Financial Liabilities:								
Payables	-	-	2 631	1 909	2 631	1 909	-	-
Accruals	-	-	538	504	538	504	-	-
Total	-	-	3 169	2 413	3 169	2 413		

(c) Net Fair Values

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.

30. Employee Expenses - Administered Items	2005	2004
	\$'000	\$'000
Salaries and wages	5 281	3 767
Employee on-costs	804	878
Board fees	580	568
Long service leave	76	96
Annual leave	116	197
Total Employee Expenses	6 857	5 506

31. Emergency Services Levy Payments - Administered Items		
Payments to Emergency Services ⁽¹⁾	161 227	157 770
Emergency Services Levy collection fees	6 802	6 759
Total Emergency Services Levy Payments	168 029	164 529

(1) Payments totalling \$165 936 (\$162 845) were paid to SA Government entities.

32. Depreciation - Administered Items		
Leasehold improvements	245	221
Information Technology	77	52
Plant and equipment	62	67
Total Depreciation	384	340

33. Other Expenses - Administered Items		
Other Expenses paid/payable to entities within the SA Government:		
Contribution payments	4 173	-
Legal fees	1 017	1 715
Computing and communication	816	219
Victims of Crime claims	808	739
Accommodation	686	484
Project costs	-	17
Consultancies	20	-
Other	2 263	779
Total Other Expenses - SA Government Entities	9 783	3 953

Other Expenses paid/payable to entities external to the SA Government:		
Agents Indemnity Fund claims	6 192	-
Legal fees	2 980	1 723
Computing and communication	122	125
Victims of Crime claims	13 063	11 680
Betting services	1 532	1 021
Project costs	-	2 908
Consultancies	157	16
Other	4 572	5 798
Total Other Expenses - Non-SA Government Entities	28 618	23 271
Total Other Expenses	38 401	27 224

The number and dollar amount of consultancies paid/ payable (included in other expense) that fell within the following bands:	2005	2005	2004	2004
	Number	\$'000	Number	\$'000
Below \$10 000	5	9	2	16
\$10 000 - \$50 000	3	85	-	-
Above \$50 000	1	83	-	-
Total paid/payable to the Consultants Engaged	9	177	2	16

34. Other Revenues - Administered Items	2005	2004
Other Revenues received/receivable from entities within the SA Government:	\$'000	\$'000
Sundry recoveries	1 427	3 993
Revaluation increments	-	907
Project revenue	-	767
Other	300	200
Total Other Revenues - SA Government Entities	1 727	5 867

34. Other Revenues - Administered Items (continued)		2005	2004
Other Revenues received/receivable from entities external to the SA Government:		\$'000	\$'000
Sundry recoveries		255	229
Others		591	1 678
Total Other Revenues - Non-SA Government Entities		846	1 907
Total Other Revenues		2 573	7 774
35. Cash - Administered Items			
Special Deposit Account with Westpac Bank ⁽¹⁾		93 628	68 277
Cash and cheques in transit		-	1
Total Cash		93 628	68 278
(1) Movement in Trust Accounts.			
	Crown Solicitor's Trust Account	Residential Tenancies Fund	Retail Shop Leases Fund
	2005	2004	2005
	2004	2004	2004
	\$'000	\$'000	\$'000
Balance at 1 July	10 308	5 689	2 920
Receipts	35 078	58 070	37 946
Payments	(41 338)	(53 451)	(38 662)
Balance at 30 June	4 048	10 308	2 204
			2 920
			210
			484
36. Receivables - Administered Items		2005	2004
		\$'000	\$'000
Receivables		27 829	35 102
Accrued interest		669	601
GST receivable		32	4
Total Receivables		28 530	35 707
Government/Non-Government Receivables:			
Receivables from SA Government entities:			
Receivables		1 047	7 774
Accrued interest		486	439
Total Receivables from SA Government Entities		1 533	8 213
Receivables from Non-SA Government entities:			
Accrued interest		183	162
GST receivable		32	4
Other		26 782	27 328
Total Receivables from Non-SA Government Entities		26 997	27 494
Total Receivables		28 530	35 707
37. Other Assets - Administered Items			
Current:			
Prepayments		1 281	1 201
Treasury Fund balances		7 525	2 297
Other		1 504	1 722
Total Other Current Assets		10 310	5 220
Non-Current:			
Work in progress		-	330
Total Other Non-Current Assets		-	330
Total Other Assets		10 310	5 550
Government/Non-Government Other Assets:			
Other assets from SA Government entities:			
Treasury Fund balances		7 525	2 297
Other		520	765
Total Other Assets from SA Government Entities		8 045	3 062
Other Assets from Non-SA Government entities:			
Prepayments		1 281	1 201
Work in progress		-	330
Other		984	957
Total Other Assets from Non-SA Government Entities		2 265	2 488
Total Other Assets		10 310	5 550
38. Financial Assets - Administered Items			
Current:			
Funds invested with the Public Trustee		21 449	15 916
Total Current Financial Assets		21 449	15 916

38. Financial Assets - Administered Items (continued)	2005	2004
Non-Current:	\$'000	\$'000
Funds invested with the Public Trustee	72 437	67 155
Total Non-Current Financial Assets	72 437	67 155
Total Financial Assets	93 886	83 071

Financial assets represent funds invested with the Public Trustee as follows:

Residential Tenancies Fund	58 564	51 253
Agents Indemnity Fund	30 871	28 100
Second Hand Vehicles Compensation Fund	2 067	1 889
Retail Shop Leases Fund	2 384	1 829
Total Financial Assets	93 886	83 071

39. (a) Property, Plant and Equipment - Administered Items

	2005	Written
	Cost/	Down
	Valuation	Value
	\$'000	\$'000
Leasehold improvements ⁽¹⁾	1 576	325
Plant and equipment ⁽¹⁾	640	88
Information technology	344	206
	2 560	619

		2004	Written
	Cost/	Accumulated	Down
	Valuation	Depreciation/	Value
	\$'000	Amortisation	Value
	\$'000	\$'000	\$'000
Leasehold improvements ⁽¹⁾	1 354	1 006	348
Plant and equipment ⁽¹⁾	610	487	123
Information technology	378	95	283
	2 342	1 588	754

(1) Valuations of leasehold improvements, plant and equipment were performed by Simon B O'Leary AAPI, MSA, Certified Practising Valuer – Plant and Machinery of the Australian Valuation Office as at 1 July 2002.

(b) Property, Plant and Equipment Movement Schedule

	Asset Cost/Valuation					Closing
	Opening					Balance
	Balance					30.6.05
	1.7.04	Additions	Disposals	Reval's	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property:						
Leasehold improvements	1 354	222	-	-	-	1 576
Total Property	1 354	222	-	-	-	1 576
Plant and Equipment:						
Plant and equipment	610	27	-	-	3	640
Information technology	378	-	36	-	2	344
Total Plant and Equipment	988	27	36	-	5	984
Total Property, Plant and Equipment	2 342	249	36	-	5	2 560

	Accumulated Depreciation					Closing
	Opening					Balance
	Balance	Depreciation				30.6.05
	1.7.04	Charge	Disposals	Reval's	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property:						
Leasehold improvements	1 006	245	-	-	-	1 251
Total Property	1 006	245	-	-	-	1 251
Plant and Equipment:						
Plant and equipment	487	62	-	-	3	552
Information technology	95	77	34	-	-	138
Total Plant and Equipment	582	139	34	-	3	690
Total Property, Plant and Equipment	1 588	384	34	-	3	1 941

		Net Book Value
	2005	2004
	\$'000	\$'000
Property:		
Leasehold improvements	325	348
Total Property	325	348

		Net Book Value	
		2005	2004
		\$'000	\$'000
(b) Property, Plant and Equipment			
Movement Schedule (continued)			
Plant and Equipment:			
Plant and equipment		88	123
Information technology		206	283
Total Plant and Equipment		294	406
Total Property, Plant and Equipment		619	754
40. Payables - Administered Items		2005	2004
Current:		\$'000	\$'000
Creditors		2 873	2 105
Employee on-costs		49	32
Accruals		42	35
Total Current Payables		2 964	2 172
Non-Current:			
Employee on-costs		35	32
Total Non-Current Payables		35	32
Total Payables		2 999	2 204
Payables to SA Government entities:			
Creditors		1 813	1 535
Employee on-costs		84	64
Accruals		42	35
Total Payables to SA Government Entities		1 939	1 634
Payables to Non-SA Government entities:			
Creditors		1 060	570
Total Payables to Non-SA Government Entities		1 060	570
Total Payables		2 999	2 204
41. (a) Employee Benefits - Administered Items			
Current:			
Annual leave		167	141
Long service leave		16	-
Accrued salaries and wages		99	9
Total Current Employee Benefits		282	150
Non-Current:			
Long service leave		249	225
Total Non-Current Employee Benefits		249	225
Total Employee Benefits		531	375
(b) Employee Benefits and Related On-Costs - Administered Items			
Accrued Salaries and Wages:			
On-costs included in payables - Current (Note 40)		11	2
Employee benefits - Current (Note 41(a))		99	9
		110	11
Annual Leave:			
On-costs included in payables - Current (Note 40)		36	30
Employee benefits - Current (Note 41(a))		167	141
		203	171
Long Service Leave			
On-costs included in payables - Current (Note 40)		2	-
Employee benefits - Current (Note 41(a))		16	-
		18	-
Long Service Leave			
On-costs included in payables - Non-Current (Note 40)		35	32
Employee benefits - Non-Current (Note 41(a))		249	225
		284	257
Aggregate Employee Benefits and Related On-Costs		615	439
42. Other Liabilities - Administered Items			
Current:			
Gaming and other receipts payable to Treasury and Finance		52 102	26 132
Security bonds lodged		28 324	25 828
Crown Solicitor's Trust Account		4 048	10 308
Control and working account balances		599	420
Lease incentive		49	65
Unclaimed monies		22	88
Total Current Other Liabilities		85 144	62 841

42. Other Liabilities - Administered Items (continued)	2005	2004
Non-Current:	\$'000	\$'000
Security bonds lodged	29 700	26 052
Lease incentive	-	49
Total Non-Current Other Liabilities	29 700	26 101
Total Other Liabilities	114 844	88 942
Government/Non-Government Other Liabilities:		
Other liabilities from SA Government entities:		
Gaming and other receipts payable to Treasury and Finance	52 102	26 132
Lease incentive	49	114
Unclaimed monies	22	88
Total Other Liabilities from SA Government Entities	52 173	26 334
Other Liabilities from Non-SA Government entities:		
Security bonds lodged	58 024	51 880
Crown Solicitor's Trust Account	4 048	10 308
Control and Working Account balances	599	420
Total Other Liabilities from Non-SA Government Entities	62 671	62 608
Total Other Liabilities	114 844	88 942
43. Equity - Administered Items		
Equity represents the residual interest in the Department's net assets. The South Australian Government holds the equity interest in the Department on behalf of the community. Equity comprises:		
Accumulated Surplus:		
Balance as at 1 July	98 894	92 184
Restructure transfers	-	227
Increase in net assets resulting from operations	4 479	6 483
Balance as at 30 June	103 373	98 894
Asset Revaluation Reserve:		
Balance at 1 July	2 945	1 164
Revaluation Adjustments:		
Investments	2 281	1 781
Balance as at 30 June	5 226	2 945
Balance as at 30 June comprises:		
Investments	4 859	2 578
Leasehold improvements	266	266
Furniture	101	101
Balance as at 30 June	5 226	2 945
44. Net Revenue/Expense Resulting from Correction of Errors - Administered Items		
In 2004, errors to previous financial reports were discovered. These errors have occurred as a result of mistakes in applying accounting policies and misinterpretation of facts or oversight. These errors were corrected in the 2003-04 reporting period.		
(a) Net Expense Resulting from Correction of Errors	2005	2004
Other Errors:	\$'000	\$'000
Depreciation of non-current assets under expensed in previous years	-	17
Non-current assets of less than \$2 000 not written off according to accounting policies	-	3
Long service leave on-costs over expensed in previous years	-	(15)
Net Expense Resulting from Correction of Errors	-	5
(b) Net Revenue Resulting from Correction of Errors		
Other Errors:		
Receivables overstated in previous years	-	(6 087)
Cash at bank of administered items in AGD Operating Account	-	13
Net Revenue Resulting from Correction of Errors	-	(6 074)

45. Cash Flow Reconciliation - Administered Items	2005	2004
Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows:	\$'000	\$'000
Cash at year end per Statement of Cash Flows	93 628	68 278
Statement of Financial Position item comprising cash	93 628	68 278
Reconciliation of Operating result to Net Cash from Operating Activities:		
Net surplus	4 479	6 483
Less: Items Classified as Investing Activities:		
Loss on disposal	1	-
Add: Non-Cash Items:		
Depreciation and amortisation	384	340
Revaluation increment	-	(907)
Change in Assets and Liabilities:		
Increase (Decrease) in employee benefits	176	(37)
Increase in payables	889	355
Increase (Decrease) in other liabilities	25 786	(251 426)
Decrease (Increase) in receivables	7 177	(7 352)
Increase in prepayments	(80)	(283)
(Increase) Decrease in other assets	(4 680)	50 032
Net Cash Inflows (Outflows) from Operating Activities	34 132	(202 795)

46. Contingent Liabilities and Assets - Administered Items

The Agents Indemnity Fund has an estimated contingent obligation to pay \$11 million relating to current and expected claims against the Fund. The Second Hand Vehicles Compensation Fund has an estimated contingent obligation to pay \$35 000 relating to current and expected claims against the Fund.

The Department is of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

47. Financial Instruments - Administered Items

(a) Terms, Conditions and Accounting Policies.

Financial Assets

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are reported at amounts due to the Department. Receivables are due within 30 days of an invoice being raised.
- Investments are recorded at net fair value based upon valuation provided by the Public Trustee.

Financial Liabilities

- Payables 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.

(b) Interest Rate Risk

	Floating Interest Rate		Non-Interest Bearing		Total Carrying Amount as per Statement of Financial Position		Weighted Average Effective Interest Rate	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	Percent	Percent
Financial Assets:								
Cash at bank	93 628	68 277	-	-	93 628	68 277	5.35	4.87
Cash and cheques in transit	-	-	-	1	-	1	-	-
Investments	93 886	83 071	-	-	93 886	83 071	8.35	7.94
Receivables	-	-	28 498	35 703	28 498	35 703	-	-
Total	187 514	151 348	28 498	35 704	216 012	187 052		
Financial Liabilities:								
Payables	-	-	2 873	2 105	2 873	2 105	-	-
Accruals	-	-	42	35	42	35	-	-
Total	-	-	2 915	2 140	2 915	2 140		

(c) Net Fair Values

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which approximates net fair value. The carrying amount of Financial Assets approximates net fair value due to their short term maturity or being receivable on demand. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.

RESIDENTIAL TENANCIES FUND

The *Residential Tenancies Act 1995* regulates the relationship of landlords and tenants under residential tenancy agreements and provides for the establishment of the Residential Tenancies Fund and a Tribunal to resolve disputes.

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		3 813	2 962
Other	2	158	960
Total Revenues from Ordinary Activities		3 971	3 922
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing costs	3	2 750	2 761
Accommodation		441	423
Depreciation and amortisation	4	347	353
Other expenses	5	1 076	1 221
Total Expenses from Ordinary Activities		4 614	4 758
NET OPERATING DEFICIT FROM ORDINARY ACTIVITIES		(643)	(836)
Net credit to asset revaluation reserve	12	1 172	443
Total revenues, expenses and valuation adjustments recognised directly in equity		1 172	443
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH STATE GOVERNMENT AS OWNER		529	(393)

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and on deposit	6	2 204	2 920
Investments		14 376	11 237
Receivables	7	161	143
Total Current Assets		16 741	14 300
NON-CURRENT ASSETS:			
Property, plant and equipment	8	406	754
Investments		44 189	40 016
Total Non-Current Assets		44 595	40 770
Total Assets		61 336	55 070
CURRENT LIABILITIES			
Security bonds lodged	9	28 042	25 600
Payables	10	1 166	1 307
Other Current liabilities	11	50	65
Total Current Liabilities		29 258	26 972
NON-CURRENT LIABILITIES:			
Security bonds lodged	9	27 666	24 165
Other non-current liabilities	11	-	50
Total Non-Current Liabilities		27 666	24 215
Total Liabilities		56 924	51 187
NET ASSETS		4 412	3 883
EQUITY:			
Accumulated surplus	12	2 430	3 073
Asset revaluation reserve	12	1 982	810
TOTAL EQUITY		4 412	3 883

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
INFLOWS:			
Interest		3 943	3 144
Bond lodgements		33 985	31 377
Other		18	21
Total Inflows from Operating Activities		37 946	34 542
OUTFLOWS:			
Administration		(4 433)	(3 271)
Bond refunds		(28 041)	(25 600)
Other		(49)	(42)
Total Outflows from Operating Activities		(32 523)	(28 913)
Net Cash Inflows from Operating Activities	13	5 423	5 629
CASH FLOWS FROM INVESTING ACTIVITIES:			
OUTFLOWS:			
Payments for investments		(6 139)	(3 508)
Payments for non-current assets		-	(289)
Total Outflows from Investing Activities		(6 139)	(3 797)
Net Cash Outflows from Investing Activities		(6 139)	(3 797)
NET (DECREASE) INCREASE IN CASH HELD		(716)	1 832
CASH AT 1 JULY		2 920	1 088
CASH AT 30 JUNE	6	2 204	2 920

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives of the Residential Tenancies Fund

The Residential Tenancies Fund (Fund) is established under the *Residential Tenancies Act 1995* (Act). The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security bonds and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Residential Tenancies Tribunal.

1.2 Basis of Accounting

The financial statements are required by Section 102(1) of the *Residential Tenancies Act 1995* and are a general purpose financial report.

The statements have been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by Australian Accounting Standards Board;
- Other authoritative pronouncements of the Board;
- Urgent Issues Group (UIG) Consensus Views;
- Accounting Policy Statements and Treasurer's Instructions issued by the Department of Treasury and Finance.

1.2 Basis of Accounting (continued)

The Fund's Statement of Financial Performance and Statement of Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted are at valuation (fair value). Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Fund's Statement of Financial Position when and only when it is probable that future economic benefits will eventuate or be required and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are however not recognised unless required by an Accounting Standard.

Revenues and expenses are recognised in the Fund's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Bond Guarantee Scheme

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by the SA Housing Trust. In the event of a claim by a landlord, a payment is made by the Residential Tenancies Fund. The SA Housing Trust then reimburses the Residential Tenancies Fund. The value of bond guarantees lodged at 30 June 2005 is \$12.3 million (\$11.6 million).

The SA Housing Trust pays interest at an agreed market determined rate to the Residential Tenancies Fund based on the daily balance of bond guarantees held.

Interest

Under the *Residential Tenancies Act 1995*, interest is paid to tenants when a bond is repaid to them, interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. The interest has not been recorded as a liability, as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond. It is estimated that the interest liability as at 30 June 2005 is \$115 000 (\$98 000).

1.3 Staffing Costs

Employees of the Attorney-General's Department are assigned to support the Commissioner in the administration of the Fund.

No liability for employee benefits (provision for annual leave and long service leave) has been recognised as this liability rests with the Attorney-General's Department.

The value of staffing costs reflected in Note 3 includes remuneration paid to members of the Residential Tenancies Tribunal.

1.4 Taxation

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Fund as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable from the Australian Taxation Office has been recognised in the Attorney-General's Department's Statement of Financial Position.

1.5 Leases

Operating lease payments are expensed on a basis which is representative of the pattern of benefits derived from the leased asset. The majority of operating lease payments reflects accommodation expenses.

Lease incentives taking the form of 'free' leasehold improvements and rent holidays are recognised as liabilities. These liabilities are reduced by allocating lease payments between rental expense and reduction of the liability.

1.6 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash on deposit represents funds held in a Special Deposit Account with Westpac Bank.

1.7 Investments

Investments represent funds deposited with the Public Trustee Office and are reported at fair value. Investments are classified as either current or non-current, those to be rolled over within 12 months are classified as current investments.

1.7 **Investments (continued)**

Investments are made by way of notional unit holdings in a selection of common funds managed by Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted. As at 30 June the Fund held investments in common funds in the following proportions:

Capital Stable	51 percent
Balance	24 percent
Cash Common Fund	25 percent

Revaluation increments and decrements are recognised in the asset revaluation reserve except where, and to the extent, the decrement exceeds the balance of the reserve which are recognised as expenses or the increment reverses previous decrements which are recognised as revenue.

1.8 **Acquisition of Assets**

Assets are recognised at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange for liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition, unless acquired as a consequence of restructuring administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor agency's accounts immediately prior to the restructuring.

1.9 **Property, Plant and Equipment**

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$2 000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluations

The Fund has applied AASB 1041 'Revaluation of Non-Current Assets'.

Leasehold improvements and plant and equipment were revalued in accordance with the 'fair value' method of valuation as at 1 July 2002. Revaluation increments are recognised in the asset revaluation reserve and revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Depreciation and Amortisation

Depreciable property, plant and equipment assets are written off to their estimated residual values over their estimated useful lives to the Fund using, in all cases, the straight line method of depreciation. Leasehold improvements are amortised on a straight-line basis over the lesser of the estimated useful life of the improvement or the unexpired period of the lease.

Depreciation/amortisation rates and methods are reviewed at each balance date and necessary adjustments are recognised in the current or future reporting periods as appropriate. Residual values are re-estimated for a change in prices only when assets are revalued.

Depreciation and amortisation rates applying to each class of depreciable asset are based on the following remaining useful lives:

	Years
Leasehold improvements	Remaining life of lease
Plant and equipment	1-8
Information technology	3 - 5

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4.

1.10 **Comparative Figures**

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

1.11 **Rounding**

Amounts have been rounded to the nearest \$1 000.

1.12 **Changes in Accounting Policies**

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Fund will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', the Fund has assessed the impacts on the financial report for the year ended 30 June 2005 had it been prepared using Australian Equivalents IFRS's.

AASB 139 'Financial Instruments: Recognition and Measurement'

Investments held by the Fund have been designated as financial assets available-for-sale. In accordance with AASB 139, the fund will continue to recognise gains or losses arising from a change in the fair value of the financial assets directly in equity.

2.	Other Revenues	2005	2004
	Other revenues of the Fund comprised:	\$'000	\$'000
	Management fee recovery	148	132
	Trainee salary recovery	10	11
	Revaluation increment	-	817
	Total Other Revenues	158	960
3.	Staffing Costs		
	Staffing costs for the reporting period comprised:		
	Salaries and wages	2 330	2 290
	Payroll tax and superannuation expenses	345	401
	Long service leave expenses	75	70
	Total Staffing Costs	2 750	2 761
4.	Depreciation and Amortisation		
	Depreciation and amortisation expenses for the reporting period comprised:		
	Leasehold improvements	209	220
	Plant and equipment	61	87
	Information technology	77	46
	Total Depreciation and Amortisation	347	353
5.	Other Expenses		
	Other expenses of the Fund comprised:		
	Administration	759	870
	Staff payments	31	42
	Legal fees	72	-
	Computing and communication	204	308
	Other	10	1
	Total Other Expenses	1 076	1 221
6.	Cash on Hand and on Deposit		
	Special Deposit Account with Westpac Bank	2 204	2 920
	Total Cash on Hand and on Deposit	2 204	2 920
7.	Receivables		
	Accrued interest	159	141
	Other receivables	2	2
	Total Receivables	161	143
8.	(a) Property, Plant and Equipment		
		2005	
		Cost/ Valuation	Accumulated Depreciation/ Amortisation
		\$'000	\$'000
	Leasehold improvements ⁽¹⁾	1 354	1 215
	Information technology	342	137
	Plant and equipment ⁽¹⁾	610	548
		2 306	1 900
			Written Down Value
			\$'000
	Leasehold improvements ⁽¹⁾		139
	Information technology		205
	Plant and equipment ⁽¹⁾		62
			406
			2004
		Cost/ Valuation	Accumulated Depreciation/ Amortisation
		\$'000	\$'000
	Leasehold improvements ⁽¹⁾	1 354	1 006
	Information technology	378	95
	Plant and equipment ⁽¹⁾	610	487
		2 342	1 588
			Written Down Value
			\$'000
	Leasehold improvements ⁽¹⁾		348
	Information technology		283
	Plant and equipment ⁽¹⁾		123
			754

(1) Valuations of leasehold improvements and plant and equipment were performed by Simon B O'Leary AAPI, MSAA, Certified Practising Valuer - Plant and Machinery of the Australian Valuation Office as at 1 July 2002.

**(b) Property, Plant and Equipment
Movement Schedule**

	Asset Cost/Valuation					Closing Balance 30.6.05 \$'000
	Opening Balance 1.7.04 \$'000	Additions \$'000	Disposals \$'000	Reval's \$'000	Other \$'000	
Leasehold improvements	1 354	-	-	-	-	1 354
Total Property	1 354	-	-	-	-	1 354
Plant and Equipment:						
Information technology	378	-	36	-	-	342
Plant and equipment at valuation	610	-	-	-	-	610
Total Plant and Equipment	988	-	36	-	-	952
Total Property, Plant and Equipment	2 342	-	36	-	-	2 306

	Accumulated Depreciation					Closing Balance 30.6.05 \$'000
	Opening Balance 1.7.04 \$'000	Depreciation Charge \$'000	Disposals \$'000	Reval's \$'000	Other \$'000	
Leasehold improvements	1 006	209	-	-	-	1 215
Total Property	1 006	209	-	-	-	1 215
Plant and Equipment:						
Information technology	95	77	35	-	-	137
Plant and equipment	487	61	-	-	-	548
Total Plant and Equipment	582	138	35	-	-	685
Total Property, Plant and Equipment	1 588	347	35	-	-	1 900

	Net Book Value	
	2005 \$'000	2004 \$'000
Leasehold improvements	139	348
Total Property	139	348
Plant and Equipment:		
Information technology	205	283
Plant and equipment	62	123
Total Plant and Equipment	267	406
Total Property, Plant and Equipment	406	754

9. Security Bonds Lodged	2005		2004	
	Current:	\$'000	\$'000	\$'000
Bonds lodged	28 028		25 585	
Sale of goods	12		12	
Rent held pursuant to tribunal direction	2		3	
Total Current Security Bonds Lodged	28 042		25 600	

Non-Current:				
Bonds Lodged	27 666		24 165	
Total Non-Current Security Bonds Lodged	27 666		24 165	

10. Payables	2005		2004	
	Current:	\$'000	\$'000	\$'000
Creditors	1 140		1 287	
Accruals	26		20	
Total Current Payables	1 166		1 307	

11. Other Liabilities	2005		2004	
	Current:	\$'000	\$'000	\$'000
Lease incentive	50		65	
Total Other Current Liabilities	50		65	
Non-Current:				
Lease incentive	-		50	
Total Other Non-Current Liabilities	-		50	

12. Equity

Equity represents the residual interest in the Fund's net assets. The South Australian Government holds the equity interest in the Fund on behalf of the community. Equity comprises:

Accumulated Surplus

Balance as at 1 July	3 073	3 909
Net operating deficit from ordinary activities	(643)	(836)
Balance as at 30 June	2 430	3 073

Asset Revaluation Reserve

Balance as at 1 July	810	367
Revaluation Adjustments:		
Investments	1 172	443
Balance as at 30 June	1 982	810

Balance as at 30 June is made up of:

Investments	1 615	443
Leasehold improvement	266	266
Plant and equipment	101	101
Balance as at 30 June	1 982	810

13. Cash Flow Reconciliation

Reconciliation of Cash per Statement of Financial Position to Statement of Cash Flows

Cash at year end per Statement of Cash Flows	2 204	2 920
Statement of Financial Position items comprising above cash	2 204	2 920

Reconciliation of Net Operating Deficit from Ordinary Activities to Net Cash Inflows from Operating Activities

Net operating deficit from ordinary activities	(643)	(836)
Add: Non-cash items:		
Depreciation and amortisation	347	353
Revaluation increment	-	(816)
Change in assets and liabilities:		
Increase in security bonds	5 943	5 771
(Decrease) Increase in payables	(141)	1 173
(Increase) Decrease in receivables	(18)	50
Decrease in other liabilities	(65)	(66)
Net Cash Inflows from Operating Activities	5 423	5 629

14. Contingent Liabilities and Contingent Assets

The Fund has no contingent liabilities or assets.

15. Remuneration of Auditors

The amount payable by the Fund for audit services during the reporting period was \$24 000 (\$18 000). No other services were provided by the Auditor-General.

16. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Assets

- Cash and Deposits are available at call and are recorded at cost. Interest on cash at bank is calculated quarterly by the Department of Treasury and Finance.
- Receivables are raised for all goods and services provided for which payment has not been received. Receivables are reported at amounts due to the Fund. Receivables are due within 30 days of an invoice being raised.
- Investments are recorded at net fair value based upon valuation provided by the Public Trustee.

Financial Liabilities

- Payables 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.

(b) Interest Rate Risk	2005			Weighted Average Effective Interest Rate Percent	2004			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:								
Cash at bank	2 204	-	2 204	5.35	2 920	-	2 920	4.87
Investments	58 565	-	58 565	7.85	51 253	-	51 253	7.14
Receivables	-	161	161	-	-	143	143	-
Total	60 769	161	60 930		54 173	143	54 316	
Financial Liabilities								
Payables	-	1 166	1 166	-	-	1 307	1 307	-
Total	-	1 166	1 166		-	1 307	1 307	

(c) **Net Fair Values**

All financial instruments are valued at the carrying amount as per the Statement of Financial Position, which represents or approximates net fair value. The carrying amounts of Cash at Bank and Receivables approximated net fair value due to their short term maturity or being receivable on demand. Investments are valued at fair value. The carrying amount of Financial Liabilities is considered to be a reasonable estimate of net fair value.

PUBLIC TRUSTEE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Public Trustee is a body corporate established pursuant to the provisions of the *Public Trustee Act 1995*.

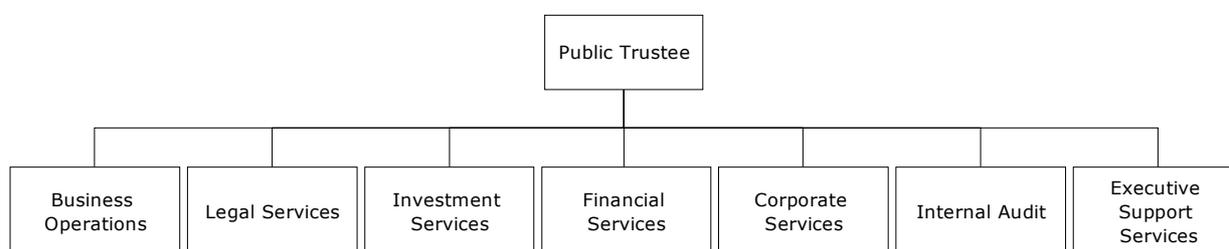
Functions

The powers and functions of the Public Trustee are established by the *Public Trustee Act 1995*. The Public Trustee administers the estates of deceased and protected people which requires the management of assets, preparation of wills, investment of funds and provision of legal representation and advice.

Structure

The Public Trustee is supported by officers employed under the *Public Sector Management Act 1995*.

The structure of the Public Trustee is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 50 of the *Public Trustee Act 1995* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the Public Trustee for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Public Trustee in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- Treasury operations
- expenditure
- revenue
- payroll
- fixed assets.

The audit covered the Corporate, Trusts and Common Funds areas of the Public Trustee operations.

The work of the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Public Trustee's internal controls.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the Public Trustee as at 30 June 2005, the results of operations and cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Public Trustee in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Public Trustee have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Public Trustee. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Public Trustee and the related responses are considered herein.

Control Self Assessment

Public Trustee's Control Self Assessment process (a revision of its previous Compliance Reporting), provides a management control over Trust operations by requiring major business units to report on identified business processes and controls every six months to the Audit Committee.

Audit assessed the operation of this management control for the 2004-05 financial year. Audit identified opportunities for existing internal control processes to be improved, including maintaining adequate documentation to evidence the performance of the control processes.

Public Trustee responded that it will undertake to improve the identified areas.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS (CORPORATE STATEMENTS)

Highlights of Financial Statements

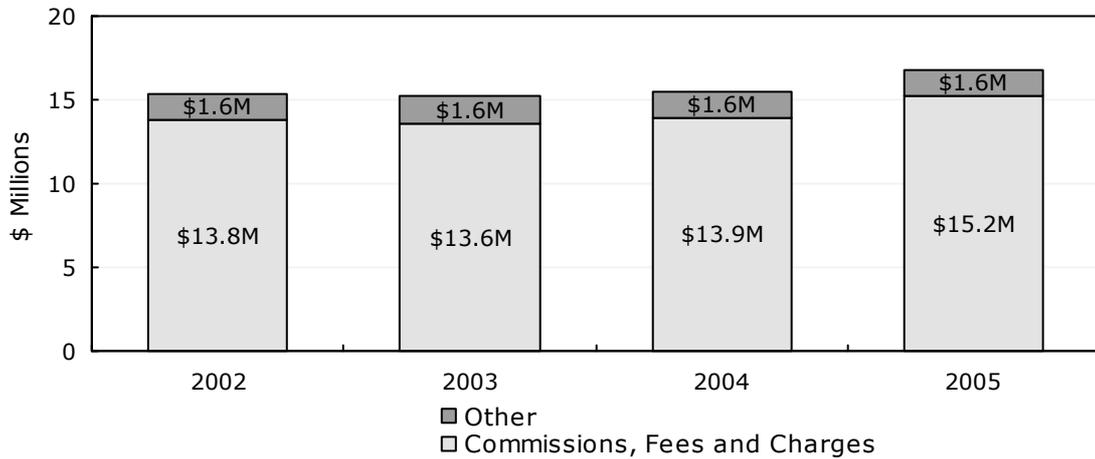
	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Commissions, fees and charges	15.2	13.9	9
Other	1.6	1.6	-
Total Operating Revenue	16.8	15.5	8
OPERATING EXPENDITURE			
Employment expenses	8.7	9.1	(4)
Other expenses	5.1	4.8	6
Total Operating Expenses	13.8	13.9	(1)
Profit Before Tax	3.0	1.6	88
Net Cash Flows from Operations	4.9	1.4	250
ASSETS			
Current assets	6.3	4.2	50
Non-current assets	17.1	17.5	(2)
Total Assets	23.4	21.7	8
LIABILITIES			
Current liabilities	4.4	3.3	33
Non-current liabilities	1.9	2.0	(5)
Total Liabilities	6.3	5.3	19
EQUITY	17.1	16.4	4

Statement of Financial Performance

Operating Revenues

The Public Trustee's main source of revenue is from commissions and fees charged for the management of trusts and related investments. The commissions and fees charged reflect the number and value of trusts managed, throughout the year. Commissions, Fees and Charges increased by \$1.3 million to \$15.2 million in 2004-05.

A structural analysis of operating revenues for the Public Trustee in the four years to 2005 is presented in the following chart.

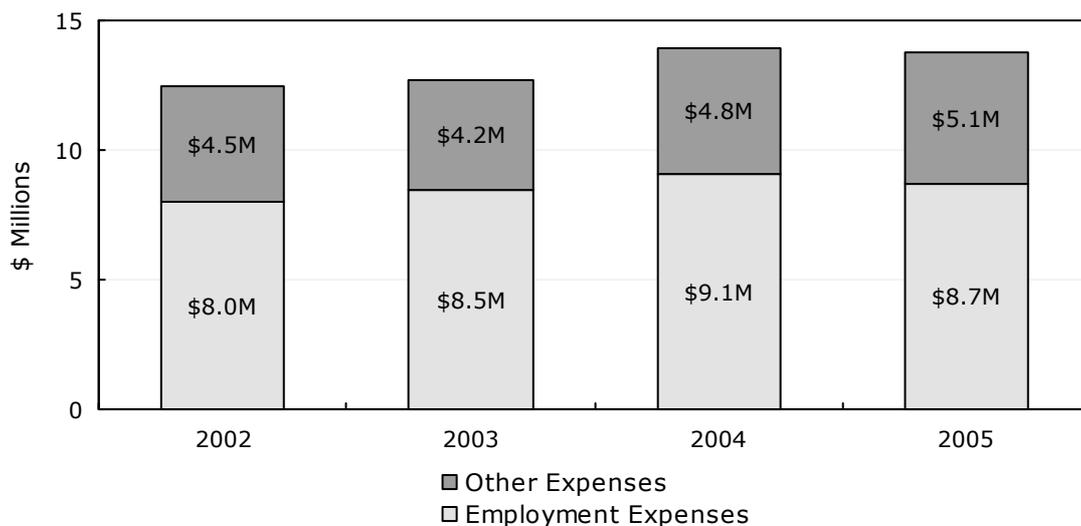


Operating Expenses

For the four years to 2005, a structural analysis of the main operating expense items for the Public Trustee is shown in the following chart. Operating expenses decreased by \$106 000 to \$13.8 million in 2004-05.

Employment expenses represents the majority of operating expenses of the Public Trustee. In 2004-05 employment expenses decreased by \$410 000 to \$8.7 million due mainly to no Targeted Voluntary Separation Packages being paid to employees during the reporting period and a reduction in the number of Full Time Equivalents.

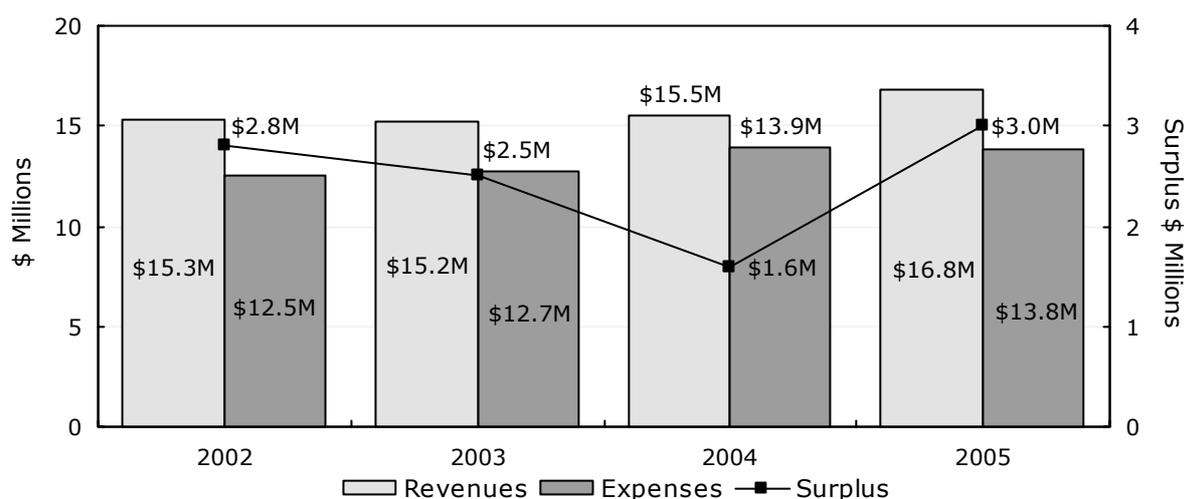
Other expenses increased in 2004-05, primarily as a result of an increase in depreciation by \$456 000 to \$1.7 million which now includes depreciation of the client accounting system implemented in 2003-04.



Operating Result

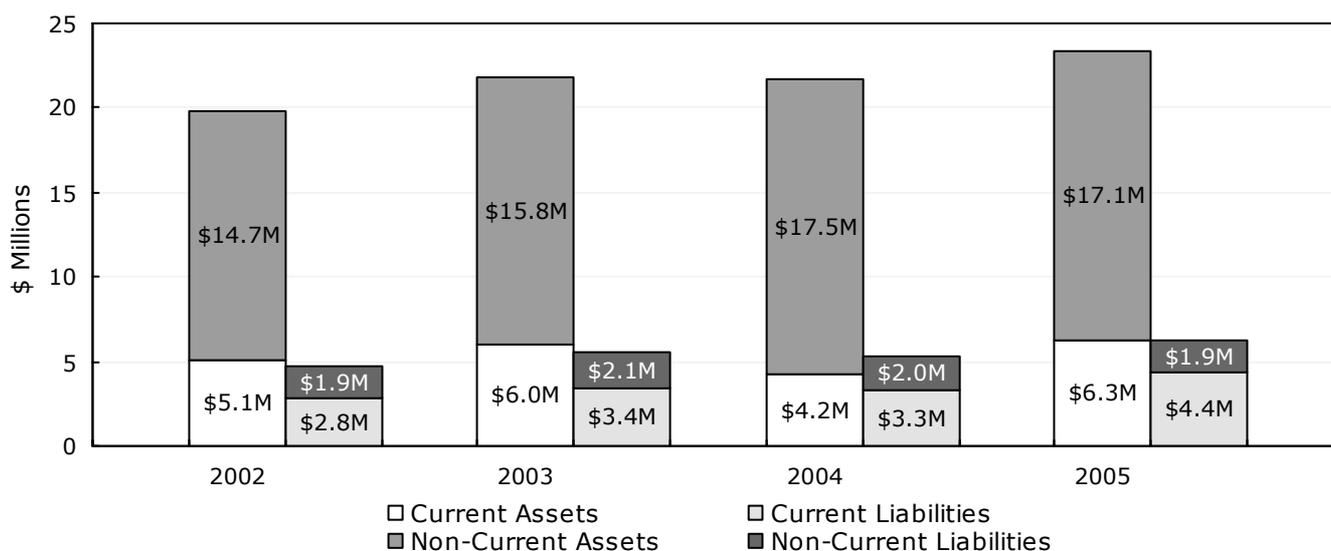
The aggregate revenues of the Public Trustee have been slowly increasing over recent years. The aggregate expenses of the Public Trustee have decreased slightly in 2004-05 by \$106 000 as discussed above.

The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2005.



Statement of Financial Position

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart. 2004-05 has seen current assets increase by \$2.1 million to \$6.3 million while Non-Current Assets have decreased by \$0.4 million to \$17.1 million. These movements mainly reflect increases in cash holdings within Current Assets and depreciation of the client accounting system within Non-Current Assets.



Statement of Cash Flows

In 2003 and 2004 Public Trustee used accumulated cash and cash from operations to fund the investment in the client accounting system. With the finalisation of the implementation of this system, 2004-05 saw a return to positive cash flows.

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	4.9	1.4	3.6	3.1
Investing	(1.5)	(2.3)	(2.5)	1.4
Financing	(1.4)	(1.2)	(1.3)	(1.4)
Change in Cash	2.0	(2.0)	(0.2)	3.1
Cash at 30 June	4.3	2.3	4.3	4.5

INTERPRETATION AND ANALYSIS OF STATEMENT OF TRUSTS BEING ADMINISTERED

The value of trust funds administered by the Public Trustee as at 30 June 2005 was \$824 million (\$759 million).

The trust funds reflecting significant increases are:

- administration matters (increase of \$3 million/68 percent)
- court award orders (increase of \$31 million/15 percent)
- protected estates (increase of \$13.8 million/9 percent)
- powers of attorney (increase of \$6.5 million/12 percent)
- investors (increase of \$14.4 million/12 percent)

Of the total funds being administered, 74 percent (72 percent) were invested in the common funds with the remaining 26 percent (28 percent) represented by estate assets.

INTERPRETATION AND ANALYSIS OF THE COMMON FUNDS

All Common Funds, with the exception of the Overseas Shares Common Fund, made an operating surplus for the year. The Overseas Shares Common Fund made a small deficit mainly as a result of realised losses on disposals of investments and a reduction in the market value of remaining investments.

The common funds are invested in the following securities:

- Short Term Money Market
- Australian Fixed Interest
- International Fixed Interest
- Australian Equities
- International Equities
- Listed Property Securities
- Other (includes cash at bank and advances).

Note 3 to the Statement of Trusts being Administered provides details of the number and value of trust funds under Administration.

FURTHER COMMENTARY ON OPERATIONS

Public Trustee are planning to implement a new Asset Management System in 2005-06 to complete the replacement of legacy systems supporting their trust operations. The Asset Management System will interface with the client accounting system implemented in 2003-04 to provide for the management of client asset and investment holdings.

CORPORATE STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
REVENUE FROM ORDINARY ACTIVITIES:			
Commissions, fees and charges	4.1	15 208	13 844
Other revenue	4.2	1 608	1 643
Total Revenue from Ordinary Activities		16 816	15 487
EXPENDITURE FROM ORDINARY ACTIVITIES:			
Salaries and related payments	5.1, 5.2, 5.3, 5.4	8 650	9 060
Supplies and services	5.5, 5.6, 5.7	3 495	3 651
Loss on sale of fixed assets		4	-
Depreciation and amortisation		1 653	1 197
Total Expenditure from Ordinary Activities		13 802	13 908
PROFIT FROM ORDINARY ACTIVITIES BEFORE NOTIONAL TAX			
		3 014	1 579
Income tax equivalent	2.2	(904)	(374)
PROFIT FROM ORDINARY ACTIVITIES AFTER NOTIONAL TAX			
		2 110	1 205
NET PROFIT			
		2 110	1 205
Net (decrease) increase in asset revaluation reserve	14	(268)	330
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		1 842	1 535

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets		4 313	2 347
Receivables	6	938	854
Investments	7	1 000	1 000
Total Current Assets		6 251	4 201
NON-CURRENT ASSETS:			
Investments	7	6 280	6 228
Property, plant and equipment	9	10 864	11 256
Total Non-Current Assets		17 144	17 484
Total Assets		23 395	21 685
CURRENT LIABILITIES:			
Payables	10	2 084	1 149
Provision for employee benefits	11	1 116	763
Other provisions	12	1 195	1 372
Total Current Liabilities		4 395	3 284
NON-CURRENT LIABILITIES:			
Payables	10	235	241
Provision for employee benefits	11	1 707	1 749
Total Non-Current Liabilities		1 942	1 990
Total Liabilities		6 337	5 274
NET ASSETS		17 058	16 411
EQUITY:			
Reserves	14	7 110	7 407
Retained profits	17	9 948	9 004
TOTAL EQUITY		17 058	16 411
Contingencies and Commitments	13, 18		

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Commissions, fees and charges received		15 220	13 687
Rent and sundry income received		804	773
Interest received		270	366
Distributions received		363	144
GST collected on revenue		1 592	1 458
Cash Receipts from Operating Activities		18 249	16 428
Payment to suppliers, clients and employees		(11 522)	(12 978)
Income tax equivalent paid to State Government		(362)	(595)
GST paid to suppliers		(440)	(550)
GST paid to ATO		(1 052)	(864)
Cash Payments in the Course of Operations		(13 376)	(14 987)
Net Cash provided by Operating Activities	15	4 873	1 441
CASH FLOWS FROM INVESTING ACTIVITIES:			
Sale/redemption of shares and fixed interest securities		2	7 007
Payment for shares and fixed interest securities		(4)	(7 004)
Payment for property, plant and equipment		(1 533)	(2 260)
Net Cash used in Investing Activities		(1 535)	(2 257)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividend distribution to State Government		(1 372)	(1 175)
Net Cash used in Financing Activities		(1 372)	(1 175)
NET INCREASE (DECREASE) IN CASH HELD		1 966	(1 991)
CASH AT 1 JULY		2 347	4 338
CASH AT 30 JUNE	16	4 313	2 347

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives of Public Trustee

The office of the Public Trustee was established in 1881 and is now constituted under the provisions of the *Public Trustee Act 1995*. The Public Trustee is a statutory officer pursuant to the *Public Trustee Act 1995*. Public Trustee is a corporation sole with the powers of a natural person.

The role of the Public Trustee is to provide all South Australians with access to will making services, powers of attorney preparation, and deceased estate and trust administration. The Public Trustee also has a role in managing the financial affairs of those people in the community who lack the capacity to manage their own affairs as determined by the courts, the Guardianship Board or through activation of powers of attorney.

2. Statement of Principal Accounting Policies

2.1 Basis of Accounting

The corporate financial statements are a general purpose financial report and have been prepared in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views. The financial statements have been prepared on the basis of historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. The accounting policies have been consistently applied, unless otherwise stated. Comparative figures have been adjusted to conform to changes in presentations where required by the above authorities.

2.2 Taxation and Dividends

The *Public Trustee Act 1995*, through the provisions of sections 47 and 48, provides for the payment to Government of taxation equivalents and dividends. Under agreement with the Department of Treasury and Finance, the Public Trustee applies the Accounting Profits Tax Model, which includes payment for an Income Tax Equivalent of \$904 000 (\$374 000).

Public Trustee is liable for payroll tax, fringe benefits tax, goods and services tax, emergency services levy, land tax equivalents and local government rate equivalents.

2.3 Basis of Valuation

Non-current assets and liabilities with the exception of Plant and Equipment are carried at fair value.

Property

Property is brought to account at independent valuation, less, where applicable, any accumulated depreciation or amortisation.

Plant and Equipment

Plant and equipment are brought to account at cost or at independent valuation, less, where applicable, any accumulated depreciation or amortisation. The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amounts from these assets. In accordance with Accounting Policy Statement APS 3 'Valuation of Non-Current Assets', a revaluation of Non-Current Assets or group of assets is only to be performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years. It is the intention that these assets will be revalued in the future to fair value. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining the recoverable amount.

The acquisition of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of expenditure is greater than or equal to \$2 000, in accordance with Accounting Policy Statement APS 2 'Asset Recognition' paragraph 23.

Property, plant and equipment excluding land are depreciated or amortised on a straight-line basis over their estimated useful lives, commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets:	Depreciation Rate Percent
Building	2.17
Machines and equipment	20-27
Software	20-27
Office furniture and fittings	33.33

Financial Instruments

Financial instruments are carried at market value determined as below:

Cash: is valued at nominal amounts. This asset consists of cash at bank and on hand.

Investments: on acquisition are brought to account at cost and subsequently revalued at the balance date to market value. Fixed Interest Investments are valued at their current market value based on independently obtained market yields applying at the balance date. Australian and International equities are valued at the redemption prices established by the managers of the collective investment vehicles in which Public Trustee has invested.

Other Non-Current Assets: are valued at market value based on the present value of expected future cash flows.

Receivables and Creditors: are valued on a historical cost basis and it is considered that carrying value approximates market value.

Interest on fixed interest investments includes amortisation of acquisition discounts and premiums on a straight-line basis.

Distributions from trusts are recognised on a present entitlement basis.

2.4 Rounding

Amounts have been rounded to the nearest \$1 000.

2.5 Revenue and Expenses

Revenue and Expense are recognised in Public Trustee's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenue and Expenses have been classified according to their nature in accordance with Accounting Policy Statement APS 13 'Form and Content of General Purpose Financial Reports' and have not been offset unless required or permitted by another accounting standard.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.6 Employee Benefits

Provision has been made in the Financial Statements, where stated, for Public Trustee's liability for employee benefits arising from services rendered by employees to balance date. Related on-costs consequential to the employment of employees (viz payroll tax and superannuation contributions) have been included under 'payables'. (Refer Note 10).

Salaries and Wages

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

Superannuation

Public Trustee makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payment to beneficiaries as the South Australian Superannuation Board (SASB) has assumed this. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

Annual Leave

Provision has been made for the unused component of annual leave to balance date. The provision has been calculated at nominal amounts based on current salary rates plus 4 percent inflation rate as recommended in Treasury Accounting Policy Statement APS 9 'Employee Benefits'.

Long Service Leave

Long service leave is recognised on a pro-rata basis in respect of services provided by Public Trustee employees up to balance date. The liability is measured at the actuarial assessment by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. This calculation is consistent with Public Trustee's experience of employee retention and leave taken. The liability has been calculated at nominal amounts based on current salary rates. Treasury Accounting Policy Statement APS 9 'Employee Benefits' has recommended that a benchmark of seven years (eight years) can be used for a shorthand estimation of long service leave liability. This advice has been adopted and the long service leave liability has been calculated on that basis. The current liability portion has been based on the past history of annual payments.

Sick Leave

No provision has been made in respect of sick leave as entitlements are non-vesting. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

2.7 Insurance

Public Trustee has insured for risks through the State Government's insurers SAICORP. The excess payable under this arrangement varies depending on each class of insurance held.

2.8 Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. Public Trustee has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

2.9 Receivables

Receivables comprise debtors, accrued investment income and prepayments. Debtors arise in the normal course of selling goods and services to the public and other agencies. Trade receivables are payable within 30 days after the issue of an invoice or the services have been provided under a contractual arrangement.

2.10 Payables

Payables include creditors, accrued expenses, employment on-costs, income tax equivalents and Goods and Services tax (refer Note 2.11).

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 Public Trustee.

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after Public Trustee receives an invoice.

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

2.11 Accounting for the Goods and Services Tax (GST)

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by Public Trustee as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The net GST payable to the Australian Taxation Office has been recognised as a payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

3. Changes in Accounting Policies

3.1 Government/Non-Government Disclosures

In accordance with APS 13, Public Trustee has included details of revenue, expenditure, assets and liabilities according to whether the transactions are with entities internal or external to the SA Government in notes to the accounts.

3.2 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Public Trustee will adopt these standards for the first time in the published financial report for the year ended 30 June 2006. This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition Management

Public Trustee has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project is achieving its scheduled milestones and it is expected Public Trustee will be in a position to fully comply with the requirements of AIFRS in the financial statements for the financial year ended 30 June 2006. To date the project team has analysed the Australian equivalents to IFRS and has identified accounting policy changes that will be required.

The rules for first time adoption of AIFRS are set out in AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards'. In general, AIFRS accounting policies are required to be applied retrospectively to determine the opening balance sheet under AIFRS. In some cases choices of accounting policies are available, including elective exemptions from this general principle to assist in the transition to reporting under AIFRS. These choices have been analysed to determine the most appropriate accounting policies for Public Trustee.

Public Trustee in complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. With the exception of certain elections in AASB 1, most adjustments required on transition to AIFRS will be made, retrospectively, against opening net assets. AASB 1 provides an election whereby the requirements of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' are not required to be applied in the first comparative year under AIFRS. Under this election, first time adoption of these standards can be delayed until 1 July 2005.

Impact of Transition to AIFRS

The impact of transition to AIFRS disclosed below, including the selection and application of AIFRS accounting policies, is based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report. The disclosures below assume that Public Trustee will elect not to apply the requirements of AASB 132 and AASB 139 in the first comparative year under AIFRS.

The significant changes in accounting policies and the associated transitional arrangements and elections expected to be made under AASB 1 are set out below.

Financial Assets

Investments in financial assets such as equities and units in unlisted schemes will be classified as 'fair value through the profit and loss' and recognised in the Statement of Financial Position at fair value, with changes in fair value during the period recognised in the Statement of Financial Performance.

AASB 139 states that the current bid price is usually the appropriate price to be used in measuring the fair value of these financial assets. Financial assets should be valued at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal. This differs from the current treatment, in which Public Trustee measures financial assets at 'net market value' using the last sale price net of disposal costs. Interest bearing securities will be classified as 'held to maturity' and valued at market value based on independently obtained market yields applying at balance date. Any premiums/discounts on fixed interest securities are amortised on an effective yield basis over the term to maturity and recognised in the Statement of Financial Performance.

Financial Assets (continued)

AASB 139 states that the initial measurement (cost) on acquisition of securities shall not include directly attributable transaction costs such as fees and commissions paid to agents. Incremental transaction costs should be expensed as incurred in the Statement of Financial Performance. This differs from the current treatment where incremental transaction costs on acquisition of trading securities are included within initial measurement cost.

AASB 138 'Intangible Assets'

Software currently capitalised (\$3 million) will be reclassified as intangible assets.

AASB 119 'Employee Benefits'

Public Trustee will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value.

4. Revenue	2005	2005
4.1 Commissions, Fees and Charges comprise:	\$'000	\$'000
Revenue from entities external to the SA Government:		
Commissions ⁽¹⁾	8 390	7 528
Fees and charges ⁽¹⁾	1 304	1 344
Management fees ⁽²⁾	5 514	4 972
	15 208	13 844

(1) Commissions and fees are charged against estates pursuant to section 45 of the *Public Trustee Act 1995*.

(2) A management fee is charged against common funds at the rate of one-twelfth of one percent of the value of each fund as at the first business day of the month.

4.2 Other Revenue	2005	2004
Revenue from entities external to the SA Government:	\$'000	\$'000
Sundry income	4	3
Interest on fixed term investments	119	203
Distributions from trusts	476	182
Unrealised gain on investments	51	333
Total Revenue Non-SA Government Entities	650	721
Revenue from entities within the SA Government:		
Rent and other building income	801	769
Interest on operating and reserve accounts	157	153
Total Revenue SA Government Entities	958	922
Total Other Revenue	1 608	1 643

5. Expenditure

5.1 Superannuation

During 2004-05 Public Trustee paid an amount of \$788 000 (\$819 000) to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of its employees.

5.2 Remuneration of Employees

The number of employees whose remuneration received or receivable fell within the following bands was:	2005	2004
	Number of	Number of
	Employees	Employees
\$100 001 - \$110 000	-	1
\$120 001 - \$130 000	-	1
\$130 001 - \$140 000	2	-
\$140 001 - \$150 000	1	-
\$170 001 - \$180 000	-	1
\$190 001 - \$200 000	1	-

Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. Total remuneration received or due and receivable by these employees was \$614 000 (\$402 000).

5.3 Targeted Voluntary Separation Packages (TVSPs)	2005	2004
	\$'000	\$'000
TVSPs paid to employees during the reporting period	-	219
Annual and long service leave accrued over the period of employment paid to the employees who received TVSPs	-	50

No employees were paid TVSPs during the 2004-05 period. The number of employees who were paid TVSPs during 2003-04 was 4.

5.4 Full Time Equivalent Employees

As at reporting date Public Trustee employed 133.69 (137.99) FTEs.

5.5	Supplies and Services	2005		2004
	Supplies and Services provided by entities external to the SA Government:	\$'000		\$'000
	Supplies and services	1 661		1 600
	Building expenses	375		406
	Total Supplies and Services Non-SA Government Entities	2 036		2 006
	Supplies and Services provided by entities within the SA Government:			
	Insurance	159		188
	Computing and communication services	495		629
	Service contractors	431		504
	Other supplies and services	180		172
	Total Supplies and Services SA Government Entities	1 265		1 492
5.6	Auditor's Remuneration			
	Amounts paid to auditors during the year for auditing the accounts	142		121
5.7	Payments to Consultants			
	Below \$10 000: 1 (31) consultancies	4		32
	Between \$10 000 and \$50 000: 2 (1) consultancies	48		-
		52		32
	Total Supplies and Services	3 495		3 651
6.	Receivables			
	Current Receivables:			
	Debtors	574		586
	Accrued investment income	272		166
	Prepayments	92		102
		938		854
	Government/Non-Government Receivables			
	Receivables from SA Government Entities:			
	Debtors	20		15
	Accrued investment income	17		11
	Total Receivables from SA Government Entities	37		26
	Receivables from Non-SA Government Entities:			
	Debtors	554		571
	Accrued investment income	255		155
	Prepayments	92		102
	Total Receivables from Non-SA Government	901		828
	Total Receivables	938		854
7.	Investments			
	Public Trustee is required pursuant to Subsection 46(2)(c) of the <i>Public Trustee Act 1995</i> to obtain the Treasurer's approval as to the manner of investment of corporate funds.			
	Current Assets:			
	Current investments with entities other than SAFA	1 000		1 000
	Short Term Investments	1 000		1 000
	Non-Current Assets:			
	Non-Current investments with entities other than SAFA:			
	Australian fixed interest	1 009		1 008
	Australian fixed interest (Pooled funds)	2 069		2 033
	International equities (Pooled funds)	1 124		1 179
	Australian listed property (Pooled funds)	393		395
	Australian equities (Pooled funds)	1 685		1 613
	Long Term Investments	6 280		6 228
8.	Financial Instruments			
	8.1 Market value of Financial Assets and Liabilities			
	Financial instruments are carried at market value based upon the valuation policies set out in Note 2.3. The aggregate carrying amounts for each class of financial instrument are as disclosed within the notes to the financial statements.			
	Investments in Australian Fixed Interest are readily traded on organised markets in standardised form. The value of these investments is disclosed in Note 7.			
	Other classes of financial instruments are not readily traded on organised markets in standardised form.			

8.2 Investment in Collective Investment Vehicles

In addition to holding financial instruments directly, Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and International Equities. The managers of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose Public Trustee to investment risks, including market risk, credit risk, interest rate risk and currency risk. The Public Trustee has assessed the investment rules of these collective investments and determined their suitability as investments.

Disclosures in subsequent subsections of this note do not include exposures to financial instruments held within these collective investment vehicles.

8.3 Credit Risk

The maximum exposure to credit risk, excluding any collateral or other security, at the balance date to financial instruments is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

Public Trustee has no direct exposure to derivative instruments.

Credit risk arises primarily with the following classes of counter parties: -
Banking Corporations

8.4 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other financial instruments are non-interest bearing.

	Weighted Average Interest Rate		Instruments Maturing or Re-ricing Within					
			1 Year or Less		1 -5 Years		Over 5 Years	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash	5.16	5.05	4 313	2 347	-	-	-	-
Short term investments	5.52	5.36	1 000	1 000	-	-	-	-
Australian fixed interest	6.25	6.30	1 009	1 008	-	-	-	-

9. Property, Plant and Equipment

	Opening Balance	Additions	Disposals	Depreciation	Revaluation	Closing Balance
	01.7.04	\$'000	\$'000	\$'000	\$'000	30.6.05
Land and Building:						\$'000
Building at valuation (1)	5 625	891	-	(123)	(663)	5 730
Land at valuation	1 375	-	-	-	395	1 770
Total Land and Building	7 000	891	-	(123)	(268)	7 500
Plant and Equipment:						
Machines and equipment at cost	1 425	70	(64)	-	-	1 431
Furniture and fittings at cost	1 639	-	-	-	-	1 639
Software at cost	6 645	545	-	-	-	7 190
Work in progress at cost	-	27	-	-	-	27
Total Plant and Equipment	9 709	642	(64)	-	-	10 287
Less: Accumulated Depreciation						
Plant and Equipment:						
Machines and equipment	(1 019)	-	60	(187)	-	(1 146)
Furniture and fittings	(1 535)	-	-	(64)	-	(1 599)
Software	(2 899)	-	-	(1 279)	-	(4 178)
Total Accumulated Depreciation	(5 453)	-	60	(1 530)	-	(6 923)
Net Property, Plant and Equipment	11 256	1 533	(4)	(1 653)	(268)	10 864

(1) The Public Trustee building was revalued to fair value. The value of land and building was established by an independent valuation performed by Colliers Jardine as at 30 June 2005. The revaluation has been brought to account on a net basis.

10. Payables

	2005	2004
Current Liabilities:	\$'000	\$'000
Trade creditors	843	600
Goods and Services Tax	329	221
On-costs on employee benefits	196	153
Income tax equivalent due	716	175
	2 084	1 149
Non-Current Liabilities:		
On-costs on employee benefits	235	241

Government/Non-Government Payables

Payables to SA Government Entities:		
Creditors	703	364
Income tax equivalent due	716	175
Total Payable to SA Government Entities	1 419	539

Government/Non-Government Payables (continued)	2005	2004
	\$'000	\$'000
Payables to Non-SA Government Entities:		
Trade creditors	140	236
Goods and services tax	329	221
On-costs on employee benefits	431	394
Total Payable to Non-SA Government Entities ⁽¹⁾	900	851
Total Payables	2 319	1 390

(1) The total includes payables paid or payable to SA Government entities where the amount paid or payable to the SA Government entity was less than \$100 000.

11. Provision for Employee Benefits and On-Costs

11.1 Provision for Employee Benefits

Current Liabilities:		
Provision for long service leave at 1 July	140	132
Add: Additional provision recognised	260	140
Less: Payments to employees	140	132
Provision for long service leave at 30 June	260	140
Accrued salaries	289	152
Accrued recreation leave	567	471
	1 116	763
Non-Current Liabilities:		
Provision for long service leave at 1 July	1 749	1 865
Add: Additional provision recognised	78	116
Less: Payments to employees	120	232
Provision for long service leave at 30 June	1 707	1 749

11.2 Employee Benefits and Related On-Cost Liabilities

Current:		
On-costs included in Payables (Note 10)	196	153
Provision for Employee Benefits (Note 11.1)	1 116	763
	1 132	916
Non-Current:		
On-costs included in Payables (Note 10)	235	241
Provision for Employee Benefits (Note 11.1)	1 707	1 749
	1 942	1 990
Aggregate Employee Benefits and Related On-Cost Liabilities	3 254	2 906

12. Dividend

Current Liabilities:		
Provision for Dividend to State Government at 1 July	1 372	1 175
Add: Additional provision recognised	1 195	1 372
Less: Payments to State Government	1 372	1 175
Provision for Dividend at 30 June	1 195	1 372

13. Contingencies

Public Trustee had no contingent assets or liabilities as at balance date.

14. Reserves

The balance of reserves, and the transfers to (from) reserves, which were brought through the Statement of Financial Position, is as follows:	Balance	Transfers	Balance
Other reserves comprise:	01.7.04	to (from)	30.6.05
	\$'000	\$'000	\$'000
Reserve for deficits and other losses ⁽¹⁾	695	(29)	666
Workers compensation reserve ⁽²⁾	285	-	285
	980	(29)	951
Revaluation Reserve comprises:			
Land and building revaluation reserve ⁽³⁾	5 568	(268)	5 300
Machines and equipment revaluation reserve	859	-	859
Total Reserves	7 407	(297)	7 110

(1) Payments amounting to \$31 000 (\$35 000) were made from the Reserve for Deficits and Other Losses and recoupment of previous years' payments amounting to \$2 000 (\$7 000) were made to the reserve.

(2) Public Trustee has established a reserve for workers compensation to cover the expenses incurred during the first two years of any claim, the balance being met by Government Workers Rehabilitation and Compensation Fund. Claims from the reserve for the year totalled \$nil (\$13 000).

(3) Land and Building was revalued to fair value as at 30 June 2005.

15.	Reconciliation of Net Cash provided by Operating Activities to Operating Profit after Notional Tax	2005	2004
		\$'000	\$'000
	Operating Profit after Notional Tax	2 110	1 205
	Non-cash flows in operating profit after notional tax:		
	Depreciation and amortisation	1 653	1 197
	Loss on sale of equipment	4	-
	Unrealised gain on revaluation of investments	(51)	(333)
	Change in assets and liabilities:		
	Increase in receivables	(84)	(184)
	Increase (Decrease) in sundry creditors	351	(313)
	Increase in provision for employee benefits and on-costs	349	90
	Increase (Decrease) in provision for income tax	541	(221)
	Net Cash provided by Operating Activities	4 873	1 441
16.	Reconciliation of Cash		
	For the purpose of the Statement of Cash Flows, cash comprises the Statement of Financial Position item of Cash.		
17.	Retained Profits		
	Retained profits at 1 July	9 004	9 130
	Net profit	2 110	1 205
	Transfers from reserves	29	41
	Dividend provided for	(1 195)	(1 372)
	Retained Profits at 30 June	9 948	9 004
18.	Commitments		
	By Type:		
	Property, plant and equipment ⁽¹⁾	314	567
	Net Commitment	314	567
	By Maturity:		
	One year or less	314	567
	Net Commitment	314	567

(1) Outstanding contractual arrangements for asset management system software.

**Statement of Trusts being Administered
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
TRUST FUNDS UNDER ADMINISTRATION WERE:	3		
Deceased estates		117 475	118 328
Trusts		110 194	112 878
Administration matters		7 338	4 370
Court award orders		236 206	205 242
Protected estates		159 712	145 952
Workers compensation awards		280	247
Powers of attorney		61 330	54 851
Investors		131 908	117 502
Suspense		2	104
Total Funds		824 445	759 474
THESE FUNDS WERE REPRESENTED BY:			
INVESTMENT IN COMMON FUNDS:	1.3, 2		
NON-CURRENT ASSETS:			
Australian equities		150 787	128 588
International equities		83 058	78 851
Listed property securities		34 097	30 841
Australian fixed interest investments		116 767	124 699
International fixed interest investments		22 624	22 261
		407 333	385 240
CURRENT ASSETS:			
Cash at bank		36	751
Short term money market		5 000	4 000
Australian fixed interest investments		183 611	151 650
Advances to estates		3 423	2 742
Sundry debtors		10 270	7 537
		202 340	166 680
CURRENT LIABILITIES:			
Bank overdraft		1 199	2 964
Income distribution payable		1 131	953
Sundry creditors		583	637
		2 913	4 554
NET INVESTMENT IN COMMON FUNDS		606 760	547 366
ESTATE ASSETS:	1.2		
NON-CURRENT ASSETS:			
Real estate		184 715	179 512
Personal chattels		15 941	14 386
Equities		8 103	7 886
Fixed interest and cash assets		11 759	11 789
Mortgages		488	921
		221 006	214 494
CURRENT ASSETS:			
Sundry debtors		373	1 400
CURRENT LIABILITIES:			
Sundry creditors		3 694	3 786
NET ESTATE ASSETS		217 685	212 108
NET ASSETS		824 445	759 474

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENT

1. Statement of Principal Accounting Policies

1.1 *Format of the Accounts*

The Statement of Trusts Being Administered and related notes are a special purpose financial report prepared to provide information on the value and nature of trusts being administered. The statement consolidates all trusts being administered by Public Trustee. As this Statement is a special purpose financial report, there is no requirement to apply Accounting Standards and other mandatory reporting requirements in the preparation and presentation of this statement.

Public Trustee has prepared the statement in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views with the exception of:

- AASB 1018 Statement of Financial Performance;
- AASB 1026 Statement of Cash Flows; and
- AASB 1040 Statement of Financial Position.

Statements required by these Standards are not prepared.

The Statement of Trusts Being Administered has been prepared using the accrual basis of accounting. Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis.

1.2 *Basis of valuation for estate assets*

Real Estate: For deceased estates, valuation as at date of death; in other matters, valuation as at the date of Public Trustee being appointed manager, administrator or new trustee. Public Trustee revalues all real estate other than accommodation bonds every three years wherever a current valuation is not held. Such revaluations are determined by reference to valuations established by the Valuer-General, with a revaluation last being carried out as at 30 June 2004. Accommodation bonds are revalued annually by reference to the terms of the Residential Services Agreements.

Personal Chattels: For deceased estates, valuation as at date of death; in other matters, valuation as at the date of Public Trustee being appointed manager, administrator or new trustee. In the case of some sundry minor assets, nominal values are used for valuation purposes.

Investment by Estates in Common Funds: Valuation of estate investment in common funds is based on the underlying net fair value of common funds as at balance date.

Other Estate Investments: Investments other than equities are shown at their face value. Valuation is performed at the date of the Public Trustee being appointed manager, administrator, new trustee or at the date of death in the case of deceased estates. Equities are valued at net fair value as at the balance date.

1.3 *Basis of valuation of common fund assets and liabilities*

Australian Equities and Listed Property Securities: are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

International Equities: All investments in International Equities are held in pooled funds which are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments: are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments: consist of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates: are carried at their nominal amounts. The Public Trustee is authorised by the *Public Trustee Act 1995* to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. The interest rate on advances was last fixed on 4 March 2005 by the Public Trustee.

Cash at Bank: is carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand.

Short Term Money Market: Deposits are carried at their nominal amounts. Bills of exchange are valued at net fair value, based on independently sourced market yields prevailing at the balance date.

Sundry Debtors and Creditors: are carried at their nominal amounts. The Centrelink pension component of Sundry Debtors is nil as the last payment for the period was on 30 June 2005.

1.4 Changes in Accounting Policies - Impact of Adopting Australian Equivalents to International Accounting Standards

The Statement of Trusts is prepared as a special purpose financial report and therefore is not required to comply with AIFRS. Public Trustee will choose not to prepare statements and notes in accordance with AIFRS requirements.

2. Operation of the Common Funds

Common funds managed by Public Trustee have been established pursuant to section 29 of the *Public Trustee Act 1995* or its predecessor legislation. Financial statements for each common fund operated by Public Trustee are presented within the annual report of the Public Trustee.

Investment in common funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Growth
- Balanced
- Equities

3. Trust Funds under Administration

	Number		Value	
	2005	2004	2005 \$'000	2004 \$'000
Deceased Estates:				
Monies and assets held under the administration of the Public Trustee pursuant to the provisions of the <i>Public Trustee Act 1995</i>	1 132	1 287	117 475	118 328
Trusts:				
Monies and assets held under the administration of the Public Trustee pursuant to the terms of a Will or a Deed of Trust	1 102	1 276	110 194	112 878
Administration Matters:				
Monies paid and assets transferred to the Public Trustee on account of minor beneficiaries pursuant to the <i>Public Trustee Act 1995</i>	183	174	7 338	4 370
Court Award Orders:				
Monies directed by the Court to be paid to the Public Trustee on behalf of clients and invested and applied by the Public Trustee as the Court directs, and monies administered by the Public Trustee under the <i>Aged and Infirm Persons' Property Act 1940</i>	873	899	236 206	205 242
Protected Estates:				
Monies administered by the Public Trustee under the <i>Guardianship and Administration Act 1993</i>	2 652	2 432	159 712	145 952
Workers Compensation Awards:				
Monies directed by the Court to be paid to the Public Trustee on behalf of widows and minors and invested and applied by the Public Trustee as the Court directs	11	8	280	247
Powers of Attorney:				
Monies and assets held on behalf of donors who have appointed the Public Trustee to act on their behalf	537	518	61 330	54 851
Investors:				
Monies invested in common funds pursuant to section 29(1) of the <i>Public Trustee Act 1995</i> , by classes of persons approved by the Minister	444	450	131 908	117 502
	6 934	7 044	824 443	759 370

4. Unclaimed Monies

During the reporting period, unclaimed monies totalling \$15 000 (\$64 000) in respect of estates were paid to the Consolidated Account pursuant to section 32(1) of the *Public Trustee Act 1995*.

COMMON FUNDS STATEMENTS

CASH COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
INCOME:			
Interest	2	12 338	10 197
Realised gain on disposal of investments	3	64	99
Total Income		12 402	10 296
EXPENDITURE:			
Public Trustee management fees	5	2 175	1 940
Government fees and charges		66	80
Legal and advisory expenses		5	10
Realised loss on disposal of investments	3	29	77
Other expenses		37	30
Total Expenditure		2 312	2 137
Change in the net market value of investments	4	231	116
OPERATING SURPLUS:			
Undistributed income brought forward		7	10
Transfers to funds employed to determine distributable income	10	(266)	(138)
Funds Available for Distribution		10 062	8 147
Less: Distributions made	6	10 019	8 140
INCOME HELD AWAITING DISTRIBUTION		43	7

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash at bank		35	62
Short-term money market		5 000	4 000
Australian fixed interest investments		163 563	140 117
Advances to estates		3 423	2 742
Advances to other common funds		1 271	845
Sundry debtors		3 326	3 045
		176 618	150 811
NON-CURRENT ASSETS:			
Australian fixed interest investments		46 218	54 069
Total Assets		222 836	204 880
CURRENT LIABILITIES:			
Income distribution payable		43	7
Bank overdraft		1 199	2 964
Sundry creditors		578	624
Total Liabilities		1 820	3 595
NET ASSETS		221 016	201 285
FUNDS EMPLOYED:			
	10		
Contributors funds		215 856	190 899
Funds deposited by other common funds		4 896	10 388
Reserves		264	(2)
TOTAL FUNDS EMPLOYED		221 016	201 285

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received		12 220	9 997
Payments for expenses		(2 276)	(2 058)
Net Cash provided by Operating Activities	11.1	9 944	7 939
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net repayments of advances to estates	11.4	(680)	(1 010)
Payments for Australian fixed interest investments		(173 758)	(151 942)
Proceeds from realisations of Australian fixed interest investments		156 250	123 154
Payments for short term money market investments		(66 000)	(113 000)
Proceeds from realisations of short term money market investments		67 000	124 871
Net Cash used in Investing Activities		(17 188)	(17 927)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net contributions from contributors	11.4	24 919	16 459
Net contributions (to) from other common funds	11.4	(5 917)	591
Distributions paid		(10 020)	(8 140)
Net Cash provided by Financing Activities		8 982	8 910
NET INCREASE (DECREASE) IN CASH HELD		1 738	(1 078)
CASH AT 1 JULY	11.2	(2 902)	(1 824)
CASH AT 30 JUNE	11.2	(1 164)	(2 902)

SHORT-TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

		2005	2004
	Note	\$'000	\$'000
INCOME:			
Interest	2	1 900	1 773
Realised gain on disposal of investments		2	6
Total Income		1 902	1 779
EXPENDITURE:			
Public Trustee management fees	5	338	331
Legal and advisory expenses		1	2
Realised loss on disposal of investments	3	2	70
Total Expenditure		341	403
Change in the net market value of investments	4	94	(222)
OPERATING SURPLUS		1 655	1 154
Undistributed income brought forward		1	1
Transfers (to) from funds employed to determine distributable income	10	(94)	286
Funds Available for Distribution		1 562	1 441
Less: Distributions made	6	1 560	1 440
INCOME HELD AWAITING DISTRIBUTION		2	1

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Deposits with Cash Common Fund		1 328	83
Australian fixed interest investments		8 032	4 513
Sundry debtors		296	287
		9 656	4 883
NON-CURRENT ASSETS:			
Australian fixed interest investments		24 862	28 017
		24 862	28 017
Total Assets		34 518	32 900
CURRENT LIABILITIES:			
Income distribution payable		2	1
Sundry creditors		-	1
Total Liabilities		2	2
NET ASSETS		34 516	32 898
FUNDS EMPLOYED:	10		
Contributors funds		35 003	33 479
Reserves		(487)	(581)
TOTAL FUNDS EMPLOYED		34 516	32 898

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		2 130	2 330
Payments for expenses		(340)	(332)
Net Cash provided by Operating Activities	11.1	1 790	1 998
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(8 010)	(19 590)
Proceeds from realisations of Australian fixed interest investments		7 500	16 503
Net Cash used in Investing Activities		(510)	(3 087)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		4 249	3 660
Redemptions paid to contributors		(2 725)	(5 958)
Distributions paid		(1 559)	(1 440)
Net Cash used in Financing Activities		(35)	(3 738)
NET INCREASE (DECREASE) IN CASH HELD		1 245	(4 827)
CASH AT 1 JULY	11.2	83	4 910
CASH AT 30 JUNE	11.2	1 328	83

LONG TERM FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

		2005	2004
	Note	\$'000	\$'000
INCOME:			
Interest	2	3 216	3 202
Realised gain on disposal of investments	3	89	-
Total Income		3 305	3 202
EXPENDITURE:			
Public Trustee management fees	5	563	565
Legal and advisory expenses		1	3
Realised loss on disposal of investments	3	15	129
Total Expenditure		579	697
Change in the net market value of investments	4	808	(1 728)
OPERATING SURPLUS		3 534	777
Undistributed income brought forward		1	2
Transfers (to) from funds employed to determine distributable income	10	(882)	1 857
FUNDS AVAILABLE FOR DISTRIBUTION		2 653	2 636
Less: Distributions made	6	2 652	2 635
INCOME HELD AWAITING DISTRIBUTION		1	1

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Deposits with Cash Common Fund		1 898	6 740
Australian fixed interest investments		12 016	7 020
Sundry debtors		632	643
		14 546	14 403
NON-CURRENT ASSETS:			
Australian fixed interest investments		45 687	42 613
		45 687	42 613
Total Assets		60 233	57 016
CURRENT LIABILITIES			
Income distribution payable		1	1
Sundry creditors		-	1
Total Liabilities		1	2
NET ASSETS		60 232	57 014
FUNDS EMPLOYED:			
Contributors funds	10	59 566	57 230
Reserves		666	(216)
TOTAL FUNDS EMPLOYED		60 232	57 014

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Interest received		3 684	3 841
Payments for expenses		(564)	(568)
Net Cash provided by Operating Activities	11.1	3 120	3 273
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian fixed interest investments		(28 223)	(7 000)
Proceeds from realisations of Australian fixed interest investments		20 578	16 000
Net Cash (used in) provided by Investing Activities		(7 645)	9 000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		7 073	6 148
Redemptions paid to contributors		(4 737)	(12 549)
Distributions paid		(2 653)	(2 635)
Net Cash used in Financing Activities		(317)	(9 036)
NET (DECREASE) INCREASE IN CASH HELD		(4 842)	3 237
CASH AT 1 JULY	11.2	6 740	3 503
CASH AT 30 JUNE	11.2	1 898	6 740

OVERSEAS FIXED INTEREST COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

		2005	2004
	Note	\$'000	\$'000
INCOME:			
Distributions	2	1 629	1 684
Interest		25	50
Other income		6	5
Total Income		1 660	1 739
EXPENDITURE:			
Public Trustee management fees	5	242	239
Legal and advisory expenses		1	1
Realised loss on disposal of investments	3	-	765
Total Expenditure		243	1 005
Change in the net market value of investments	4	(343)	(336)
OPERATING SURPLUS		1 074	398
Transfers from funds employed to determine distributable income	10	343	741
FUNDS AVAILABLE FOR DISTRIBUTION		1 417	1 139
Less: Distributions made	6	1 416	1 139
INCOME HELD AWAITING DISTRIBUTION		1	-

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Deposits with Cash Common Fund		65	327
Sundry debtors		1 161	572
		1 226	899
NON-CURRENT ASSETS:			
International fixed interest investments		22 624	22 261
Total Assets		23 850	23 160
CURRENT LIABILITIES:			
Sundry Creditors		-	1
Income distribution payable		1	-
Total Liabilities		1	1
NET ASSETS		23 849	23 159
FUNDS EMPLOYED:			
Contributors funds	10	26 930	25 897
Reserves		(3 081)	(2 738)
TOTAL FUNDS EMPLOYED		23 849	23 159

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Distributions and interest received		1 064	3 386
Payments for expenses		(244)	(239)
Net Cash provided by Operating Activities	11.1	820	3 147
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for International fixed interest investments		(700)	(11 000)
Proceeds from realisations of International fixed interest investments		-	11 064
Net Cash (used in) provided by Investing Activities		(700)	64
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		2 983	2 640
Redemptions paid to contributors		(1 950)	(2 845)
Distributions paid		(1 415)	(1 139)
Net Cash used in Financing Activities		(382)	(1 344)
NET (DECREASE) INCREASE IN CASH HELD		(262)	1 867
CASH AT 1 JULY	11.2	327	(1 540)
CASH AT 30 JUNE	11.2	65	327

AUSTRALIAN SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
INCOME:			
Dividends	2	5 520	4 178
Distributions	2	3 471	1 268
Interest	2	84	47
Realised gain on disposal of investments	3	3 155	1 895
Other income		44	44
Total Income		12 274	7 432
EXPENDITURE:			
Public Trustee management fees	5	1 474	1 236
Legal and advisory expenses		4	6
Realised loss on disposal of investments	3	1 047	411
Other expenses	3	5	-
Total Expenditure		2 530	1 653
Change in the net market value of investments	4	20 011	16 126
OPERATING SURPLUS		29 755	21 905
Undistributed income brought forward		3	2
Transfers to funds employed to determine distributable income	10	(15 843)	(17 552)
FUNDS AVAILABLE FOR DISTRIBUTION		13 915	4 355
Less: Distributions made	6	13 911	4 352
INCOME HELD AWAITING DISTRIBUTION		4	3

Statement of Financial Position as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Sundry debtors		2 940	1 692
		2 940	1 692
NON-CURRENT ASSETS:			
Australian equities		150 787	128 588
		150 787	128 588
Total Assets		153 727	130 280
CURRENT LIABILITIES:			
Income distribution payable		4	3
Borrowings from Cash Common Fund		1 271	845
Sundry creditors		5	3
Total Liabilities		1 280	851
NET ASSETS		152 447	129 429
FUNDS EMPLOYED:	10		
Contributors funds		105 779	98 603
Reserves		46 668	30 826
TOTAL FUNDS EMPLOYED		152 447	129 429

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000
Dividends and distributions received	11.3	7 753	4 768
Interest received		84	47
Other income		12	15
Payments for expenses		(1 476)	(1 240)
Net Cash provided by Operating Activities	11.1	6 373	3 590
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for Australian equities		(19 988)	(21 068)
Proceeds from realisations of Australian equities		19 924	13 201
Net Cash used in Investing Activities		(64)	(7 867)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		16 758	17 635
Redemptions paid to contributors		(9 582)	(9 471)
Distributions paid		(13 911)	(4 352)
Net Cash (used in) provided by Financing Activities		(6 735)	3 812
NET DECREASE IN CASH HELD		(426)	(465)
CASH AT 1 JULY	11.2	(845)	(380)
CASH AT 30 JUNE	11.2	(1 271)	(845)

OVERSEAS SHARES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
INCOME:			
Dividends	2	149	718
Distributions	2	1 409	543
Interest	2	81	64
Realised gain on disposal of investments	3	2	2 344
Other income		38	84
Total Income		1 679	3 753
EXPENDITURE:			
Public Trustee management fees	5	826	763
Legal and advisory expenses		8	4
Realised loss on disposal of investments	3	1 064	368
Other expenses		18	122
Total Expenditure		1 916	1 257
Change in the net market value of investments	4	(620)	8 269
OPERATING (DEFICIT) SURPLUS		(857)	10 765
Undistributed income brought forward		2	3
Transfers from (to) funds employed to determine distributable income	10	1 888	(10 244)
FUNDS AVAILABLE FOR DISTRIBUTION		1 033	524
Less: Distributions made	6	1 023	522
INCOME HELD AWAITING DISTRIBUTION		10	2

Statement of Financial Position as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash at bank		-	689
Deposits with Cash Common Fund		423	2 552
Sundry debtors		1 414	883
		1 837	4 124
NON-CURRENT ASSETS:			
International equities		83 058	78 851
Total Assets		84 895	82 975
CURRENT LIABILITIES:			
Income distribution payable		10	2
Sundry creditors		-	7
Total Liabilities		10	9
NET ASSETS		84 885	82 966
FUNDS EMPLOYED:	10		
Contributors funds		96 159	92 351
Reserves		(11 274)	(9 385)
TOTAL FUNDS EMPLOYED		84 885	82 966

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Dividends and distributions received		736	1 125
Interest received		81	64
Sundry income		5	27
Payments for expenses		(860)	(884)
Net Cash (used in) provided by Operating Activities	11.1	(38)	332
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for International equities		(40 350)	(41 275)
Proceeds from realisations of International equities		34 796	27 461
Net Cash used in Investing Activities		(5 554)	(13 814)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		9 183	21 023
Redemptions paid to contributors		(5 376)	(4 831)
Distributions paid		(1 023)	(523)
Net Cash provided by Financing Activities		2 784	15 669
NET (DECREASE) INCREASE IN CASH HELD		(2 808)	2 187
CASH AT 1 JULY	11.2	3 241	1 002
Effect of exchange rate changes on foreign cash holdings		(10)	52
CASH AT 30 JUNE	11.2	423	3 241

LISTED PROPERTY SECURITIES COMMON FUND STATEMENTS

Statement of Financial Performance for the year ended 30 June 2005

		2005	2004
	Note	\$'000	\$'000
INCOME:			
Distributions	2	2 259	2 158
Interest	2	28	2
Realised gain on disposal of investments	3	912	243
Total Income		3 199	2 403
EXPENDITURE:			
Public Trustee management fees	5	345	307
Legal and advisory expenses		1	2
Realised loss on disposal of investments	3	968	43
Total Expenditure		1 314	352
Change in the net market value of investments	4	3 215	2 906
OPERATING SURPLUS		5 100	4 957
Undistributed income brought forward		939	1 535
Transfers to funds employed to determine distributable income	10	(2 664)	(2 069)
FUNDS AVAILABLE FOR DISTRIBUTION		3 375	4 423
Less: Distributions made	6	2 305	3 484
INCOME HELD AWAITING DISTRIBUTION		1 070	939

Statement of Financial Position as at 30 June 2005

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Deposits with Cash Common Fund		1 183	686
Sundry debtors		499	415
		1 682	1 101
NON-CURRENT ASSETS:			
Listed property securities		34 097	30 841
Total Assets		35 779	31 942
CURRENT LIABILITIES:			
Income distribution payable		1 070	939
Total Liabilities		1 070	939
NET ASSETS		34 709	31 003
FUNDS EMPLOYED:	10		
Contributors funds		25 104	24 060
Reserves		9 605	6 943
TOTAL FUNDS EMPLOYED		34 709	31 003

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Distributions		2 174	2 218
Interest received		28	2
Payments for expenses		(345)	(309)
Net Cash provided by Operating Activities	11.1	1 857	1 911
CASH FLOWS FROM INVESTING ACTIVITIES:			
Payments for listed property securities		(5 468)	(2 984)
Proceeds from realisations of listed property securities		5 370	7 222
Net Cash (used in) provided by Investing Activities		(98)	4 238
CASH FLOWS FROM FINANCING ACTIVITIES:			
Contributions from contributors		3 655	2 872
Redemptions paid to contributors		(2 612)	(6 604)
Distributions paid		(2 305)	(3 484)
Net Cash used in Financing Activities		(1 262)	(7 216)
NET INCREASE (DECREASE) IN CASH HELD		497	(1 067)
CASH AT 1 JULY	11.2	686	1 753
CASH AT 30 JUNE	11.2	1 183	686

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Principal Accounting Policies

1.1 Format of the Accounts

The statements of Public Trustee's common funds and related notes are a general purpose financial report and have been prepared in accordance with Treasurer's Instructions issued pursuant to the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and Urgent Issues Group Consensus Views.

The statements of the common funds have been prepared using the accrual basis of accounting.

1.2 Operation of the Common Funds

The common funds have been established pursuant to the *Public Trustee Act 1995* or its predecessor legislation. The following common funds were active for the whole of the current and comparative reporting periods:

- Cash Common Fund;
- Short Term Fixed Interest Common Fund;
- Long Term Fixed Interest Common Fund;
- Australian Shares Common Fund;
- Overseas Fixed Interest Common Fund;
- Overseas Shares Common Fund; and
- Listed Property Securities Common Fund.

The Inflation Linked Investments Common Fund was again dormant throughout 2004-05, has nil assets and liabilities and has not been reported.

Investment in common funds (with the exception of direct investment in the Cash Common Fund) is by way of notional unit holdings in the common funds. Contributors may invest in the Cash Common Fund or alternately invest in a selection of common funds in proportions determined by one or more of the following standard investment strategies provided by Public Trustee:

- Capital Stable
- Growth
- Balanced
- Equities

1.2 Operation of the Common Funds (continued)

Management of common fund investments is undertaken by Public Trustee. On 29 September 2004, Public Trustee transferred discrete international equity funds managed by Allianz Dresdner to a pooled fund manager, ADAM RCM Best Styles Fund. National Australia Bank Custodial Services was custodian for the period 01 July 2004 to 29 September 2004 provided accounting and settlement services in relation to those international investments to the time of the transfer of funds.

Australian and International Equity investments, together with Overseas Fixed Interest investments have also been made using Australian domiciled pooled funds. At 30 June 2005, the following pooled fund investments were held:

- NCIT Capital International - Global Share Trust;
- BIAM Australia International Equities Fund;
- AGI ADAM RCM Best Styles Fund (change of name from ADAM RCM Best Styles Fund);
- BIAM Australia Fixed Interest Fund;
- Fiduciary Global Bond Fund;
- Investors Mutual Australian Smaller Companies Fund; and
- Perennial Value Smaller Companies Trust.

1.3 Basis of Valuation of Common Fund Assets and Liabilities

Australian Equities and Listed Property Securities: are valued at market value based on the Australian Stock Exchange listed last sale price at the balance date. Investments in pooled investment funds are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

International Equities: are invested in pooled investment funds and are valued in accordance with unit prices at the balance date as advised by the managers of the funds.

Australian Fixed Interest Investments: are valued at market value based on independently obtained market yields applying at the balance date.

International Fixed Interest Investments: consist of investments in pooled funds which are valued in accordance with prices at the balance date as advised by the managers of the funds.

Advances to Estates: are carried at their nominal amounts. Public Trustee is authorised by the *Public Trustee Act 1995* to advance monies where an estate has insufficient monies to make payments as authorised or required to administer the estate, usually on a short term basis. Funds advanced are a first charge on the estate's property vested under the control of the Public Trustee. Interest rates on advances are fixed from time to time by the Public Trustee.

Cash at Bank: is carried at nominal amounts, translated at prevailing exchange rates where applicable. This asset consists of cash at bank and on hand.

Short Term Money Market: deposits are carried at their nominal amounts. Bills of exchange are valued at market value, based on independently sourced market yields prevailing at the balance date.

Sundry Debtors and Creditors: are carried at their nominal amounts.

1.4 Impact of Adopting Australian equivalents to International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Common Funds must comply with Australian equivalents to International Financial Reporting Standards (AIFRS) as issued by the Australian Accounting Standards Board. This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ended 30 June 2005.

Transition Management

Public Trustee has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project is achieving its scheduled milestones and Public Trustee is expected to be in a position to fully comply with the requirements of AIFRS in the Common Funds' financial statements for and the financial year ended 30 June 2006.

To date the project team has analysed the Australian equivalents to IFRS and has identified accounting policy changes that will be required.

The rules for first time adoption of Australian equivalents to International Financial Reporting Standards are set out in AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards'. In general, AIFRS accounting policies are required to be applied retrospectively to determine the opening balance sheet under AIFRS. In some cases choices of accounting policies are available, including elective exemptions from this general principle to assist in the transition to reporting under AIFRS. These choices have been analysed to determine the most appropriate accounting policies for the Common Funds.

Transition Management (continued)

The Common Funds in complying with AIFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. With the exception of certain elections in AASB 1, most adjustments required on transition to AIFRS will be made, retrospectively, against opening net assets attributable to Common Fund contributors as at 1 July 2004. AASB 1 provides an election whereby the requirements of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' are not required to be applied in the first comparative year under AIFRS. Under this election, first time adoption of these standards can be delayed until 1 July 2005.

Impact of Transition to AIFRS

The impact of transition to AIFRS disclosed below, including the selection and application of AIFRS accounting policies, is based on AIFRS standards that management expect to be in place, or where applicable, early adopted, when preparing the first complete AIFRS financial report. The disclosures below assume that Public Trustee will elect not to apply the requirements of AASB 132 and AASB 139 in the first comparative year under AIFRS.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change.

The significant changes in accounting policies and the associated transitional arrangements and elections expected to be made under AASB 1 are set out below.

(a) Financial Assets

Investments in financial assets such as equities and units in unlisted schemes will be classified as 'fair value through the profit and loss' and recognised in the Statement of Financial Position at fair value, with changes in fair value during the period recognised in the Statement of Financial Performance.

AASB 139 states that the current bid price is usually the appropriate price to be used in measuring the fair value of these financial assets. Financial assets should be valued at their fair values without any deduction for transaction costs that may be incurred on sale or other disposal. This differs from the current treatment, in which Public Trustee measures financial assets at 'net market value' using the last sale price net of disposal costs. Interest bearing securities will be classified as 'held to maturity' and valued at market value based on independently obtained market yields applying at balance date. Any premiums/discounts on fixed interest securities are amortised on an effective yield basis over the term to maturity and recognised in the Statement of Financial Performance.

(b) Financial Liabilities

In accordance with AASB 132, unit holders' funds will be defined as 'puttable instruments' and classed as debt rather than equity. Therefore, a liability must be recognised for the fair value which is redeemable as at reporting date and the changes in value recognised in the Statement of Financial Performance. Unit holders' funds will be disclosed as 'Net assets attributable to unit holders'.

(c) Transaction Costs

AASB 139 states that the initial measurement (cost) on acquisition of securities shall not include directly attributable transaction costs such as fees and commissions paid to agents. Incremental transaction costs should be expensed as incurred in the Statement of Financial Performance. This differs from the current treatment where incremental transaction costs on acquisition of trading securities are included within initial measurement cost.

(d) Financing Costs

As unit holders' funds will be classed as debt under AIFRS, it will be necessary to recognise 'distribution expense to unit holders' and 'change in net asset value attributable to unit holders' in the Statement of Financial Performance as a financing cost. In future periods, the Statement of Financial Performance of the Common Funds will disclose a nil profit or loss.

This differs from the current treatment where the net profit for the year is disclosed as available for distribution to unit holders. However, there will be no impact to net assets attributable to unit holders.

Impact on 30 June 2005 Comparative Reported Results

The changes in accounting policies described above are not expected to have a material impact on the comparative Common Funds' Net Asset position at 30 June 2005 and the comparative Net Profit for the year ended 30 June 2005 given that the Common Funds will not apply the requirements of AASB 132 and AASB 139 until 1 July 2005 as stated in AASB 1 (36A).

2. Recognition of Revenue

Dividend income is recognised on the date that shares are quoted as ex-dividend. Distributions from trusts are recognised on a present entitlement basis. Interest income is recognised on a time proportionate basis that takes into account the amortisation of acquisition discounts and premiums on interest bearing investments.

All revenue items including realised and unrealised gains on investments arise from the operating activities of the Common Funds.

3. **Realised Gains and Losses on Disposal of Investments**

Realised Gains and Losses on Disposal of Investments represents realised gains and losses over the carrying value determined on an average cost basis. Carrying value is marked to market value at the balance date. Consequently, the carrying value of an investment at the time of its disposal is the weighted average of market value at the commencement of the reporting period and acquisition cost of investments acquired during the period.

4. **Recognition of Unrealised Gains and Losses**

Assets of the Common Funds have been measured at net market values after allowing for the costs of realisation. The Australian Accounting Standard AASB 1041, 'Revaluation of Non-Current Assets' provides that public sector borrowing/financing entities may recognise unrealised gains or losses arising from the measurement of financial assets at market values as revenues or expenses in the periods in which the changes occur. Public Trustee has brought changes in the net market value of assets to account in the Statements of Financial Performance in the periods in which they occur. Unrealised gains and losses are not distributed and are transferred to Reserves.

5. **Management Fees**

A management fee is charged against each common fund at a rate of one-twelfth of one percent of the value of the fund as at the first business day of each month and is authorised by the *Public Trustee Act 1995*.

6. **Distributions**

Common fund distributions are made to contributors as at 31 December and 30 June each year. With the exception of the Listed Property Securities Common Fund, distributions are paid as at these dates. Contributors to the Listed Property Securities Common Fund are presently entitled to the income and capital distributions payable at the balance date. Payment is not made until after the balance date as advice of distribution entitlements from underlying investments is not received by Public Trustee until after the balance date.

Realised capital losses are not distributed to contributors but are retained in Reserves to be offset against any realised capital gains. Where realised capital gains exceed realised capital losses (both losses in the current distribution period and those brought forward from previous distribution periods), the excess is distributed.

In respect of direct client investment in the Cash Common Fund, if the administration of an estate is completed during the year, an income entitlement is determined to the date of completion of the estate. Final entitlements to other common fund distributions are paid at normal distribution dates.

7. **Taxation**

Under current taxation legislation, the Common Funds are not liable to income tax as net income is fully distributed to estates and investors each year. No income taxation expense is therefore recognised within the Common Funds' financial statements.

The Common Funds are registered entities under the Goods and Services Tax (GST) legislation. Investments in Public Trustee's Common Funds are classified as input taxed financial supplies and no GST is charged on such supplies. As suppliers of financial supplies, the Common Funds are able to claim a tax credit for three-quarters of the liability incurred in respect of certain expenses (reduced input tax credits). The majority of expenses incurred by Public Trustee's Common Funds including Public Trustee management fees, brokerage charges and custody fees are eligible for reduced input tax credits. The net impact of the GST on expenses incurred by the Common Funds is approximately 2.5 percent rather than the full 10 percent rate.

8. **Financial Instruments**

8.1 **Net Market Value of Financial Assets and Liabilities**

All assets and liabilities of the Common Funds are financial instruments as defined by the Australian Accounting Standard AASB 1033, 'Presentation and Disclosure of Financial Instruments'. All assets and liabilities of the Common Funds are carried at net market value based upon the valuation policies set out in Note 1.3. The aggregate carrying amounts for each class of financial instrument are as disclosed in the Statements of Financial Position.

The following classes of financial instruments are readily traded on organised markets in standardised form:

- Short Term Money Market
- Australian Fixed Interest Investments
- Australian Equities other than investments of \$14 200 000 (\$14 306 000) in a collective investment vehicle, disposal of which is by means of redemption by the vehicle manager
- Listed Property Securities

Other classes of financial instruments are not readily traded on organised markets in standardised form.

8.2 **Investment in Collective Investment Vehicles**

In addition to holding financial instruments directly, Common Funds may also invest in collective investment vehicles such as unit trusts or other Common Funds operated by Public Trustee. The manager of such vehicles will have invested in a variety of financial instruments, including derivatives, which expose the Common Funds to investment risks, including market risk, credit risk, interest rate risk and currency risk. The Public Trustee has assessed the investment rules of collective investments held by the Common Funds and determined their suitability as investments of the Common Funds.

Disclosures in subsequent sub-sections of this note do not include the Common Fund's exposures to financial instruments held by the collective investment vehicles in which they have invested.

8.3 Credit Risk

The maximum exposure to credit risk, excluding any collateral or other security, at the balance date to financial instruments is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statements of Financial Position and notes to the financial statements.

Credit risk for derivative instruments arises from the potential failure by counterparties to the contracts to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts as disclosed in Note 8.6.

Credit risk arises primarily with the following classes of instruments and counterparties:

- Sovereign debt of the Australian Commonwealth and State Governments
- Sovereign debt of foreign governments
- Banking corporations
- Corporate debt of investment grade
- Pooled Investment Funds

Internal operating guidelines have been established to manage credit exposure to any one counterparty or groups of counterparties with similar characteristics.

8.4 Interest Rate Risk

Financial assets and liabilities subject to interest rate risk are disclosed below. All other assets and liabilities of the Common Funds are non-interest bearing.

	Weighted Average Effective Interest Rate		Instruments Maturing or Re-pricing Within					
	2005 Percent	2004 Percent	1 Year or Less		1 to 5 Years		Over 5 Years	
			2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<i>Cash Common Fund</i>								
Cash at bank	-	-	35	62	-	-	-	-
Short-term deposits	5.45	5.20	5 000	4 000	-	-	-	-
Floating rate notes	6.16	6.08	60 235	57 085	-	-	-	-
Australian fixed interest	5.67	5.54	149 546	137 101	-	-	-	-
Advances to Common Funds	5.00	4.70	1 271	845	-	-	-	-
Advances to estates	8.00	7.75	3 423	2 742	-	-	-	-
			219 510	201 835	-	-	-	-
Bank overdraft	8.75	8.50	1 199	2 964	-	-	-	-
<i>Short-Term Fixed Interest Common Fund:</i>								
Deposits with Cash Common Fund	5.00	4.70	1 328	83	-	-	-	-
Australian fixed interest	5.34	5.44	6 031	15 915	8 223	-	-	-
Floating rate notes	6.42	6.25	18 640	16 615	-	-	-	-
			25 999	32 613	8 223	-	-	-
<i>Long-Term Fixed Interest Common Fund:</i>								
Deposits with Cash Common Fund	5.00	4.70	1 898	6 740	-	-	-	-
Australian fixed interest	5.32	5.69	12 016	11 042	12 954	21 618	23 670	14 957
Floating rate notes	6.35	5.88	9 063	2 016	-	-	-	-
			22 977	19 798	12 954	21 618	23 670	14 957
<i>Overseas Fixed Interest Common Fund:</i>								
Deposits with Cash Common Fund	5.00	4.70	65	327	-	-	-	-
<i>Australian Shares Common Fund:</i>								
Borrowings from Cash Common Fund	5.00	4.70	1 271	845	-	-	-	-
<i>Overseas Shares Common Fund:</i>								
Deposits with Cash Common Fund	5.00	4.70	423	2 552	-	-	-	-
Cash at bank	-	4.00	-	689	-	-	-	-
			423	3 241	-	-	-	-
<i>Listed Property Securities Common Fund:</i>								
Deposits with Cash Common Fund	5.00	4.70	1 183	686	-	-	-	-

8.5 Derivative Instruments

Derivative instruments may be used by the Australian Shares, Overseas Shares and Overseas Fixed Interest Common Funds for purposes of investing funds or for hedging or otherwise managing risks associated with share and fixed interest markets. Where used for the purpose of investing funds, the notional exposure created by the holding of derivatives may not exceed the amount held as cash or an equivalent such as short term money market investments or deposits with other Common Funds.

No Common Fund held open futures contracts at the balance dates of the current or prior periods.

8.6 Forward Exchange Contracts

The investment objectives of the Overseas Shares Common Fund provide for the Fund to normally operate in an unhedged manner, that is, there is an intended exposure to exchange rate movements between the Australian dollar and other currencies. To 29 September 2004, prior to the discretely managed portion of the Fund being transferred to a collective investment vehicle, forward exchange contracts may have been used to manage currency exposures between foreign currencies, for example between the United States dollar and the Japanese yen. No forward exchange contracts were held at the balance dates of the current or prior periods.

9. Common Fund Unit Prices

Unit prices are based upon the net asset valuations of the Common Funds. A spread between purchase and redemption prices may be applied to reflect transaction costs associated with the investment of contributions or the disposal of investments to fund redemptions. The Cash Common Fund operates on a deposit at call basis. All redemptions during the current and prior financial years were made at entry value.

	2005		2004	
	Purchase Price	Redemption Price	Purchase Price	Redemption Price
Common Fund Unit Prices at 30 June:	\$	\$	\$	\$
Short-term fixed interest	1.0059	1.0029	1.0029	0.9999
Long-term fixed interest	1.0328	1.0298	1.0173	1.0143
Overseas fixed interest	0.9256	0.9246	0.9388	0.9378
Australian shares	2.2136	2.2092	1.9722	1.9683
Overseas shares	0.9354	0.9289	0.9567	0.9500
Listed property securities	1.3184	1.3145	1.2145	1.2109

Movements in Common Fund Units

	Short-Term Fixed Interest		Common Fund Long-Term Fixed Interest		Overseas Fixed Interest	
	2005	2004	2005	2004	2005	2004
Contributor Units:						
Opening balance	32 854	35 138	56 125	62 224	24 684	24 887
Contributions	4 227	3 650	6 900	5 985	3 149	2 805
Redemptions	(2 717)	(5 934)	(4 620)	(12 084)	(2 053)	(3 008)
Closing Balance	34 364	32 854	58 405	56 125	25 780	24 684

	Common Fund Australian Shares		Common Fund Overseas Shares		Listed Property Securities	
	2005	2004	2005	2004	2005	2004
Contributor Units:						
Opening balance	65 758	61 085	87 335	68 133	25 603	28 905
Contributions	7 734	9 923	9 921	24 748	2 831	2 565
Redemptions	(4 487)	(5 250)	(5 859)	(5 546)	(2 030)	(5 867)
Closing Balance	69 005	65 758	91 397	87 335	26 404	25 603

10. Movements in Funds Employed

	Cash	Common Fund						
		Short-Term Fixed Interest		Long-Term Fixed Interest		Overseas Fixed Interest		
	2005	2004	2005	2004	2005	2004	2005	2004
Contributor Funds:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	190 899	174 660	33 479	35 777	57 230	63 632	25 897	26 103
Contributions ⁽¹⁾	24 957	16 239	4 249	3 660	7 073	6 148	2 983	2 639
Redemptions	-	-	(2 725)	(5 958)	(4 737)	(12 550)	(1 950)	(2 845)
Closing Balance	215 856	190 899	35 003	33 479	59 566	57 230	26 930	25 897
Reserves:								
Opening balance	(2)	(140)	(581)	(295)	(216)	1 641	(2 738)	(1 998)
Realised gains	64	99	2	6	89	-	-	-
Realised losses	(29)	(77)	(2)	(70)	(15)	(129)	-	(765)
Capital distributions received ⁽²⁾	-	-	-	-	-	-	-	959
Unrealised gains (losses)	231	116	94	(222)	808	(1 728)	343	(336)
Capital distribution paid/transferred	-	-	-	-	-	-	-	(598)
Closing Balance	264	(2)	(487)	(581)	666	(216)	(3 081)	(2 738)

10. Movements in Funds Employed (continued)

	Common Fund					
	Australian Shares		Overseas Shares		Listed Property Securities	
	2005	2003	2005	2003	2005	2003
Contributor Funds:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance	98 603	90 439	92 351	76 160	24 060	27 792
Contributions	16 758	17 635	9 183	21 022	3 655	2 872
Redemptions	(9 582)	(9 471)	(5 375)	(4 831)	(2 612)	(6 604)
Closing Balance	105 779	98 603	96 159	92 351	25 103	24 060
Reserves:						
Opening balance	30 826	13 273	(9 385)	(19 630)	6 943	4 874
Realised gains	3 155	1 895	2	2 344	912	243
Realised losses	(1 047)	(411)	(1 271)	(368)	(968)	(43)
Capital distributions received ⁽²⁾	3 391	810	-	-	-	-
Unrealised gains (losses)	20 011	16 126	(620)	8 269	3 215	2 906
Capital distribution paid or payable	(9 668)	(867)	-	-	(497)	(1 037)
Closing Balance	46 668	30 826	(11 274)	(9 385)	9 605	6 943

- (1) A net movement in contributor funds is reported for the Cash Common Fund. This fund is the primary working account for trust administration operations. Contributor funds movements are typically high volume, low value transactions.
- (2) The amounts reported as capital distributions received and capital distributions paid or payable by the Listed Property Securities Common Fund are provisional and may be subject to revision. Public Trustee is not in receipt of detailed information as to the elements of all distributions received or receivable from listed property trusts at the time these statements have been prepared.

11. Statement of Cash Flows

	2005	2004
	\$'000	\$'000
11.1 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus		
<i>Cash Common Fund</i>		
Operating surplus	10 321	8 275
Non-cash flows in operating surplus:		
Change in the net market value of investments	(231)	(116)
Net realised gain on disposal of investments	(35)	(22)
Amortisation of discounts and premiums	180	697
Change in assets and liabilities:		
Increase in sundry debtors	(288)	(900)
(Decrease) Increase in sundry creditors	(3)	5
Net Cash provided by Operating Activities	9 944	7 939
<i>Short-Term Fixed Interest Common Fund</i>		
Operating surplus	1 655	1 154
Non-cash flows in operating surplus:		
Change in the net market value of investments	(94)	222
Net realised loss on disposal of investments	-	64
Amortisation of discounts and premiums	239	420
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(9)	137
(Decrease) Increase in sundry creditors	(1)	1
Net Cash provided by Operating Activities	1 790	1 998
<i>Long-Term Fixed Interest Common Fund</i>		
Operating surplus	3 534	777
Non-cash flows in operating surplus:		
Change in the net market value of investments	(808)	1 728
Net realised (gain) loss on disposal of investments	(74)	129
Amortisation of discounts and premiums	458	495
Change in assets and liabilities:		
Decrease in sundry debtors	11	144
Decrease in sundry creditors	(1)	-
Net Cash provided by Operating Activities	3 120	3 273
<i>Overseas Fixed Interest Common Fund</i>		
Operating surplus	1 074	398
Non-cash flows in operating surplus:		
Change in the net market value of investments	343	336
Net realised loss on disposal of investments	-	765
Income reinvested and not received in cash	(7)	(7)
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(589)	1 654
(Decrease) Increase in sundry creditors	(1)	1
Net Cash provided by Operating Activities	820	3 147

11.1 Reconciliation of Net Cash provided by Operating Activities to Operating Surplus	2005	2004
	\$'000	\$'000
<i>Australian Shares Common Fund</i>		
Operating surplus	29 755	21 905
Non-cash flows in operating surplus:		
Change in the net market value of investments	(20 011)	(16 126)
Net realised gain on disposal of investments	(2 108)	(1 484)
Dividends and other income reinvested and not received in cash	(33)	(88)
Change in assets and liabilities:		
Increase in sundry debtors	(1 232)	(619)
Increase in sundry creditors	2	2
Net Cash provided by Operating Activities	6 373	3 590
<i>Overseas Shares Common Fund</i>		
Operating (deficit) surplus	(857)	10 765
Non-cash flows in operating surplus:		
Change in the net market value of investments	620	(8 269)
Net realised loss (gain) on disposal of investments	1 062	(1 976)
Income reinvested and not received in cash	(37)	(57)
Change in assets and liabilities:		
Increase in sundry debtors	(819)	(136)
(Decrease) Increase in sundry creditors	(7)	5
Net Cash (used in) provided by Operating Activities	(38)	332
<i>Listed Property Securities Common Fund</i>		
Operating surplus	5 100	4 957
Non-cash flows in operating surplus:		
Change in the net market value of investments	(3 215)	(2 906)
Net realised loss (gain) on disposal of investments	56	(200)
Change in assets and liabilities:		
(Increase) Decrease in sundry debtors	(84)	60
Net Cash provided by Operating Activities	1 857	1 911

11.2 Reconciliation of Cash

For the Cash Common Fund, for the purposes of the Statement of Cash Flows, cash comprises Cash at Bank and Bank Overdraft as disclosed in the Statement of Financial Position.

For other Common Funds, for the purposes of the Statement of Cash Flows, cash comprises Deposits with or Borrowings from the Cash Common Fund and Cash at Bank or Bank Overdraft as disclosed in the Statements of Financial Position.

11.3 Non-Cash Activities

Within the Cash Common Fund, realisations of financial securities with capital proceeds totalling \$182 500 000 (\$130 218 000) were rolled into other financial instruments without the exchange of cash. Payments made by the Cash Common Fund on behalf of other common funds totalled \$168 000 (\$10 000).

Within the Australian Shares Common Fund, no dividends were reinvested under dividend reinvestment plans (\$60 000). Management fee rebates of \$33 000 (\$29 000) received by this vehicle from pooled fund managers were also reinvested without the exchange of cash. An offer by TABCORP to acquire all TAB Ltd shares resulted in the acquisition of shares valued at \$281 000 without the exchange of cash.

The Overseas Shares Common Fund discrete portfolio formerly invested with Allianz Dresdner was transferred into the ADAM RCM Best Styles pooled fund which resulted in an investment in the fund of \$34 684 000 without the exchange of cash. The Overseas Shares and Overseas Fixed Interest Common Funds received management fee rebates of \$37 000 (\$57 000) and \$7 000 (\$7 000) respectively from pooled fund managers and reinvested these rebates without the exchange of cash.

11.4 Cash Flows presented on a Net Basis

Cash flows arising from the following activities are presented on a net basis in the Statements of Cash Flows:

- Contributor deposits and withdrawals from the Cash Common Fund.
- Deposits and withdrawals from the Cash Common Fund made by other Common Funds.
- Advances to estates made by the Cash Common Fund.
- Realised Gains and Losses on disposal of investments.

AUDITOR-GENERAL'S DEPARTMENT

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment and Functions

The *Public Finance and Audit Act 1987* confers wide powers on the Auditor-General to examine any matters relating to the collection, receipt, issue or expenditure of public monies and to report on the efficiency and economy of public sector operations. In addition, the Auditor-General has been appointed auditor of various statutory corporations and funds; has been appointed auditor of a number of companies associated with the operations of public sector agencies; has a discretionary right under the *Education Act 1972* to inspect or audit the accounts of school councils; and is required by the *South Australian Health Commission Act 1976* to audit the accounts of prescribed incorporated hospitals and health units and to approve the auditor of other incorporated hospitals and units.

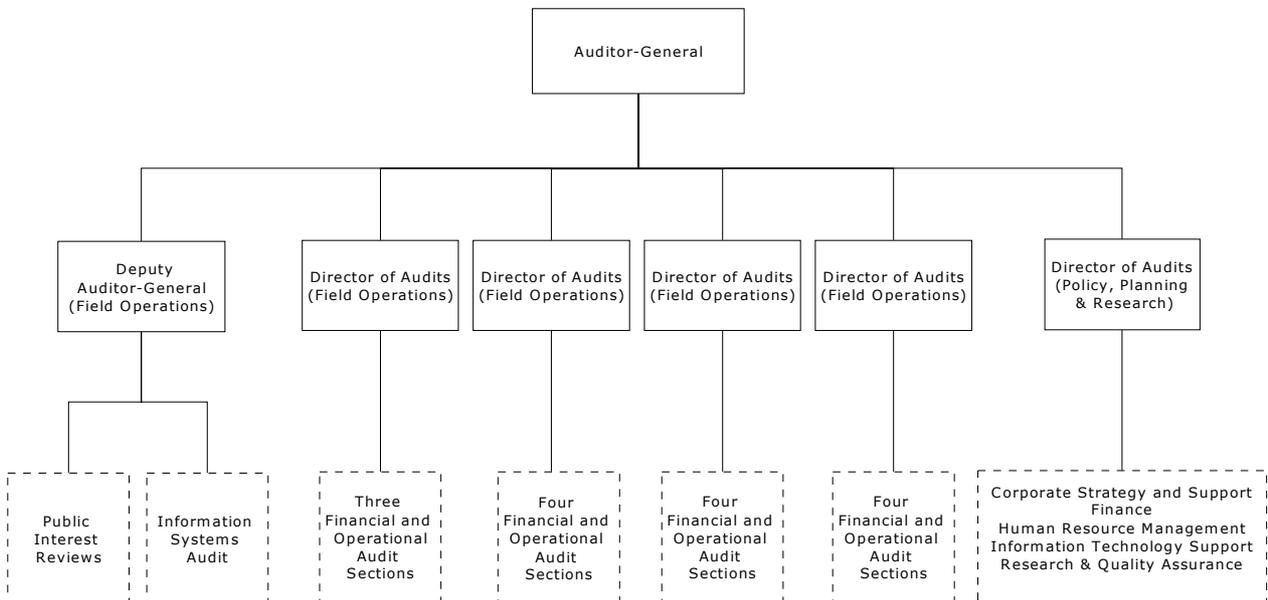
The Act provides a mandate for the Auditor-General to conduct five different types of audits and reviews. These are:

- Financial and compliance audit - subsection 31(1)
- Efficiency and economy audit - subsection 31(2)
- Review of the adequacy of controls exercised by auditee agencies - subsection 36(1)(a)(iii)
- Examination of the accounts of a publicly funded body - section 32
- Review of a summary of a confidential government contract - section 41A.

The Auditor-General's Department was established to assist the Auditor-General in the discharge of his/her statutory audit mandate.

Structure

The structure of the Department is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Under section 35(1) of the *Public Finance and Audit Act 1987*, the Governor, on the recommendation of the Treasurer, has appointed Edwards Marshall as auditor of the Auditor-General's Department.

AUDIT FINDINGS AND COMMENTS

Audit Opinion

In Edwards Marshall's opinion dated 19 August 2005, the financial report of the Auditor-General's Department presents fairly in accordance with the Australian Accounting Standards, other mandatory financial reporting requirements in Australia, the *Public Finance and Audit Act 1987* and Treasurer's Instructions promulgated under the Act, the financial position of the Auditor-General's Department as at 30 June 2005, and its financial performance and its cash flows for the year then ended.

Audit Communications to Management

Edwards Marshall met with officers of the Department at the conclusion of the audit and advised there were no issues that needed to be reported in a management letter.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

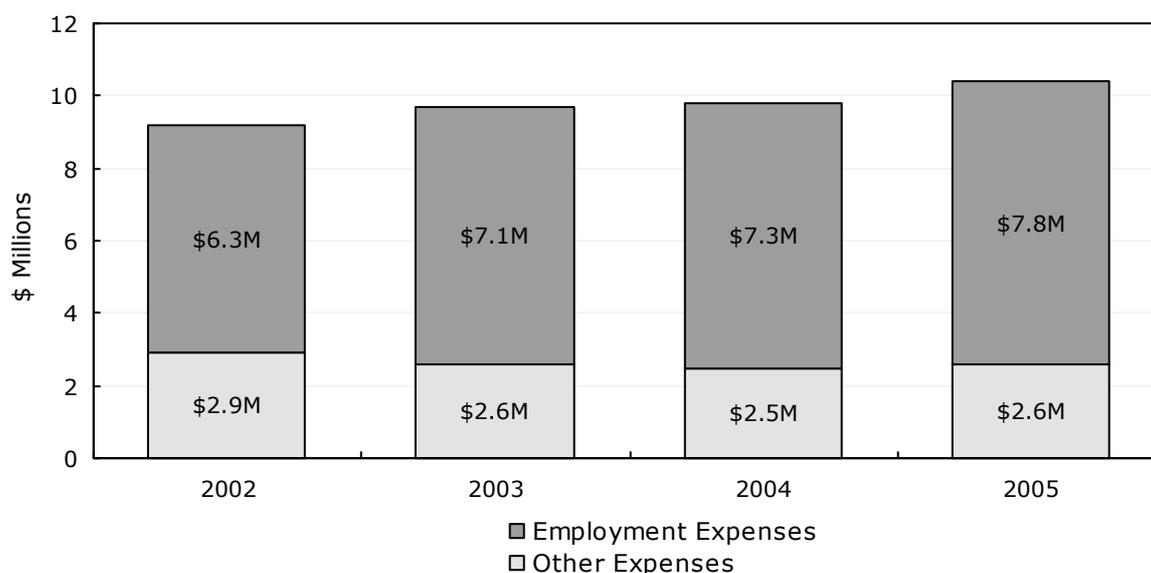
Highlights of Financial Statements

	2005 \$'million	2004 \$'million	Percentage Change
REVENUE FROM GOVERNMENT	10.2	9.8	4
OPERATING EXPENDITURE			
Employment expenses	7.8	7.3	7
Other expenses	2.6	2.5	4
Total Operating Expenses	10.4	9.8	6
Net Cash Flows from Operations	0.6	0.5	20
Total Assets	2.6	2.3	13
Total Liabilities	2.7	2.3	17

Statement of Financial Performance

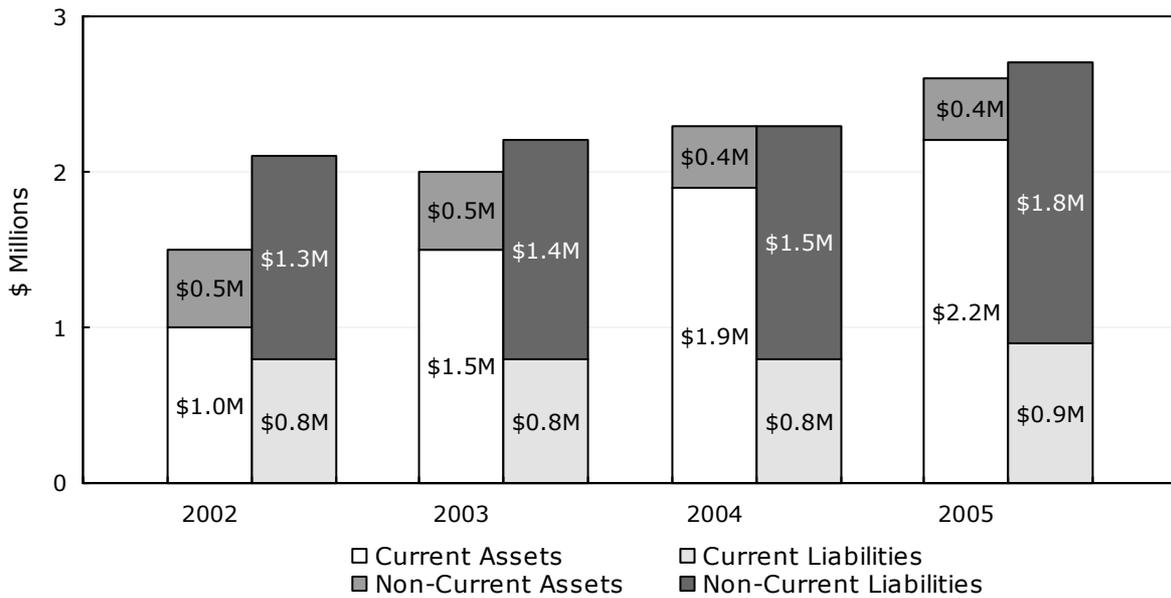
Operating Expenses

The main operating expense items for the four years to 2005 are shown in the following chart.



Statement of Financial Position

Assets and liabilities for the four years to 2005 are shown in the following chart.



The chart shows that current assets have steadily increased. This is due to an accumulation of cash held in the Department's Operating Account and in a Special Deposit Account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. The increase in cash arises from funding provided annually to meet the accrued cost of accumulated employee leave entitlements.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	3	7 807	7 297
Supplies and Services:			
Contractors		760	740
Accommodation and service costs		506	525
Other expenses		335	311
Consultancies		312	151
Depreciation	1.4, 6.2	215	251
Staff development and training		164	167
Computing and network processing costs		159	182
Motor vehicle hire		128	114
Loss on disposal of assets	5	13	26
Total Expenses from Ordinary Activities		10 399	9 764
REVENUES FROM ORDINARY ACTIVITIES:			
Interest		118	101
Other income		3	3
Total Revenues from Ordinary Activities		121	104
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		10 278	9 660
REVENUES FROM GOVERNMENT:			
Appropriations and contingency provision grant	4	10 205	9 797
NET RESULT FROM ORDINARY ACTIVITIES		(73)	137
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(73)	137

**Statement of Financial Position
as at 30 June 2005**

	Note	2005	2004
CURRENT ASSETS:		\$'000	\$'000
Cash	9.1, 13	2 157	1 842
Receivables	13	96	101
Total Current Assets		2 253	1 943
NON-CURRENT ASSETS:			
Computer and office facilities	1.4, 6	1 278	1 437
Accumulated depreciation	1.4, 6	(892)	(1 079)
Total Non-Current Assets	6	386	358
Total Assets		2 639	2 301
CURRENT LIABILITIES:			
Payables	13	32	47
Cash advance - Imprest accounts	13	3	3
Employee benefits and related on-costs	1.3, 7	874	723
Total Current Liabilities		909	773
NON-CURRENT LIABILITIES:			
Employee benefits and related on-costs	1.3, 7	1 837	1 562
Total Non-Current Liabilities		1 837	1 562
Total Liabilities		2 746	2 335
NET ASSETS	8	(107)	(34)
EQUITY:			
Opening balance - Deficit		(34)	(171)
(Decrease) Increase in net assets		(73)	137
TOTAL EQUITY	8	(107)	(34)
Commitments	11		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee expenses		(7 380)	(7 172)
Goods and services		(2 600)	(2 392)
Net Goods and Services Tax on investing activities		(26)	(16)
CASH INFLOWS:			
Interest		118	101
Other income		3	3
Goods and Services Tax refunds		251	206
CASH FLOWS FROM GOVERNMENT:			
Appropriations and contingency provision grant	4	10 205	9 797
Net Cash Inflows from Operating Activities	9.2	571	527
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of computer and office facilities		(298)	(192)
Disposal of computer and office facilities		42	36
Net Cash Outflows from Investing Activities		(256)	(156)
NET INCREASE IN CASH HELD		315	371
CASH AT 1 JULY		1 842	1 471
CASH AT 30 JUNE	9.1	2 157	1 842

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

1.1 Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards, other mandatory professional reporting requirements in Australia and the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* (the Act). The accounts are presented on the accrual basis of accounting using historical cost accounting which does not take into account changing money values. Unless otherwise stated, the accounting policies adopted are the same as those in the previous year.

1.2 Appropriations

The Department is funded by Parliamentary appropriations for the full accrual cost of its services. The appropriation is paid into a Special Deposit Account titled 'Auditor-General's Department Operating Account'. Appropriation for accrued expense at year end has in previous years been deposited in a Special Deposit Account in the name of the Auditor-General's Department at the Department of Treasury and Finance titled 'Accrual Appropriation Excess Funds'. Use of the funds requires the approval of the Treasurer. Pursuant to Treasurer's Instruction 3.8, this money is deemed to be controlled by the public authority in the name of which the money is recorded.

Administered items are funded by Parliamentary appropriations on a cash basis.

1.3 Employee Benefits

Provision has been made for employee benefits liabilities arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'. Employee entitlements comprise benefits to salaries, annual leave, long service leave and workers compensation.

Salaries

Liabilities for salaries are recognised, and are measured as the amount unpaid at current pay rates in respect of employee service periods up to the reporting date.

Annual Leave

Liabilities for annual leave are recognised, and are measured as the amount unpaid at the pay rate at which the liability is expected to be settled in respect of employee service periods up to the reporting date.

Sick Leave

No liability is recognised, as sick leave taken by employees is considered to be taken from the current year's accrual.

Long Service Leave

Long service leave is recognised on a pro-rata basis for the employee service periods up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of seven years service can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AASB 1028. This advice has been adopted and the long service leave liability as at 30 June 2005 has been calculated at nominal amounts based on current salary and wage rates for employees with seven or more years service.

The long service leave to be taken in the 12 months to 30 June 2006 has been estimated by adding the estimated termination payments in this period to the estimated long service leave to be taken by ongoing employees in the 12 months (based on previous years' experience). The basis of calculation is similar to that used in previous years.

Workers Compensation

The workers compensation provision is an actuarial estimate of the outstanding liability at 30 June 2005 provided by a consulting actuary engaged through the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services. This actuarial estimate provides for the estimated cost of ongoing payments to employees as required under current legislation.

The Department is responsible for the payment of day to day workers compensation claims. Any lump sum settlements are funded from the Government Workers Compensation Fund, administered by the Department of the Premier and Cabinet.

Superannuation

The Department's liability for superannuation is to the Department of Treasury and Finance rather than the superannuation beneficiaries. The Department pays amounts to the Department of Treasury and Finance which represents the Department's share of the accruing liability to employees in relation to the Government's various superannuation schemes. The liability for superannuation is included in Employee on-costs.

1.4 Computer and Office Facilities

Computer and office facilities are recorded at historical cost less accumulated depreciation.

Non-current assets with an acquisition cost greater than \$2 000 are depreciated using the straight line method of depreciation over their useful lives, which reflects the consumption of their service potential.

All assets useful lives have been set at three years.

1.5 Inventories

Consumable supplies are not recognised in the Statement of Financial Position as the value of these supplies is not considered to be material.

1.6 Administered Items

The Department has two Administered Items namely:

Special Acts

As provided in subsection 24(4) of the Act, the Department receives a separate appropriation for the cash salary and allowances of the Auditor-General.

Administered Revenue

Section 39 of the Act provides for the levying of fees for audit services provided by the Department. All audit fee monies received by the Department are paid into the Consolidated Account. The Department receives a cash appropriation to fund the payment of Goods and Services Tax on audit fees to the Australian Taxation Office.

1.7 Goods and Services Tax

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

1.8 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Auditor-General's Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' the following summarises any known or reliably estimated information about the impacts in the published financial report had it been prepared using the AIFRS.

AASB 119 'Employee Benefits' will have some impact on the financial statement in that employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts however the impact will not be significant.

2. Objectives of the Department

The Department's main statutory responsibilities are to audit the public accounts and the accounts of public authorities and to report the results to Parliament in accordance with the requirements of the Act.

The Department's sole program is the provision of Auditing Services covering all the audit responsibilities prescribed under the Act. Within this program class there are two subprograms:

Prescribed Audits

Includes all audit work to be undertaken for agencies where the Auditor-General is the prescribed auditor and the Department must annually conduct the audit as prescribed by the Act. During the year the Department spent \$10 209 000 (\$9 687 000) on this subprogram.

Special Investigations

Includes all work defined in the Act that is specifically requested to be undertaken by the Auditor-General. The Auditor-General may be requested to undertake work associated with:

- conducting and reporting on Special Investigations when requested by the Parliament or Treasurer;
- reviewing summaries of confidential government contracts and reporting on the adequacy of the document as a summary of the contents of the contract when requested to do so by a Minister.

These projects have specific Terms of Reference requested by the referring party and are treated as a separate subprogram. Consistent with the legislative requirement of audit independence the reports are presented directly to the Parliament. During the year the Department expenditure on this subprogram totalled \$190 000 (\$77 000).

3. Employee Expenses

Employee benefits:	2005	2004
	\$'000	\$'000
Salaries	5 787	5 558
Annual leave	523	489
Long service leave	309	131
Workers compensation	2	3
Total Employee Benefits	6 621	6 181
Employee on-costs:		
Superannuation	768	711
Payroll tax	418	405
Total Employee On-costs	1 186	1 116
Total Employee Expenses	7 807	7 297

4. Funding of the Department

Appropriations to the Department in 2004-05 amounted to \$10 112 000 (\$9 782 000) and there was a contingency provision grant of \$93 000 (\$15 000).

Appropriations under Special Acts are reported under Administered Items.

A summary of appropriations for the year is set out below.

Appropriations and contingency provision grant:

Prescribed audits	10 205	9 797
Special Investigations	-	-
	10 205	9 797

5. Loss on Disposal of Assets

Historic cost of assets disposed	458	268
Less: Accumulated depreciation	403	206
	55	62
Proceeds on disposal	42	36
Total Loss on Disposal of Assets	13	26

6. Computer and Office Facilities				2005	2004
6.1 Classes of Computer and Office Facilities				\$'000	\$'000
Equipment - At cost				764	785
Accumulated depreciation				(458)	(514)
				306	271
Computer software - At cost				364	502
Accumulated depreciation				(311)	(467)
				53	35
Leasehold improvements - At cost				150	150
Accumulated depreciation				(123)	(98)
				27	52
				386	358
6.2 Reconciliation of Carrying Amount	Carrying Amount				Carrying Amount
	1 July	Additions	Disposals	Depreciation	30 June
	\$'000	\$'000	\$'000	\$'000	\$'000
Equipment	271	249	55	159	306
Computer software	35	49	-	31	53
Leasehold improvements	52	-	-	25	27
Total Computer and Office Facilities	358	298	55	215	386
7. Employee Benefits and Related On-costs				2005	2004
<i>Employee Benefits</i>				\$'000	\$'000
Current:					
Salaries				104	118
Annual leave provision				480	355
Long service leave provision				141	120
Workers compensation provision				2	2
Total Current				727	595
Non-Current:					
Long service leave provision				1 626	1 378
Workers compensation provision				6	5
Total Non-Current				1 632	1 383
Total Employee Benefits				2 359	1 978
Employee On-costs					
Current				147	128
Non-Current				205	179
Total Employee On-costs				352	307
Total Employee Benefits and Related On-costs				2 711	2 285
8. Total Equity					
The deficit arises as a result of the Department's previous funding arrangements. Prior to 1998-99, the Department was funded on a cash basis, which did not take account of the full accrual liabilities. The Department will continue to receive annual appropriations from the Consolidated Account to fund its operations. Without funding to meet past liabilities the Department will continue to have a deficit.					
9. Notes to the Statement of Cash Flows					
9.1 Reconciliation of Cash					
For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position as follows:					
				2005	2004
				\$'000	\$'000
Auditor-General's Department Operating Account				1 477	1 432
Accrual Appropriation Excess Funds Account				677	407
Imprest Accounts				3	3
				2 157	1 842
9.2 Reconciliation of Net Cost of Services from Ordinary Activities to Net Cash Inflows from Operating Activities					
Net cost of services from ordinary activities				(10 278)	(9 660)
Cash flows from government				10 205	9 797
Depreciation				215	251
Decrease (Increase) in receivables				5	(9)
Increase in employee benefits and related on-costs				426	122
(Decrease) in payables				(15)	-
Loss on disposal of assets				13	26
Net Cash Inflows from Operating Activities				571	527

(c) Net Fair Values

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

14. Specific Disclosure

As required by Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' issued pursuant to the *Public Finance and Audit Act 1987* the following discloses by way of note revenues, expenses, financial assets and financial liabilities where the counter party/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. Further as required a \$100 000 threshold for the separate identification of these items has been applied and where the amounts are less than \$100 000 threshold they have been classified as non-SA Government.

	SA Government		Non-SA Government	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities *	-	-	121	104
Expenses	1 772	1 703	8 627	8 061
Financial assets	2 154	1 839	99	104
Financial liabilities	-	-	35	50

* Had the \$100 000 threshold not been applied the actual revenue from SA Government was \$118 000 (\$101 000).

**Statement of Administered Expenses and Revenues
for the year ended 30 June 2005**

		2005	2004
		\$'000	\$'000
ADMINISTERED EXPENSES:	Note		
Employee expenses	1.3	268	215
Amounts paid/payable to consolidated account		8 832	8 541
Goods and Services Tax paid/payable		803	776
Total Administered Expenses		9 903	9 532
ADMINISTERED REVENUES:			
Fees for audit services	A2.1	8 029	7 765
Goods and services tax received/receivable on audit fees	A2.1	803	776
Appropriation - Special Acts	A2.2, A3	224	216
Appropriation - Goods and Services Tax	A3	896	768
Total Administered Revenues		9 952	9 525
NET SURPLUS	A4.2	49	(7)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		49	(7)

**Statement of Administered Assets and Liabilities
as at 30 June 2005**

		2005	2004
		\$'000	\$'000
ADMINISTERED ASSETS:			
CURRENT ASSETS:	Note		
Receivables	13, A2.1	476	405
Total Assets		476	405
ADMINISTERED LIABILITIES:			
CURRENT LIABILITIES:			
Employee benefits	1.3, A1	118	105
Amounts payable to consolidated account	A2.1	476	405
Goods and Services Tax payable		83	176
Total Current Liabilities		677	686
NON-CURRENT LIABILITIES:			
Employee benefits	1.3, A1	197	166
Total Non-Current Liabilities		197	166
Total Liabilities		874	852
NET ADMINISTERED ASSETS		(398)	(447)
ADMINISTERED EQUITY:			
Opening balance		(447)	(440)
Increase (Decrease) in net assets		49	(7)
TOTAL ADMINISTERED EQUITY		(398)	(447)

Statement of Administered Cash Flows for the year ended 30 June 2005

		2005 Inflows (Outflows) \$'000	2004 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employee benefits		(224)	(216)
Amounts paid/payable to consolidated account		(8 761)	(8 530)
Goods and Services Tax paid/payable		(896)	(768)
CASH INFLOWS:			
Fees for audit services		8 761	8 530
CASH FLOWS FROM GOVERNMENT:			
Appropriations	A3	1 120	984
Net Cash Inflows from Operating Activities	A4.2	-	-
NET INCREASE IN CASH HELD		-	-
CASH AT 1 JULY		-	-
CASH AT 30 JUNE	A4.1	-	-

NOTES TO AND FORMING PART OF THE ADMINISTERED FINANCIAL STATEMENTS

A1.	Employee Benefits	2005	2004
	Current:	\$'000	\$'000
	Salaries	4	3
	Annual leave provision	114	102
	Total Current	118	105
	Non-Current:		
	Long service leave provision	197	166
	Total Non-Current	197	166
	Total Employee Benefits	315	271
A2.	Administered Items		
	A2.1 Auditing Fees		
	Section 39 of the Act provides for the levying of fees for audit services provided by the Department that are paid into the Consolidated Account.		
	Fees outstanding at 1 July	405	394
	Billings (including Goods and Services Tax)	8 832	8 541
		9 237	8 935
	Receipts (including Goods and Services Tax)	8 761	8 530
	Fees outstanding at 30 June	476	405
	At 30 June, the value of audit work in progress was \$5 128 000 (\$3 191 000). The Department is of the opinion that this amount is recoverable.		
	A2.2 Special Acts		
	Subsection 24(4) of the Act, provides that the salary and allowances of the Auditor-General will be determined by the Remuneration Tribunal and will be paid from the Consolidated Account.		
A3.	Funding of the Administered Items		
	A summary of administered items appropriations for the year is set out below.		
	Appropriations:	2005	2004
	Special Acts	\$'000	\$'000
	Goods and Services Tax	224	216
		896	768
		1 120	984

A4. Notes to the Administered Statement of Cash Flows**A4.1 Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the Statement of Financial Position.

A4.2 Reconciliation of Net Surplus to Net Cash Inflows from Operating Activities

	2005	2004
	\$'000	\$'000
Net surplus	49	(7)
(Increase) in receivables	(71)	(11)
Increase (Decrease) in employee benefits	44	(1)
(Decrease) Increase in creditors and accruals	(22)	19
Net Cash Inflows from Operating Activities	-	-

A5. Remuneration of Employees

The number of employees whose total remuneration is within the following bands was:

\$270 000 - \$279 999

\$290 000 - \$299 999

	2005	2004
	Number of	Number of
	Employees	Employees
	-	1
	1	-

Total remuneration received or receivable by this employee was \$293 000 (\$277 000).

A6. Specific Disclosure

As required by Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports' issued pursuant to the *Public Finance and Audit Act 1987* the following discloses by way of note revenues, expenses, financial assets and financial liabilities where the counter party/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. Further as required a \$100 000 threshold for the separate identification of these items has been applied and where the amounts are less than \$100 000 threshold they have been classified as non-SA Government.

	SA Government		Non-SA Government	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Revenues excluding appropriations *	5 587	5 297	3 245	3 244
Expenses	8 832	8 541	1 071	991
Financial assets	-	-	476	405
Financial liabilities	476	405	83	176

* Had the \$100 000 threshold not been applied the actual revenue excluding appropriations from SA Government was \$7 791 000 (\$7 483 000).

CONSTRUCTION INDUSTRY TRAINING BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Construction Industry Training Board (the Board), is a body corporate established under the *Construction Industry Training Fund Act 1993*.

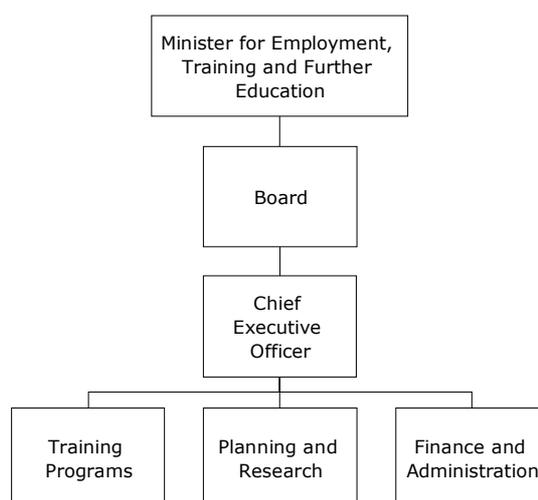
Functions

The Board's principal responsibility is to manage the Construction Industry Training Fund. This involves the imposition and collection of a levy on construction projects and the coordination of appropriate training plans and programs for the building and construction industry.

The Board also acts as a principal adviser to the relevant South Australian and Federal Ministers on any matter relating to training in the building and construction industry.

Structure

The Board's organisation structure is shown in the following diagram.



The Board has created a number of industry specific subcommittees and advisory groups to support the achievement of its objectives.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 16(2) of the *Construction Industry Training Fund Act 1993* provides for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- levy collection, including compliance with legislative requirements;
- expenditure, including accounts payable, and salaries and wages;
- training expenditure, including the sufficiency of the procedures associated with the acquittal of funds paid.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Construction Industry Training Board as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Construction Industry Training Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Construction Industry Training Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were generally considered to be satisfactory. While the review of the specific areas of financial activity revealed a satisfactory standard of accounting, record keeping and control, a number of suggestions were made to strengthen the Board's acquittal procedures for training claims.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005	2004
	\$'000	\$'000
OPERATING REVENUE		
Industry levies	9 999	9 689
Other revenue	671	457
Total Operating Revenue	10 670	10 146
OPERATING EXPENDITURE		
Training claims	6 784	7 804
Other expenses	1 556	1 575
Total Operating Expenses	8 340	9 379
Surplus	2 330	767
Net Cash Flows provided by Operations	2 134	875

	2005	2004
	\$'000	\$'000
ASSETS		
Current assets	10 836	8 364
Non-current assets	225	225
Total Assets	11 061	8 589
LIABILITIES		
Current liabilities	938	791
Non-current liabilities	19	24
Total Liabilities	957	815
EQUITY	10 104	7 774

Operating Result

The operating result for 2004-05 was a surplus of \$2.3 million which increased net assets of the Board to \$10.1 million.

In 2004-05, the Construction Industry Training Fund (CITF) levy income was \$10 million (\$9.7 million). This represents an increase of 3 percent on the CITF levy income received for 2003-04.

In 2004-05, training claims expenditure was \$6.8 million (\$7.8 million). This represents a decrease of 13 percent on training claims expenditure for 2003-04.

Statement of Financial Position

The Board's Statement of Financial Position shows for the past three years, the following trends:

	2005	2004	2003
	\$'million	\$'million	\$'million
Investments	10.0	7.6	6.2
Accumulated funds	5.3	4.8	5.4
Strategic reserve	4.8	3.0	1.6
	10.1	7.8	6.0

This position illustrates also that the Board is in a sound financial position. The Board's policy in relation to these Equity Funds is explained in the Note 14 to the Financial Statements.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
		Total	Total
		\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Industry levies		9 999	9 689
Interest on deposits		483	384
Grants	3(a)	144	30
Loss from disposal of assets	3(b)	(11)	(4)
Other revenue	4	55	47
Total Revenues from Ordinary Activities		10 670	10 146
EXPENSES FROM ORDINARY ACTIVITIES:			
ADMINISTRATION EXPENSES:			
Salaries and related payments	5	422	476
Collection Agents fees		58	43
Depreciation	6	105	176
Occupancy		60	54
Other		323	291
Total Administration Expenses		968	1 040
TRAINING EXPENSES:			
Salaries and related payments	5	284	313
Promotion		20	60
Training claims		6 784	7 804
Occupancy		37	33
Other		112	65
Research		45	48
Total Training Expenses		7 282	8 323
GRANT EXPENSES:			
Salaries and related payments	5	45	9
Depreciation	6	7	-
Other		38	7
Total Grant Expenses		90	16
Total Expenses from Ordinary Activities		8 340	9 379
NET OPERATING SURPLUS FROM ORDINARY ACTIVITIES		2 330	767
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		2 330	767

**Statement of Financial Position
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets		259	247
Receivables	7	593	530
Investments	8	9 974	7 564
Other	9	10	23
Total Current Assets		10 836	8 364
NON-CURRENT ASSETS:			
Property, plant and equipment	10	225	225
Total Non-Current Assets		225	225
Total Assets		11 061	8 589
CURRENT LIABILITIES:			
Training expenditure approved but not yet paid	11	353	311
Payables	12	532	430
Employee benefits	13	53	50
Total Current Liabilities		938	791
NON-CURRENT LIABILITIES:			
Payables	12	2	3
Employee benefits	13	17	21
Total Non-Current Liabilities		19	24
Total Liabilities		957	815
NET ASSETS		10 104	7 774
ACCUMULATED FUNDS:			
Reserve	14	4 800	2 960
Accumulated funds	14	5 304	4 814
TOTAL ACCUMULATED FUNDS		10 104	7 774
Commitments	15		
Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2005

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note	\$'000	\$'000
Industry training levies		9 993	9 774
Interest received		50	28
GST receipts on sales		21	7
GST input tax credits		600	761
Other		175	25
Total Receipts		10 839	10 595
PAYMENTS:			
Payments to employees		(752)	(796)
Payments to suppliers		(970)	(274)
Training expenditure		(6 319)	(7 943)
GST payments on purchases		(626)	(700)
Other		(38)	(7)
Total Payments		(8 705)	(9 720)
Net Cash provided by Operating Activities	22(b)	2 134	875
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from term deposits		56 141	66 925
Proceeds from sale of plant and equipment		22	42
Total Cash Received		56 163	66 967
PAYMENTS:			
Payment for term deposits		(58 140)	(67 970)
Payment for plant and equipment		(145)	(48)
Total Cash Used		(58 285)	(68 018)
Net Cash used in Investing Activities		(2 122)	(1 051)
NET INCREASE (DECREASE) IN CASH HELD		12	(176)
CASH AT 1 JULY		247	423
CASH AT 30 JUNE	22(a)	259	247

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Objectives of the CITB

The Construction Industry Training Board is established under the *Construction Industry Training Fund Act 1993*.

The Board's responsibilities include:

- management and administration of the Construction Industry Training Fund and the South Australian Industry Training Advisory Body;
- to act as a principal adviser to the Minister for Employment, Training and Further Education and the Minister for Education, Science and Training for the Commonwealth on training related matters for the Building and Construction Industry in South Australia;
- preparation of training plans;
- co-ordination of training and review and evaluation of employment related training programs.

The Fund collects revenue by way of a levy of 0.25 percent of the value of building and construction work. This revenue is invested back into the industry in the form of expenditure on training.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with Statements of Accounting Concepts, applicable Accounting Standards issued in Australia, 'other mandatory professional reporting requirements in Australia', the Treasurer's Instructions for Authorities and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and the requirements of the *Construction Industry Training Fund Act 1993*. The following is a summary of the significant accounting policies adopted by the Board in the preparation of the Accounts.

The accrual accounting basis has been used for the preparation of the financial statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of either changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

2.3 Rounding

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

2.4 Taxation

The Board is exempt from Income Tax in terms of subsection 23(d) of the *Income Tax Assessment Act 1936*, as amended. The Board is liable for Payroll Tax, Fringe Benefits Tax and Goods and Services Tax.

In accordance with the requirements of UIG 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense.
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash flows.

2.5 Revenue and Expenses

Revenue and expense are recognised in the Board's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefit has accrued and can be reliably measured.

Industry levies are recognised as income when the Board obtains control of the levies. Control is normally obtained upon their receipt by the Board or its collection agents.

Interest revenue is recognised as it accrues.

Grant monies for specific projects are recognised as revenue in the financial year when the monies are received, in accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions'. However, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised in the Statement of Financial Position as a result of a present obligation arising to the grantor.

Revenue from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

2.6 Depreciation of Non-Current Assets

Depreciation of non-current assets is calculated on a straight-line basis for each class of depreciable asset so as to write off the cost of the asset over its expected useful life.

The depreciation rates used for each class of depreciable asset are set out as follows:

- Furniture and fittings 20 percent
- Computer equipment 25 percent
- Office machines 20 percent
- Motor vehicles 15 percent
- Leasehold improvements 35 percent

2.7 Receivables

Receivables in respect of accrued levy revenue and debtors are due for settlement within thirty (30) days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

2.8 Accrued Levy Income

Accrued levy income includes all amounts held by collection agents at balance date.

2.9 Investments

Investments represent investments in term deposits. Interest revenue is brought to account on an accrual basis.

2.10 Plant and Equipment

Assets are recorded at cost plus any incidental cost involved in the acquisition. The Board capitalises all non-current assets with a value of one thousand dollars (\$1 000) or more.

Non-current assets are written down to the recoverable amount where the carrying value of any non-current asset exceeds the recoverable amount.

2.11 Training Expenditure Approved But Not Yet Paid

Training expenses are recognised as an expense in the financial year that the expenditure was approved. The balance of unexpended training approval is included in the Statement of Financial Position as 'Training Expenditure Approved But Not Yet Paid'.

2.12 Payables

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period.

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 at the end of the reporting period.

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

2.13 Employee Benefits

Employee benefits comprise entitlements for salaries and wages, annual leave and long service leave. Provision has been made in the Financial Statements, where stated, for the Board's liability for employee benefits arising from services rendered by employees to balance date. Payroll tax, superannuation and workers compensation insurance premiums are classified as payables.

Salaries and Wages

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

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on projected salary rates. Related on-costs are reported as payables.

Sick Leave

The Board completed its negotiations of an Enterprise Bargaining Agreement taking effect from 1 July 2004. This agreement includes a clause that states employees who are party to the Agreement are entitled to accrue a maximum of twenty five percent (25 percent) of their Sick Leave Entitlement.

Long Service Leave

In calculating long service leave entitlements the Board has used a benchmark of five (5) years as it more accurately reflects the long service leave liability. Related on-costs are reported as payables.

Superannuation

The Board has contributed nine (9) percent of the employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for the year. The liability for superannuation is included in employment on-costs.

2.14 Leases

The Board leases premises for its administrative and operating activities. The lease is classified as a non-cancellable operating lease and lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective lease term.

2.15 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Construction Industry Training Board will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with requirements of AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', there is no known or reliably estimated information that will materially impact on the financial report had it been prepared using the AIFRS.

3. Operating Revenues	2005	2004
(a) Grants	\$'000	\$'000
Industry Skills Board	135	-
Industry Training Advisory Board functions	-	27
Other research projects	9	3
	144	30
(b) Net Loss from Disposal of Assets		
Proceeds from disposal of assets	22	42
Net book value of assets disposed	33	46
Net Loss from Disposal of Assets	(11)	(4)
4. Other Revenue		
Sale of publications	20	25
Sundry revenue	35	22
Total	55	47
5. Salaries and Related Payments		
Salaries and wages	638	668
Annual leave	49	46
Long service leave	(5)	7
Employment on-costs	69	77
Total	751	798
6. Depreciation		
The aggregate amounts of depreciation expensed during the reporting period for each class of depreciable asset are as follows:		
Furniture and fittings	2	2
Computer equipment	87	156
Office machines	7	7
Motor vehicles	9	11
Leasehold improvements	7	-
Total	112	176
7. Current Receivables		
The receivables due to the Board at balance date comprise:		
Accrued levy revenue	385	375
Accrued interest	38	16
Trade debtors	80	61
Less: Allowance for doubtful debts	(1)	(1)
	79	60
Sundry debtors	17	16
GST receivables	74	63
Total Current Receivables	593	530
8. Current Investments		
The investments of the Board at balance date comprise:		
Westpac Term Deposits	44	43
National Australia Bank Term Deposits	6 809	6 454
Commonwealth Bank At Call Deposits	3 121	1 067
Total Current Investments	9 974	7 564
9. Other Current Assets		
Other current assets of the Board at balance date comprise:		
Prepayments	10	23
Total Other Current Assets	10	23

10. Plant Equipment	2005	2004
(a) Plant and Equipment	\$'000	\$'000
Furniture and fittings at cost	35	35
Less: Accumulated depreciation	(33)	(31)
	2	4
Computer equipment at cost	528	744
Less: Accumulated depreciation	(397)	(575)
	131	169
Office machines at cost	33	42
Less: Accumulated depreciation	(21)	(22)
	12	20
Motor vehicles at cost	63	41
Less: Accumulated depreciation	(5)	(9)
	58	32
Leasehold improvements	29	-
Less: Accumulated depreciation	(7)	-
	22	-
Total Plant and Equipment	225	225

(b) Reconciliation of Plant and Equipment

The following table shows the movement of plant and equipment during the reporting period.

	Furniture and Fittings \$'000	Computer Equipment \$'000	Office Machines \$'000	Motor Vehicles \$'000	Leasehold Improvement \$'000	2005 Total \$'000
Gross value at 1 July 2004	35	744	42	41	-	862
Plus: Purchase of assets	-	53	-	63	29	145
Less: Disposal of assets	-	(269)	(9)	(41)	-	(319)
Gross value at 30 June 2005	35	528	33	63	29	688
Accumulated depreciation as at 1 July 2004	31	575	22	9	-	637
Disposals	-	(265)	(8)	(13)	-	(286)
Depreciation charge for the year	2	87	7	9	7	112
Accumulated depreciation as at 30 June 2005	33	397	21	5	7	463
Net Book Value as at 30 June 2005	2	131	12	58	22	225
Net Book Value as at 1 July 2004	4	169	20	32	-	225

11. Training Expenditure Approved but Not Yet Paid

	2005	2004
	\$'000	\$'000
Approved Training Courses	353	311
	353	311

12. Payables

Current:		
Accruals	504	420
Trade creditors	13	-
GST collections	8	3
On-costs on employee benefits	7	7
	532	430
Non-Current:		
On-costs on employee benefits	2	3

The aggregate payable liability recognised and included in the financial statements is as follows:

Current	532	430
Non-current	2	3
	534	433

13. Employee Benefits

Current:		
Annual leave	33	23
Long service leave	5	5
Sick leave provision	5	-
Accrued salaries and wages	10	22
	53	50
Non-Current:		
Long service leave	17	21

13. Employee Benefits (continued)	The aggregate employee benefits and on-cost liability recognised and included in the financial statements is as follows:	2005 \$'000	2004 \$'000
	Current	60	57
	Non-current	19	24
		79	81
14. Equity			
During the 2005 financial year the Board adopted a Reserves policy designed to manage the allocation of the Board's reserves. The Board has determined to allocate reserves between a Prudential Reserve, which is constituted by Accumulated Funds, and a Strategic Reserve. The purpose of the Prudential Reserve is to enable the Board to meet its contractual forward commitments.			
(a) Accumulated Funds		2005 \$'000	2004 \$'000
	Accumulated funds as at 1 July 2004	4 814	5 393
	Results for the year	2 330	767
	Transfer to strategic reserve	(1 840)	(1 346)
	Accumulated Funds as at 30 June 2005	5 304	4 814
(b) Strategic Reserve			
The Board has provided for a Reserve to address any strategic needs that may arise which the Board considers warrant an allocation of funds.			
	Strategic reserve as at 1 July 2004	2 960	1 614
	Transfer from accumulated funds	1 840	1 346
	Strategic Reserve as at 30 June 2005	4 800	2 960
15. Expenditure Commitments			
Lease Commitments			
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report and are payable as follows:			
Operating leases:			
	Not later than one year	91	87
	Later than one year but not more than five years	102	193
	Later than five years	-	-
	Aggregate lease expenditure contracted for at balance date but not provided for (including GST)	193	280
	GST included in the Operating Lease Commitments	18	26
The lease for office accommodation is a non-cancellable lease, with rental payable monthly in advance. Lease payments are subject to an annual increase of four (4) percent.			
16. Contingent Liabilities			
As at reporting date the Board does not have any contingent liabilities.			
17. Auditors' Remuneration			
	Amounts receivable by the auditors for auditing the accounts	29	26
18. Remuneration of Directors			
Total income received, or due and receivable during the financial year by Directors was \$9 235 (\$17 000). The new Chairperson took office on 2 September 2004. The number of Directors whose income from the entity falls within the following band is:			
		2005 Number of Directors	2004 Number of Directors
	\$0 - \$10 000	1	-
	\$10 001 - \$20 000	-	1
19. Remuneration of Employees			
The number of employees whose total remuneration was within the following bands:			
	\$100 001 - \$110 000	-	-
	\$110 001 - \$120 000	1	1
20. Consultant Fees			
	Total expenditure on consultants	16	26

21. Related Party Disclosures**(a) Directors of the Construction Industry Training Board**

The Directors of the Construction Industry Training Board appointed for the period from 1 July 2004 to 30 June 2005 were:

Mary Marsland	Chairperson – Appointed 2nd September 2004
Fiona O'Connor	Appointed 8th July 2004
Graham Lawler	
Martin O'Malley	
Robert Stewart	
Brenton Gardner	
Steven Hall	
Robert Geraghty	
Wayne Hanson	Appointed 2nd September 2004
Romana Wereszczak	Appointed 8th July 2004
Peter Harrland	

(b) Transactions with Director – Related Entities

During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions with other parties.

22. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, the Board considers cash to be cash on hand. Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2005	2004
	\$'000	\$'000
Cash on hand and at bank	259	247
Term deposits	-	-
	259	247

(b) Reconciliation of Net Operating Surplus from Ordinary Activities to Net Cash provided by Operating Activities

Net operating surplus from ordinary activities	2 330	767
Depreciation	112	176
Interest on term deposits	(411)	(343)
(Decrease) Increase in employee benefits	(1)	1
(Increase) Decrease in debtors and accrued levy income	(31)	32
Decrease (Increase) in prepayments	13	(9)
(Increase) in accrued interest	(22)	(12)
Increase in payables	96	330
Loss on disposal of assets	11	4
(Increase) Decrease in GST paid	(5)	68
Increase (Decrease) in training liability	42	(139)
Net Cash provided by Operating Activities	2 134	875

23. Financial Instruments**(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows***Financial Assets*

Cash deposits are recognised at their nominal amounts, interest is credited to revenue as it accrues. Interest is earned on a daily balance at the prevailing daily rate for money on call and is paid at month end.

Receivables are generally settled within thirty (30) days and are carried at amounts due. Credit terms are net thirty (30) days. An allowance is made for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Term deposits are recognised at cost. Interest is accrued as it is earned. Term deposits are with the Board's bank with interest being paid on maturity.

Financial Liabilities

Accounts payable and training expenditure approved but not yet paid are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Accounts are generally settled within thirty (30) days.

(b) Credit Risk Exposures

The credit risk on the Board's financial assets that have been recognised in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts. The Board is of the opinion that it does not have any material credit risk exposure to any single debtor or group of debtors.

(c) Interest Rate Risk Exposures

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest maturing within 1 year \$'000	Non- Interest Bearing \$'000	2005 Total \$'000	2004 Total \$'000
Financial Assets:						
Cash	4.38	258	-	1	259	247
Receivables	-	-	-	593	593	530
Investments	5.29	-	9 974	-	9 974	7 564
		<u>258</u>	<u>9 974</u>	<u>594</u>	10 826	<u>8 341</u>
Financial Liabilities:						
Training expenditure approved but not yet paid	-	-	-	353	353	311
Payables	-	-	-	525	525	423
		<u>-</u>	<u>-</u>	<u>878</u>	878	<u>734</u>
Net Financial Assets (Liabilities)		<u>258</u>	<u>9 974</u>	<u>(284)</u>	9 948	<u>7 607</u>

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Board approximates their carrying value.

DEPARTMENT FOR CORRECTIONAL SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

Functions

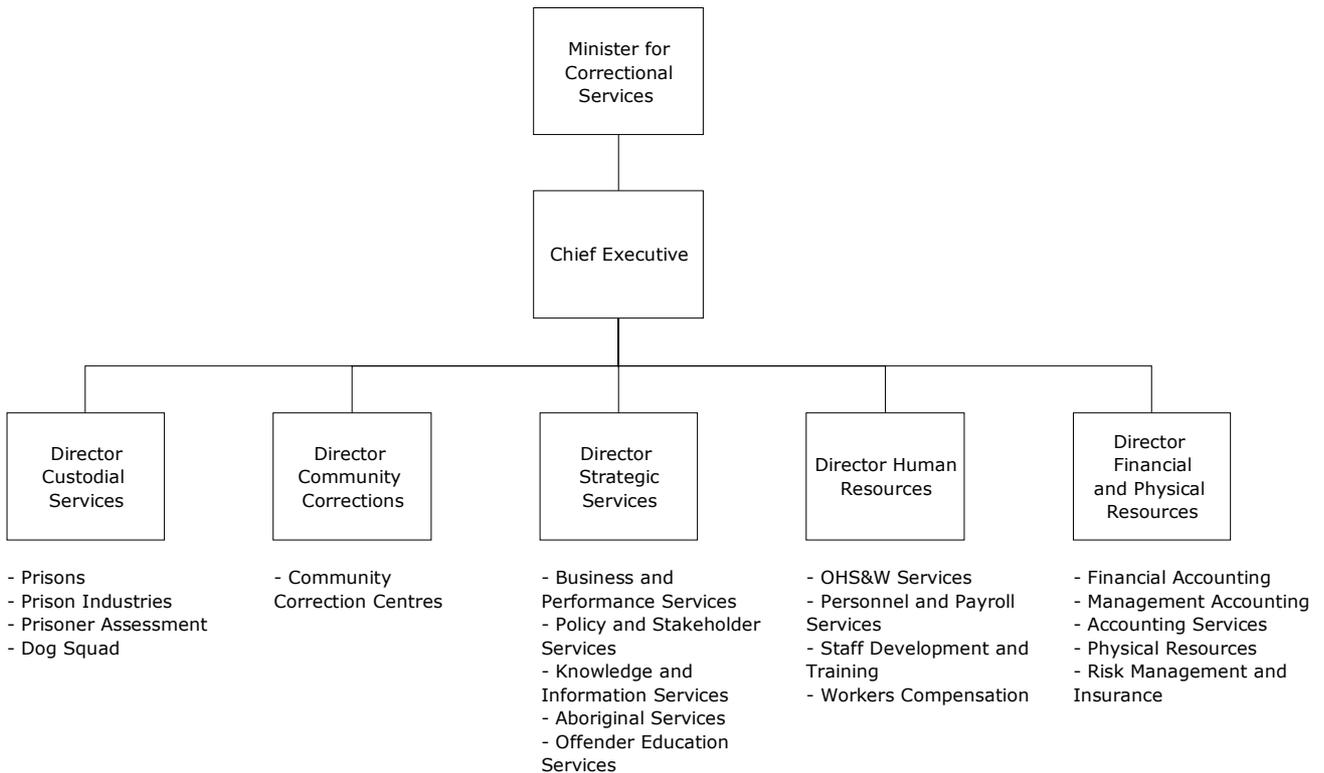
The Department has responsibility for the care and custody of adult offenders. These responsibilities are discharged by:

- the provision of custodial accommodation, including the opportunity for training and education, for both sentenced and remand inmates;
- non-custodial supervision of sentenced offenders through the probation and parole function, the Community Service Order Scheme and the Home Detention Scheme.

The primary objective of the Department is to work to maintain a safer community while contributing to rebuilding lives affected by crime.

Structure

The structure of the Department is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department for Correctional Services for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Department for Correctional Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- corporate governance and risk management
- accounts payable
- workers compensation
- payroll
- institutional rostering system (at Adelaide Remand Centre and Yatala Labour Prison)
- inventory
- fixed assets
- revenue
- contract management
- financial accounting
- budgetary monitoring
- information technology.

In 2004-05 information was also sought about controls associated with the non-delegable duty of care of the Crown for the reasonable protection of prisoners against the occurrence of incidents injurious to a prisoner's civil liberties, personal safety, and mental health. This matter is reported in the Memorandum to Parliament in Part A of this Report.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department for Correctional Services as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Department for Correctional Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Review of Corporate Governance and Risk Management and General Control Environment, as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Department for Correctional Services have been conducted properly and in accordance with law.

Audit Communications to Management

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

Review of Corporate Governance and Risk Management

As part of a wider review of governance and risk management practices across government, a review was conducted over 2003-04 and 2004-05 which focussed on areas which are generally accepted as elements of good governance and which provide the basis for a strong control environment.

The review primarily involved collection and review of documentation that identifies that sound governance practices were established and available and communicated to Department employees. The review did not test that the governance requirements were in operation throughout the reporting period.

The review identified that the Department has, over the last 18 months, established frameworks and policies needed to underpin sound governance and risk management practices. Notwithstanding, governance and formalisation of risk management arrangements within the Department were at an early stage of evolution, with governance and risk management still in development and in a period of implementation which is expected to continue during 2005-06.

Major matters raised with the Department and the related responses are as follows:

Organisational Structure and Responsibility

Good governance requires clarity in responsibilities and accountabilities for those persons or bodies that are charged with the authority to direct and manage the Department in meeting its statutory and strategic objectives and outcomes.

Committees

The Department has a number of executive and key standing committees. The review revealed that documentation regarding the scope, roles and responsibilities for committees, reporting and self evaluation was generally brief.

Audit recommended these matters be defined and documented for all Departmental committees.

In response the Department advised it has commissioned a project team to develop a Corporate Governance policy and associated documents defining the structure and function of the executive and standing committees. These documents will formalise current understandings regarding the roles and functions of key standing committees, their reporting obligations and their part in the overall governance framework of the Department.

Policy and Planning

Those persons charged with the responsibility of achieving the statutory and strategic objectives and outcomes of the Department need to develop and implement key policies and plans that guide the direction of the Department in achieving those desired outcomes.

Existing Policies/Policy Communication

The policy framework establishes the control environment and structure for an organisation and guides the efficient and effective achievement of the Department's stated objectives and outcomes.

Treasurer's Instruction 2 'Financial Management Policies' requires Chief Executives to develop, implement and document policies, procedures and systems that are sufficient to ensure the credibility and objectivity of the accountability process and that are consistent with the prescribed elements set out in the Financial Management Framework. Furthermore, policies need to be reviewed regularly and revised where necessary and be readily available to all staff.

The Department's intranet is used as an easily accessible central repository of Departmental policies and procedures.

Audit review of the intranet revealed many Operational and Financial policies and procedures, while listed, were unavailable or review dates had expired. Audit also sighted cases where review dates were not contained on policies and procedures, contrary to the Department's policy on 'Policy and Procedure Structure'.

Audit recommended all required policies be made available to Department personnel via the intranet as a matter of urgency and be consistent with the requirements of the Department's 'Policy and Procedure Structure' policy, including monitoring and reviewing the status of the policies at appropriate intervals

In response the Department advised:

- on 10 June 2005 the Department executive approved the 'DCS Finance and Accounting Manual' and delegated authority to the Director, Financial and Physical Resources to approve subsequent revisions to financial policies and procedures in the manual. The manual is available on the Department's intranet;

Correctional Services

- the Department's general policy management process has been under review and a schedule for review of policies and procedures has been established and is being implemented. This includes standardising operational policies and procedures, enhancing format and content and developing measures and targets to test effectiveness of policies and procedures;
- procedures have been established to ensure the controlled publication of policies on the Department's intranet and compliance with the approved 'Policy and Procedures Structure'.

Planning (Plans)

At the time of the review the Department did not have the following key Departmental Plans:

- Risk Management Plan.
- Capital Investment Plan (eg strategic capital works plan for 4 years or beyond).
- Staff Development and Training Plan.

In response the Department advised:

- The Department's Capital Investment Plan (Strategic Asset Management Plan) is currently being developed.
- The Department's draft Organisational Development Plan 2005-2008 was to be considered by Department executive at its meeting on 9 September 2005.

Refer 'Risk Management – Policy and Practice' for the Department's response in respect of risk management planning.

Monitoring and Reporting

Good corporate governance requires public officials to account for their stewardship in meeting the defined objectives and outcomes of the Department. The capacity to demonstrate their commitment includes the implementation and support of adequate systems for monitoring and reporting. Regular reporting provides a progressive assessment of the Department's achievement against objectives and outcomes, and also provides an opportunity to implement corrective action where necessary.

The existence of the Department's Audit and Risk Management Committee has the potential to strengthen the Department's control environment and assist executive management in its stewardship and control responsibilities.

At the time of the review the Committee had met only twice and therefore it was difficult for Audit to draw any conclusions about the success or otherwise of the Committee.

Notwithstanding, Audit observed the Committee Charter did not contain some responsibilities typically assigned to such a committee, ie:

- Overseeing the development of risk management plans and appropriate implementation strategies for the management of corporate risk.
- Regularly reviewing management systems and processes.
- Providing a forum to enable managers to clarify internal and external audit findings and recommendations, and ensuring that issues raised in auditors' reports have been adequately addressed by management.
- Reviewing and evaluating the adequacy of the processes which determine the quality and reliability of financial information produced.
- Reviewing the form and content of the annual financial statements (it is acknowledged that this could be a responsibility of the Finance Committee).
- Reviewing all significant changes to accounting policy, valuation and reporting.
- Regularly reviewing the Audit and Risk Management Committee terms and conditions and the Internal Audit charter, and monitoring and reporting on the Committee's performance at least annually.

Audit recommended the Department consider expanding the terms of reference of the Audit and Risk Management Committee to include the above responsibilities.

In response the Department advised:

- the work of the committee has expanded to include the responsibilities recommended by Audit;
- membership of the Committee has expanded to include the Department's newly appointed Risk Manager;
- the Committee Charter will be reviewed at the next meeting and expanded to reflect its broader role.

Risk Management – Policy and Practice

Risk Management should underpin the approach to achieving statutory and strategic objectives and outcomes. An integrated risk management system develops the control environment, which provides reasonable assurance that a Department achieves its objectives with an accepted degree of residual risk managed via monitoring, review and treatment.

Risk Management Plan

Risk is part of the custodial service environment and over time the Department has established procedures to address risks/events associated with this environment on a day to day basis.

The Department has established a Risk Management Framework and Risk Management Policy.

However, the Department has not performed a risk assessment (encompassing both operational and financial risks) and does not have a Risk Management Plan.

Risk Management is an area that the Department needs to continue to progress as a matter of priority. Further, the Department needs to ensure that the Risk Management processes are integrated within the Department's other key planning processes.

Audit recommended the Department:

- undertake a risk assessment;
- prepare a Risk Management Plan to address the risks identified in the risk assessment.

In response the Department advised:

- a Risk Manager was appointed in April 2005 to expedite the implementation of a strategic, agency-wide approach to risk management;
- the initial focus of activity has been on the development of a standard risk management methodology and a set of tools and templates for use by prison institutions, community correction centres and central office business units;
- these tools and templates have been piloted over recent months with the aim of integrating risk management methodology with occupational health and safety policy and practice;
- procedures for risk identification, assessment and management have been developed and will form the basis of staff training and learning resources;
- this work is laying the foundation for a comprehensive assessment of risks and the development of an agency-wide Risk Management Plan.

Business Continuity Plan

Audit was advised that separate business continuity plans are prepared for central office and prison institutions. Audit review of the business continuity plan (BCP) for Yatala Labour Prison revealed it had not been reviewed since August 2001. In addition, Audit could not determine whether the BCPs had recently been tested.

Audit recommended the Department establish a framework for review, testing and updating of BCPs on a regular basis.

In response the Department advised it engaged consultants in May 2005 to review and redraft prison institution BCPs, now known as Major Emergency Response and Recovery (MERR) Plans. The consultant's report, submitted in July 2005, was assisting prison institutions to update and enhance their MERR Plans.

The experience obtained will be applied to community correction centres and other areas of the Department. MERR Plans will be reviewed at least annually.

Review of General Control Environment

The audit of the Department revealed that in most cases there was a satisfactory control environment in place, although there were instances of non-compliance with established controls and some areas where improvements could be made.

Major matters raised with the Department and the related responses are as follows:

Workers Compensation

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. In order to maintain this self exempt status the Department must ensure compliance with the WorkCover Performance Standards.

In May/June 2003, WorkCover reviewed the Department's injury management systems against the WorkCover Performance Standards. The review revealed areas of significant non-compliance in respect of worker rehabilitation practices and recommended the implementation of specific action.

In June 2004 Audit advised the Department that some WorkCover recommendations had not been implemented and recommended that they be implemented as a matter of urgency.

After a follow-up review was undertaken by WorkCover in October 2004, WorkCover's report to the Department stated:

Notwithstanding the agreement for a 12 month extension of time and subsequent review, evidence was not presented to verify sustained and/or coordinated improvement during this period. It is suggested that the organisation is currently exposed to potential litigation arising out of a continued failure to address basic legislative compliance concerned with the use of plant and equipment together with risk assessment of work practices pursuant to OHS&W Regulations 1995.

In June 2005, Audit again recommended that the Department implement all WorkCover recommendations.

Department Response

The Department advised:

- it has implemented an agency-wide Plant Risk Assessment Program involving the documentation and assessment of over 1000 pieces of major plant and equipment and comprehensive assessment of associated risks. Remedial actions to enhance the safety of plant have either been implemented or are programmed for implementation in 2005-06;
- it has developed a comprehensive Occupational Health and Safety Action Plan to implement a range of specific measures to improve workplace health and safety systems and practices. The Plan has been formally endorsed by the Executive Committee;
- the Injury Prevention and Management Branch now has a full complement of Occupational Health and Safety personnel;
- a Project Officer will research the risks associated with extended shifts and provide recommendations to the Roster Review Committee and the Executive Committee.

Delegations of Authority

Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' allows for annual standing authority to incur expenditure to be granted by the responsible Minister to a Chief Executive of a Government Department. A Chief Executive may then sub-delegate authority to incur expenditure to departmental officers.

At the time of the audit (March 2005) standing authority to incur expenditure for 2004-05 had not been provided by the Minister for Correctional Services and consequently the Department's Financial and Purchasing Delegation Authority for 2004-05 document had not yet been approved by the Chief Executive.

Audit observed that Departmental officers were using the approved 2003-04 Financial and Purchasing Delegation Authority during 2004-05.

Audit recommended:

- standing authority be obtained from the Minister for Correctional Services as a matter of urgency, and the Financial and Purchasing Delegation Authority for 2004-05 document be approved by the Chief Executive;
- that in future years relevant approvals be sought prior to the beginning of the financial year to which they relate.

Department Response

The Department advised:

- approval was delayed while the Justice Portfolio sought legal advice on whether the Portfolio Chief Executive had the authority to sub-delegate purchasing delegations, issued by the Supply Board, to officers within Justice Portfolio agencies. This was resolved and all delegations were approved by the Acting Minister for Correctional Services in April 2005;
- the 2005-06 delegations of authority to incur expenditure and the purchase delegations were forwarded to the Acting Minister for Correctional Services for approval.

Institutional Rostering System

In the latter part of 2003-04, Audit reviewed key aspects of the Department's institutional rostering system, in particular, the systems at the Adelaide Remand Centre and the Yatala Labour Prison.

The review included coverage of the information technology aspects of the rostering system operating at each institution, and assessment of key controls over business recovery, information systems operations, information security, applications systems implementation and maintenance, and aspects of database implementation and support, network support, and systems software support.

Last year's Report indicated that the Department was taking action to address the matters raised by Audit in relation to the review.

During 2004-05 a follow-up review was undertaken of action taken by the Department to address the matters raised by Audit.

The follow-up review revealed the following matters remained unresolved:

- Testing of the rostering system under the upgraded operating system being installed on all Departmental computers.
- The system is based on unsupported database software.

Department Response

The Department advised:

- testing of the rostering system under the upgraded operating system commenced in April 2005;
- the following factors mitigate the risk posed by unsupported database software:
 - the rostering system operates on stand-alone personal computers, ie not connected to the Departmental network, and is thus insulated from attacks by e-mail and internet viruses and worms;
 - the Departmental Help Desk has a process for replacing a rostering system personal computer if it should fail. It includes recovering the rostering system database from backup if necessary.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Revenues from prison labour	4.1	3.9	5
Other revenue	8.8	9.1	(3)
Total Operating Revenue	12.9	13.0	(1)
OPERATING EXPENDITURE			
Employee expenses	89.2	79.5	12
Other expenses	57.3	54.6	5
Total Operating Expenses	146.5	134.1	9
NET COST OF SERVICES			
Revenue from SA Government	131.1	120.3	9
Net Result from Ordinary Activities	(2.5)	(0.8)	-
ASSETS			
Current assets	16.3	17.4	(6)
Non-current assets	191.3	176.1	9
Total Assets	207.6	193.5	7
LIABILITIES			
Current liabilities	15.4	13.9	11
Non-current liabilities	37.3	34.4	8
Total Liabilities	52.7	48.3	9
EQUITY			
	154.9	145.2	7

Statement of Financial Performance

Operating Revenue

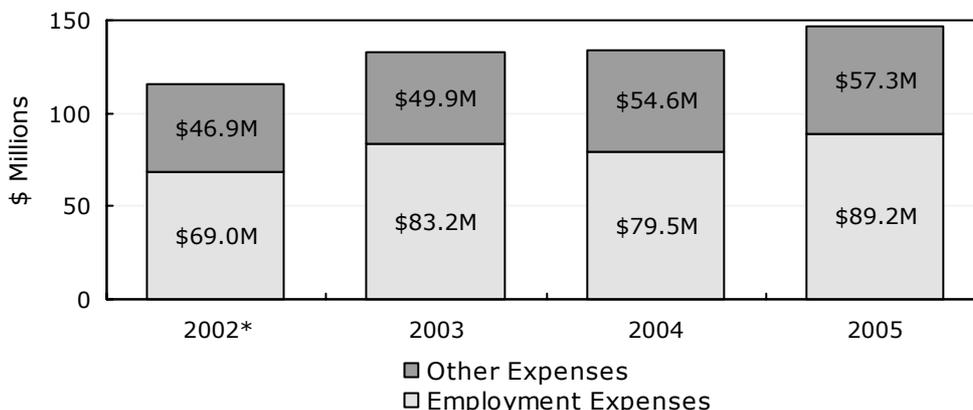
Total operating revenue was \$12.9 million (\$13 million).

Operating Expenses

Total operating expenses increased by \$12.4 million, or 9 percent, to \$146.5 million (\$134.1 million). This increase comprises:

- an increase in employee expenses of \$9.7 million to \$89.2 million (\$79.5 million). This increase was due mainly to an increase in salaries and wages expense of \$6.2 million and a \$2.9 million increase in workers compensation expenses;
- an increase in other expenses of \$2.7 million to \$57.3 million (\$54.6 million).

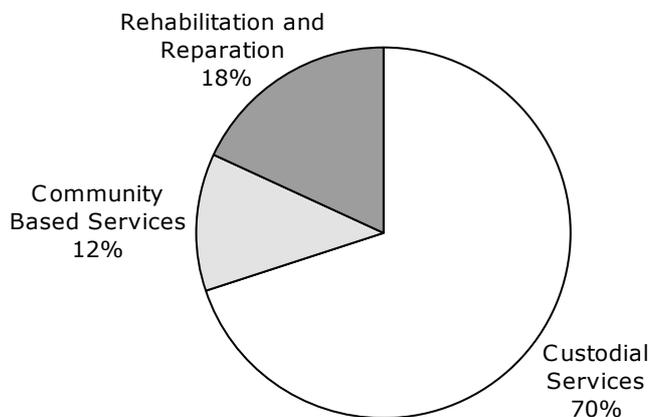
For the four years to 2005 a structural analysis of the main operating expense items for the Department is shown in the following chart.



* Amounts in 2002 do not reflect classification changes recognised in the 2003-04 Financial Statements.

Note 4 to the Financial Statements sets out the different programs of the Department that are reported in the Program Schedule of Revenues and Expenses.

The largest component of the Department’s expenditure relates to custodial (ie prison) services. The proportion of expenses on the different programs has remained relatively stable each year, and is reflected in the following chart, which shows expenditure by program for 2004-05.

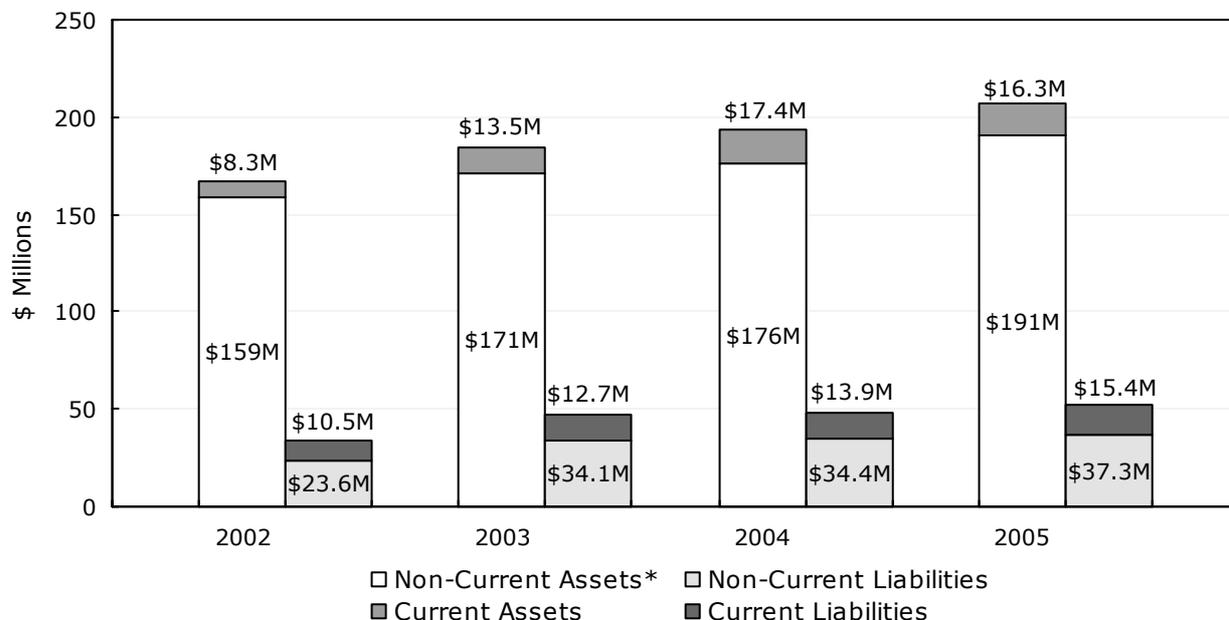


Operating Result

The net cost of services from ordinary activities increased by 10 percent to \$133.5 million (\$121.1 million). The increase is consistent with the trend of previous years and is due mainly to the increase in employee costs and other expenses previously discussed.

Statement of Financial Position

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



* Includes self generating and regenerating assets.

The chart shows that the largest component of the Department’s Statement of Financial Position is its non-current assets, mainly the prison infrastructure.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005	2004	2003	2002
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Cash at 1 July	14.9	11.6	6.6	5.7
Operations	8.3	7.4	7.9	4.2
Investing	(9.3)	(4.1)	(2.9)	(3.3)
Change in Cash	(1.0)	3.3	5.0	0.9
Cash at 30 June	13.9	14.9	11.6	6.6

During the year cash decreased by \$1 million to \$13.9 million. Of this amount \$11.1 million is in the Department of Treasury and Finance Special Deposit Account 'Accrual Appropriation Excess Funds - Department for Correctional Services'. Access to these funds is subject to the Treasurer's approval.

FURTHER COMMENTARY ON OPERATIONS

Service Contracts

The Department utilises service contracts for Prisoner Movement and In-Court Management, Home Detention Monitoring and Management of the Mount Gambier Prison. The Department has commitments in respect of these contracts for up to three years (refer Note 28 to the Financial Statements).

The status of these contracts follows.

Prisoner Movement and In-Court Management

This contract is due to expire on 30 June 2007.

Home Detention Monitoring

This contract was due to expire on 19 August 2005. However, a two year extension has been negotiated.

Management of the Mount Gambier Prison

This contract expired on 26 June 2005. An extension to December 2005 has been negotiated.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	2005 \$'000	2004 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	89 181	79 489
Supplies and services	6	44 777	42 024
Depreciation and amortisation	7	6 542	6 327
Payments to prisoners		2 010	1 948
Accommodation and associated lease costs		2 519	2 303
Grants	8	1 106	660
Net (gain) loss from disposal of assets	9	(1)	31
Other	10	358	1 374
Total Expenses from Ordinary Activities		146 492	134 156
REVENUES FROM ORDINARY ACTIVITIES:			
Revenues from prison labour	13	4 115	3 927
Salaries and goods and services recoups		1 740	3 393
Interest	12	908	1 118
Commonwealth and Northern Territory grants and recoups		60	278
Kitchen and canteen sales	14	2 092	1 961
Other	15	4 050	2 361
Total Revenues from Ordinary Activities		12 965	13 038
Net Cost of Services from Ordinary Activities		133 527	121 118
REVENUES FROM/PAYMENTS TO GOVERNMENT:			
Revenues from SA Government	16	131 064	120 321
NET RESULT FROM ORDINARY ACTIVITIES:			
Increase in asset revaluation reserve		12 168	8 189
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		9 705	7 392

**Statement of Financial Position
as at 30 June 2005**

	Note	2005 \$'000	2004 \$'000
CURRENT ASSETS:			
Cash at bank and on hand	17	13 865	14 915
Receivables	18	1 796	1 516
Inventories	19	589	663
Other	21	8	348
Total Current Assets		16 258	17 442
NON-CURRENT ASSETS:			
Property, plant and equipment	20	180 285	172 212
Capital works in progress		10 971	3 794
Total Non-Current Assets		191 256	176 006
SELF GENERATING AND REGENERATING ASSETS:			
Livestock	22	103	102
Total Self Generating and Regenerating Assets		103	102
Total Assets		207 617	193 550
CURRENT LIABILITIES:			
Payables	23	3 352	3 102
Employee benefits	24(a)	7 271	6 122
Provisions	25	4 772	4 726
Total Current Liabilities		15 395	13 950
NON-CURRENT LIABILITIES:			
Payables	23	1 544	1 461
Employee benefits	24(a)	12 929	12 064
Provisions	25	22 839	20 873
Total Non-Current Liabilities		37 312	34 398
Total Liabilities		52 707	48 348
NET ASSETS		154 910	145 202
EQUITY:			
Accumulated surplus	26	107 792	110 255
Amenities fund reserve	26	117	114
Asset revaluation reserve	26	47 001	34 833
TOTAL EQUITY		154 910	145 202
Commitments for Expenditure	28		
Contingent Liabilities	29		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
CASH OUTFLOWS:			
Employees payments		(85 237)	(78 140)
Supplies and services		(46 436)	(44 483)
Prisoners		(2 010)	(1 948)
Grants		(1 106)	(660)
Other		(506)	(670)
GST payments on purchases		(4 854)	(4 043)
GST payments to taxation authority		(782)	(666)
Total Outflows from Operating Activities		(140 931)	(130 610)
CASH INFLOWS:			
Receipts from Government		131 064	120 321
Receipts from prison labour		4 115	3 927
Interest received		928	1 083
Other		7 663	8 250
GST receipts on receivables		749	696
GST input tax credits		4 723	3 703
Total Inflows from Operating Activities		149 242	137 980
Net Cash Inflows from Operating Activities	30(b)	8 311	7 370
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Purchase of property, plant and equipment		(9 376)	(4 040)
Total Outflows from Investing Activities		(9 376)	(4 040)
CASH INFLOWS:			
Proceeds from sale of property, plant and equipment		15	2
Total Inflows from Investing Activities		15	2
Net Cash Outflows from Investing Activities		(9 361)	(4 038)
NET (DECREASE) INCREASE IN CASH HELD		(1 050)	3 332
CASH AT 1 JULY		14 915	11 583
CASH AT 30 JUNE	30(a)	13 865	14 915

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

	2005			Total
	1	2	3	
Programs (refer Note 4)				
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000
Employee expenses	60 358	12 533	16 290	89 181
Supplies and services	34 125	3 494	7 158	44 777
Depreciation and amortisation	5 693	130	719	6 542
Payments to prisoners	1 633	-	377	2 010
Accommodation and associated lease costs	1 093	834	592	2 519
Grants	524	109	473	1 106
Net (gain) loss from disposal of assets	(4)	1	2	(1)
Other	248	47	63	358
Total Expenses from Ordinary Activities	103 670	17 148	25 674	146 492
REVENUES FROM ORDINARY ACTIVITIES:				
Revenues from prison labour	-	-	4 115	4 115
Salaries and goods and services recoups	842	235	663	1 740
Interest revenue	617	128	163	908
Commonwealth and Northern Territory grants and recoups	60	-	-	60
Kitchen and canteen sales	2 092	-	-	2 092
Other	3 064	360	626	4 050
Total Revenues from Ordinary Activities	6 675	723	5 567	12 965
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	96 995	16 425	20 107	133 527
REVENUES FROM/PAYMENTS TO GOVERNMENT				
Revenues from SA Government	95 207	16 122	19 735	131 064
NET RESULT FROM ORDINARY ACTIVITIES	(1 788)	(303)	(372)	(2 463)

Programs - Refer Note 4

1. Custodial Services
2. Community Based Services
3. Rehabilitation and Reparation

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005 (continued)**

Programs (refer Note 4)	2004			Total
	1	2	3	
EXPENSES FROM ORDINARY ACTIVITIES:	\$'000	\$'000	\$'000	\$'000
Employee expenses	53 666	11 323	14 500	79 489
Supplies and services	31 888	3 292	6 844	42 024
Depreciation and amortisation	5 420	125	782	6 327
Payments to prisoners	1 567	-	381	1 948
Accommodation and associated lease costs	1 065	682	556	2 303
Grants	320	193	147	660
Net loss from disposal of assets	21	5	5	31
Other	885	183	306	1 374
Total Expenses from Ordinary Activities	94 832	15 803	23 521	134 156
REVENUES FROM ORDINARY ACTIVITIES:				
Revenues from prison labour	-	-	3 927	3 927
Salaries and goods and services recoups	1 994	391	1 008	3 393
Interest revenue	755	160	203	1 118
Commonwealth and Northern Territory grants and recoups	278	-	-	278
Kitchen and canteen sales	1 961	-	-	1 961
Other	1 870	173	318	2 361
Total Revenues from Ordinary Activities	6 858	724	5 456	13 038
NET COST OF SERVICES FROM ORDINARY ACTIVITIES	87 974	15 079	18 065	121 118
REVENUES FROM/PAYMENTS TO GOVERNMENT				
Revenues from SA Government	87 417	15 009	17 895	120 321
NET RESULT FROM ORDINARY ACTIVITIES	(557)	(70)	(170)	(797)

Programs - Refer Note 4

1. Custodial Services
2. Community Based Services
3. Rehabilitation and Reparation

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding of the Department for Correctional Services

The Department for Correctional Services (the Department) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

The Department contributes to a safer community by working in partnership with other criminal justice organisations and the community to prevent crime and reduce repeat offending.

The Department securely and humanely manages people ordered by the courts to serve a community based or prison sanction and to provide them with opportunities to lead law-abiding and productive lives.

The continued existence of the Department in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament for the Department's administration and outputs.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards;
- Urgent Issues Group Consensus Views and other mandatory professional pronouncements where applicable.

The Department's Statement of Financial Performance and Statement of Financial Position 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 valuation policy applicable.

(b) The Reporting Entity

The Department's financial statements include both Departmental and Administered items. The Department's financial statements include the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right. As administered items are insignificant to the Department's overall financial performance and position, they have been disclosed in a schedule of administered items as notes to the accounts.

(c) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(d) Rounding

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

(e) Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, Fringe Benefits Tax, Goods and Services Tax, emergency services levy, land tax equivalents and local government rate equivalents.

In accordance with the requirements of UIG Abstract 31 'Accounting for Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Department as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

(f) Revenues and Expenses

Revenues and Expenses are recognised in the Department's Statement of Financial Performance when, and only when, the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Revenues and Expenses have been classified according to their nature in accordance with Accounting Policy Statement 13 'Form and Content of General Purpose Financial Reports', and have not been offset unless required or permitted by another accounting standard.

Revenue from disposal of non-current assets is recognised when control of the asset has passed to the buyer.

Resources received/provided free of charge are recorded as revenue and expenditure in the Statement of Financial Performance at their fair value. Goods and services received free of charge are recorded as such with the revenue being separately disclosed. Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

(g) Revenues from SA Government

Appropriations for program funding are recognised as revenues when the Department obtains control over the assets. Control over appropriations is normally obtained upon their 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 this is recorded as contributed equity.

(h) Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current in nature. The Department has a clearly identifiable operating cycle of 12 months. Therefore assets and liabilities that will be realised as part of the normal operating cycle will be classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

(i) Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily convertible to cash and are used in the cash management function on a day-to-day basis. The definition of cash in relation to the Statement of Financial Position differs slightly as it does not take into account bank overdrafts.

Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and subject to an insignificant risk of changes in value. Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with appropriation and expenditure authority. During 2004-05 the Department was not required to transfer any of its cash balance to the Consolidated Account.

(j) Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

The Department determines the provision for doubtful debts based on a review of balances within receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

(k) Inventories

Stock in institutional stores is held for consumption and is carried at cost. Prison canteen stock is carried at cost. Both the stores and canteen stock values of inventory are assigned on the basis of average cost. PRIME inventories are valued at historical cost.

(l) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Where assets are acquired at no value, or minimal value, they are recorded at their fair value in the Statement of Financial Position. Fair value means the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction.

Since the Department controls a large number of low value items, the cost of accounting for the capitalisation of items costing less than \$10 000 is expected to outweigh the benefits that would be gained from reporting this information. As a result, items with an acquisition cost less than \$10 000 are expensed in the period in which they are acquired.

Capital Works in Progress are recognised as the cumulative costs of capital projects to balance date. Projects completed during the year have been recognised as buildings, plant or equipment and valued at cost.

(m) Revaluation of Non-Current Assets

In accordance with current Accounting Policy Statement 3 'Valuation of Non-Current Assets', revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, the Department revalues its land, buildings and leasehold improvements. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. Non-current physical assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

During 2004-05, the Department engaged the services of Andrew J Lucas, from Valcorp, to conduct a desktop revaluation of all Prisons and Community Correction Centres at Fair Value.

The name, address and qualifications of the valuer are detailed below:

Valcorp Aust Pty Ltd

Andrew J Lucas M.B.A. Dip.Acc.
A.A.P.I. B.App. Sc.(Val) A.S.A.

Level 5 26 Flinders Street
Adelaide SA 5000

(n) Depreciation and Amortisation of Non-Current Assets

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

The useful lives of all major assets held by the Department are reassessed on an annual basis.

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

Depreciation for non-current assets is determined as follows:

Class of Asset	Depreciation Method	Useful Life (Years)
Plant and equipment	Straight Line	4-20
Buildings (including prisons)	Straight Line	1-60

(o) Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer’s Instruction 8 ‘Expenditure for Supply Operations and Other Goods and Services’ after the Department receives an invoice.

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

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as the South Australian Superannuation Board (SASB) has assumed these. The only liability outstanding at balance date relates to any contributions due but not yet paid to the SASB.

(p) Employee Benefits

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. 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.

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

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2005 and is measured at the nominal amount.

Long service leave is recognised on a pro-rata basis in respect of services provided by Department employees to balance date. The liability has been calculated at nominal rates based on current salary rates. The Department of Treasury and Finance have advised that a benchmark of seven years can be used for a shorthand estimation of long service leave liability in accordance with Australian Accounting Standard AASB 1028 ‘Employee Benefits’. This advice has been adopted and the long service leave liability has been calculated on that basis.

Unclaimed salaries and wages have been included as a current liability for employee benefits.

(q) Provisions

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries as co-ordinated by the Department for Administrative and Information Services.

Since 2002-03, the Justice, Employment Training and Education, Human Services and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-human services agencies. The current valuation methodology has resulted in the Justice Portfolio’s liability being more specifically measured. The Department’s liability is an allocation of the Justice Portfolio’s total assessment.

(r) Leases

The Department has entered into a number of operating lease agreements for buildings and motor vehicles. In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

The Department does not have any finance lease agreements.

(s) Livestock

Livestock is valued at current market value. The Department accounts for this item in accordance with Australian Accounting Standard AASB 1037 'Self Generating and Regenerating Assets'.

(t) Prisoner Amenities Fund

Proceeds from the sale of canteen goods to prisoners are used for the acquisition of items for the benefit of prisoners.

(u) Prisoner Payments

These include payments made on behalf of prisoners and payments made to prisoners upon discharge.

3. Changes in Accounting Policies**(a) Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Department will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

In accordance with requirements of Australian Accounting Standard AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', a table has been prepared summarising any known or reliably estimated information about the impacts on the financial report had it been prepared using the AIFRS.

Reconciliation of key aggregates	Amount currently reported per GAAP	Known or reliably estimated impact on the financial report	
		AASB 119 'Employee Benefits'	Amount to be reported after adopting AIFRS
Net Cost of Services	133 527	(115)	133 412
Net Result from Ordinary Activities	(2 463)	115	(2 348)
Total Assets	207 617	-	207 617
Total Liabilities	52 707	(115)	52 592
Net Assets	154 910	115	155 025
Cash Flows from Operating Activities	8 310	-	8 310
Cash Flows from Investing Activities	(9 360)	-	(9 360)

The following standards will have some impact on the financial statements, although it is expected that the impact will not be significant.

Australian Accounting Standard AASB 119 'Employee Benefits'

The Department will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value.

Australian Accounting Standard AASB 141 'Agriculture'

The Department will make additional disclosures including:

- the amount of commitments for the development or acquisition of biological assets;
- the financial risk strategies related to agricultural activity.

4. Programs of the Department

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

Custodial Services: The Department provides secure containment and supervision for adults on remand and those sentenced by the courts to serve a custodial sanction. The Custodial Services program includes costs associated with operating the State's prison system, the humane treatment of prisoners while in custody and the secure movement of prisoners.

Community Based Services: The Department case manages and supervises offenders in the community on probation, parole or under home detention and clients on supervised bail.

Rehabilitation and Reparation: The Department provides a range of educational, vocational and rehabilitative programs designed to assist offenders to address their offending behaviour and provide them with opportunities to lead law abiding and productive lives. This includes pre-court, court based and prison based activities and services.

5. Employee Expenses	2005	2004
	\$'000	\$'000
Salaries and wages	68 989	62 782
Superannuation and payroll tax expenses	11 307	10 815
Workers compensation expenses	6 338	3 475
Annual and long service leave expenses	1 649	1 433
Termination payments	898	984
Total Employee Expenses	89 181	79 489

Targeted Voluntary Separation Packages (TVSPs)

TVSPs paid to employees during the reporting period	-	114
Recovery from the Department of the Premier and Cabinet	-	114
Annual leave and long service leave accrued over the period	-	19

	2005	2004
	Number of	Number of
	Employees	Employees
Number of employees that were paid TVSPs during the reporting period	-	1

Remuneration of Employees

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

\$100 000 - \$109 999	1	-
\$120 000 - \$129 999	1	2
\$130 000 - \$139 999	3	3
\$140 000 - \$149 999	1	1
\$160 000 - \$169 999	1	-
\$190 000 - \$199 999	-	1
\$220 000 - \$229 999	1	-

The table includes all employees whom received remuneration of \$100 000 or more during the year. Remuneration of employees reflects all costs of employment including salaries and wages, superannuation contributions, fringe benefits tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$1 176 000 (\$989 000).

6. Supplies and Services	2005	2004
Supplies and services provided by entities within the SA Government:	\$'000	\$'000
Contracts	44	46
Works and equipment costs	1 842	1 574
Offender related costs	84	98
Stationery and printing	260	28
Utilities	1 104	1 128
Cost of goods sold	9	9
Maintenance land and buildings	877	568
Staff related costs	65	138
IT costs	2 827	2 266
Insurance charges	761	737
Sundry other expenses	1 290	1 164
Total Supplies and Services - SA Government Entities	9 163	7 756

Supplies and services provided by entities external to the SA Government:		
Contracts	10 839	10 005
Works and equipment costs	3 268	2 682
Offender related costs	4 983	4 751
Stationery and printing	359	631
Utilities	2 893	2 919
Cost of goods sold	5 094	4 621
Maintenance land and buildings	491	746
Staff related costs	1 289	1 154
Workers compensation related payments	2 247	3 124
IT costs	456	611
Insurance charges	33	57
Sundry other expenses	3 662	2 967
Total Supplies and Services - Non-SA Government Entities	35 614	34 268
Total Supplies and Services	44 777	42 024

6. Supplies and Services (continued)	2005	2004	2005	2004
The number and dollar amount of Consultancies paid or payable that fell within the following bands:	Number	Number	\$'000	\$'000
Below \$10 000	3	5	23	23
Between \$10 000 and \$50 000	4	3	60	78
Above \$50 000	4	1	279	64
	11	9	362	165
7. Depreciation and Amortisation			2005	2004
Depreciation:			\$'000	\$'000
Buildings			6 298	6 081
Plant and equipment			214	220
Total Depreciation			6 512	6 301
Amortisation:				
Leasehold improvements			30	26
Total Amortisation			30	26
Total Depreciation and Amortisation			6 542	6 327
8. Grants				
Grants paid or payable to entities external to the SA Government:				
Recurrent grant			1 106	660
Total Grants			1 106	660
For the year ended 30 June 2005, grant recipients included:				
• Offenders Aid and Rehabilitation Services (OARS);				
• Joint Chaplaincy Committee;				
• Aboriginal Prisoner and Offender Support Services (APOSS);				
• Aboriginal Hostels Ltd;				
• Attorney-General's Department;				
• Prison Fellowship of Australia - South Australia.				
9. Net (Gain) Loss from Disposal of Assets				
Plant and Equipment:				
Proceeds from disposal			(15)	(2)
Add: Net book value of assets disposed			14	33
Net (Gain) Loss from Disposal of Plant and Equipment			(1)	31
Net (Gain) Loss from Disposal of Assets			(1)	31
10. Other Expenses				
Other expenses paid or payable to entities external to the SA Government:				
Bad and doubtful debts expense			2	35
Bank charges			11	10
FBT			255	217
Plant and equipment write-off*			-	817
Other			90	295
Total Other Expenses			358	1 374
* The result of the change in accounting policy for the measurement of computing assets, adopted with effect from 1 July 2003.				
11. Auditor's Remuneration				
Audit fees paid/payable to the Auditor-General's Department			98	95
Total Audit Fees			98	95
Other Services				
No other services were provided by the Auditor-General's Department.				
12. Interest				
Interest from entities within the SA Government			905	1 109
Interest from entities external to the SA Government			3	9
Total Interest Received			908	1 118

13. Net Revenue from Prison Labour

	Yatala Labour Prison		Mobilong Prison		Cadell Training Centre		Adelaide Women's Prison/Pre-release Centre	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue	1 104	1 259	2 107	1 806	609	594	151	128
Less: Cost of goods sold	704	761	1 412	1 073	371	334	40	36
Net Revenue	400	498	695	733	238	260	111	92

	Port Augusta Prison		Port Lincoln Prison		Total	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue	40	17	104	123	4 115	3 927
Less: Cost of goods sold	30	20	30	64	2 587	2 288
Net Revenue	10	(3)	74	59	1 528	1 639

14. Net Revenue from Canteen and Kitchen Sales

	2005 \$'000	2004 \$'000
Canteen and kitchen sales	2 092	1 961
Less: Cost of goods sold	1 925	1 785
Net Revenue from Canteen and Kitchen Sales	167	176

15. Other Revenue

	2005 \$'000	2004 \$'000
Grants received	2 210	1 110
Prisoner telephone receipts	688	637
Donated assets	262	-
Other	890	614
Total Other Revenue	4 050	2 361

16. Revenue from SA Government

	2005 \$'000	2004 \$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	131 064	120 321
Total Revenues from SA Government	131 064	120 321

17. Cash

	2005 \$'000	2004 \$'000
Deposits with the Treasurer	13 830	14 607
Prison general bank accounts	-	278
Prison imprest accounts	28	28
Petty cash	7	2
Total Cash	13 865	14 915

18. Receivables

Current:		
Receivables	824	717
Less: Provision for doubtful debts	16	77
	808	640
Accrued interest	30	50
GST receivable	958	826
Total Receivables	1 796	1 516
Receivables from SA Government Entities:		
Receivables	474	144
Accrued interest	30	50
Other	-	20
Total Receivables from SA Government Entities	504	214
Receivables from Non-SA Government Entities:		
Receivables	334	476
GST receivable	958	826
Total Receivables from Non-SA Government Entities	1 292	1 302
Total Receivables	1 796	1 516

19. Inventories

Current:		
Raw materials and work in progress	228	268
Finished goods	71	66
Stores	290	329
Total Inventories	589	663

20. Property, Plant and Equipment	2005	2004
Land and Buildings:	\$'000	\$'000
Land at fair value	31 125	27 030
Buildings at fair value	260 119	246 435
Accumulated depreciation	(113 826)	(103 208)
Total Land and Buildings	177 418	170 257
Leasehold Improvements:		
Leasehold improvements at fair value	948	558
Accumulated amortisation	(120)	(75)
Total Leasehold Improvements	828	483
Plant and Equipment:		
Plant and equipment at fair value	3 982	3 274
Accumulated depreciation	(1 943)	(1 802)
Total Plant and Equipment	2 039	1 472
Total Property, Plant and Equipment	180 285	172 212

Reconciliation of Property, Plant and Equipment

The following table shows the movement of property, plant and equipment during 2004-05.

	Land and Buildings \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	2005 Total \$'000
Carrying amount at 1 July	170 257	483	1 472	172 212
Additions	-	-	525	525
Transfers from capital works in progress	1 304	333	224	1 861
Disposals	-	-	(14)	(14)
Revaluation increment	12 168	-	-	12 168
Depreciation and amortisation	(6 298)	(30)	(214)	(6 542)
Other movements	(13)	42	46	75
Carrying Amount at 30 June	177 418	828	2 039	180 285

21. Other Assets	2005	2004
Current:	\$'000	\$'000
Prepayments	6	347
Other	2	1
Total Other Assets	8	348

22. Livestock		
Reconciliation of Carrying Amounts of Livestock:		
Carrying amount at 1 July	102	91
Purchases	5	12
Gain arising from changes in fair value less estimated point-of-sale costs attributable to physical changes	21	7
Gain (loss) arising from changes in fair value less estimated point-of-sale costs attributable to price changes	(3)	19
Sales	(22)	(27)
Carrying Amount at 30 June	103	102

23. Payables		
Current:		
Creditors	1 015	804
Accrued expenses	1 444	1 050
GST payable	69	101
Employment on-costs	824	1 147
Total Current Payables	3 352	3 102
Non-Current:		
Employment on-costs	1 544	1 461
Total Non-Current Payables	1 544	1 461
Total Payables	4 896	4 563
Payables to SA Government Entities:		
Creditors	187	125
Accrued expenses	427	574
Total Payables to SA Government Entities	614	699

23. Payables (continued)	2005	2004
Payables to Non-SA Government Entities:	\$'000	\$'000
Creditors	827	679
Accrued expenses	1 017	476
GST payable	69	101
Employment on-costs	2 369	2 608
Total Payables to Non-SA Government Entities	4 282	3 864
Total Payables	4 896	4 563
24. (a) Employee Benefits		
Current:		
Annual leave	4 533	3 851
Long service leave	1 300	1 198
Accrued salaries and wages	1 434	1 069
Unclaimed salaries and wages	4	4
Total Current Employee Benefits	7 271	6 122
Non-Current:		
Annual leave	1 226	1 283
Long service leave	11 703	10 781
Total Non-Current Employee Benefits	12 929	12 064
Total Employee Benefits	20 200	18 186
(b) Employee Benefits		
Accrued Salaries:		
On-costs included in payables - Current (Note 23)	208	207
Employee benefits - Current (Note 24(a))	1 434	1 069
	1 642	1 276
Annual Leave:		
On-costs included in payables - Current (Note 23)	526	764
Employee benefits - Current (Note 24(a))	4 533	3 851
	5 059	4 615
On-costs included in payables - Non-current (Note 23)	201	213
Employee benefits - Non-current (Note 24(a))	1 226	1 283
	1 427	1 496
Long Service Leave:		
On-costs included in payables - Current (Note 23)	90	176
Employee benefits - Current (Note 24(a))	1 300	1 198
	1 390	1 374
On-costs included in payables - Non-current (Note 23)	1 343	1 248
Employee benefits Non-current (Note 24(a))	11 703	10 781
	13 046	12 029
Aggregate Employee Benefits and Related On-Costs	22 564	20 790
25. Provisions		
Current:		
Workers compensation - Medical and other costs	1 921	1 980
Workers compensation - Income maintenance	2 851	2 746
Total Current Provisions	4 772	4 726
Non-Current:		
Workers compensation - Medical and other costs	7 458	7 359
Workers compensation - Income maintenance	15 381	13 514
Total Non-Current Provisions	22 839	20 873
Total Provisions	27 611	25 599
Carrying Amount at 1 July:	25 599	25 991
Workers compensation payments	(6 573)	(6 988)
Increase in the provision	8 585	6 596
Carrying Amount at 30 June	27 611	25 599
26. Equity		
Accumulated surplus	107 792	110 255
Asset revaluation reserve	47 001	34 833
Amenities fund reserve	117	114
Total Equity	154 910	145 202
Accumulated Surplus:		
Balance at 1 July	110 255	111 052
Net Result from ordinary activities	(2 463)	(797)
Balance at 30 June	107 792	110 255

26. Equity (continued)	2005	2004
Asset Revaluation Reserve:	\$'000	\$'000
Balance at 1 July	34 833	26 644
Increase in asset revaluation reserve	12 168	8 189
Balance at 30 June	47 001	34 833
Amenities Fund Reserve:		
Balance at 1 July	114	121
Add: Receipts	153	141
Less: Payments	150	148
Balance at 30 June	117	114

27. Financial Instruments**(a) Terms, Conditions and Accounting Policies***(i) Financial Assets*

Cash is available at call and is recorded at cost.

Receivables are raised for all goods and services provided for which payment has not been received and are recorded at their recoverable amount. Receivables are normally settled within 30 days.

(ii) Financial Liabilities

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

(b) Interest Rate Risk

Financial Instrument	2005			Weighted Average Effective Interest Rate Percent
	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:				
Cash	13 862	3	13 865	5.5
Receivables	-	1 796	1 796	-
	13 862	1 799	15 661	
Financial Liabilities:				
Payables	-	4 896	4 896	-
	-	4 896	4 896	
	2004			Weighted Average Effective Interest Rate Percent
Financial Instrument	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total Carrying Amount \$'000	
Financial Assets:				
Cash	14 913	2	14 915	5.3
Receivables	-	1 516	1 516	-
	14 913	1 518	16 431	
Financial Liabilities:				
Payables	-	4 563	4 563	-
	-	4 563	4 563	

(c) Net Fair Values

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

28. Commitments for Expenditure**(a) Contract Service Commitments**

	2005	2004
	\$'000	\$'000
Not later than one year	8 300	9 878
Later than one year but not later than five years	6 257	12 043
Later than five years	-	-
Total Contract Service Commitments	14 557	21 921

The Prisoner Movement and In-Court Management, Home Detention Monitoring and the Mobilong Fee for Service contracts extend beyond 30 June 2005. The management of the Mount Gambier Prison contract was due to expire on 26 June 2005. However, as a new contract has not been negotiated the current contract has been extended until December 2005.

(a) Contract Service Commitments (continued)

These contracts have provisions for termination by the Crown without penalty to the Crown. However, a termination for convenience by the Crown would attract variable payments and reimbursements specified in the contract depending on the circumstance and amount of termination notice. The ongoing cancellable commitments (which have not been recognised as liabilities) are noted above.

The above figures:

- are subject to an escalation based on indices not yet published by the Australian Bureau of Statistics, and as a result are not adjusted for inflation and are based on 2004-05 prisoner populations;
- are exclusive of Goods and Services Tax.

(b) Operating Lease Commitments

	2005	2004
	\$'000	\$'000
Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report and are payable as follows:		
Not later than one year	787	574
Later than one year but not later than five years	2 106	1 164
Later than five years	1 283	116
Total Operating Lease Commitments	4 176	1 854

The Department's operating leases are for office accommodation. Office accommodation is leased from the Real Estate Management (REM) branch of the Department for Administrative and Information Services (DAIS). The leases are non-cancellable and are payable monthly in advance.

29. Contingent Liabilities

The Department has a number of common law claims against it made by various claimants. The maximum exposure facing the Department in respect of these claims is \$283 000 (\$322 000).

These contingent liabilities are not actual liabilities and have therefore not been included in the financial statements. They represent a potential financial obligation in circumstances which have been deemed to be possible not probable.

30. Cash Flow Reconciliation

(a) Reconciliation of Cash - Cash at Year End as Per

	2005	2004
	\$'000	\$'000
Statement of Cash Flows	13 865	14 915
Statement of Financial Position	13 865	14 915

(b) Reconciliation of Net Cash Inflows from Operating Activities to Net Result from Ordinary Activities

Net Result from Ordinary Activities	(2 463)	(797)
Add: Net Amenities Fund Reserve payments (receipts)	3	(7)
Add: Non-Cash Items:		
Net (Gain) Loss on Disposal of Non-Current Assets	(1)	31
Donated assets	(262)	-
Depreciation and Amortisation Expense	6 542	6 327
Write-off of Plant and Equipment	-	817
Changes in Assets and Liabilities:		
(Increase) Decrease in receivables	(280)	(223)
(Increase) Decrease in inventories	74	(18)
(Increase) Decrease in other assets	340	(336)
(Increase) Decrease in livestock	(1)	(11)
Increase (Decrease) in payables	333	(14)
Increase (Decrease) in employee benefits	2 014	1 993
Increase (Decrease) in provisions	2 012	(392)
Net Cash Inflows from Operating Activities	8 311	7 370

31. Trust Funds

The Department holds prisoner monies in a trustee capacity. These monies are excluded from the financial statements, as the Department cannot use them for the achievement of its objectives. The following is a summary of the transactions in the trust account:

	2005	2004
	\$'000	\$'000
Balance at 1 July	289	259
Add: Receipts	3 790	3 839
	4 079	4 098
Less: Payments	3 800	3 809
Balance at 30 June	279	289

32. Disclosure of Administered Items	2005	2004
	\$'000	\$'000
Administered Revenues:		
Revenues from CIC levies	85	80
Other	1	2
Total Administered Revenues	86	82
Administered Expenses:		
CIC levies payments	85	100
Other	2	3
Total Administered Expenses	87	103
Net Operating Deficit	(1)	(21)
Administered Current Assets:		
Cash	1	2
Total Current Assets	1	2
Total Administered Assets	1	2
Administered Current Liabilities:		
CIC levies payables	-	20
Other	2	3
Total Current Liabilities	2	23
Total Administered Liabilities	2	23
Net Administered Assets	(1)	(21)
Administered Equity:		
Accumulated deficit	(1)	(21)
Total Administered Equity	(1)	(21)
Cash Flows from Operating Activities	2005	2004
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
Cash Inflows:		
CIC Levies	85	80
Other Revenue	1	2
Total Cash Inflows	86	82
Cash Outflows:		
CIC Levies Payments	(85)	(100)
Other	(2)	(3)
Total Cash Outflows	(87)	(103)
Net Cash Outflows from Operating Activities	(1)	(21)
Net Decrease in Cash Held	(1)	(21)
Cash at 1 July	2	23
Cash at 30 June	1	2

(a) Administered Items of the Department

The Department administers but does not control certain resources on behalf of the Attorney-General (Victims of Crime Levy). It is accountable for the transactions involving these administered resources but does not have the discretion to deploy these resources for the achievement of the Department's objectives. Transactions and balances relating to these administered resources are not recognised as Departmental revenues, expenses, assets or liabilities.

(b) Administered Expenses and Administered Cash Outflows

The Department 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 Department, 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.

(c) Administered Revenues and Administered Cash Inflows

The Department collects various levies on behalf of Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered revenues and administered cash inflows.

(d) Administered Assets and Liabilities

The Department manages various assets and liabilities on behalf of the Government. The amounts are not controlled by the Department and are not recognised by the Department. These amounts are disclosed as administered assets and liabilities.

COUNTRY FIRE SERVICE BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Country Fire Service Board (the Board) was established pursuant to the *Country Fires Act 1989* and is responsible to the Minister for Emergency Services for the administration of the *Country Fires Act 1989*.

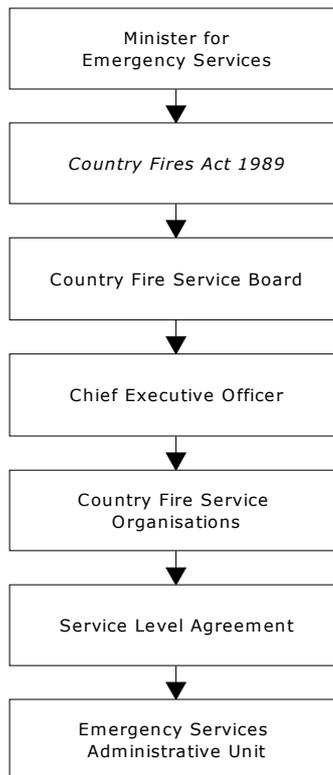
Functions

The Board is responsible for the prevention, control and suppression of fires in the country. The functions of the Board are as follows:

- Approve the Strategic Plan, providing clear goals and direction.
- Consider business plans and approve performance measures and broad resource allocations.
- Provide overall policy guidance and ensure that appropriate measures are in place to manage risk and volunteer support.
- Monitor operational and financial performance, environmental and occupational health, safety and welfare performance, legal compliance and ethical behaviour.

Structure

The structure of the Country Fire Service (CFS) is illustrated in the following organisation chart.



The Board is a decentralised organisation supporting six regions.

The Emergency Services Administrative Unit (ESAU) provides various services in support of the Board's primary functions, including strategic risk management, financial management and accounting services. These were subject to corporate service level agreements.

The Board's financial management is heavily reliant on information and reporting provided by ESAU.

Changes to Functions and Structure

Fire and Emergency Services Act 2005

Following the review of emergency service arrangements in South Australia, the *Fire and Emergency Services Act 2005* was passed by Parliament on 14 July 2005. The act provides for the establishment of the South Australian Fire and Emergency Services Commission, the continuation of a metropolitan fire service and emergency service, a country fire and emergency service, and a State emergency service to provide for the prevention, control and suppression of fires and for the handling of emergency situations.

While the Country Fire Service will continue as a separate corporate entity under the proposed new arrangements the Country Fire Service Board will be dissolved.

At the time of preparing this Report it was anticipated that the legislation would be proclaimed on 1 October 2005.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 21(3) of the *Country Fires Act 1989* provides for the Auditor-General to audit the accounts of the Board in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

The audit of the Board during 2004-05 required Audit to direct much of its focus to the audit of the 'centralised accounting' structure maintained by ESAU and to test transactions at this level.

During 2004-05, specific areas of audit attention included:

- expenditure, including procurement, accounts payable and salaries and wages
- plant and equipment, including the adequacy of asset register maintenance
- revenue, debtors, receipting and banking
- general ledger.

Work performed by the Justice Portfolio internal audit section was considered in designing audit programs.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Country Fire Service Board as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

In my opinion, the controls exercised by the Country Fire Service Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, with the exception of the matters raised in relation to payroll and credit cards outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Country Fire Service Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were considered to be satisfactory. Major matters raised with the Board and the related responses are considered herein.

Procurement

The audit of procurement practices revealed a need for improvement in the authorisation and use of local purchase orders and the timely completion of requests to raise purchase orders.

In response the Board indicated that action had been taken to address the issues raised by Audit.

Credit Cards

The audit of the use of credit cards revealed a need to ensure that monthly statements are returned and have the appropriate supporting documentation attached. This issue was raised in 2003-04.

The Board indicated it will review and monitor procedures to ensure that monthly statements and documentation are obtained in relation to the use of credit cards.

Payroll

The audit of payroll revealed a need to ensure that bona fide reports are issued and returned on a timely basis. This issue of timely return of reports was raised in 2003-04. The audit also revealed the need to actively monitor and manage excessive annual leave and time off in lieu balances which have been accumulated by staff.

In response, the Board informed Audit that bona fide reports would be issued and followed up on a timely basis and that steps had been taken to actively manage the excessive leave balances.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of the Consolidated Financial Statements**

	2005	2004	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Contributions from Government	51	45	13
Other	4	10	(60)
Total Operating Revenue	55	55	-
OPERATING EXPENDITURE			
Employee expenses	8	6	33
ESAU recharge	6	6	-
Government Radio Network costs	9	9	-
Other expenses	30	27	11
Total Operating Expenses	53	48	10
Surplus from Ordinary Activities	2	8	(75)
Net Cash Flows from Operations	10	14	(29)

	2005	2004	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	6	9	(33)
Non-current assets	111	105	6
Total Assets	117	114	3
LIABILITIES			
Current liabilities	3	4	(25)
Non-current liabilities	4	4	-
Total Liabilities	7	8	(12)
EQUITY	110	106	4

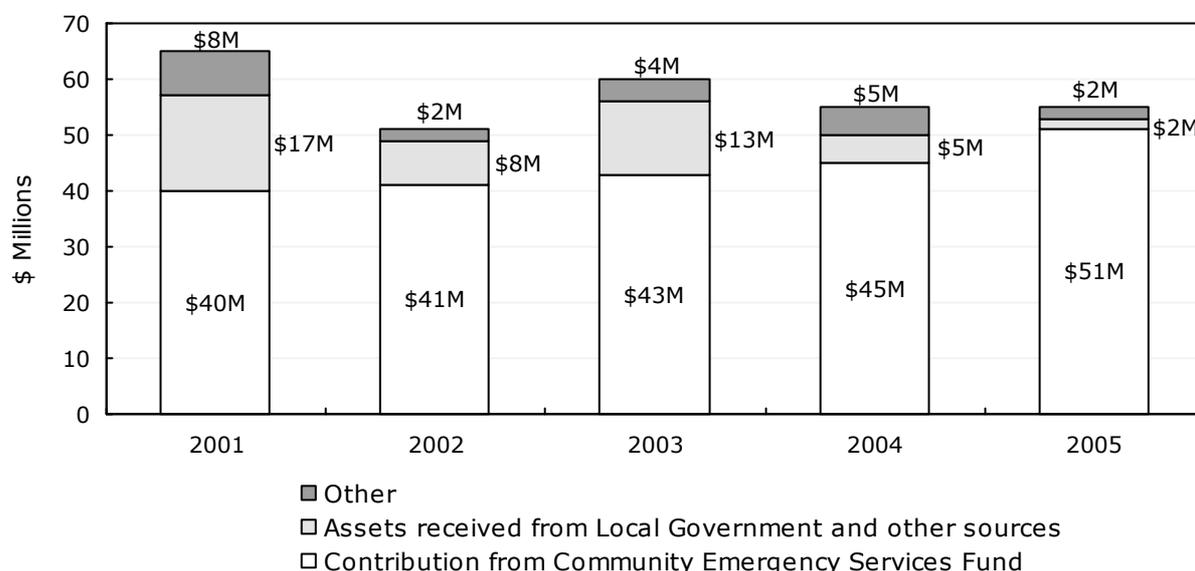
Statement of Financial Performance

Operating Revenues

The Board is essentially funded from the Contributions from the Community Emergency Services Fund. In 2005 amounts received from the Fund increased by \$5.8 million to \$50.9 million. Other revenue has typically represented only a small percentage of revenue since that time.

The fluctuation in other revenue is due mainly to the movement in assets received from local government and other sources. In 2005 the value of assets received decreased by \$3.6 million as the transfer program nears completion. In 2005 fundraising monies totalling \$0.4 million, held by CFS groups and brigades, were received following recognition of funds totalling \$3.2 million for the first time in 2003-04. The Contributions from the Community Emergency Services Fund over the five year period has increased by \$11 million (27 percent) to \$50.9 million.

A structural analysis of operating revenues for the Board in the five years to 2005 is presented in the following chart.

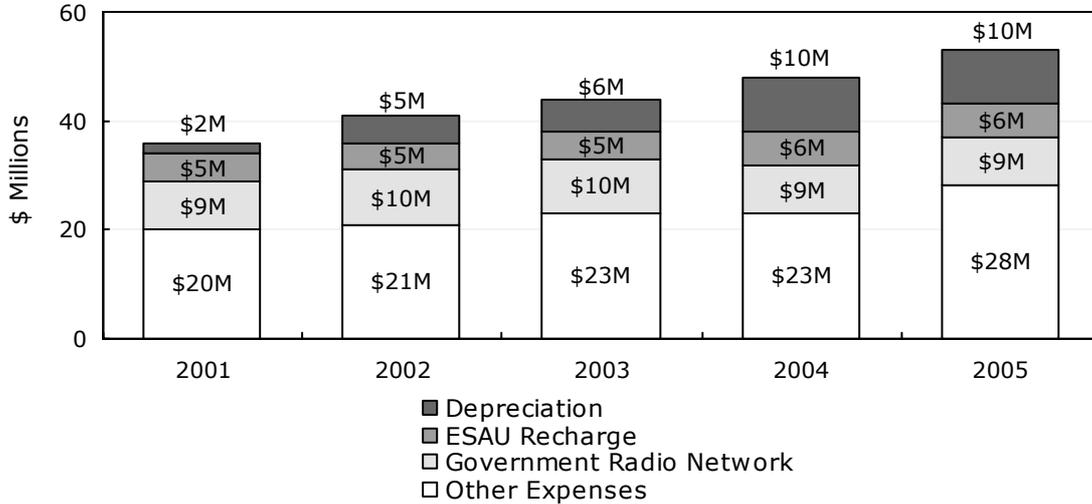


Operating Expenses

During the year ending 30 June 2005, total operating expenses rose by \$5.2 million (11 percent) to \$52.9 million. The primary reason for this rise was an increase in employee expenses, up \$1.8 million and supplies and services, up \$2.6 million. The increase in employee expenses related to increased salaries and wages, \$804 000 and workers compensation costs, \$846 000. The increase in supplies and services resulted primarily from increased expenditure on consumables and minor purchases, up \$640 000, travel and training, up \$304 000, aerial support costs, up \$305 000, repairs and maintenance up \$267 000 and communication expenses, up \$216 000.

Over the period under review expenses have increased by \$17 million or 47 percent. Depreciation increased significantly due mainly to the transfer of assets from local government but this stabilised in 2005 with the majority of assets now transferred. The other significant increase over the period related to the 2005 increase in other expenses which is explained above.

For the five years to 2005, a structural analysis of the main operating expense items for the Board is shown in the following chart.

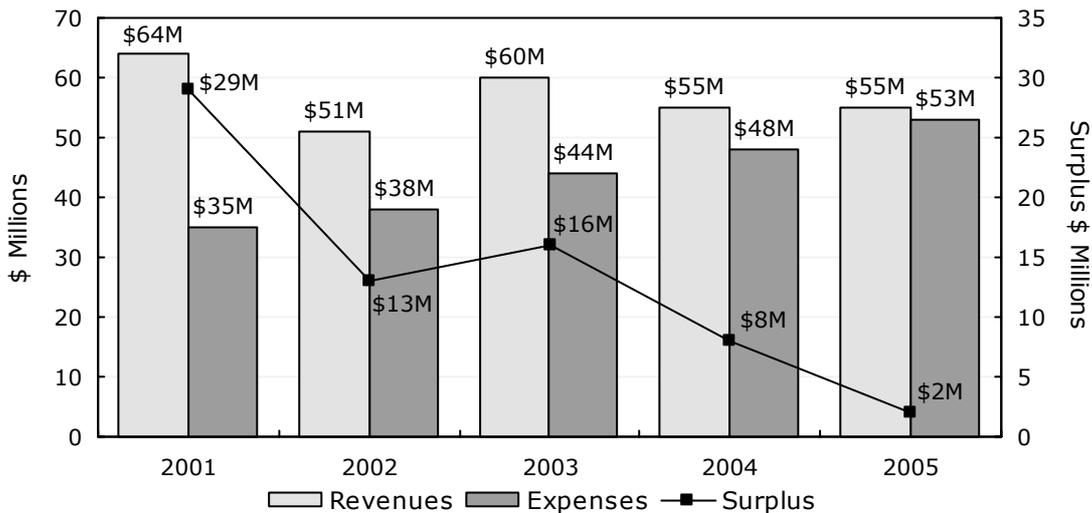


Operating Result

The Board’s surplus has fluctuated over the past five years, with a \$5.9 million decrease occurring in 2005 primarily as a result of increased supplies and services costs together with decreased revenue from the recognition of assets transferred from local government and a decrease in the revenue from brigades and groups following the initial recognition of amounts held in 2004.

As outlined previously, over the period under review operating expenses have steadily increased while operating revenues have fluctuated primarily as a result of the transfer of assets from local government.

The following chart shows the operating revenues, operating expenses and surpluses for the five years to 2005.

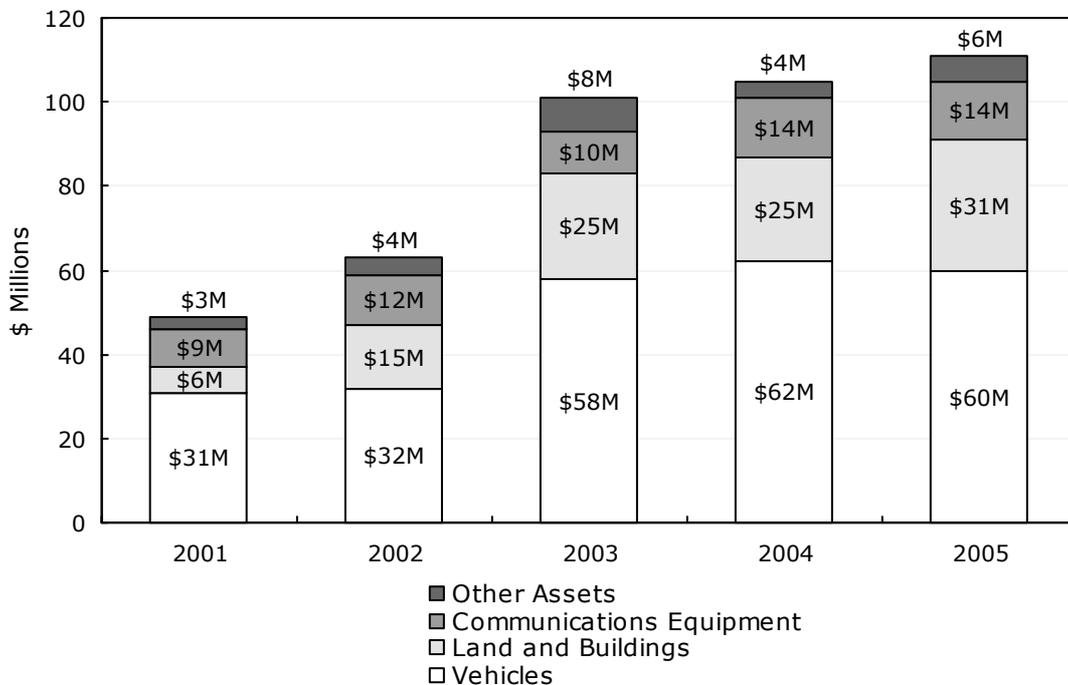


Statement of Financial Position

Current assets decreased by \$2.7 million over the previous year as a result of the decrease in cash of \$2.5 million. This decrease in cash reflects the funding of capital expenditure. Excluding cash held in relation to groups and brigades, current assets totalled \$2.9 million which is sufficient to meet current liabilities which totalled \$2.8 million as at 30 June 2005.

The Board's financial position is dominated by the value of the non-current asset 'Property, plant and equipment'. The written down current cost of these assets totalled \$111 million as at 30 June 2005, an increase of \$6 million over the previous year which is due primarily to the transfer of assets from local government (\$1.6 million), asset additions (\$12.8 million) and revaluation of land and buildings (\$2.3 million) offset by depreciation expense (\$10.4 million) and asset disposals (\$0.3 million).

For the five years to 2005, a structural analysis of property, plant and equipment assets is shown in the following chart.



As already mentioned, the major reason for the growth has been the transfer of responsibilities from local government entities to the Board for appliance, fire station, fire fighting and rescue equipment maintenance and the resultant transfer of related assets. The value of those transfers since 2001 is \$45.8 million. The transfer process is now substantially complete.

Statement of Cash Flows

The following table summarises the net cash flows for the five years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows					
Operations	10	14	9	8	8
Investing	(12)	(10)	(8)	(7)	(8)
Change in Cash	(2)	4	1	1	-
Cash at 30 June	5	7	3	2	1

The analysis of cash flows shows that in most years the Board's operating cash flows have been sufficient to fund its investing activities. The level of cash held has, however, been relatively small and is dependent on the funding provided by the Community Emergency Services Fund as the Board has little capacity to generate funds from other sources. The balance of cash at 30 June 2005 decreased due to the need to use a portion of cash reserves to fund investing activities.

Cash flows from operations decreased by \$4 million in 2005 due mainly to the inclusion in 2004 of cash held by CFS groups and brigades for the first time.

**Statement of Financial Performance
for the year ended 30 June 2005**

	Note	Consolidated		Country Fire Service	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:					
Employee expenses	4	7 684	5 842	7 684	5 842
Supplies and services	5	19 601	16 988	19 597	16 988
Emergency Services Administrative Unit recharge		5 778	5 500	5 778	5 500
Government Radio Network costs	7	9 207	9 262	9 207	9 262
Depreciation	8	10 365	9 739	10 365	9 739
Net loss from disposal of assets	9	289	348	289	348
Total Expenses from Ordinary Activities		52 924	47 679	52 920	47 679
REVENUES FROM ORDINARY ACTIVITIES:					
Fees and charges	10	409	284	409	284
Interest	11	349	418	340	410
Assets received from local government and other sources	12	1 574	5 186	1 574	5 186
Groups and brigades funds		445	3 231	445	3 231
Other revenues	13	853	922	837	922
Total Revenues from Ordinary Activities		3 630	10 041	3 605	10 033
NET COST OF SERVICES FROM ORDINARY ACTIVITIES		49 294	37 638	49 315	37 646
REVENUES FROM SA GOVERNMENT:					
Contributions from Community Emergency Services Fund		50 946	45 182	50 946	45 182
SURPLUS FROM ORDINARY ACTIVITIES		1 652	7 544	1 631	7 536
NON-OWNER TRANSACTION CHANGES IN EQUITY:					
Increase (Decrease) in the asset revaluation reserve	20	2 288	(831)	2 288	(831)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 940	6 713	3 919	6 705

**Statement of Financial Position
as at 30 June 2005**

		Consolidated		Country Fire Service	
		2005	2004	2005	2004
CURRENT ASSETS:	Note	\$'000	\$'000	\$'000	\$'000
Cash	14	5 069	7 609	4 744	7 309
Receivables	15	1 457	1 601	1 456	1 600
Other		-	35	-	35
Total Current Assets		6 526	9 245	6 200	8 944
NON-CURRENT ASSETS:					
Property, plant and equipment	16	110 795	104 875	110 795	104 875
Total Non-Current Assets		110 795	104 875	110 795	104 875
Total Assets		117 321	114 120	116 995	113 819
CURRENT LIABILITIES:					
Payables	17	1 699	3 284	1 695	3 284
Provision for employee benefits	18	1 139	955	1 139	955
Total Current Liabilities		2 838	4 239	2 834	4 239
NON-CURRENT LIABILITIES:					
Payables	17	111	85	111	85
Provision for employee benefits	18	3 952	3 316	3 952	3 316
Total Non-Current Liabilities		4 063	3 401	4 063	3 401
Total Liabilities		6 901	7 640	6 897	7 640
NET ASSETS		110 420	106 480	110 098	106 179
EQUITY:					
Accumulated surplus	19	85 655	84 003	85 333	83 702
Asset revaluation reserve	20	24 765	22 477	24 765	22 477
TOTAL EQUITY		110 420	106 480	110 098	106 179
Commitments	22				
Contingent Liabilities and Contingent Assets	23				

Statement of Cash Flows for the year ended 30 June 2005

		Consolidated		Country Fire Service	
		2005	2004	2005	2004
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:					
CASH OUTFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Employee payments		(6 805)	(5 645)	(6 805)	(5 645)
Supplies and services		(21 190)	(15 707)	(21 190)	(15 707)
Government Radio Network costs		(9 201)	(8 913)	(9 201)	(8 913)
Emergency Services Administrative Unit recharge		(5 778)	(5 500)	(5 778)	(5 500)
GST payments on purchases		(4 611)	(3 636)	(4 611)	(3 636)
Total Outflows from Operating Activities		(47 585)	(39 401)	(47 585)	(39 401)
CASH INFLOWS:					
Contributions from Community Emergency Services Fund		50 946	45 182	50 946	45 182
Fees and charges		274	284	274	284
Interest received		362	391	353	383
Group funds		445	3 231	445	3 231
GST receipts on receivables		306	201	306	201
GST input tax credits		4 557	3 042	4 557	3 042
Other		867	1 521	851	1 521
Total Inflows from Operating Activities		57 757	53 852	57 732	53 844
Net Cash Inflows from Operating Activities	24	10 172	14 451	10 147	14 443
CASH FLOWS FROM INVESTING ACTIVITIES:					
CASH OUTFLOWS:					
Purchase of property, plant and equipment		(12 745)	(10 798)	(12 745)	(10 798)
Total Outflows from Investing Activities		(12 745)	(10 798)	(12 745)	(10 798)
CASH INFLOWS:					
Proceeds from sale of property, plant and equipment		33	789	33	789
Total Inflows from Investing Activities		33	789	33	789
Net Cash Outflows from Investing Activities		(12 712)	(10 009)	(12 712)	(10 009)
NET (DECREASE) INCREASE IN CASH HELD		(2 540)	4 442	(2 565)	4 434
CASH AT 1 JULY		7 609	3 167	7 309	2 875
CASH AT 30 JUNE	14	5 069	7 609	4 744	7 309

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

(a) Objectives

The Country Fire Service Board (the Board) is established under the *Country Fires Act 1989* and is responsible under the Act for the following:

- Prevention, control and suppression of fires in the country;
- Protection of life and property in fire and other emergencies occurring in the country.

(b) Funding and Administrative Arrangements

Funding of the Board is derived from the Community Emergency Services Fund (the Fund), established by the *Emergency Services Funding Act 1998*, for the cost of its operational services in the protection of South Australian citizens and their property and the cost of strategic and administrative services delivered to it by the Emergency Services Administrative Unit (ESAU).

Funds generated by Groups and Brigades through fund raising activities are held locally for expenditure in the local community. These funds are recognised in the Board's financial statements.

2. Significant Accounting Policies

(a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with:

- Treasurer's Instructions (TI) and Accounting Policy Statements (APS) promulgated under the provision of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards (AAS);
- Other mandatory professional reporting requirements in Australia.

The Board's Statement of Financial Performance and Statement of Financial Position 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 continued existence of the Board in its present form, and with its present programs, is dependent on Government policy and on continuing funding from the Fund.

(b) Principles of Consolidation

The financial statements incorporate the assets and liabilities of all entities controlled by the Board as at 30 June 2005 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Refer to Note 26.

(c) Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these financial statements where required.

(d) Rounding

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

(e) Revenue Recognition

Interest

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

Sale of Non-Current Assets

The gross proceeds of non-current asset sales are included as revenue at the date control of assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Fees and Charges

Revenues are recognised when services are provided, at fair value of the consideration received.

Revenues from the Fund

Funding for programs are recognised as revenues when the Board obtains control over the assets. Control over funding is normally obtained upon their receipt.

(f) Taxation

The Board is not subject to income tax. The Board is liable for payroll tax, fringe benefits tax and Goods and Services Tax.

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Board as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
- receivables and payables are stated with the amount of GST included.

(g) Cash

For the purposes of the Statement of Cash Flows, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day-to-day basis. Cash also includes highly liquid investments with short periods to maturity that are readily convertible to cash on hand and subject to an insignificant risk of changes in value. Cash is measured at nominal value.

(h) Receivables

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

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public. If payment has not been received within 90 days after the amount falls due, under the terms and conditions of the arrangement with the debtor, the Board is able to charge interest at commercial rates until the whole amount of the debt is paid.

The Board determines an allowance for doubtful debts based on a review of balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

(i) Non-Current Asset Acquisition and Recognition

Assets are initially recorded at cost, plus any incidental cost involved with the acquisition. Where assets are acquired at no value or minimal value, they are recorded at their fair value in the Statement of Financial Position.

In accordance with APS 2 'Asset Recognition', the Board capitalises all non-current assets with a value of \$10 000 or greater.

(j) Valuation of Non-Current Assets

Property, plant and equipment are brought to account at fair value. On an ongoing basis, revaluations are made in accordance with a regular policy whereby independent valuations are obtained every three years and carrying amounts are adjusted accordingly.

- (i) Independent valuations for land and buildings were obtained in 2003-04 and 2004-05 from Liquid Pacific Holdings Pty Ltd and in 2002-03 from Valcorp Australia Pty Ltd and were determined on the basis of open market values for existing use.
- (ii) An independent valuation of vehicles was obtained in 2002-03 for current emergency response vehicles from Valcorp Australia Pty Ltd and represents the written down current cost of vehicles. Vehicles controlled by Brigades and brought to account for the first time in 2003-04 have been recognised at written down current cost.
- (iii) Capital works in progress represent costs accumulated during the construction or development of an asset and is valued at cost.
- (iv) Plant and equipment, computer equipment and communications equipment are at historical cost.

(k) Depreciation of Non-Current Assets

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable non-current asset over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets with annual reassessments for major items.

Asset Class:	Useful Lives Years
Communications equipment	10
Vehicles	5-20
Plant and equipment	6-10
Computer equipment	5
Buildings	30-45

(l) Payables

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

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

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

All amounts are measured at their nominal amount and are normally settled within 30 days in accordance with Treasurer's Instruction 8 'Expenditure for Supply Operations and Other Goods and Services' after the Board receives an invoice.

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

(m) Employee Benefits

- (i) *Wages, Salaries and Annual Leave*
Liabilities for wages, salaries and annual leave expected to be settled within 12 months of the year-end represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay at the time the liability is settled. Relevant accrued salaries and wages and relevant employment on-costs are shown under the item 'Payables'.
- (ii) *Long Service Leave*
Long service leave is recognised on a pro-rata basis in respect of services provided by Board employees to balance date. The liability has been calculated at nominal amounts based on current salaries and wages rates using a benchmark of 10 years as advised by the Department of Treasury and Finance. Previously a benchmark of 12 years was used and the change in the benchmark has resulted in an increase of the long service leave provision by \$0.049 million. Relevant employment on-costs are shown under the item 'Payables'.
- (iii) *Sick Leave*
No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be from the current year's accrual, no liability is recognised.
- (iv) *Superannuation*
Contributions are made by the Board to a number of State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. The Board has 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 superannuation schemes.
- (v) *Workers Compensation*
A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. The Board's liability is an allocation of the Justice Portfolio's total assessment.

A separate valuation of liabilities of the Board has not been undertaken and if such a valuation was performed it may result in a different assessed liability. The Board fully funds this provision for both employees and volunteers.

(n) Operating Leases

In respect of operating leases, the lessor effectively retains substantially the entire risks and benefits incidental to ownership of the leased items. Operating lease payments are charged to the Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

3. Changes in Accounting Policies**Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

Australia will be adopting Australian equivalents to International Financial Reporting Standards (IFRS) for reporting periods commencing on or after 1 January 2005. The Board will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

Key Potential Implications

Set out below are the key areas where accounting policies will change and where they may have an impact on the financial statements. From investigations undertaken to date it is unlikely that the impact on the financial statements from these changes will be material.

Changes in Accounting Policies

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Impairment of Assets

In accordance with Accounting Standard AASB 136 'Impairment of Assets' all assets have been subject to impairment testing and no impairments were found.

4. Employee Expenses

Employee expenses for the reporting period comprised:	Consolidated		Country Fire Service	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Salaries and wages	5 346	4 542	5 346	4 542
Payroll tax and superannuation	755	681	755	681
Long service leave	233	132	233	132
Workers compensation	1 240	394	1 240	394
Other employee related expenses	110	93	110	93
	7 684	5 842	7 684	5 842

Average Number of Employees during the Reporting Period

On average, the Board employed 70.4 (67.6) FTEs throughout the reporting period.

Remuneration of Employees

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

	Consolidated		Country Fire Service	
	2005	2004	2005	2004
	Number of	Number of	Number of	Number of
	Employees	Employees	Employees	Employees
\$100 000 - \$109 999	5	4	5	4
\$130 000 - \$139 999	1	-	1	-
\$140 000 - \$149 999	1	1	1	1

The aggregate remuneration for all employees referred to above was \$789 000 (\$558 000).

Board Members' Remuneration

The number of members whose income from the Country Fire Service Board falls within the following bands was:

	2005	2004
	Number of	Number of
	Members	Members
\$0 - \$9 999	4	5
\$10 000 - \$19 999	1	1

Total remuneration received by those members was \$48 000 (\$51 000), which includes fringe benefits and superannuation contributions.

5. Supplies and Services

Supplies and services provided by entities within the SA Government for the reporting period comprised:

	Consolidated		Country Fire Service	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Consumables and minor purchases	233	147	233	147
Repairs and maintenance	351	36	351	36
Operating lease costs	827	705	827	705
Aerial support costs	49	25	49	25
Operational costs	121	154	121	154
Uniforms and protective clothing	18	4	18	4
Communication expenses	26	164	26	164
Energy	2	2	2	2
Travel and training	5	119	5	119
Other expenses	259	256	259	256
Total Supplies and Services - SA Government Entities	1 891	1 612	1 891	1 612

Supplies and services provided by entities external to the SA Government for the reporting period comprised:

Consumables and minor purchases	3 357	2 803	3 357	2 803
Repairs and maintenance	3 354	3 402	3 354	3 402
Operating lease costs	736	644	736	644
Aerial support costs	2 337	2 056	2 337	2 056
Operational costs	338	189	338	189
Uniforms and protective clothing	1 259	1 097	1 259	1 097
Communication expenses	2 038	1 684	2 038	1 684
Energy	294	280	294	280
Travel and training	1 475	1 057	1 475	1 057
Other expenses	2 522	2 164	2 518	2 164
Total Supplies and Services - Non-SA Government Entities	17 710	15 376	17 706	15 376
Total Supplies and Services	19 601	16 988	19 597	16 988

Consultancies

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

	Consolidated		Country Fire Service	
	2005	2004	2005	2004
	Number of	Number of	Number of	Number of
	Consultants	Consultants	Consultants	Consultants
Less than \$10 000	1	13	1	13
\$10 000 - \$50 000	1	-	1	-
Above \$50 000	1	-	1	-
	3	13	3	13

	Consolidated		Country Fire Service	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Less than \$10 000	2	13	2	13
\$10 000 - \$50 000	23	-	23	-
Above \$50 000	100	-	100	-
	125	13	125	13

6. Auditors' Remuneration	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
The amount due and payable for audit services:				
Auditor-General's Department	20	28	20	28
Other	1	1	-	1
	21	29	20	29
The auditors provided no other services.				
7. Government Radio Network (GRN) Costs	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Contribution towards GRN - Voice	7 704	7 705	7 704	7 705
Contribution towards GRN - Paging	1 503	1 522	1 503	1 522
Other GRN costs	-	35	-	35
	9 207	9 262	9 207	9 262
8. Depreciation	Consolidated		Country Fire Service	
Depreciation expenses for the reporting period were charged in respect of:				
Communications equipment	1 824	1 479	1 824	1 479
Vehicles	6 793	6 668	6 793	6 668
Plant and equipment	247	246	247	246
Computer equipment	210	190	210	190
Buildings	1 291	1 156	1 291	1 156
	10 365	9 739	10 365	9 739
9. Net Loss from Disposal of Non-Current Assets				
Proceeds from disposal of non-current assets	32	789	32	789
Less: Written down value of non-current assets	321	1 137	321	1 137
	(289)	(348)	(289)	(348)
10. Fees and Charges	Consolidated		Country Fire Service	
Fees and charges received/receivable from entities within the SA Government for the reporting period comprised:				
Training and other recoveries	107	43	107	43
Incident cost recoveries	172	(3)	172	(3)
Total Fees and Charges - SA Government Entities	279	40	279	40
Fees and charges received/receivable from entities external to the SA Government for the reporting period comprised:				
Training and other recoveries	129	238	129	238
Other	1	6	1	6
Total Fees and Charges - Non-SA Government Entities	130	244	130	244
Total Fees and Charges	409	284	409	284
11. Interest	Consolidated		Country Fire Service	
Interest received/receivable for the reporting period from:				
Entities within the SA Government	19	58	19	58
Other	330	360	321	352
Total Interest Received	349	418	340	410

12. **Assets Received from Local Government and Other Sources**
 Since 1999 negotiations have been undertaken to identify and transition land, buildings, minor plant and equipment and motor vehicles from Local Government, Community Organisations and other sources into the ownership or the care and control of the Minister for Emergency Services (the Minister).

As at 30 June 2005 all known vehicles, appliances, minor plant and equipment have been transferred to the Minister. Security of tenure by way of transfer, rededication, lease or licence for approximately 92 percent of all land and buildings has been negotiated, including 11 additional properties (valued at fair value of \$1.574 million) formally transitioned into the control of the Minister during the 2004-05 financial year following the finalisation of agreements with various parties and independent assessments of property values.

13. Other Revenue	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Other revenue for the reporting period comprised:				
Donations	16	5	-	5
Rent received	78	43	78	43
Fuel rebate	46	40	46	40
Commonwealth grants	514	535	514	535
Other	199	299	199	299
	853	922	837	922
14. Cash				
Cash on hand	2	2	2	2
Cash at bank	1 223	3 010	1 066	2 879
Cash at bank - Groups and Brigades	2 321	1 517	2 321	1 517
Investments	168	1 366	-	1 197
Investments - Groups and Brigades	1 355	1 714	1 355	1 714
	5 069	7 609	4 744	7 309
15. Receivables				
Current:				
Sundry debtors	359	248	359	248
Less: Allowance for doubtful debts	-	12	-	12
	359	236	359	236
Accrued revenues	32	47	31	46
GST receivable	1 066	1 318	1 066	1 318
	1 457	1 601	1 456	1 600
Receivables from SA Government entities:				
Sundry debtors	346	17	346	17
Total Receivables - SA Government Entities	346	17	346	17
Receivables from Non-SA Government entities:				
Sundry debtors	13	231	13	231
Less: Allowance for doubtful debts	-	12	-	12
	13	219	13	219
Accrued revenues	32	47	31	46
GST receivable	1 066	1 318	1 066	1 318
Total Receivables - Non-SA Government Entities	1 111	1 584	1 110	1 583
Total Receivables	1 457	1 601	1 456	1 600
16. Non-Current Assets				
(a) Property, Plant and Equipment				
	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Land at independent valuation	7 091	3 221	7 091	3 221
Land at cost	337	652	337	652
Total Land	7 428	3 873	7 428	3 873
Buildings at independent valuation	23 233	19 172	23 233	19 172
Less: Accumulated depreciation	2 107	1 069	2 107	1 069
	21 126	18 103	21 126	18 103
Buildings at cost	2 556	3 454	2 556	3 454
Less: Accumulated depreciation	345	340	345	340
	2 211	3 114	2 211	3 114
Total Buildings	23 337	21 217	23 337	21 217
Total Property	30 765	25 090	30 765	25 090
Vehicles at independent valuation	59 988	59 928	59 988	59 928
Less: Accumulated depreciation	13 049	6 765	13 049	6 765
	46 939	53 163	46 939	53 163
Vehicles at cost	13 760	9 046	13 760	9 046
Less: Accumulated depreciation	1 179	731	1 179	731
	12 581	8 315	12 581	8 315
Total Vehicles	59 520	61 478	59 520	61 478
Communications equipment at cost	20 351	20 897	20 351	20 897
Less: Accumulated depreciation	5 877	7 001	5 877	7 001
Total Communications Equipment	14 474	13 896	14 474	13 896

17. Payables (continued)	Consolidated		Country Fire Service					
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000				
Payables to Non-SA Government Entities:								
Creditors	790	2 380	787	2 380				
Accrued expenses	374	248	373	248				
Employment on-costs (current and non-current)	200	157	200	157				
Total Payables - Non-SA Government Entities	1 364	2 785	1 360	2 785				
Total Payables	1 810	3 369	1 806	3 369				
18. Employee Benefits								
Employee benefits for the reporting period comprised:								
Current Liabilities:								
Annual leave	452	314	452	314				
Long service leave	20	20	20	20				
Workers compensation	667	621	667	621				
1 139	955	1 139	955					
Accrued salaries and wages (included in payables)	78	62	78	62				
Employment on-costs (included in payables)	89	72	89	72				
1 306	1 089	1 306	1 089					
Non-Current Liabilities:								
Long service leave	934	730	934	730				
Workers compensation	3 018	2 586	3 018	2 586				
3 952	3 316	3 952	3 316					
Employment on-costs (included in payables)	111	85	111	85				
4 063	3 401	4 063	3 401					
19. Accumulated Surplus								
Balance at 1 July	84 003	76 459	83 702	76 166				
Surplus from ordinary activities	1 652	7 544	1 631	7 536				
Balance at 30 June	85 655	84 003	85 333	83 702				
20. Asset Revaluation Reserve								
The asset revaluation reserve is the cumulative balance of asset revaluation increments and decrements.								
Balance at 1 July	22 477	23 308	22 477	23 308				
Revaluation of land and buildings	2 288	(831)	2 288	(831)				
Balance at 30 June	24 765	22 477	24 765	22 477				
21. Financial Instruments								
(a) Interest Rate Risk								
		Consolidated				Country Fire Service		
Financial Instrument	Weighted Average Interest Rate at 30.6.05 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2005 Total \$'000	Weighted Average Interest Rate at 30.6.05 Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	2005 Total \$'000
Financial Assets:								
Cash on hand		-	2	2		-	2	2
Cash at bank	5.35	1 223	-	1 223	5.35	1 066	-	1 066
Cash at bank - Groups and Brigades	*	2 321	-	2 321	*	2 321	-	2 321
Investments	4.80	168	-	168		-	-	-
Investments - Groups and Brigades	*	1 355	-	1 355	*	1 355	-	1 355
Receivables		-	1 457	1 457		-	1 456	1 456
Total Financial Assets		5 067	1 459	6 526		4 742	1 458	6 200
Financial Liabilities:								
Payables		-	1 810	1 810		-	1 806	1 806
Total Financial Liabilities		-	1 810	1 810		-	1 806	1 806

* These figures are unavailable

(a) Interest Rate Risk (continued)

Financial Instrument	Weighted Average Interest Rate at 30.6.04 Percent	Consolidated			Weighted Average Interest Rate at 30.6.04 Percent	Country Fire Service		
		Interest Bearing \$'000	Non-Bearing \$'000	2004 Total \$'000		Interest Bearing \$'000	Non-Bearing \$'000	2004 Total \$'000
Financial Assets:								
Cash on hand		-	2	2		-	2	2
Cash at bank	4.91	3 010	-	3 010	4.91	2 879	-	2 879
Cash at bank - Groups and Brigades	*	1 517	-	1 517	*	1 517	-	1 517
Investments	4.95	1 366	-	1 366	4.95	1 197	-	1 197
Investments - Groups and Brigades	*	1 714	-	1 714	*	1 714	-	1 714
Receivables		-	1 601	1 601		-	1 600	1 600
Total Financial Assets		7 607	1 603	9 210		7 307	1 602	8 909
Financial Liabilities:								
Payables		-	3 369	3 369		-	3 369	3 369
Total Financial Liabilities		-	3 369	3 369		-	3 369	3 369

* These figures are unavailable

(b) Net Fair Values

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

22. Commitments**(a) Commitments for Capital Expenditure**

As at the reporting date the Board had entered into contracts for the following capital expenditures which are not included in the financial statements.

These projects are due for completion within one year:	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Vehicles	2 327	408	2 327	408
Fire stations and other equipment	2 128	2 909	2 128	2 909
	4 455	3 317	4 455	3 317

(b) Operating Leases

Commitments under non-cancellable operating leases at the reporting date are payable as follows:

	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Payable not later than one year	1 228	1 007	1 228	1 007
Payable later than one year and not later than five years	2 678	1 996	2 678	1 996
Payable later than five years	228	443	228	443
	4 134	3 446	4 134	3 446

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

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

(c) Contractual Commitments

At the end of the reporting period the Board had the following commitments on contracts:

	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Payable not later than one year	4 737	1 229	4 737	1 229
Payable later than one year and not later than five years	3 339	1 619	3 339	1 619
	8 076	2 848	8 076	2 848

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

23. Contingent Liabilities and Contingent Assets**(a) Contingent Liabilities**

The Board has several contingent liabilities in the form of unresolved litigation. The majority of these liabilities are likely to be finalised early in the 2005-06 financial year, however the outcome cannot be reliably determined.

(b) Contingent Assets

During the 2004-05 financial year, the Board finalised negotiations for the transition of ten additional properties from local government, community organisations, private owners and State Government agencies. These properties will be assessed at fair value early in the 2005-06 financial year and have not been recognised within the 2004-05 financial statements.

24. Reconciliation of Net Cash Inflows from Operating Activities to Net Cost of Services from Ordinary Activities	Consolidated		Country Fire Service	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net cash inflows from operating activities	10 172	14 451	10 147	14 443
Less: Contributions from Community Emergency Services Fund	(50 946)	(45 182)	(50 946)	(45 182)
Add/Less: Non-cash items:				
Assets received from local government and other sources	1 574	5 186	1 574	5 186
Depreciation	(10 365)	(9 739)	(10 365)	(9 739)
Net loss from disposal of non-current assets	(289)	(348)	(289)	(348)
Changes in Assets/Liabilities:				
Increase in provision for employee benefits	(820)	(122)	(820)	(122)
Decrease (Increase) in payables	1 559	(1 704)	1 563	(1 704)
Decrease in receivables	(179)	(180)	(179)	(180)
Net Cost of Services from Ordinary Activities	(49 294)	(37 638)	(49 315)	(37 646)

25. Related Party Transactions

Members of the Board, or their member-related entities, conduct transactions with the Board within a normal supplier relationship on terms no more favourable than those with which it is reasonable to expect the Board would have adopted with the member or member-related entity at arms-length in similar circumstances.

The names of persons who held office as a member of the Board during the course of the reporting period were:

Mr R Dundon	Mr R Branson
Ms L Loan	Mr PJ Forster
Mr B Treloar	Mr R Peate

26. Controlled Entity

The consolidated financial statements at 30 June 2005 include the following controlled entity:

<i>Name of Controlled Entity</i>	<i>Place of Incorporation</i>
The Country Fire Service Foundation	Australia

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

27. Event Occurring After Reporting Date*Fire and Emergency Services Act 2005*

The *Fire and Emergency Services Act 2005* was assented to on 14 July 2005. The Act provides for the continuation of the Metropolitan Fire Service, the Country Fire Service, the State Emergency Service, and provides for the prevention, control and suppression of fires and for the handling of certain emergency service situations. The *Country Fires Act 1989*, the *South Australian Metropolitan Fire Service Act 1936* and the *State Emergency Service Act 1987* will be repealed at proclamation of the new Act. The establishment of the South Australian Fire and Emergency Services Commission is expected to come into operation on 1 October 2005.

The CFS Board will be dissolved. The CFS will continue as a separate corporate entity under the proposed arrangements.

COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Courts Administration Authority was established pursuant to the *Courts Administration Act 1993*. The Authority is constituted of the State Courts Administration Council, the State Courts Administrator, and other staff of the Council.

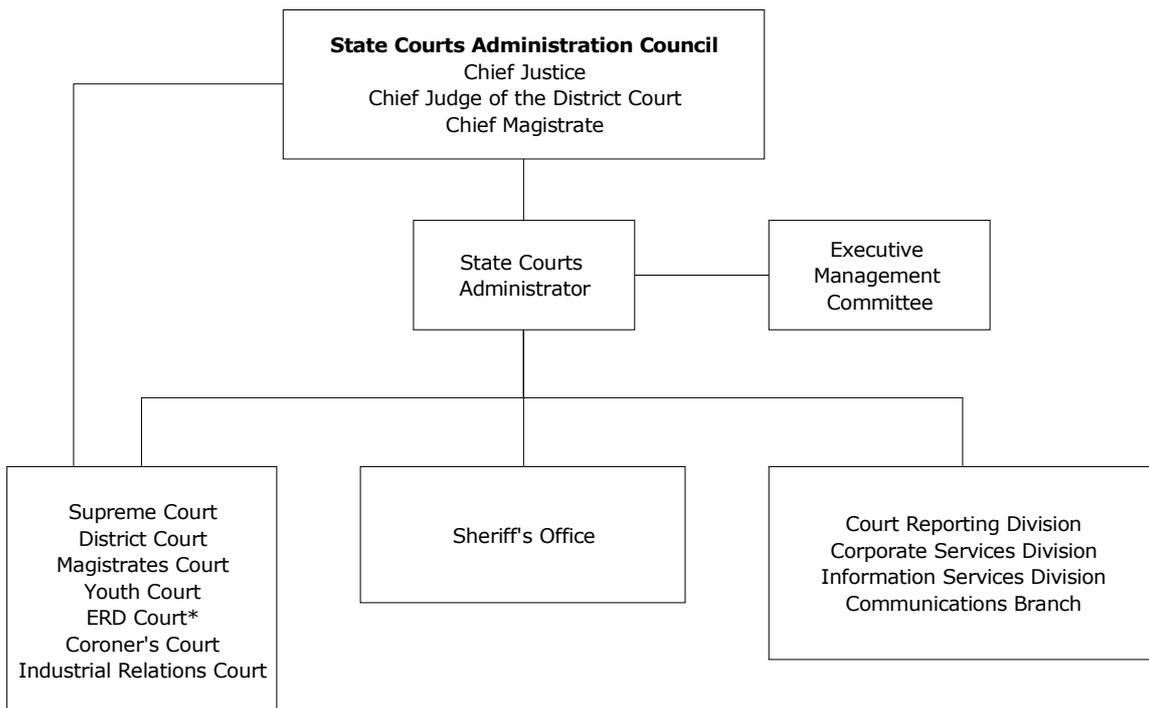
Functions

The function of the State Courts Administration Council, as an administrative authority independent of control of executive government, is to provide courts with the administrative facilities and services necessary for the proper administration of justice

The State Courts Administrator is responsible to the Council for management of the Council's staff and property.

Structure

The structure of the Courts Administration Authority is illustrated in the following organisation chart.



* Environment Resources and Development Court

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 27 of the *Courts Administration Act 1993* provides for the Auditor-General to audit the accounts of the Council for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Courts Administration Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether those controls are consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Scope of Audit

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

During 2004-05, specific areas of audit attention included:

- bank reconciliation
- expenditure, including accounts payable and payroll
- revenue, including court fees and fines
- non-current assets, including adequacy of asset register maintenance
- liabilities, including employee benefits
- general ledger
- Suitors' Funds operations at the Supreme and District Courts
- corporate governance.

Audit also completed a review of important aspects of the e-Lodgement facility. This system enables the electronic lodgement, by legal practitioners and the public, of civil claims with the Magistrate's Court over the internet. The operation and management of the facility is outsourced to an external service provider. The review focus was directed to aspects of system governance, system access controls, change management and business continuity.

The work of the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Courts Administration Authority's internal controls.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Courts Administration Authority as at 30 June 2005, the results of its operations and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Courts Administration Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matter raised in relation to the E-Lodgement Facility as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the Courts Administration Authority have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the State Courts Administrator. Responses to the management letters were satisfactory. A major matter raised with the Authority and the related response is considered herein.

E-Lodgement Facility

The review undertaken by Audit identified a number of management control issues and included:

- the need to improve the Authority's governance over the outsourcing arrangement;
- system access controls not maintained by the external service provider;
- change management procedures were not sufficient to ensure that the Authority was fully aware of the operating and control implications of changes and any related risks and exposures;
- the need to establish a business continuity plan.

The Authority advised that the following action would be taken to address the audit findings:

- Certain arrangements relating to governance will be actioned including amending future support arrangements.
- A direction will be given to the external service provider to rectify certain security control deficiencies.
- Implementation of a change management process that would ensure agreement between the Authority and the external service provider.
- A business continuity plan will be developed.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

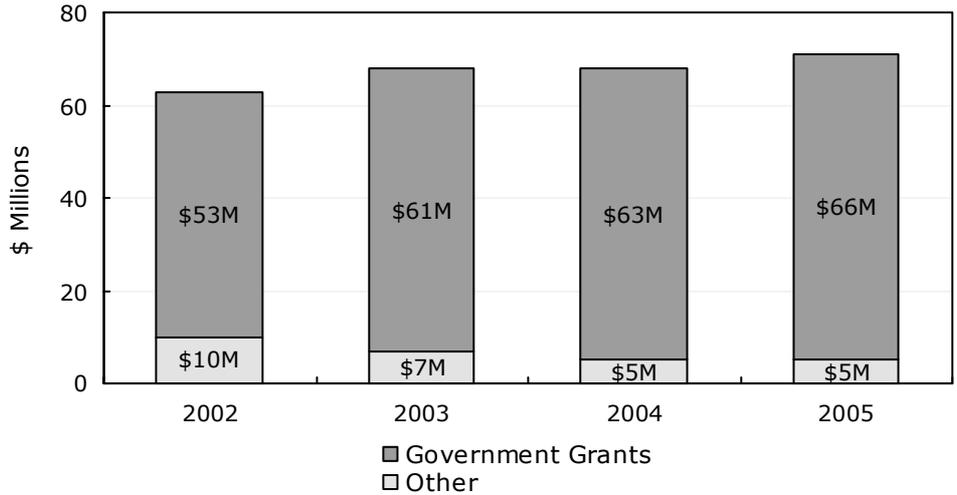
Highlights of Financial Statements	2005 \$'million	2004 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	66	63	5
Other	5	5	-
Total Operating Revenue	71	68	4
OPERATING EXPENDITURE			
Employment expenses	40	38	5
Other expenses	30	32	(6)
Total Operating Expenses	70	70	-
Surplus (Deficit)	1	(2)	-
Net Cash Flows from Operations	7	5	40
ASSETS			
Current assets	16	11	45
Non-current assets	107	114	(6)
Total Assets	123	125	(2)
LIABILITIES			
Current liabilities	6	6	-
Non-current liabilities	32	31	3
Total Liabilities	38	37	3
EQUITY	85	88	(3)

Statement of Financial Performance**Operating Revenues**

Revenue from Government is the most significant source of funding for the Courts Administration Authority for 2004-05. Various specific purpose grants and Targeted Voluntary Separation Package reimbursements from the Department of the Premier and Cabinet accounts for the changes in other revenues over recent years.

Courts Administration Authority

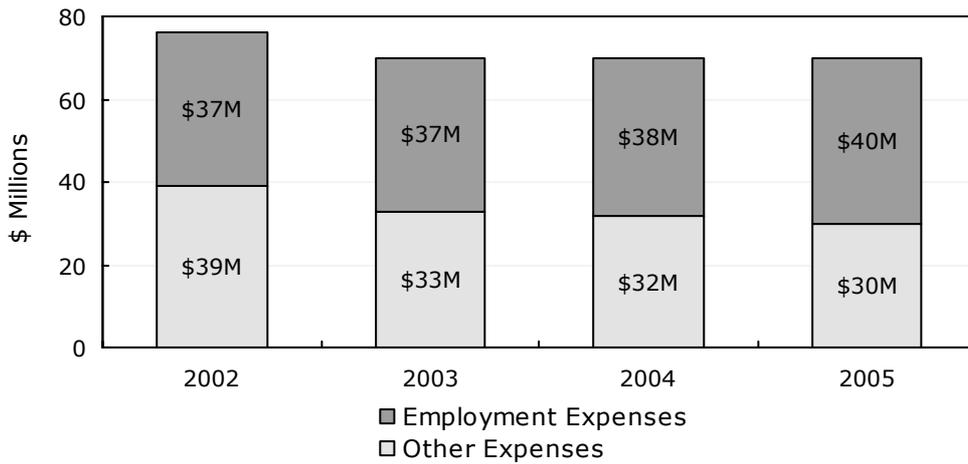
A structural analysis of operating revenues for the Authority in the four years to 2005 is presented in the following chart.



Operating Expenses

The Authority’s expenses from ordinary activities include the costs incurred in performing its statutory responsibilities including the collection of \$35 million in fines and Court fees on behalf of the Government. This revenue is directly credited to the Consolidated Account and is reported under Administered Revenues.

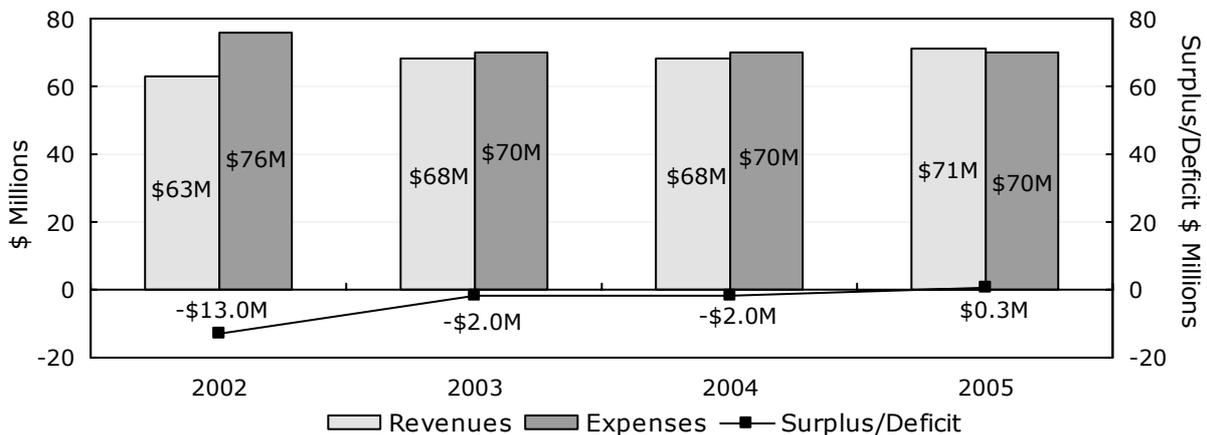
For the four years to 2005, a structural analysis of the main operating expense items for the Authority is shown in the following chart.



Operating Result

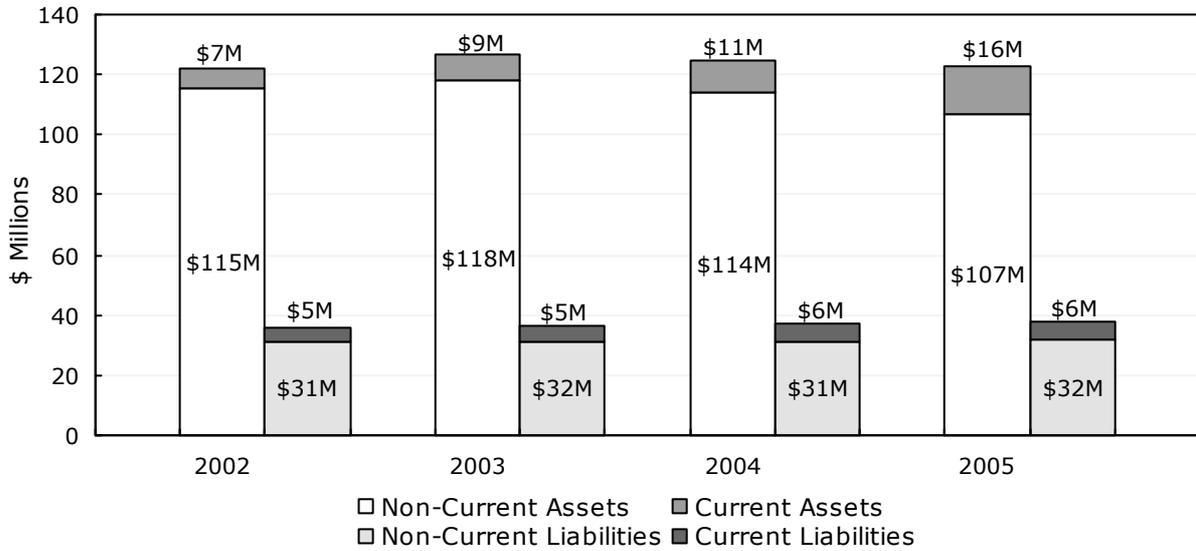
The Authority’s operations for 2005 resulted in a surplus of \$347 000 (deficit of \$2.3 million). The improvement in the result is attributable mainly to increased revenues from Government of \$2.9 million.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2005.



Statement of Financial Position

For the four years to 2005, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2005.

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
Net Cash Flows				
Operations	7	5	3	0
Investing	(1)	(1)	(1)	(4)
Financing	(1)	(1)	(1)	(1)
Change in Cash	5	3	1	(4)
Cash at 30 June	15	10	7	6

Included in cash at 30 June 2005 is \$11 million, being accrual appropriation, which is generally not accessible to the Authority.

INTERPRETATION AND ANALYSIS OF ADMINISTERED FINANCIAL STATEMENTS

Highlights of Financial Statements

	2005 \$'million	2004 \$'million	2003 \$'million	2002 \$'million
OPERATING REVENUE				
Government grants	25	23	21	19
Court fees and fines	35	32	29	28
Other	7	6	6	5
Total Operating Revenue	67	61	56	52
OPERATING EXPENDITURE				
Judicial employment expenses	24	23	20	19
Payments to Government	36	33	31	28
Other expenses	7	6	5	5
Total Operating Expenses	67	62	56	52
Surplus (Deficit)	0	(1)	0	0

	2005	2004	2003	2002
	\$'million	\$'million	\$'million	\$'million
ASSETS				
Current assets	12	12	1	1
Total Assets	12	12	1	1
LIABILITIES				
Current liabilities	16	14	2	2
Non-current liabilities	3	5	5	5
Total Liabilities	19	19	7	7
EQUITY	(7)	(7)	(6)	(6)

Grants are received from the Government to fund the payment of employment expenses of the Judiciary. The funding received covers the recurrent expenditure and does not extend to the Judiciary's leave liability.

Fines and Court fees are raised and collected by the Authority on behalf of the Government. The monies collected are paid directly to the Government.

**Statement of Financial Performance
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	2	861	736
Sale of goods and services	3	952	1 145
Regulatory fees	4	2 964	2 803
Proceeds from disposal of assets	5	2	-
Other	6	616	818
Total Revenues		5 395	5 502
EXPENSES FROM ORDINARY ACTIVITIES:			
Employees	7	39 909	38 305
Supplies and services	8	23 971	25 039
Depreciation and amortisation	9	4 466	5 114
Finance lease		1 341	1 383
Other	10	795	780
Total Expenses		70 482	70 621
NET COST OF SERVICES		(65 087)	(65 119)
REVENUES FROM GOVERNMENT:			
Net (expenses) revenues from write down and recognition of non-current assets		-	(10)
PAYMENTS TO GOVERNMENT:			
Cash alignment policy transfer	11	244	-
NET OPERATING SURPLUS (DEFICIT) FROM OPERATING ACTIVITIES		347	(2 311)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Decrease in asset revaluation reserve	20	(3 328)	-
TOTAL REVENUE, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		(3 328)	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(2 981)	(2 311)

**Statement of Financial Position
as at 30 June 2005**

	Note	2005	2004
		\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and on deposit	12	15 113	9 957
Receivables	13	404	664
Prepayments	14	175	595
Total Current Assets		15 692	11 216
NON-CURRENT ASSETS:			
Property, plant and equipment	15	107 251	113 780
Total Non-Current Assets		107 251	113 780
Total Assets		122 943	124 996
CURRENT LIABILITIES:			
Payables	16	1 544	1 951
Employee entitlements	17	3 116	3 064
Finance lease	18	777	735
Other	19	445	369
Total Current Liabilities		5 882	6 119
NON-CURRENT LIABILITIES:			
Payables	16	780	646
Employee entitlements	17	6 597	5 383
Finance lease	18	22 698	23 475
Other	19	2 339	1 745
Total Non-Current Liabilities		32 414	31 249
Total Liabilities		38 296	37 368
NET ASSETS		84 647	87 628
EQUITY:			
Accumulated surplus		77 278	76 931
Asset revaluation reserve		7 369	10 697
TOTAL EQUITY	20	84 647	87 628
Commitments	21		
Contingent Assets and Liabilities	28		

**Statement of Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note	\$'000	\$'000
Appropriations		65 678	62 818
Grants		861	736
Fees for service		4 198	4 034
GST collected		119	128
GST receipts from taxation authority		2 028	2 087
Other		594	1 053
Total Receipts		73 478	70 856
PAYMENTS:			
Employees		(37 822)	(37 351)
Supplies and services		(23 946)	(24 574)
GST payments to taxation authority		(112)	(127)
GST paid on purchases		(2 070)	(1 983)
Finance lease		(1 340)	(1 383)
Cash alignment policy transfer		(244)	-
Other		(790)	(825)
Total Payments		(66 324)	(66 243)
Net Cash provided by Operating Activities	22	7 154	4 613
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sales of property, plant and equipment		2	-
Total Receipts		2	-
PAYMENTS:			
Purchase of property, plant and equipment		(1 265)	(970)
Total Payments		(1 265)	(970)
Net Cash used in Investing Activities		(1 263)	(970)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of finance lease		(735)	(698)
Total Payments		(735)	(698)
Net Cash used in Financing Activities		(735)	(698)
NET INCREASE IN CASH HELD		5 156	2 945
CASH AT 1 JULY		9 957	7 012
CASH AT 30 JUNE		15 113	9 957

**Program Schedule of Revenues and Expenses
for the year ended 30 June 2005**

	2005			
	1	2	3	Total
	\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:				
Grants	767	94	-	861
Sale of goods and services	929	5	18	952
Regulatory fees	211	-	2 753	2 964
Proceeds from disposal of assets	2	-	-	2
Other	616	-	-	616
Total Revenues	2 525	99	2 771	5 395
EXPENSES FROM ORDINARY ACTIVITIES:				
Employees	35 040	1 895	2 974	39 909
Supplies and services	22 024	427	1 520	23 971
Depreciation and amortisation	4 446	7	13	4 466
Borrowing costs	1 341	-	-	1 341
Other	688	69	38	795
Total Expenses	63 539	2 398	4 545	70 482
NET COST OF SERVICES	(61 014)	(2 299)	(1 774)	(65 087)
Revenues from government	59 208	2 235	4 235	65 678
PAYMENTS TO GOVERNMENT:				
Cash alignment policy transfer	216	10	18	244
NET (DEFICIT) SURPLUS FROM OPERATING ACTIVITIES	(2 022)	(74)	2 443	347

- Program 1 Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Program 2 Alternative Dispute Resolution Services*
Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes which aim to prevent disputes.
- Program 3 Penalty Management Services*
The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

**Schedule of Administered Revenues and Expenses
for the year ended 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Fines		17 844	16 399
Revenues from government		24 683	22 953
Court fees		17 185	16 027
Transfer revenues		6 372	5 188
Transcript fees		1 181	1 220
Total Revenues		67 265	61 787
EXPENSES FROM ORDINARY ACTIVITIES:			
Judicial salary and related expenses	30	24 272	23 022
Transfer expenses		6 372	5 181
Other expenses		818	917
Total Expenses		31 462	29 120
PAYMENTS TO CONSOLIDATED ACCOUNT		36 075	33 367
NET DECREASE IN ADMINISTERED NET ASSETS		(272)	(700)

**Schedule of Administered Assets and Liabilities
as at 30 June 2005**

		2005	2004
	Note	\$'000	\$'000
ADMINISTERED ASSETS:			
Current:			
Cash	31	11 438	10 899
Receivables	32	911	772
Total Administered Assets		12 349	11 671
ADMINISTERED LIABILITIES:			
Current:			
Payables	33	12 996	11 763
Judicial entitlements	34	2 972	2 068
Total Current Administered Liabilities		15 968	13 831
Non-Current:			
Payables	33	564	796
Judicial entitlements	34	3 091	4 046
Total Non-Current Administered Liabilities		3 655	4 842
Total Administered Liabilities		19 623	18 673
EQUITY:			
Accumulated deficit	35	(7 274)	(7 002)
TOTAL EQUITY		(7 274)	(7 002)

**Schedule of Administered Cash Flows
for the year ended 30 June 2005**

		2005	2004
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
RECEIPTS:			
Fines		17 844	16 399
Receipts from government		24 683	22 953
Court fees		17 050	15 748
Transfer receipts		5 938	5 159
Transcript fees		1 181	1 220
Total Receipts		66 696	61 479
PAYMENTS:			
Judicial salary and related payments		(23 864)	(22 036)
Payments to Government		(35 099)	(22 952)
Transfer payments		(6 376)	(5 169)
Other payments		(818)	(917)
Total Payments		(66 157)	(51 074)
Net Cash provided by Operating Activities	36	539	10 405
NET INCREASE IN CASH HELD		539	10 405
CASH AT 1 JULY		10 899	494
CASH AT 30 JUNE		11 438	10 899

**Program Schedule of Administered Revenues and Expenses
for the year ended 30 June 2005**

	2005			Total \$'000
	1 \$'000	2 \$'000	3 \$'000	
REVENUES FROM ORDINARY ACTIVITIES:				
Fines	34	-	17 810	17 844
Revenues from Government	24 683	-	-	24 683
Court fees	8 324	-	8 861	17 185
Transfer revenues	720	-	5 652	6 372
Transcript fees	1 181	-	-	1 181
Total Revenues	34 942	-	32 323	67 265
EXPENSES FROM ORDINARY ACTIVITIES:				
Judicial salary and related expenses	24 272	-	-	24 272
Transfer expenses	720	-	5 652	6 372
Other expenses	782	-	36	818
Total Expenses	25 774	-	5 688	31 462
PAYMENTS TO CONSOLIDATED ACCOUNT	9 474	-	26 601	36 075
NET (DECREASE) INCREASE IN ADMINISTERED NET ASSETS	(306)	-	34	(272)

- Program 1 Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Program 2 Alternative Dispute Resolution Services*
Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes which aim to prevent disputes.
- Program 3 Penalty Management Services*
The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives and Funding

The Courts Administration Authority (the Authority) operates within the *Courts Administration Act 1993*.

Its principle objective is to provide quality administration to the judiciary and to ensure an effective and accessible courts system.

Currently, the major priorities of the Authority and the State Courts Administration Council are to:

- increase the community's understanding of the operations of the courts and provide new and increased avenues for community feedback into the operations of the courts;
- improve court facilities and other aspects of dealing with the courts;
- foster an environment and a management framework wherein judicial officers, staff and volunteers can contribute to improved performance of the courts system;
- keep up to date with technological developments and apply those that are appropriate to the improved performance of the courts system;
- cooperate with other parts of the justice system to improve access to justice and to improve performance of the justice system overall.

Financial Arrangements

The Authority is predominantly funded by Parliamentary appropriations. However, some services are provided on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:

- Sheriff's officer fees;
- reminder fees;
- sale of electronic information.

Financial Arrangements (continued)

The financial activities of the Authority are primarily conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*. The Deposit Account is used for funds provided by Parliamentary appropriation together with revenues from fees-for-service. Refer to Notes 1.16 and 1.17 for accounting arrangements relating to Administered Items.

1.2 Basis of Accounting

The general purpose financial report has been prepared in accordance with:

- Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- Applicable Australian Accounting Standards;
- Other mandatory professional reporting requirements in Australia.

The Statements of Financial Performance and the Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. No allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits embodied in the asset or sacrifices will eventuate and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities which are unrecognised are reported as commitments in Note 21.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flows or consumptions or loss of economic benefits has occurred and can be reliably measured. Some revenues are recognised when cash is received because only at this time can the Authority be certain about the amounts to be collected. These items include administered revenues such as fines, revenues received on behalf of other Government agencies and the Authority's fee-for-service revenue such as reminder notice fees attached to fine penalty notices.

The continued existence of the Authority in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament to fund the Authority's administration and programs.

The Schedules of Administered Revenues and Expenses, Assets and Liabilities and Cash Flows are prepared on the same basis and using the same policies as for operating items, except where otherwise stated at Notes 1.16 and 1.17.

1.3 Changes in Accounting Policies

Impact of Adopting Australian Equivalents to International Financial Reporting Standards.

Australia will be adopting Australian equivalents to International Financial Reporting Standards (AIFRS) for reporting periods commencing on or after 1 January 2005. The Authority will adopt these standards for the first time in the published financial report for the year ended 30 June 2006.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards', requires disclosure of any key differences in accounting policies, and known or reliably estimable information about the impact on this financial report had this report been prepared using the Australian equivalents to the IFRS.

The Authority has assessed the significance of the adoption of the standards for the purpose of their implementation. This has involved assessment of accounting policy and topics in existing Australian Accounting Standards and Australian equivalents to IFRS to determine any key differences and significant financial impacts.

The assessment that has been undertaken identified AASB 119 'Employee Benefits' as the only standard to be effected by the change to IFRS. The Authority will adjust employee benefits payable later than 12 months (currently measured at nominal amounts) to present value in future years. However, as this amount is immaterial no disclosure has been made in these accounts.

1.4 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Authority.

(a) *Revenue from Government-Agency Appropriations*

Control over appropriations and grants is normally obtained upon their receipt.

(b) *Other Revenue*

The Authority provides some services on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:

- Sheriff's officer fees;
- Reminder fees;
- Sale of electronic information.

The Authority also recovers the cost of goods and services incurred where appropriate.

- (b) *Other Revenue (continued)*
 Most of this revenue is recognised at the time the cash is received because only at this time can the Authority be certain about the amounts to be collected. Examples of this include, fee-for-service revenue such as reminder notice fees attached to fine penalty notices and sheriff's officer fees. However, some revenues such as sale of electronic information, are recognised at the time the service is provided.

1.5 Employee Entitlements

- (a) *Leave*
 A provision is raised at the end of the reporting period to reflect employee entitlements when payment is expected to be made for annual leave and long service leave. Where leave loadings are paid, they are included in the calculation.

In calculating long service leave entitlements the Authority takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. The benchmark is currently seven years.

The Authority's employees' entitlement to sick leave is non-vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those future periods.

Employment on-costs relating to employee entitlements owing, are recognised as liabilities in the Statement of Financial Position. Employee entitlements and employment on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

- (b) *Superannuation*
 The Authority made contributions of \$8.7 million (\$6.8 million) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.

- (c) *Workers Compensation*
 A liability has been reported to reflect workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Workforce Relations Branch of the Department for Administrative and Information Services.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2005 valuation, the Justice, DETE, DHS and all other portfolios have been analysed separately. The Authority's liability is an allocation of the Justice Portfolio's total assessment.

1.6 Leases

The Authority has entered into a number of operating lease agreements for the provision of photocopiers and some office and IT equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of these items. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property. Details of commitments under non-cancellable operating leases are disclosed in Note 21.

The Authority's rights and obligations under finance leases, which are leases that effectively transfer to the Authority substantially all of the risks and benefits incidental to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as 'Building under finance lease', and are amortised to the Statement of Financial Performance over the period during which the Authority is expected to benefit from the use of the leased assets.

Minimum lease payments are allocated between interest expenses and reduction of the lease liability, according to the interest rate implicit in the lease. Details of finance leases are disclosed in Note 18.

1.7 Cash

Cash comprises Deposit Accounts with the Department of Treasury and Finance as well as cash on hand.

1.8 Financial Instruments

Accounting policies for financial instruments are stated at Notes 28 and 36.

1.9 Acquisitions of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

1.10 Property (Land and Buildings), Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases with an individual value of less than \$5 000 which are expensed in the Statement of Financial Performance at the time they are acquired.

Revaluations

Land, buildings and improvements controlled by the Authority are recorded at amounts based on valuation and cost. Valuations are prepared by Colliers Jardine, licensed valuers. Land, buildings and improvements are revalued every three years with the current valuations reflecting valuations performed as at 30 June 2003.

The authority has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' for the valuation of land, buildings and improvements at fair value.

Valuations of works of art and collections were performed by Theodore Bruce Auctions Pty Ltd, licensed valuers. Works of art and collections are measured at their market value and are not depreciated. The valuations currently brought to account for works of art and collections were made as at 30 June 1996. Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within the category 'Works of art and collections'.

The balance brought to account for library collections represents the fair value as at 30 June 2002 based on information provided by Michael Treloar, licensed valuer.

Depreciation and Amortisation

All non-current assets, with the exception of land, works of art and collections and library collections - loose leaf, have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually. The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and improvements	30-60
Computing	3-10
Office furniture and equipment	10
Library collections - Other	20
Leasehold improvements	Life of lease
In-house developed computer software	10
Other (general equipment)	5-10

1.11 Goods and Services Tax

In accordance with the requirements of UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

- the amount of GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

The GST receivable from the Australian Taxation Office has been recognised in the Statement of Financial Position.

GST will not apply to the finance lease liability of the Authority until 2005-06.

Cash flows are reported on a gross basis in the Statement of Cash Flows. The GST component of the cash flows arising from investing or financing activities, which are recoverable from, or payable to, the Australian Taxation Office have however been classified as operating cash flows.

1.12 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. No foreign currency receivables and payables existed as at balance date.

1.13 Insurance

The Authority has insured for risks through the South Australian Government Captive Insurance Corporation (SAICORP). These risks include property and public liability as well as professional indemnity.

1.14 Comparative Figures

Where applicable, comparative figures have been adjusted to conform to changes in the current year.

1.15 Rounding

Amounts have been rounded to the nearest \$1 000.

1.16 Administered Revenue

All revenues described in this Note are revenues relating to the operating activities performed by the Agency on behalf of the Government and other Government agencies. Fines revenue, a significant proportion of court fees revenue, and amounts received on behalf of other agencies is recognised at the time cash is received due to the uncertainty in the amounts to be collected.

- (a) *Revenue from Government - Administered Appropriations*
Appropriations for Administered Expenses represents funding required to meet judicial expenses and are recognised upon their receipt.
- (b) *Fines*
The Authority receives revenue from infringement notices issued to offenders committing offences under various acts and regulations, principally the *Road Traffic Act 1961*.
- (c) *Court Fees*
The Authority processes revenue from fees charged under regulations to various Acts. Examples of these fees include lodgement fees in the various jurisdictions and sales of transcript and evidence.
- (d) *Revenue Received on Behalf of/for Other Government Agencies*
The Authority receives revenue on behalf of other government agencies, which it forwards to them on a regular basis. An example of this is revenue received in respect of the Victims of Crime levy which is paid to the Attorney-General's Department.

The administered funds receivable balance, recorded in the Schedule of Administered Assets and Liabilities, includes amounts due in respect of sales of transcript and certain court fees. The remaining administered receivables are not recorded in the Schedule of Administered Assets and Liabilities as there is significant uncertainty as to the amount which will be collected. Total administered receivables owing to the Authority, but not recognised were \$100.5 million (\$90.1 million).

In addition, the Authority receives reimbursement from other government agencies for items such as witness expenses which it receives from the Attorney-General's Department.

1.17 Administered Expenses

- (a) *Payments to Consolidated Account*
Administered Fees and Fines collected by the Authority are paid directly to the Consolidated Account.
- (b) *Judicial Expenses*
The Authority makes payments pursuant to the *Remuneration Act 1990* for members of the judiciary. These expenses include judicial salaries and related on-costs, judicial vehicle expenses and Fringe Benefits Tax.

The Authority is dependent on support from the Crown to meet accruing entitlement obligations recognised in the financial statements.

2. Grants	2005	2004
Grants for the reporting period comprised:	\$'000	\$'000
Hayden Matter	409	459
Drug Court	230	89
Other	222	188
	861	736
	861	736
3. Sale of Goods and Services		
Fees and charges for the reporting period comprised:		
Sale of electronic information	295	351
Recoups for services	170	298
Rent recoups	177	264
Other revenue	310	232
	952	1 145
	952	1 145
4. Regulatory Fees		
Licence disqualification and reminder fees	1 759	1 761
Sheriff's officer fees	994	818
Photocopying	105	121
Other regulatory fees	106	103
	2 964	2 803
	2 964	2 803
5. Proceeds and Expenses from Disposal of Assets		
Plant and Equipment:		
Proceeds from sale	2	-
	2	-
6. Other Revenues		
Other revenues for the reporting period comprised:		
Investment revenue	616	483
TVSP recoup	-	335
	616	818
	616	818

7. Employee Expenses	2005	2004
Employee expenses for the reporting period comprised:	\$'000	\$'000
Salaries and wages	31 954	31 043
Payroll tax and superannuation expenses	5 526	5 382
Long service leave expenses	1 435	1 355
Targeted Voluntary Separation Packages	-	335
Other	994	190
	39 909	38 305
8. Supplies and Services Expenses		
Supplies and services expenses for the reporting period comprised:		
Accommodation expenses	8 493	9 050
Administration expenses - SA Government	255	267
Administration expenses - Non-SA Government	7 453	7 805
Computing and communications	3 141	3 521
Coronial charges	2 526	2 509
Jurors' expenses	1 348	1 215
Bailiff fee reimbursements	755	672
	23 971	25 039
The total includes other expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government was less than \$100 000. Expenses over \$100 000 are separately disclosed.		
9. Depreciation and Amortisation	2005	2004
Depreciation and amortisation expenses for the reporting period were charged in respect of:	\$'000	\$'000
Buildings and improvements	1 847	1 797
In-house developed computer software	1 058	1 647
Computing	365	621
Finance lease on building	830	830
Office furniture and equipment	92	118
Library collections	172	-
Leasehold improvements	102	101
	4 466	5 114
10. Other Expenses		
Other expenses for the reporting period comprised:		
Operating lease payments	518	502
Other	277	278
	795	780
The total includes other expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government was less than \$100 000.		
11. Cash Alignment Policy Transfer		
Cash Surplus Transfer to Government:		
Cash transfer *	244	-
	244	-
* This is a new policy and reflects surplus cash holdings in CAA bank account transferred to the Consolidated Account.		
12. Cash on Hand and on Deposit		
Cash on hand and on deposit comprised:		
Deposit accounts with the Department of Treasury and Finance*	15 083	9 914
Cash on hand (including petty cash)	30	43
	15 113	9 957
* Includes accrual appropriation of \$11 million (\$7 million).		
13. Receivables		
Receivables comprised:		
GST receivable	55	406
Fees for service	327	258
Interest receivable	22	-
	404	664
The total includes other expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government was less than \$100 000.		

14. Prepayments		2005	2004
Prepayments comprised:		\$'000	\$'000
Finance lease		-	402
Supplies and services		175	193
		175	595

15. Property, Plant and Equipment		2005		
(a) Summary of Balances		Accumulated/	Written	
	Cost/	Depreciation/	Down	
	Valuation	Amortisation	Value	
	\$'000	\$'000	\$'000	
Land at fair value	15 913	-	15 913	
Buildings and improvements at fair value	104 398	(35 606)	68 792	
Building under construction at cost	891	-	891	
Building under finance lease at fair value	33 191	(18 255)	14 936	
Leasehold improvements at cost	1 033	(421)	612	
Computing at cost	5 068	(4 432)	636	
Office furniture and equipment at cost	1 484	(1 052)	432	
In-house developed computer software at cost	7 688	(7 688)	-	
Library collections at fair value	4 713	(172)	4 541	
Works of art and collections at fair value	498	-	498	
	174 877	(67 626)	107 251	

		2004		
	Cost/	Accumulated	Written	
	Valuation	Depreciation/	Down	
	\$'000	Amortisation	Value	
	\$'000	\$'000	\$'000	
Land at fair value	15 913	-	15 913	
Buildings and improvements at fair value	104 354	(33 759)	70 595	
Building under construction at cost	3 727	-	3 727	
Building under finance lease	33 191	(17 425)	15 766	
Leasehold improvements at cost	1 033	(319)	714	
Computing at cost	5 048	(4 212)	836	
Office furniture and equipment at cost	1 417	(960)	457	
In-house developed computer software at cost	7 688	(6 630)	1 058	
Library collections at fair value	4 216	-	4 216	
Works of art and collections at fair value	498	-	498	
	177 085	(63 305)	113 780	

(b) Analysis of Property, Plant and Equipment

	Land	Buildings and Improvements	Building under Finance Lease	Building under Construction	Buildings- Leasehold Improvements	Total Land & Buildings
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value as at 1 July 2004	15 913	104 354	33 191	3 727	1 033	158 218
Additions: Purchases of Assets	-	44	-	561	-	605
Disposals/stocktake write-offs	-	-	-	(3 397)	-	(3 397)
Gross Value as at 30 June 2005	15 913	104 398	33 191	891	1 033	155 426
Accumulated depreciation/amortisation as at 30 June 2004	-	(33 759)	(17 425)	-	(319)	(51 503)
Depreciation/amortisation for year	-	(1 847)	(830)	-	(102)	(2 779)
Accumulated Depreciation/Amortisation as at 30 June 2005	-	(35 606)	(18 255)	-	(421)	(54 282)
Net Book Values as at 30 June 2005	15 913	68 792	14 936	891	612	101 144
Net Book Values as at 30 June 2004	15 913	70 595	15 766	3 727	714	106 715

(b) Analysis of Property, Plant and Equipment (continued)

	Computing \$'000	Office Furniture & Equipment \$'000	In-house Developed Computer Software \$'000	Library Collections \$'000	Works of Art and Collections \$'000	Equipment and Collections \$'000	Total Plant and Collections \$'000	2005 Total \$'000
Gross value as at 1 July 2004	5 048	1 417	7 688	4 216	498	18 867		177 085
Additions: Purchases of Assets	165	111	-	497	-	773		1 378
Adjust prior year balances	-	(44)	-	-	-	(44)		(44)
Disposals/stocktake write-offs	(145)	-	-	-	-	(145)		(3 542)
Gross Value as at 30 June 2005	5 068	1 484	7 688	4 713	498	19 451		174 877
Accumulated depreciation/ amortisation as at 30 June 2004	(4 212)	(960)	(6 630)	-	-	(11 802)		(63 305)
Depreciation/ amortisation for year	(390)	(109)	(1 058)	(172)	-	(1 729)		(4 508)
Depreciation over/under expensed previous years	25	17	-	-	-	42		42
Disposals/stocktake write-offs	145	-	-	-	-	145		145
Accumulated Depreciation/ Amortisation as at 30 June 2005	(4 432)	(1 052)	(7 688)	(172)	-	(13 344)		(67 626)
Net Book Values as at 30 June 2005	636	432	-	4 541	498	6 107		107 251
Net Book Values as at 30 June 2004	836	457	1 058	4 216	498	7 065		113 780

	2005 \$'000	2004 \$'000
16. Payables		
Current:		
Creditors and accruals	1 052	1 475
On-costs on provision for employee entitlements	492	476
	1 544	1 951
Non-Current:		
On-costs on provision for employee entitlements	780	646

The totals include other expenses paid or payable to SA Government entities where the amount paid or payable to the SA Government was less than \$100 000.

	2005 \$'000	2004 \$'000
17. (a) Employee Entitlements		
Current:		
Accrued salaries and wages	505	349
Long service leave	533	812
Annual leave	2 078	1 903
	3 116	3 064
Non-Current:		
Long service leave	6 359	5 178
Annual leave	238	205
	6 597	5 383
(b) Employee Entitlements and Related On-cost Liabilities		
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note 16)	83	59
Provision for employee entitlements - Current (Note 17(a))	505	349
	588	408
Annual Leave:		
On-costs included in payables - Current (Note 16)	347	321
Provision for employee entitlements - Current (Note 17(a))	2 078	1 903
	2 425	2 224
On-costs included in payables - Non-Current (Note 16)	40	33
Provision for employee entitlements - Non-Current (Note 17(a))	238	205
	278	238

(b) Employee Entitlements and Related On-cost Liabilities (continued)	2005	2004
Long Service Leave:	\$'000	\$'000
On-costs included in payables - Current (Note 16)	62	96
Provision for employee entitlements - Current (Note 17(a))	533	812
	595	908
On-costs included in payables - Non-Current (Note 16)	740	613
Provision for employee entitlements - Non-Current (Note 17(a))	6 359	5 178
	7 099	5 791
Aggregate Employee Entitlements and Related On-cost Liabilities	10 985	9 569

	2005	2004
	Number	Number
Average number of employees during the year	667.7	669.6

18. Finance Lease	2005	2004
Finance lease commitments:	\$'000	\$'000
Payable no later than one year	5 029	4 922
Payable later than one year and not later than five years	20 115	19 688
Payable later than five years	65 372	68 908
Minimum lease payments	90 516	93 518
Less: Future finance charges and contingent rentals	67 041	69 308
Lease Liability	23 475	24 210
Classified as:		
Current	777	735
Non-current	22 698	23 475
	23 475	24 210

A finance lease exists in relation to the Sir Samuel Way Building. This lease is non-cancellable for a term of 40 years.

19. Other Liabilities	2005	2004
Workers Compensation liabilities advised by the Public Sector Workforce Relations Branch of the Department for Administrative and Information Services comprised:	\$'000	\$'000
Current:		
Income maintenance	310	260
Other	135	109
	445	369
Non-Current:		
Income maintenance	1 660	1 266
Other	679	479
	2 339	1 745

20. Equity	Accumulated Surplus		Asset Revaluation Reserve		Total Equity	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	76 931	79 242	10 697	10 697	87 628	89 939
Net surplus (deficit) from operating activities	347	(2 311)	-	-	347	(2 311)
Adjustment to prior years revaluation increment (consisting of):						
Revaluation decrement to buildings	-	-	(3 328)	-	(3 328)	-
Balance at 30 June	77 278	76 931	7 369	10 697	84 647	87 628

When preparing the financial statements for the year ending 30 June 2005 it was noted that an error was made when the calculations were prepared for the revaluations of the buildings as the values recorded did not include the amounts in the WIP account.

The error was not judged to be 'fundamental' and it was decided not to amend and reissue the financial statements for the prior years as the movement was between WIP and the asset revaluation reserve not the actual value of the asset.

21. Commitments	2005	2004
BY TYPE:	\$'000	\$'000
Capital Commitments:		
Land and buildings ⁽¹⁾	10 845	12 590
Total Capital Commitments	10 845	12 590
Other Commitments:		
Operating leases ⁽²⁾	688	920
Miscellaneous	4	10
Total Other Commitments	692	930
Net Commitments	11 537	13 520
BY MATURITY:		
All Net Commitments:		
One year or less	5 242	1 023
From one to five years	6 295	12 497
Net Commitments	11 537	13 520
Operating Lease and Miscellaneous Commitments:		
One year or less	242	363
From one to five years	450	567
Total Operating Lease and Miscellaneous Commitments	692	930

Commitments are GST inclusive where relevant.

- (1) Outstanding contractual arrangements for building under construction.
- (2) Operating leases are effectively non-cancellable and relate to photocopiers, IT and other leased equipment used by the Authority. Rental is payable monthly in arrears generally for a four year term with an option to renew at the end of the term.

22. Cash Flow Reconciliation	2005	2004
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:	\$'000	\$'000
Cash at year end per Statement of Cash Flows	15 113	9 957
Statement of Financial Position item comprising above cash - 'Cash on hand and on deposit'	15 113	9 957
Reconciliation of net operating surplus to net cash provided by operating activities:		
Net surplus (deficit)	347	(2 311)
Depreciation/amortisation	4 466	5 114
Net revenue from write down and recognition of non-current assets/ asset adjustment	-	(35)
Profit on disposal of assets	(2)	-
Decrease in receivables	260	426
Decrease (Increase) in prepayments	420	(162)
Increase in employee entitlements	1 266	1 010
(Decrease) Increase in payables	(273)	627
Increase (Decrease) in other liabilities	670	(56)
Net Cash Provided by Operating Activities	7 154	4 613

23. Employee and Judicial Remuneration	2005	2004*
Remuneration of Employees	Number of	Number of
Remuneration includes salary and non-monetary benefits. The number of employees whose remuneration received or receivable fell within the following bands were:	Employees	Employees
Recurrent Salaries:		
\$100 001 - \$110 000	2	-
\$110 001 - \$120 000	3	3
\$120 001 - \$130 000	2	3
\$130 001 - \$140 000	-	1
\$140 001 - \$150 000	1	1
\$210 001 - \$220 000	1	3
\$220 001 - \$230 000	3	-
\$270 001 - \$280 000	-	1
\$290 001 - \$300 000	1	-
Total Number of Employees in these Bands	13	12

The aggregate remuneration for all employees referred to above was \$2.1 million (\$1.9 million).

* Amended

Remuneration of Judiciary

Remuneration includes salary and non-monetary benefits. The number of judicial officers whose remuneration received or receivable fell within the following bands were:

Special Acts:

	2005 Number of Judicial Officers	2004* Number of Judicial Officers
\$110 001 - \$120 000	-	1
\$120 001 - \$130 000	1	-
\$140 001 - \$150 000	3	-
\$150 001 - \$160 000	1	-
\$160 001 - \$170 000	1	1
\$170 001 - \$180 000	1	-
\$180 001 - \$190 000	-	1
\$190 001 - \$200 000	1	1
\$200 001 - \$210 000	-	5
\$210 001 - \$220 000	4	14
\$220 001 - \$230 000	6	5
\$230 001 - \$240 000	12	8
\$240 001 - \$250 000	6	4
\$250 001 - \$260 000	5	3
\$260 001 - \$270 000	2	-
\$270 001 - \$280 000	1	1
\$290 001 - \$300 000	1	-
\$300 001 - \$310 000	1	1
\$310 001 - \$320 000	1	21
\$320 001 - \$330 000	3	-
\$330 001 - \$340 000	16	1
\$340 001 - \$350 000	-	1
\$350 001 - \$360 000	1	9
\$360 001 - \$370 000	2	1
\$370 001 - \$380 000	10	-
\$390 001 - \$400 000	-	1
\$410 001 - \$420 000	1	-
\$430 001 - \$440 000	1	-
Total Number of Judiciary in these Bands	81	79

The aggregate remuneration for all the judicial officers referred to above was \$22.8 million (\$21.3 million).

* Amended

24. Targeted Voluntary Separation Packages (TVSPs)	2005 \$'000	2004 \$'000
TVSPs paid to employees during the reporting period were:		
TVSP payments	-	335
Recovery from the Department of the Premier and Cabinet in respect of TVSPs	-	335
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs	-	89

	2005 Number of Employees	2004 Number of Employees
The number of employees who received TVSPs	-	6

25. Related Party Disclosures
No transactions have been entered into by the Authority with any board/staff member of a business in which a board/staff member has either a direct or indirect pecuniary interest.

26. Consultancies	2005 \$'000	2004 \$'000
Total expenditure on consultancies amounted to \$22 000 (\$122 000).		
Individual consultancies costing more than \$50 000	-	72
Individual consultancies costing between \$10 000 and \$50 000:		
Project: Consultant:		
Performance Management Tool for Executives McPhee Andrewartha Pty Ltd	10	38
Total cost of consultancies less than \$10 000:		
4 Consultancies	12	12

27. Remuneration of Auditors	2005	2004
Audit fees paid/payable to the Auditor-General	81	126
Internal audit function	65	77
	146	203

No other services were provided by the Auditor-General.

28. Contingent Assets and Liabilities

The Authority has no material contingent assets or liabilities as at 30 June 2005.

29. Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	12	Deposits are recognised at their nominal amounts. Interest is credited as it accrues.	Cash comprises Deposit Accounts at the Department of Treasury and Finance. Interest is earned on the average daily balance based on the average of the 90 day bank bill. The average 90 day bank bill rate for the year ended 30 June 2005 was 5.6 percent.
Receivables	13	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance Lease Liabilities	18	Liabilities are recognised at the present value of the minimum lease payments at the inception of the lease. The discount rate used was an estimate of the interest rate implicit in the lease.	At the reporting date, the Authority had a finance lease with a 40 year term which expires on 30 June 2023. The interest rate implicit in the lease at its inception was 5.61 percent. Rental payments under the lease arrangements are indexed by the Consumer Price Index. Rental payments for 2004-05 equate to 14.8 percent of the value of the lease at its inception.
Payables	16	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is normally made net 30 days.

(b) Interest Rate Risk

	Note	2005					2005 Total	Weighted Average Effective Interest Rate Percent
		1 year or less \$'000	Floating Interest Rate 1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	Non- Interest Bearing \$'000		
Financial Assets:								
Cash	12	15 083	-	-	-	30	15 113	5.6
Receivables	13	-	-	-	-	404	404	-
Total Financial Assets		15 083	-	-	-	434	15 517	
Total Assets							122 943	
Financial Liabilities:								
Finance lease	18	777	1 599	2 761	19 115	-	23 475	5.6*
Payables	16	-	-	-	-	1 052	1 052	-
Total Financial Liabilities		777	1 599	2 761	19 115	1 052	24 527	
Total Liabilities							38 296	

(b) Interest Rate Risk (continued)	Note	2004 Floating Interest Rate					Non-Interest Bearing	2004 Total	Weighted Average Effective Interest Rate Percent
		1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	\$'000			
Financial Assets:									
Cash	12	9 914	-	-	-	43	9 957	4.9	
Receivables	13	-	-	-	-	664	664	-	
Total Financial Assets		<u>9 914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>707</u>	<u>10 621</u>		
Total Assets							<u>124 996</u>		
Financial Liabilities:									
Finance lease	18	735	777	2 611	20 087	-	24 210	5.6*	
Payables	16	-	-	-	-	1 475	1 475	-	
Total Financial Liabilities		<u>735</u>	<u>777</u>	<u>2 611</u>	<u>20 087</u>	<u>1 475</u>	<u>25 685</u>		
Total Liabilities							<u>37 368</u>		

(c) **Net Fair Values of Financial Assets and Liabilities**

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair value for trade creditors is approximated by their carrying values.

* The net fair value of the finance lease at 30 June 2005 was \$67 million (\$69.3 million). This reflects the indexation of the rental payments by the CPI and as at 30 June 2005 the interest rate implicit in the lease is higher than at its inception.

(d) **Credit Risk Exposure**

The Authority's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Authority has no significant exposures to any concentrations of credit risk.

30. Judicial Salary and Related Expenses		2005	2004
Judicial salary and related expenses comprised:		\$'000	\$'000
Salaries and wages		17 598	16 670
Payroll tax and superannuation expenses		5 094	4 919
Long service leave expenses		953	783
Other		627	650
		<u>24 272</u>	<u>23 022</u>
31. Administered Cash			
Administered cash comprised:			
Deposit account with the Department of Treasury and Finance		11 438	10 899
		<u>11 438</u>	<u>10 899</u>
32. Administered Receivables			
Current:			
Debtors and accruals		808	673
Transfer expenses yet to be claimed		96	74
GST receivable		7	25
		<u>911</u>	<u>772</u>
33. Administered Payables			
Current:			
Net transfers payable to consolidated account		11 392	10 415
Creditors and accruals		621	194
Transfer revenue received and not forwarded		336	662
On-costs on provision for judicial entitlements		647	492
		<u>12 996</u>	<u>11 763</u>
Non-Current:			
On-costs on provision for judicial entitlements		564	796
		<u>564</u>	<u>796</u>
34. (a) Judicial Entitlements			
Current:			
Accrued salaries and wages		436	185
Long service leave		1 540	1 006
Annual leave		996	877
		<u>2 972</u>	<u>2 068</u>
Non-Current:			
Long service leave		2 836	3 802
Annual leave		255	244
		<u>3 091</u>	<u>4 046</u>

(b) Judicial Entitlements and Related On-cost liabilities	2005	2004
Accrued Salaries and Wages:	\$'000	\$'000
On-costs included in payables - Current (Note 32)	91	58
Provision for Judicial entitlements - Current (Note 33(a))	436	185
	527	243
Annual Leave:		
On-costs included in payables - Current (Note 32)	281	240
Provision for Judicial entitlements - Current (Note 33(a))	996	877
	1 277	1 117
On-costs included in payables - Non-Current (Note 32)	59	62
Provision for Judicial entitlements - Non-Current (Note 33(a))	255	244
	314	306
Long Service Leave:		
On-costs included in payables - Current (Note 32)	275	194
Provision for Judicial entitlements - Current (Note 33(a))	1 540	1 006
	1 815	1 200
On-costs included in payables - Non-Current (Note 32)	505	734
Provision for Judicial entitlements - Non-Current (Note 33(a))	2 836	3 802
	3 341	4 536
Aggregate Employee Entitlements and Related On-cost Liabilities	7 274	7 402

	2005	2004
	Number	Number
Average number of Judiciary during the year	79.2	78.6

35. Administered Equity	2005	2004
	\$'000	\$'000
Balance at 1 July	(7 002)	(6 302)
Net decrease in administered net assets	(272)	(700)
Balance at 30 June	(7 274)	(7 002)

36. Administered Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:		
Cash at year end per Statement of Cash Flows	11 438	10 899
Statement of Financial Position item comprising above cash - Cash	11 438	10 899
Reconciliation of net decrease in administered net assets to net cash provided by administered activities:		
Net decrease in administered net assets	(272)	(700)
Increase in receivables	(139)	(267)
(Decrease) Increase in judicial entitlements	(51)	726
Increase in payables	1 001	10 646
Net Cash provided by Administered Activities	539	10 405

37. Administered Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)	
Financial Instrument	Note		
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	30	Deposits are recognised at their nominal amounts.	Cash comprises a Deposit Account at the Department of Treasury and Finance. The administered cash balance is non-interest bearing.
Receivables	31	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.

(a) **Terms, Conditions and Accounting Policies (continued)**

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Liabilities		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Payables	32	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is normally made net 30 days.

(b) **Interest Rate Risk**

		2005						Weighted Average Effective Interest Rate Percent
		Floating/Fixed Interest Rate				Non- Interest Bearing	2005 Total \$'000	
		1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	\$'000		
Financial Assets:	Note							
Cash	30	-	-	-	-	11 438	11 438	-
Receivables	31	-	-	-	-	911	911	-
Total Financial Assets		-	-	-	-	12 349	12 349	
Total Assets							12 349	
Financial Liabilities:								
Payables	32	-	-	-	-	12 349	12 349	-
Total Financial Liabilities		-	-	-	-	12 349	12 349	
Total Liabilities							19 623	
		2004						Weighted Average Effective Interest Rate Percent
		Floating/Fixed Interest Rate				Non- Interest Bearing	2004 Total \$'000	
		1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	Over 5 years \$'000	\$'000		
Financial Assets:	Note							
Cash	30	-	-	-	-	10 899	10 899	-
Receivables	31	-	-	-	-	772	772	-
Total Financial Assets		-	-	-	-	11 671	11 671	
Total Assets							11 671	
Financial Liabilities:								
Payables	32	-	-	-	-	11 271	11 271	-
Total Financial Liabilities		-	-	-	-	11 271	11 271	
Total Liabilities							18 673	

(c) **Net Fair Values of Financial Assets and Liabilities**

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for trade creditors are approximated by their carrying values.

38. Trust Monies

In addition, the Authority holds monies pending the outcome of court decisions. These monies are excluded from the financial statements as the Authority cannot use them for the achievement of its objectives. The following is a summary of the transactions in the jurisdictions' trust accounts.

Supreme Court Suitor Account

	2005 \$'000	2004 \$'000
Balance at 1 July	22 952	23 154
Receipts	2 706	3 890
	25 658	27 044
Less: Payments	18 327	4 092
Balance at 30 June	7 331	22 952

Courts Administration Authority

38. Trust Monies (continued)	2005	2004
<i>District Court Suitor Account</i>	\$'000	\$'000
Balance at 1 July	1 881	1 323
Receipts	928	1 353
	2 809	2 676
Less: Payments	1 866	795
Balance at 30 June	943	1 881
<i>Sheriff's Office Trust Account</i>		
Balance at 1 July	242	105
Receipts	1 089	956
	1 331	1 061
Less: Payments	1 030	819
Balance at 30 June	301	242
<i>Magistrates' Courts Suitor Account</i>		
Balance at 1 July	3 170	3 368
Receipts	10 827	9 551
	13 997	12 919
Less: Payments	10 527	9 749
Balance at 30 June	3 470	3 170

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