

**SOUTH AUSTRALIA**

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**Report**  
**of the**  
**Auditor-General**  
**Annual Report**  
**for the**  
**year ended 30 June 2006**

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**First Session, Fifty-First Parliament**

**Part B: Agency Audit Reports**

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**Report of the Auditor-General  
Annual Report for the year ended 30 June 2006**

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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.

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# DEPARTMENT OF EDUCATION AND CHILDREN'S SERVICES

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*, and is responsible to the Minister for Education and Children's Services.

### Functions

The functions of the Department are to:

- ensure the best possible foundation for the development of all children's physical, emotional, social and intellectual needs that will give them the best opportunity for a successful future;
- ensure that every learner obtains the support necessary to maximise their potential within the State's public education system;
- ensure that service delivery, curriculum and administrative processes further the goal of achieving a socially inclusive society where all people feel valued, their differences are respected, and their basic needs, both physical and emotional, are met so that as members of society they are empowered in their participation and contribution;
- create safe, supportive and stimulating care and learning environments for all children, students and educators that encourage and foster participation, innovation and creativity;
- create a culture that demonstrates leadership in governance and is collaborative, innovative and accountable to all its stakeholders;
- enhance the skills and capacity of the educational workforce in recognition of the importance of the value all employees have in building a strong and viable public education system for South Australia.

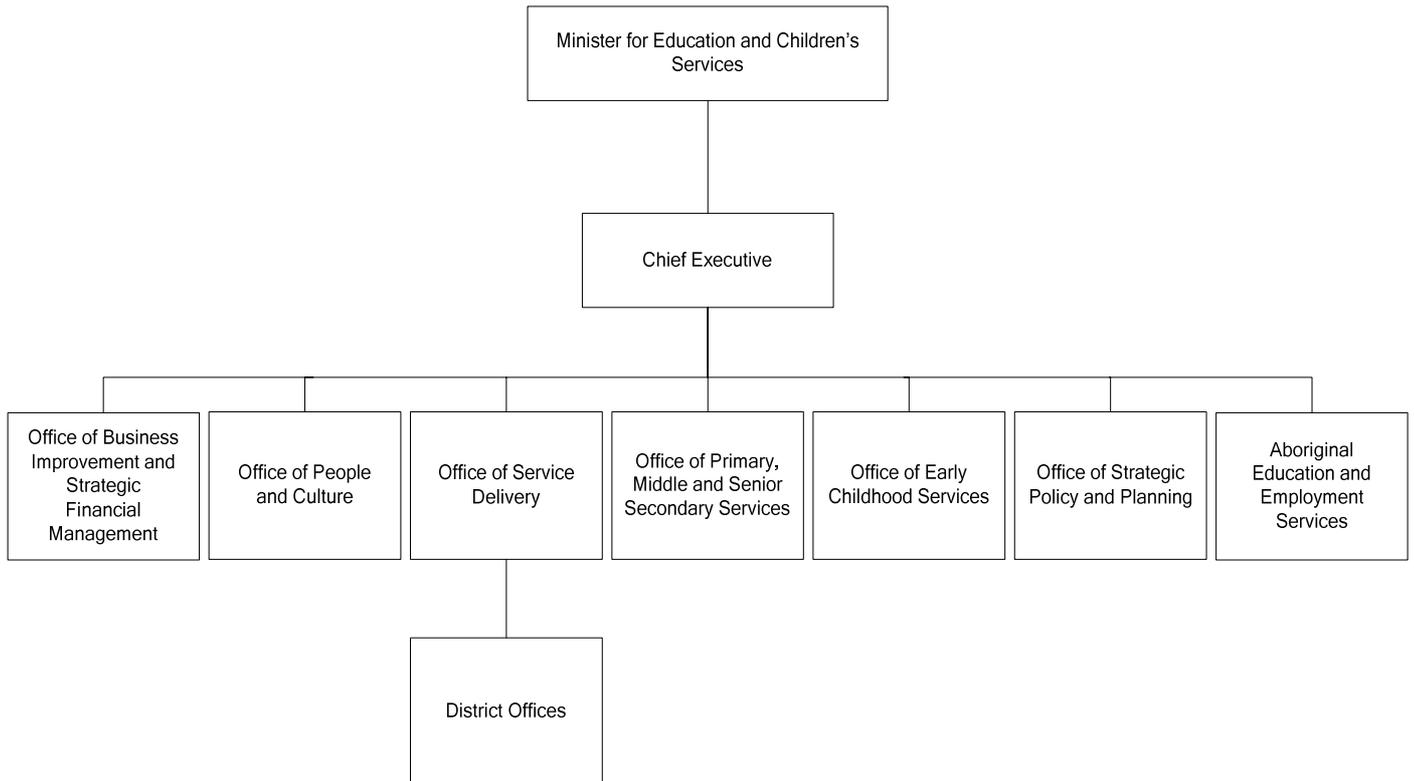
The Department is also responsible for some administrative items. Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the direction of the Minister. The principal activities include payments to:

- the Office of Public Transport for the purposes of student travel;
- SSABSA (the Senior Secondary Assessment Board of South Australia) as a contribution to operating expenses;
- the State Government contribution to the operations of non-Government schools, organisations and services to students with disabilities;
- the Commonwealth Government contribution to the operations of non-Government schools, organisations and services to students with disabilities.

### Structure

In August 2005, the Department created three new Offices within its structure. These were the Office of Primary, Middle and Senior Secondary Services, the Office of Early Childhood Services and the Office of Strategic Policy and Planning.

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



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### **Audit of the Financial Report**

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 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 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 2005-06, specific areas of audit attention included:

- risk management and internal audit processes
- accounts payable
- payroll
- procurement
- general ledger
- grants to non-Government schools.

In addition, certain matters of a management and control nature relating to computer information systems and environment were reviewed or subject to follow-up review.

The work done by 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 Department's internal controls. Specific areas in which reliance was placed on internal audit work included the:

- audit of school enrolment data used to determine the amount of funding provided to each Government school;
- audit of Government schools performed by contractors appointed, managed and monitored by the internal auditor;
- verification of the accuracy and completeness of the transfer of data from the decommissioned payroll systems to the new Valeo Human Resources Management System;
- verification of the accuracy and completeness of the algorithms in the Valeo Human Resources Management System that are used to calculate pays and leave entitlements.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

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*, Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Education and Children's Services as at 30 June 2006, the results of their operations and their cash flows for the year then ended.

#### ***Assessment of Controls***

Audit formed the opinion that the controls exercised by the Department in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Employee Attendance Records, State Grants to non-Government Schools and Preschools and Payroll, as outlined under 'Matters raised with the Department', are sufficient to provide reasonable assurance that the financial transactions of the 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.

#### **Matters Raised with the Department**

The following is a summary of the headings in this section that contain audit comments relating to the major matters raised with the Department:

- Employee attendance records
- State grants to non-Government schools (excluding preschools)
- State grants to non-Government preschools
- Payroll
- Approval of financial policies and procedures
- Documentation of financial policies and procedures
- Bank reconciliations
- General ledger reconciliations
- Authorisation and processing of payments
- Utility payments
- Risk management.

#### ***Employee Attendance Records***

The Department employed approximately 20 300 full time equivalents at 30 June 2006.

Audit considers that accurate attendance records are essential for identifying employee absences for recording in the leave management system to reduce the risk of overpayments.

For certain types of employees the Department has established flexitime policies and procedures that require time worked and absences to be recorded. Also some worksites have established their own procedures for recording attendances resulting in the use of a variety of devices to record time worked and absences including flexi sheets, timesheets and diaries. Teacher absences are generally recorded by schools in the EDSAS system located at school sites.

Audit has reported every year since 2003-04 that the Department has not established an over-arching policy and procedure for recording employee attendance that clarifies whether every employee must maintain an attendance record and the type of attendance record to be used.

A follow-up audit in 2005-06 revealed that no action had been taken on this matter.

The Department responded that the matter has been referred to the Executive Director, Office of People and Culture for investigation and to establish a policy while taking into account the legislative and industrial parameters for the different awards.

### **State Grants to Non-Government Schools (excluding preschools)**

The Minister for Education and Children's Services provides State grants to non-Government schools from monies appropriated by Parliament. The appropriation is increased each year according to the growth in student enrolments, salaries and inflation. Both the appropriation and grants are recognised as Administered Items in the Department's Financial Report.

In 2005-06 the Minister provided State grants of approximately \$109 million to 199 non-Government schools. Each school's grant is calculated in accordance with a methodology established by the Advisory Committee on Non-Government Schools and takes into account student enrolments and the needs of each school. Approximately \$51 million of the \$109 million in grants is based on students enrolments.

In 2004-05, Audit reported deficiencies in the controls that are designed to provide reasonable assurance of the accuracy and validity of the enrolment census figures provided by schools which are used to calculate the value of State grants to non-Government schools. Specifically, the audits of the census figures by auditors appointed by the schools were deficient.

In forming this view, Audit interviewed a sample of persons who audited the census figures for non-Government schools and found that many had not checked the enrolment census figures to student attendance records or roll books to confirm the existence of the students. This was despite instructions on the census returns requiring the auditors to examine the school records (enrolment/admissions register and roll book).

Audit recommended that:

- the census returns should have explicit instructions for the auditor to confirm the existence of the students by agreeing the enrolment census figures to the student attendance records or roll books signed by teachers;
- the Advisory Committee should then establish a process for checking that the persons appointed by schools to certify the census figures have adequately audited the figures.

Audit's review of action taken on the recommendations revealed that the Department plans to implement the recommendations in the latter half of the 2006 calendar year. The time lag in implementing the recommendations has resulted in the control activity continuing to be deficient during 2005-06.

### **State Grants to Non-Government Preschools**

The Department controls the provision of State grants to non-Government preschools of approximately \$2 million a year. Attendance data provided by preschools is used to calculate the value of these grants.

The Department verifies the validity of attendance data by comparing current attendance data of each preschool against past data and obtains reasons for unusual increases from the preschool rather than from an independent source. The Department has been investigating better ways to verify the validity of the attendance data. To assist in the process, Audit suggested in August 2005 that the attendance data used to calculate the value of the State grants be certified as complete and accurate by the preschool's accountant or auditor.

In response, the Department advised that a review of service and funding agreements for non-Government preschools was planned for 2006 and that Audit's suggestion would be included in the review.

Audit's review of action taken on the suggestion revealed the Department has not completed its review of the service and funding agreements for non-Government preschools and, consequently, has not implemented the suggestion. The time lag in implementing the suggestion has resulted in the control activity continuing to be deficient during 2005-06.

### **Payroll**

The payroll of the Department is approximately \$1.2 billion a year.

#### *Input of Payroll and Leave Data*

The Department processed the entire payroll through the new Valeo payroll system in 2005-06. Valeo replaced the Austpay and EDMIS payroll systems.

The implementation of Valeo has resulted in the design of controls being changed. In the past, the 59 pay clerks were required to check another pay clerk's EDMIS output reports to verify the accuracy, completeness and validity of each change made to the payroll and leave files. There are no similar output reports being produced and reviewed for Valeo. Instead, the pay clerks process authorised input forms and give the forms to another pay clerk who verifies the changes visually on screen. Unlike the checking of the EDMIS output reports this control does not provide assurance that all processed input forms are given to the checking pay clerks.

Audit acknowledged that the review by worksites of the improved bona fide reports produced from Valeo and the monthly site financial reports has helped to verify the accuracy, completeness and validity of certain changes to payroll and leave files. However, these controls focus on detecting errors and invalid changes after and not before employees are paid. Also, the effectiveness of these controls depend on the timeliness and thoroughness of the review of the bona fide reports by 1233 worksites. The Department has no assurance that these controls are operating effectively. It does not confirm whether the worksites review the monthly site financial reports and only requires worksites to return certified bona fide reports to the Payroll Unit for 6 of the 26 fortnightly pay periods.

Last year Audit reported opportunities to improve the design of controls to provide greater assurance that all changes made by pay clerks are checked by either:

- producing an output report, similar to the EDMIS output reports, of all changes processed by each pay clerk for verification by another pay clerk against the new employee, pay and leave documents; or
- establishing a computer system control that requires the pay clerk to input data and another pay clerk to verify and authorise that data on-line before it will be accepted by the system. Valeo could have password authentication controls that prevent the same pay clerk from inputting, verifying and authorising the same data.

The Department advised in September 2005 that it recognised that in comparison with EDMIS, the controls in Valeo do not provide the same degree of assurance, however, it considered the controls that have been implemented provide adequate control on the integrity of data and the new arrangements do not provide a significant degree of risk. The Department also advised that an assessment of the opportunities identified by Audit would be made.

In August 2006 the Department advised Audit of the progress made in improving controls. The advice also outlined the scope of two projects established to improve the efficiency and effectiveness of the Department's payroll processes without clarifying whether improvements would be made to controls to provide assurance that all processed input forms are given to the checking pay clerks.

Given the high number of worksite managers (1233) and the significant value of the payroll (\$1.2 billion), Audit advised the Department in August 2006 to re-consider its view that the controls over the payroll do not pose a significant degree of risk.

In September 2006 the Department advised Audit that:

- it is virtually impossible to produce from Valeo an output report, similar to the EDMIS output reports, of all changes processed by each pay clerk;
- the feasibility of a system based control process will be considered as part of a project established to improve the efficiency and effectiveness of the Department's payroll processes.

### *Education and Children's Services*

The Department also advised the following three controls currently in place to minimise the risk of errors or frauds:

- The requirement that source documents entered into Valeo by one payroll officer be checked by an independent officer.
- The production of a bona fide certificate for each worksite which requires the line manager to check and report discrepancies.
- The production of a monthly project expenditure report which also requires the line manager to check and report discrepancies.

The Department also advised that it is developing a system to check the pays of anyone with update access to Valeo.

### *Authorisation of Input Forms*

Pay clerks make changes to Valeo payroll and leave files based on a variety of forms received from worksites and the Corporate Human Resource Unit, such as forms for the approval of leave, overtime and appointment of *Public Sector Management Act* employees.

Audit noted that pay clerks do not have copies of specimen signatures to enable the authentication of the authorising signatures on the forms.

Each pay clerk is responsible for administering the employee pays for specified worksites and the pay clerks are usually aware of the signatures of officers from those worksites who have authority to approve the forms. Nevertheless, maintaining copies of specimen signatures would help new pay clerks to confirm the authenticity of signatures.

Audit recommended in August 2006 that for each worksite the responsible pay clerk keep a copy of specimen signatures of the officers who have authority to approve leave, overtime, appointments, etc.

The Department advised that it:

*recognises the importance for appropriate delegate authorisation of leave, claims and other input forms. However, maintaining a register of specimen signature is impractical due to the high number of delegates (excess of 3 000) and the continuous turnover of staff within sites. Further, the majority of delegations are assigned to a position, not a person and as such any short term absence by the position holder would give opportunity for another person to authorise the form.*

*The process currently undertaken by payroll officers is to check the form for the employee's signature and check that the form has been countersigned by someone other than the applicant.*

The Department also advised that a project established to improve the efficiency and effectiveness of the Department's payroll processes will analyse this process and consider options when making recommendations about the use of electronic forms and changes to work processes.

### *Appointments Processed by Site Human Resources Unit*

The introduction of the new HR Employment Selection and Placement System (ESP) in July 2005 has resulted in the Payroll Unit no longer directly updating the payroll system with appointment details of *Education Act* and *Children's Services Act* employees. Instead, the Site Human Resources Unit now enter these appointments into ESP which automatically updates Valeo. Unlike the Payroll Unit the Site Human Resources Unit have not established any form of data entry validation check apart from officers checking that appointments have been appropriately authorised before entry into ESP.

Audit advised in August 2006 that data entry validation controls should be improved to:

- provide assurance that all appointments have been entered accurately;
- detect inappropriately authorised appointments deliberately or inadvertently processed by these officers or by other officers.

The Department advised:

- The bona fide certificate report produced fortnightly from Valeo is required to be checked by all worksites.
- A review of the bona fide certificate purpose, procedures and responsibilities is currently being conducted.
- Only documents authorised on behalf of the Minister's delegate are approved for entry into ESP and Valeo and that 'This is monitored by the security access to ESP and Valeo.'

#### *Approval of Appointments*

The Minister's delegation to appoint *Education Act* and *Children's Service Act* employees has not been kept up-to-date to reflect the abolishment or renaming of positions having this authority.

In addition, the Minister's delegation does not indicate whether this authority can be sub-delegated.

Audit were made aware of staff authorising appointments based on a verbal sub-delegation of authority and that the Department is currently updating the delegations of authority for the appointment of employees.

As a result, Audit formed the view that many employee appointments may not be properly authorised.

In August 2006, Audit advised the Department to seek advice from an authoritative body on whether the past appointments need to be properly authorised.

The Department responded that 'Crown advice' has confirmed that the Minister's delegate can authorise senior staff and HR Consultants to sign on his behalf when appointing teaching and non-teaching employees. The Department's response did not confirm whether past appointments made by staff who only had a verbal sub-delegation of authority were properly authorised.

#### *Retention of Appointment Forms*

Audit noted that the letter authorising the appointment of *Education Act* and *Children's Services Act* employees is provided to the employee without a signed copy being kept by the Department.

Audit were advised that in lieu of keeping the signed letter the Department keeps the appointment data input form signed by the officer authorising the appointment.

Audit provided a list of a sample of teachers appointed to the teaching service in 2005-06 and requested in August 2006 that the appointment data forms be provided to Audit. The forms had not been provided at the time of writing this report.

As a consequence, Audit was unable to sight the signatures of the officers authorising the appointments to corroborate Audit's understanding of who has been authorising appointments and to confirm that the appointments in 2005-06 were properly authorised.

#### *Bona Fide Certificates*

Audit regards the certification of the bona fide report by worksite managers to be an efficient and effective control for preventing salary under and over payments by ensuring that:

- employees are bona fide;
- terminated employees are made inactive on the payroll system;
- employees are paid at the correct classification;
- employees are paid at the correct fraction of time;
- pay is suppressed when on leave without pay;
- higher duties and additional duties paid to employees are authorised.

Bona fide reports for each of the 1233 worksites of the Department are produced by Valeo at the end of each pay period. The reports show the name of each employee and the key information used to calculate their pay such as employee type and fraction of time worked.

The Department requires each worksite to review their bona fide report and advise the Payroll Unit of any errors. The worksites are also required to return a certified report to the Payroll Unit for the first three pay periods of term one, and the first pay period for each subsequent term.

While changes to the information used to automatically calculate the pay of teachers occurs predominantly during the first pay periods of each term, this is not the case for *Public Sector Management Act* employees where changes can occur at any time.

Audit recommended in August 2006 that certified bona fide reports for *Public Sector Management Act* employees be returned to the Payroll Unit for every pay period and that, preferably, all bona fide reports for *Education Act* and *Children's Service Act* employees be returned to the Payroll Unit for every pay period.

The Department advised that the current review of the bona fide report will consider this recommendation. The Department also advised that it is exploring the option of producing an electronic bona fide report that schools can access, verify and return by email. This exploration includes processes to ensure audit trails and controls exist.

Consistent with past years, Audit also identified that some supervisors and pay clerks did not follow-up outstanding bona fide reports in a timely manner. This increases the risk of errors identified and recorded on the reports by worksites not being corrected, possibly causing overpayments.

Although some worksites had not submitted their bona fide reports to the Payroll Unit, follow-up by Audit of a sample of these worksites revealed the bona fide reports had been reviewed by the worksites and the pay clerks advised of errors.

The Department advised the following actions will be implemented:

- Pay clerks will be reminded of their responsibility to follow-up outstanding bona fides in a timely manner.
- The revised bona fide certificate procedures currently being developed will require payroll supervisors to ensure that pay clerks follow-up outstanding bona fide certificates in a timely manner.

#### *Monitoring of Overpayments*

Valeo will automatically calculate and record overpayments based on a variety of input forms entered by pay clerks.

The Valeo Recover Debts Report is reviewed to determine whether the value of unrecovered overpayments is increasing.

This report is unable to be used to monitor unfavourable trends in all overpayments that have occurred during the year because fully recovered overpayments are not recorded on the report. As a result, the Department maintains a spreadsheet to monitor unfavourable trends in all overpayments that have occurred during the year.

The spreadsheet is also the only mechanism used to measure the increase in overpayments. The general ledger is not used because it only records the balance of unrecovered overpayments.

Audit noted that the spreadsheet for 2005-06 was not properly updated until August 2006.

The spreadsheet indicated that the value of overpayments had increased from \$3.3 million in 2004-05 to \$4.9 million in 2005-06.

Audit recommended in August 2006 that:

- overpayments be recorded separately from recoveries in the general ledger to enable the increase in overpayments to be readily measured;
- the value and cause of overpayments be monitored more frequently to enable the early detection, investigation and correction of the cause of unfavourable trends in overpayments to reduce their re-occurrence, risk of non-recovery and to ease workload pressures on payroll staff;
- the value of disbursed overpayments caused by the reduced effectiveness of the data validation controls be determined to help quantify the increased risk caused by changing the design of payroll controls for Valeo and ESP.

The Department advised that:

- current processes will be reviewed and appropriate changes implemented to ensure adequate reporting within existing resources;
- strategies have been implemented to analyse and closely monitor overpayments;
- work flow practices from worksites that contribute to under and overpayments will be analysed and consideration given to use of electronic forms with appropriate validation and controls.

### **Other Issues Raised with the Department**

#### ***Approval of Financial Policies and Procedures***

The Department is developing a Financial Management Framework for the development, review, update and approval of financial policies and procedures for the Corporate Office.

Audit recommended that the Chief Executive Officer specify who can approve financial policies and procedures and the specification be recorded in the Financial Management Framework or some other document that is readily available to all staff.

This will reduce the risk of staff:

- implementing unauthorised policies;
- implementing unauthorised or inefficient procedures;
- not performing tasks required by law.

The Department advised that Audit's recommendation will be implemented.

#### ***Documentation of Financial Policies and Procedures***

The Corporate Office is progressively reviewing its current financial policies and procedures.

Audit recommended that policies and procedures be documented and approved for the:

- management, use and control of cab charge vouchers;
- management, control and payment of bus contractors;
- management, control and payment of disabled student taxi transport;
- follow-up of outstanding recoveries from the Commonwealth Family Assistance Office for payments made by the Department to family day care providers.

The Department advised that Audit's recommendation will be implemented.

#### ***Bank Reconciliation***

Bank Reconciliations are one of the key controls in detecting processing errors and providing assurance that interfaces are operating between the general ledger and its subsidiary systems. Accordingly they need to be completed on a timely basis.

Given the importance of bank reconciliations, the Treasurer issued an instruction (Treasurer's Instruction 7) that specifies that 'It is the responsibility of each Chief Executive to prepare bank reconciliations for all bank accounts maintained by the public authority at the end of each month and to ensure that the reconciliations are independently checked.'

Last year, Audit reported that the bank reconciliation for the Salaries Bank Account had not been reconciled during 2004-05. Some parts of the reconciliation were kept up-to-date while other parts of the reconciliation were not performed.

Follow-up by Audit revealed the bank reconciliation was kept up-to-date during 2005-06.

### **General Ledger Reconciliations**

The prescribed elements of the Treasurer's Financial Management Framework for Internal Controls requires that the Chief Executive must prepare reconciliations and establish other administrative controls where necessary to ensure the integrity of data and information.

To comply with this requirement the Department keeps a register of monthly performance management certificates that have been completed by officers advising that certain reconciliations between the general ledger and its subsidiary systems have been performed and balances in certain general ledger clearing accounts have been reviewed and actioned.

Last year, Audit reported that a review of the register in late June 2005 indicated that many monthly performance certificates had not been completed for six months. Audit also understood that, although the certificates had not been completed, some reconciliations and clearing account reviews were up-to-date while others were in varying stages of completion.

Follow-up by Audit revealed the register and respective reconciliations were kept up-to-date during 2005-06.

Audit's review of key reconciliations for 2005-06 identified some additional reconciliations performed by the Department that could be added to the register.

The Department advised that 'Accounting Services officers will initiate negotiations with relevant stakeholders regarding additional reconciliations as recommended.'

### **Authorisation and Processing of Payments**

Accounts payable staff are responsible for checking that invoices or other documents are authorised by an officer with appropriate authority to incur expenditure before payment.

Audit noted that accounts payable staff do not have copies of specimen signatures to enable the authentication of the signature of the authorising officer. Audit also identified instances where the authorising officer signed or initialled the invoice or other documents without recording their position title. While large value invoices are usually authorised by a few officers whose positions and signatures are known by accounts payable staff there are many lower value invoices authorised by officers whose positions and signatures are not known by accounts payable staff.

To reduce the risk of payments not being appropriately authorised, Audit recommended that a system be established that will enable accounts payable staff to authenticate the positions and signatures of officers authorising invoices or other documents before payment.

Audit also identified that batches of invoices were not checked for accuracy and validity by an 'authorising officer' as required by the Department's policy and procedures manual. This increases the risk of batch creators processing fraudulent payments or inadvertently processing inaccurate payments.

Audit acknowledged that the review of expenditure reports by worksites may detect unauthorised, fraudulent or incorrect payments. However, this control occurs after payments have been disbursed and its effectiveness depends on the timeliness and thoroughness of the review of the expenditure reports by worksites. The Department has no assurance that this control is operating effectively. It does not confirm whether the worksites review the expenditure reports.

The Department advised:

*All applicable supply requisitions for \$2 000 and above will continue to be submitted to the Procurement Unit prior to purchase, where the authentication of the financial delegate is scrutinised.*

*In addition, to increase controls regarding the authorisation of expenditure information, managers will be instructed regarding responsibilities of financial delegates and the necessity for prompt and thorough checking of the monthly finance reports and the quick follow-up of any unauthorised expenditure. This instruction will be posted on the intranet.*

#### **Batch Processing**

*The following measures have been implemented to minimise the risks:*

- *After invoice details are entered into the Accounts Payable System, all invoice amounts per batch are totalled and the adding machine tape is placed within the batch.*

- *On a monthly basis the Accounts Payable Supervisor will continue to perform an independent check of approximately 5 percent of accounts.*

*Chapter 13 of the Accounts Payable Corporate Policy and Procedure Manual will be updated to reflect all procedures relating to Batch Processing.*

Audit noted that the Department's advice did not explain how the Procurement Unit authenticate the signatures of the officers who are authorising supply requisitions for \$2000 and above to ensure they have appropriate authority to incur expenditure.

### **Utility Payments**

Audit noted instances of payments made to suppliers of utility services for properties no longer owned by the Department.

To remedy this problem, Audit recommended that an officer be made responsible for notifying suppliers of utility services and appropriate finance staff of properties no longer owned by the Department.

The Department advised that Policy and Capital Programs will be given this responsibility.

### **Risk Management**

The Department established a Risk Management Framework in May 2002 to assist officers in identifying, assessing and managing risk. Training was provided to managers on the practical application of the framework in the nine months following its release.

The Department also requires that business cases for new strategic initiatives or projects include details of risks, likelihood, consequence and mitigation strategies.

For the last two years, Audit reported that risk management would be improved by establishing a process that ensures officers apply the Risk Management Framework to their recurrent operations by appointing a person to oversee the Framework, and requiring officers to prepare risk management plans to underpin their local business plans.

Audit also reported that risk management would be improved through the establishment of a risk management plan for the whole Department that:

- underpins the Department's strategic plan;
- identifies material internal and external risks associated with the achievement of the Department's strategic objectives;
- identifies techniques to mitigate or minimise risks.

During 2005-06 the Department appointed a person to:

- establish and update risk management policies;
- disseminate the risk management policies;
- establish a risk management plan to underpin the Department's Statement of Directions;
- implement a process to monitor progress against the Department's Statement of Directions, including the identification of risks associated with achieving the objectives of the Statement;
- ensure officers apply the Risk Management Framework to their worksites.

### **Computer Information Services and Environment - Valeo Human Resource Management System**

The Valeo Human Resource Management System operates on a mid-range computer processing environment managed by EDS at the Glenside Information Processing Centre. At the time of preparation of this Report, Audit was finalising the review phase of the audit process. Any security and control matters of consequence arising out of the completion of the audit will be subject of comment in a subsequent Report to Parliament.

## **INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

The following commentary relates to the Department only, and not schools.

**Highlights of Financial Report (DECS)**

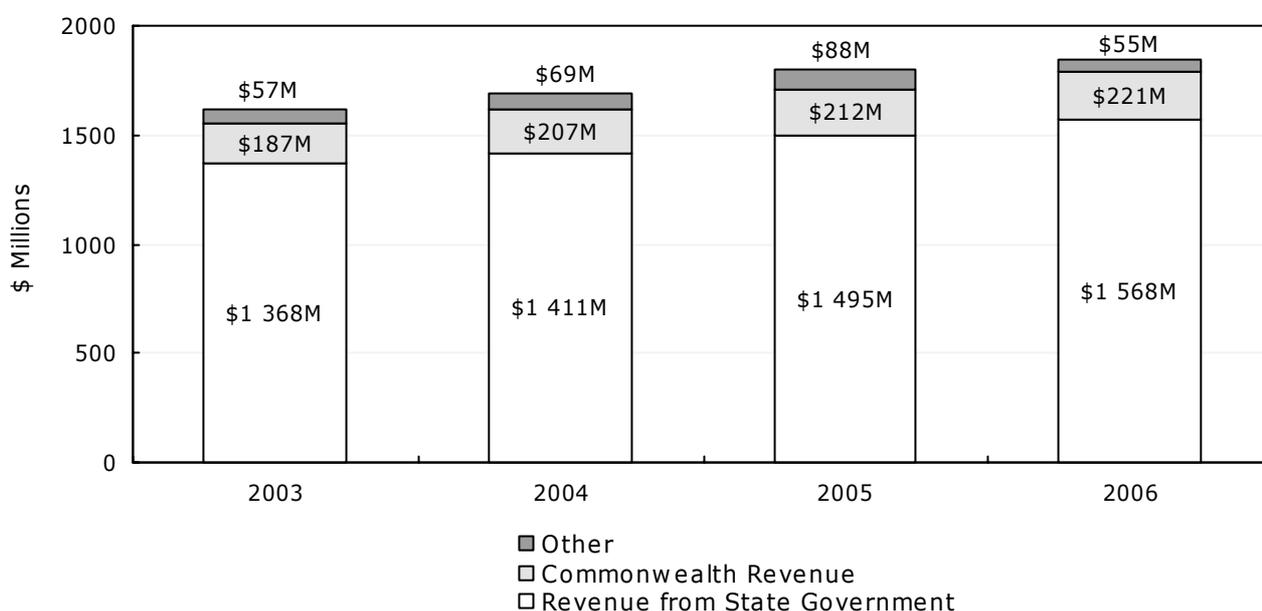
	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Revenues from State Government	<b>1 568</b>	1 495	5
Commonwealth revenue	<b>221</b>	212	4
Other	<b>55</b>	88	(38)
<b>Total Income</b>	<b>1 844</b>	1 795	3
<b>EXPENSES</b>			
Employment expenses	<b>1 428</b>	1 320	8
Other expenses	<b>437</b>	463	(6)
<b>Total Expenses</b>	<b>1 865</b>	1 783	5
<b>Net Result</b>	<b>(21)</b>	12	n/a
<b>Net Cash Flows from Operations</b>	<b>96</b>	60	60
<b>ASSETS</b>			
Current assets	<b>198</b>	157	26
Non-current assets	<b>2 097</b>	2 037	3
<b>Total Assets</b>	<b>2 295</b>	2 194	5
<b>LIABILITIES</b>			
Current liabilities	<b>215</b>	199	8
Non-current liabilities	<b>402</b>	370	9
<b>Total Liabilities</b>	<b>617</b>	569	8
<b>EQUITY</b>	<b>1 678</b>	1 625	3

**Income Statement (DECS)****Income**

Revenues from the State Government rose by \$73 million to \$1.6 billion principally to fund salary and wages increases.

Commonwealth grants for the current year comprised recurrent grants of \$199 million (\$185 million) and capital grants of \$22 million (\$27 million).

A structural analysis of revenues for the last four years is presented in the following chart.



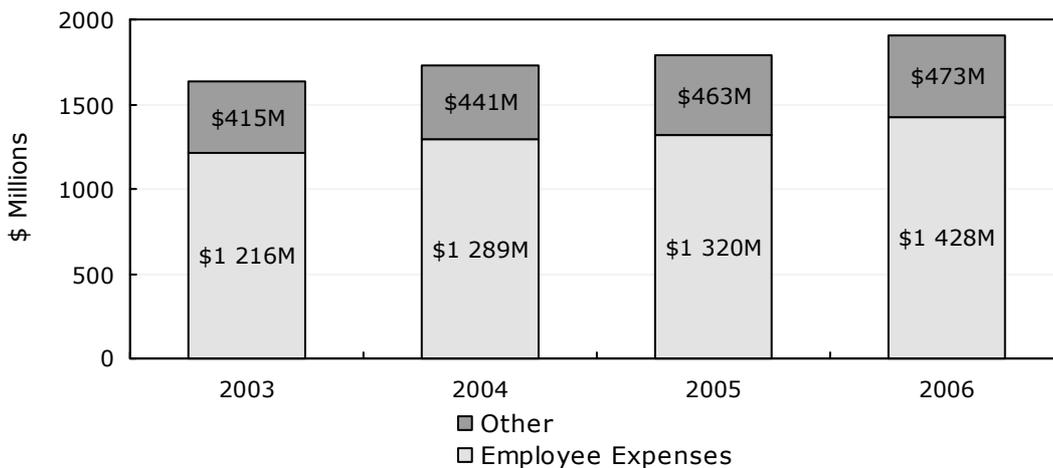
**Expenses**

Employee expenses rose by \$108 million to \$1.4 billion due mainly to a:

- rise in salaries and wages expense as a result of enterprise bargaining pay increases for most employees from October 2005;
- rise in salaries and wages expense as a result of employment of additional staff.

Other expenses decreased by \$26 million to \$437 million due mainly to a decrease in minor works, maintenance and assets written off. The reduction in maintenance expense was the result of a reduction in funding received for this specific purpose.

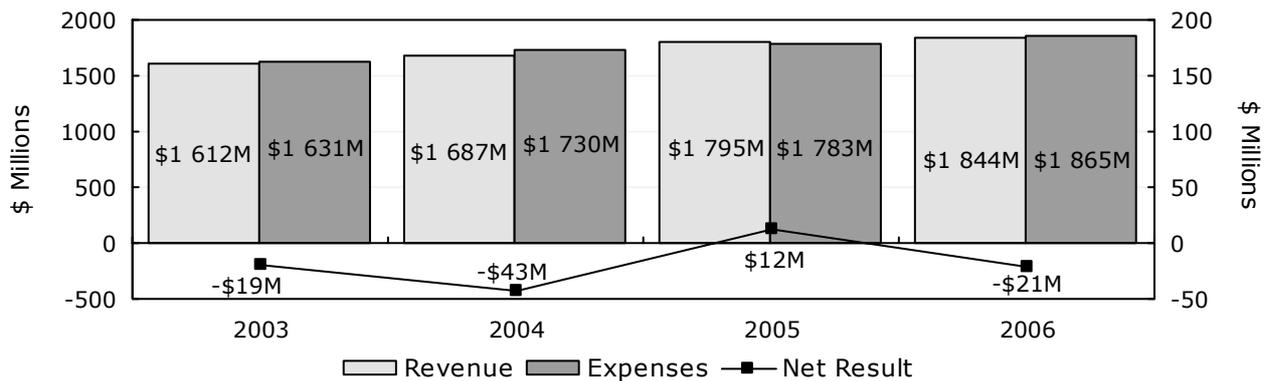
For the four years to 2006, a structural analysis of the main expense items for the Department is shown in the following chart.



**Net Result**

Expenses exceeded income in 2005-06 resulting in a deficit.

The following chart shows the income, expenses and net result for the last four years.

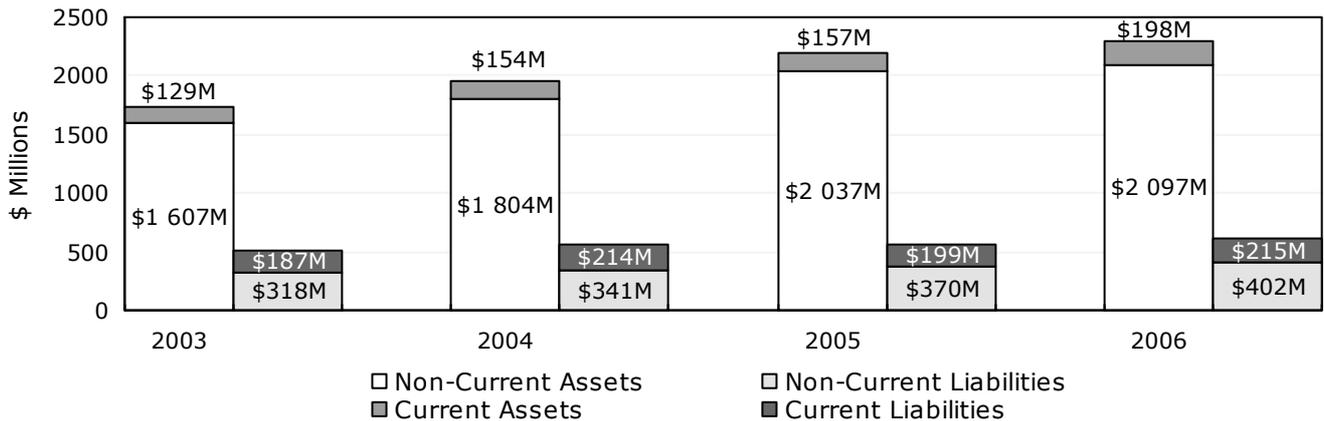


**Balance Sheet (DECS)**

Non-current assets increased significantly due mainly to the revaluation of land.

The total of current and non-current liabilities increased due mainly to a \$33 million increase in the provision for long service leave, \$9 million increase in the provision for annual leave and \$5 million increase in accrued salaries. The increase in the provision for long service leave was due mainly to the provision being calculated using the current remuneration of employees instead of base pay. Refer to Note 4 of the financial report.

A structural analysis of assets and liabilities for the last four years is shown in the following chart.



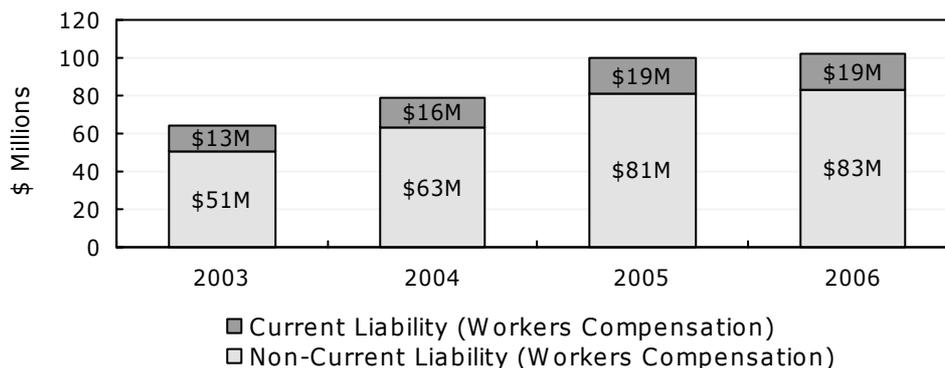
At 30 June 2006 the employee benefit and related on-cost liability of \$442 million (\$396 million) comprised 72 percent (70 percent) of total liabilities and was for the following full time equivalent employees (FTEs) by category:

Department	2006	2005	Change
	FTE	FTE	
<i>Education Act 1972</i>	<b>13 870</b>	13 782	88
Schools Services Officers Award	<b>3 672</b>	3 566	106
<i>Children's Services Act 1985</i>	<b>939</b>	978	(39)
<i>Public Sector Management Act 1995</i>	<b>1 236</b>	1 207	29
Weekly paid	<b>337</b>	352	(15)
Other	<b>208</b>	188	20
<b>Total</b>	<b>20 262</b>	20 073	189
<b>Administered Activities</b>			
<i>Public Sector Management Act 1995</i>	<b>10</b>	11	(1)
<i>Education Act</i>	<b>8</b>	6	2
Other	-	1	(1)
<b>Total</b>	<b>18</b>	18	0

**Workers Compensation**

The Department is self insured for workers compensation.

The following chart shows the increase in the provision for workers compensation based on an actuarial assessment performed by the Public Sector Occupational Health and Injury Management Branch of the Department for Administrative and Information Services. The balance of the provision increased by 2 percent in 2006 compared to 27 percent in 2005. The significant increase in 2005 was due mainly to an adjustment to reflect the long term nature of psychological health claims and their associated income maintenance and medical costs.



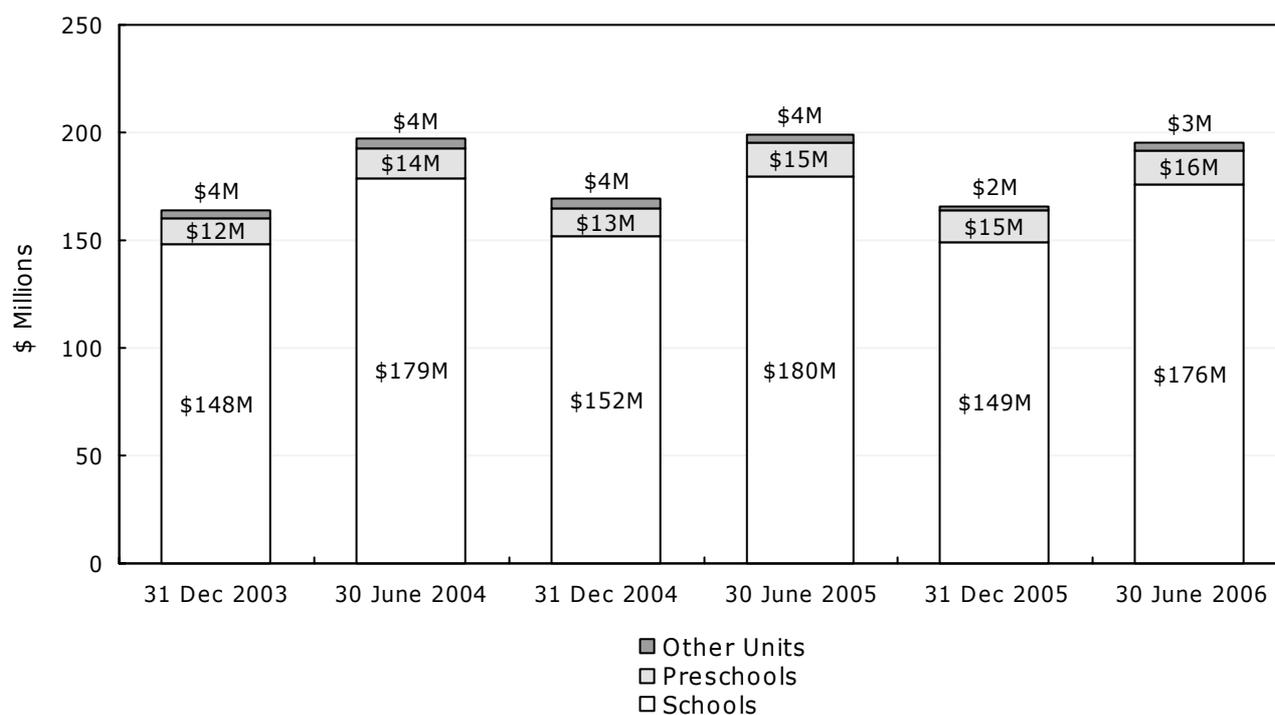
## Cash Flow Statement (DECS)

The following table summarises the net cash flows for the two years to 2006.

	<b>2006</b>	2005
	<b>\$'million</b>	\$'million
<b>Net Cash Flows</b>		
Cash at 1 July	<b>116.2</b>	128.7
Operations	<b>95.9</b>	59.6
Investing	<b>(46.5)</b>	(70.9)
Financing	<b>(1.7)</b>	(1.2)
Change in Cash	<b>47.7</b>	(12.5)
Cash at 30 June	<b>163.9</b>	116.2

As disclosed in Note 17, cash of \$164 million includes \$119 million held with the Department of Treasury and Finance in the Accrual Appropriation account.

Note 17 also shows the funds held in the SA School Investment Fund (SASIF) on behalf of Government primary and secondary schools. The following chart shows the balances held in SASIF on behalf of Government schools, preschools and other units. The increase in funds in the first six months of each calendar year reflects the effect of student and other fees being received at the start of the year and progressively spent during the whole year.



## Administered Items

The Department administers specific funds on behalf of the Minister for Education and Children's Services. The funds are received from the Commonwealth and State Governments and used mainly to pay:

- grants to non-Government schools of \$531.4 million (\$492.8 million);
- subsidies of \$10.4 million (\$10.5 million) to the Office of Public Transport for student travel concessions on metropolitan and country transport services, eg bus, train;
- an operating grant to Senior Secondary Assessment Board of South Australia of \$11.1 million (\$10.5 million).

**Administered Grants to Non-Government Schools**

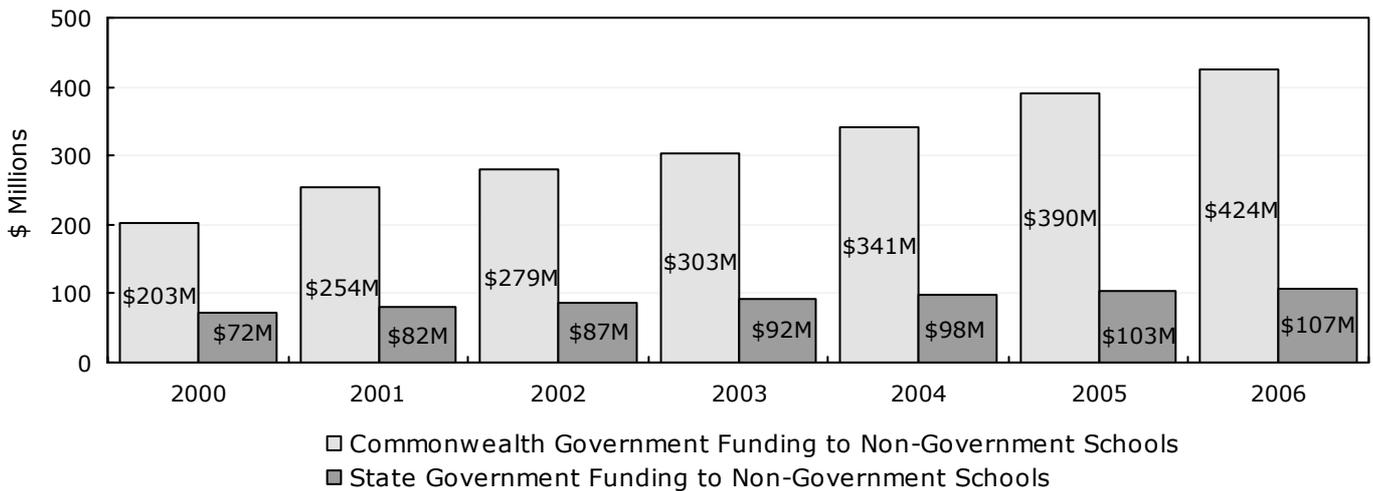
State grants to non-Government schools (excluding special schools) is based on two components. These are the 'needs' of the school and their students and the average annual enrolment (per capita).

The 'needs' based funding is determined by the Advisory Committee on non-Government schools. This is in accordance with the schools' entitlement to any or all of the eight approved needs elements. The eight needs elements that a school is funded on are:

- special needs students
- school card
- non-English speaking background/Aboriginality
- fee remission
- boarding
- isolation of schools
- interest subsidy
- index of disadvantage.

From 2001, Commonwealth funding for non-Government schools is based on the Socio-economic Status (SES) of non-Government school communities. The new SES funding arrangement has resulted in increased Commonwealth Assistance to non-Government schools.

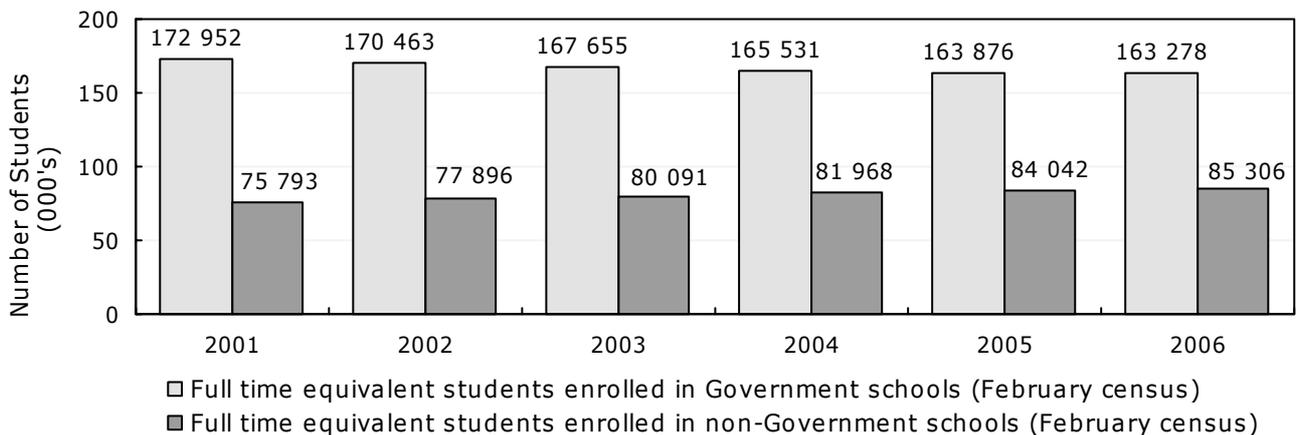
The following chart shows State and Commonwealth Government grants to non-Government schools (excluding special schools) inclusive of goods and services tax.

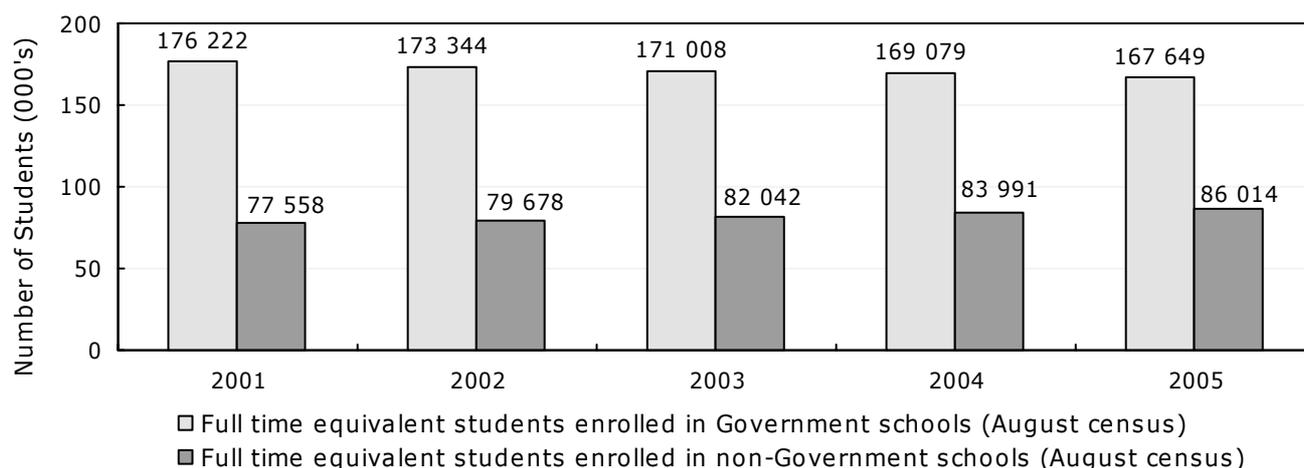


**FURTHER COMMENTARY ON OPERATIONS**

**Student Enrolments**

The following chart shows the gradual shift of enrolled full time equivalent students from Government Schools to Non-Government Schools. The chart includes fee paying overseas students.





### Capital Works

Capital works projects involve mainly the construction or upgrading of school buildings and facilities. The cost of projects in 2005-06 was \$41.9 million (\$51.5 million) and includes amounts that may be expensed on completion of the projects. Some of the more significant capital works are shown in the following table.

	Cost 2005-06 \$'million	Cost Capitalised on Completion \$'million
Major Capital Works Projects Completed in 2005-06:		
Ceduna Area School	2.9	3.8
Mimili Anangu School	1.8	1.8
Settlers Farm Junior Primary School	1.5	2.1
The Grove Education Centre	1.1	3.0
Para Hills High School	1.1	1.1
Mannum Community College	0.9	2.8
Christies Downs Primary School	0.5	2.6
Modbury School Preschool to Year 7	0.4	1.4
Vale Park Primary School	0.3	1.3
Angaston Primary School	-	4.0

	Cost 2005-06 \$'million	Total Cost to 30 June 2006 \$'million
Major Capital Works Projects Carried Forward into 2006-07:		
Amata Anangu School	2.5	3.2
Colonel Light Gardens Primary school	2.1	3.7
Prospect Primary School	1.9	2.1
Whyalla Stuart Primary School	1.6	1.6
Willunga Primary School	1.5	1.9
Kapunda Primary School	1.5	1.8
Henley High School	1.2	1.2
Ascot Primary School	1.0	1.3
Mt Gambier High School	0.9	1.0
Kapunda High School	0.8	0.8
Pt Elliot Primary School	0.7	1.0

## Income Statement for the year ended 30 June 2006

	Note	Consolidated		DECS	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>EXPENSES:</b>					
Employee benefit costs	6	<b>1 444 279</b>	1 332 414	<b>1 428 345</b>	1 320 220
Supplies and services	7	<b>483 243</b>	486 582	<b>278 394</b>	290 431
Grants and subsidies	8	<b>12 365</b>	11 111	<b>101 968</b>	102 301
Depreciation and amortisation	9	<b>57 819</b>	56 291	<b>55 419</b>	53 539
Borrowing costs		<b>394</b>	679	<b>336</b>	410
Other expenses	10	<b>2 953</b>	22 642	<b>93</b>	16 063
<b>Total Expenses</b>		<b>2 001 053</b>	1 909 719	<b>1 864 555</b>	1 782 964
<b>INCOME:</b>					
Commonwealth revenue	11	<b>220 662</b>	212 395	<b>220 662</b>	212 395
Student and other fees and charges	12	<b>87 290</b>	82 582	<b>17 936</b>	20 023
Other grants and contributions		<b>28 775</b>	28 760	<b>13 071</b>	16 185
Interest revenues	13	<b>18 023</b>	17 456	<b>8 665</b>	8 314
Net gain (loss) from disposal of assets	14	<b>1 166</b>	(1 152)	<b>815</b>	(1 756)
Other revenue	15	<b>60 385</b>	77 752	<b>14 658</b>	44 236
<b>Total Income</b>		<b>416 301</b>	417 793	<b>275 807</b>	299 397
<b>NET COST OF PROVIDING SERVICES</b>		<b>1 584 752</b>	1 491 926	<b>1 588 748</b>	1 483 567
<b>REVENUES FROM SA GOVERNMENT:</b>					
Revenues from SA Government	16	<b>1 568 171</b>	1 495 484	<b>1 568 171</b>	1 495 484
<b>NET RESULT FROM ORDINARY ACTIVITIES</b>		<b>(16 581)</b>	3 558	<b>(20 577)</b>	11 917
<b>NET RESULT IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>					

## Balance Sheet as at 30 June 2006

	Note	Consolidated		DECS	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS:</b>					
Cash	17	326 207	284 589	163 849	116 217
Receivables	18	17 316	18 178	24 960	32 107
Inventories	19	1 441	1 150	98	176
Financial assets	20	6 931	3 927	-	-
Other current assets	23	835	948	368	416
Non-current assets held for sale	21	8 577	8 117	8 577	8 117
<b>Total Current Assets</b>		<b>361 307</b>	316 909	<b>197 852</b>	157 033
<b>NON-CURRENT ASSETS:</b>					
Receivables	18	581	1 185	3 536	3 331
Financial assets	20	644	905	-	-
Property, plant and equipment	22	2 106 123	2 045 874	2 093 190	2 033 367
<b>Total Non-Current Assets</b>		<b>2 107 348</b>	2 047 964	<b>2 096 726</b>	2 036 698
<b>Total Assets</b>		<b>2 468 655</b>	2 364 873	<b>2 294 578</b>	2 193 731
<b>CURRENT LIABILITIES:</b>					
Payables	24	70 450	70 759	73 001	72 907
Borrowings	25	358	1 439	300	1 200
Employee benefits	26	110 802	96 709	110 548	96 468
Provisions	27	19 298	19 562	20 359	20 850
Other current liabilities	28	18 476	15 007	10 803	7 964
<b>Total Current Liabilities</b>		<b>219 384</b>	203 476	<b>215 011</b>	199 389
<b>NON-CURRENT LIABILITIES:</b>					
Payables	24	25 247	27 540	24 769	27 140
Borrowings	25	2 112	3 508	1 947	2 818
Employee benefits	26	291 315	258 558	290 361	257 672
Provisions	27	84 566	82 042	84 566	82 042
Other non-current liabilities	28	2 592	3 560	-	-
<b>Total Non-Current Liabilities</b>		<b>405 832</b>	375 208	<b>401 643</b>	369 672
<b>Total Liabilities</b>		<b>625 216</b>	578 684	<b>616 654</b>	569 061
<b>NET ASSETS</b>		<b>1 843 439</b>	1 786 189	<b>1 677 924</b>	1 624 670
<b>EQUITY:</b>					
Accumulated surplus	29	1 137 122	1 153 663	971 607	992 144
Asset revaluation reserve	29	701 854	628 063	701 854	628 063
Contributed capital	29	4 463	4 463	4 463	4 463
<b>TOTAL EQUITY</b>		<b>1 843 439</b>	1 786 189	<b>1 677 924</b>	1 624 670
Commitments for Expenditure	31				
Contingent Assets and Liabilities	32				

## Cash Flow Statement for the year ended 30 June 2006

	Consolidated		DECS	
	2006	2005	2006	2005
	<b>Inflows</b>	Inflows	<b>Inflows</b>	Inflows
	<b>(Outflows)</b>	(Outflows)	<b>(Outflows)</b>	(Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
CASH OUTFLOWS:	Note	\$'000	\$'000	\$'000
Employee benefit payments		(1 404 074)	(1 322 027)	(1 310 026)
Supplies and services		(474 431)	(464 135)	(286 059)
Grants and subsidies		(11 562)	(12 343)	(109 307)
Interest paid		(413)	(679)	(410)
GST payments on purchases		(53 633)	(49 386)	(32 402)
Other payments		(1 043)	(1 059)	(1 919)
<b>Cash used in Operations</b>		<b>(1 945 156)</b>	<b>(1 849 629)</b>	<b>(1 740 123)</b>
CASH INFLOWS:				
Receipts from Commonwealth		220 662	213 003	213 003
Student and other fees and charges		83 311	81 020	16 068
Interest received		18 677	17 506	8 319
Other grants and contributions received		28 775	16 295	15 575
GST receipts on receivables		6 489	5 823	2 832
GST input tax credits		49 784	42 356	27 939
Other receipts		64 229	54 773	20 542
<b>Cash generated from Operations</b>		<b>471 927</b>	<b>430 776</b>	<b>314 664</b>
CASH FLOWS FROM SA GOVERNMENT:				
Receipts from State Government		1 568 171	1 495 484	1 495 484
<b>Cash generated from SA Government</b>		<b>1 568 171</b>	<b>1 495 484</b>	<b>1 495 484</b>
<b>Net Cash provided by Operating Activities</b>	33	<b>94 942</b>	<b>76 631</b>	<b>59 639</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
CASH OUTFLOWS:				
Purchase of property, plant and equipment		(53 022)	(79 264)	(72 789)
Purchase of investments		(2 743)	(44)	-
Loans advanced		-	-	(1 145)
Loans repaid		(715)	-	-
<b>Cash used in Investing Activities</b>		<b>(56 480)</b>	<b>(79 308)</b>	<b>(73 047)</b>
CASH INFLOWS:				
Sales of property, plant and equipment		4 927	2 383	1 564
Maturing term deposits		-	4 668	-
Repayment of loans		-	1 422	278
<b>Cash generated from Investing Activities</b>		<b>4 927</b>	<b>8 473</b>	<b>2 155</b>
<b>Net Cash used in Investing Activities</b>		<b>(51 553)</b>	<b>(70 835)</b>	<b>(70 892)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
CASH OUTFLOWS:				
Repayments of borrowings		(1 771)	(2 407)	(1 200)
<b>Cash used in Financing Activities</b>		<b>(1 771)</b>	<b>(2 407)</b>	<b>(1 200)</b>
<b>Net Cash used in Financing Activities</b>		<b>(1 771)</b>	<b>(2 407)</b>	<b>(1 200)</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>41 618</b>	<b>3 389</b>	<b>(12 453)</b>
<b>CASH AT 1 JULY</b>		<b>284 589</b>	<b>281 200</b>	<b>128 670</b>
<b>CASH AT 30 JUNE</b>		<b>326 207</b>	<b>284 589</b>	<b>116 217</b>

## Statement of Changes in Equity for the year ended 30 June 2006

	Note	Consolidated			Total \$'000
		Asset			
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
<b>Balance at 30 June 2004</b>		4 463	418 503	1 141 701	1 564 667
Changes in accounting policy		-	(529)	529	-
Error correction		-	-	7 875	7 875
Restated balance at 30 June 2004		4 463	417 974	1 150 105	1 572 542
Gain on revaluation of property during 2004-05		-	210 089	-	210 089
<b>Net result after restructure for 2004-05</b>		-	-	3 558	3 558
<b>Total recognised income and expense for 2004-05</b>		-	210 089	3 558	213 647
<b>Balance at 30 June 2005</b>	29	4 463	628 063	1 153 663	1 786 189
Gain on revaluation of property during 2005-06		-	73 831	-	73 831
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(40)	40	-
<b>Net result after restructure for 2005-06</b>		-	-	(16 581)	(16 581)
<b>Total recognised income and expense for 2006</b>		-	73 791	(16 541)	57 250
<b>Balance at 30 June 2006</b>	29	<b>4 463</b>	<b>701 854</b>	<b>1 137 122</b>	<b>1 843 439</b>

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

		DECS			Total \$'000
		Asset			
		Contributed Capital \$'000	Revaluation Reserve \$'000	Retained Earnings \$'000	
<b>Balance at 30 June 2004</b>		4 463	418 468	979 733	1 402 664
Changes in accounting policy		-	(494)	494	-
Error correction		-	-	-	-
Restated balance at 30 June 2004		4 463	417 974	980 227	1 402 664
Gain on revaluation of property during 2004-05		-	210 089	-	210 089
<b>Net result after restructure for 2004-05</b>		-	-	11 917	11 917
<b>Total recognised income and expense for 2004-05</b>		-	210 089	11 917	222 006
<b>Balance at 30 June 2005</b>		4 463	628 063	992 144	1 624 670
Gain on revaluation of property during 2005-06		-	73 831	-	73 831
Transfer asset revaluation reserve on disposal of property, plant and equipment		-	(40)	40	-
<b>Net result after restructure for 2005-06</b>		-	-	(20 577)	(20 577)
<b>Total recognised income and expense for 2006</b>		-	73 791	(20 537)	53 254
<b>Balance at 30 June 2006</b>		<b>4 463</b>	<b>701 854</b>	<b>971 607</b>	<b>1 677 924</b>

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

## Program Schedule of Expenses and Income for the year ended 30 June 2006

	Consolidated - Education					
	Pre-School Education		Reception to Year 2 Education		Year 3 to Year 7 Education	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit costs	85 298	77 742	318 550	293 906	464 631	428 686
Supplies and services	9 271	12 217	105 805	105 869	154 325	154 419
Grants and subsidies	8 793	6 701	492	711	717	1 038
Depreciation and amortisation	520	504	13 551	13 193	19 764	19 242
Borrowing costs	-	-	93	161	136	234
Other expenses	192	2 611	572	4 657	834	6 793
<b>Total Expenses</b>	<b>104 074</b>	<b>99 775</b>	<b>439 063</b>	<b>418 497</b>	<b>640 407</b>	<b>610 412</b>
<b>INCOME:</b>						
Commonwealth revenues	189	137	44 089	42 924	64 307	62 610
Student and other fees and charges	69	67	20 337	19 215	29 699	28 025
Other grants and contributions	13	35	6 800	6 648	9 869	9 698
Interest revenues	1 356	1 297	3 943	3 823	5 752	5 577
Net gain (loss) from disposal of assets	-	194	276	(318)	403	(465)
Other revenues	-	4 681	14 278	17 270	20 823	25 189
<b>Total Income</b>	<b>1 627</b>	<b>6 411</b>	<b>89 723</b>	<b>89 562</b>	<b>130 853</b>	<b>130 634</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>102 447</b>	<b>93 364</b>	<b>349 340</b>	<b>328 935</b>	<b>509 554</b>	<b>479 778</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	101 170	94 358	345 918	330 237	504 549	481 677
<b>NET RESULT</b>	<b>(1 277)</b>	<b>994</b>	<b>(3 422)</b>	<b>1 302</b>	<b>(5 005)</b>	<b>1 899</b>

	Consolidated - Education					
	Year 8 to Year 10 Education		Year 11 to Year 12+ Education		Total Education	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit costs	342 112	315 645	221 073	203 970	1 431 664	1 319 949
Supplies and services	113 631	113 700	73 428	73 473	456 460	459 678
Grants and subsidies	529	764	342	494	10 873	9 708
Depreciation and amortisation	14 554	14 169	9 405	9 156	57 794	56 264
Borrowing costs	100	173	65	111	394	679
Other expenses	614	5 001	397	3 232	2 609	22 294
<b>Total Expenses</b>	<b>471 540</b>	<b>449 452</b>	<b>304 710</b>	<b>290 436</b>	<b>1 959 794</b>	<b>1 868 572</b>
<b>INCOME:</b>						
Commonwealth revenues	47 350	46 099	30 598	29 789	186 533	181 559
Student and other fees and charges	21 841	20 636	14 114	13 335	86 060	81 278
Other grants and contributions	7 303	7 140	4 719	4 614	28 704	28 135
Interest revenues	4 235	4 106	2 737	2 653	18 023	17 456
Net gain (loss) from disposal of assets	296	(342)	191	(221)	1 166	(1 152)
Other revenues	15 334	18 547	9 909	11 985	60 344	77 672
<b>Total Income</b>	<b>96 359</b>	<b>96 186</b>	<b>62 268</b>	<b>62 155</b>	<b>380 830</b>	<b>384 948</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>375 181</b>	<b>353 266</b>	<b>242 442</b>	<b>228 281</b>	<b>1 578 964</b>	<b>1 483 624</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	371 504	354 663	240 067	229 184	1 563 208	1 490 119
<b>NET RESULT</b>	<b>(3 677)</b>	<b>1 397</b>	<b>(2 375)</b>	<b>903</b>	<b>(15 756)</b>	<b>6 495</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2006

	Consolidated - Child Care					
	Planning and Support for Child Care Centres		Family day Care Administration and Monitoring		Out of School Hours Care	
	2006	2005	2006	2005	2006	2005
<b>EXPENSES:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employee benefit costs	414	485	8 985	8 709	671	709
Supplies and services	223	188	25 948	26 066	261	248
Grants and subsidies	749	780	43	11	499	462
Depreciation and amortisation	1	1	21	23	1	1
Borrowing costs	-	-	-	-	-	-
Other expenses	-	-	172	174	172	174
<b>Total Expenses</b>	<b>1 387</b>	<b>1 454</b>	<b>35 169</b>	<b>34 983</b>	<b>1 604</b>	<b>1 594</b>
<b>INCOME:</b>						
Commonwealth revenues	1	85	33 539	30 443	-	-
Student and other fees and charges	29	37	828	894	35	41
Other grants and contributions	-	3	21	619	50	3
Interest revenues	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other revenues	7	8	20	31	7	10
<b>Total Income</b>	<b>37</b>	<b>133</b>	<b>34 408</b>	<b>31 987</b>	<b>92</b>	<b>54</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>1 350</b>	<b>1 321</b>	<b>761</b>	<b>2 996</b>	<b>1 512</b>	<b>1 540</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	1 333	1 336	-	-	1 494	1 557
<b>NET RESULT</b>	<b>(17)</b>	<b>15</b>	<b>(761)</b>	<b>(2 996)</b>	<b>(18)</b>	<b>17</b>

	Consolidated - Child Care					
	Occasional Care		Regulatory and Licensing Services for Child Care		Total	
	2006	2005	2006	2005	2006	2005
<b>EXPENSES:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employee benefit costs	1 557	1 463	988	1 099	12 615	12 465
Supplies and services	139	161	212	241	26 783	26 904
Grants and subsidies	158	131	43	19	1 492	1 403
Depreciation and amortisation	1	1	1	1	25	27
Borrowing costs	-	-	-	-	-	-
Other expenses	-	-	-	-	344	348
<b>Total Expenses</b>	<b>1 855</b>	<b>1 756</b>	<b>1 244</b>	<b>1 360</b>	<b>41 259</b>	<b>41 147</b>
<b>INCOME:</b>						
Commonwealth revenues	315	308	274	-	34 129	30 836
Student and other fees and charges	337	331	1	1	1 230	1 304
Other grants and contributions	-	-	-	-	71	625
Interest revenues	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other revenues	7	8	-	23	41	80
<b>Total Income</b>	<b>659</b>	<b>647</b>	<b>275</b>	<b>24</b>	<b>35 471</b>	<b>32 845</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>1 196</b>	<b>1 109</b>	<b>969</b>	<b>1 336</b>	<b>5 788</b>	<b>8 302</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	1 180	1 121	956	1 351	4 963	5 365
<b>NET RESULT</b>	<b>(16)</b>	<b>12</b>	<b>(13)</b>	<b>15</b>	<b>(825)</b>	<b>(2 937)</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2006

	DECS - Education					
	Pre-School Education		Reception to Year 2 Education		Year 3 to Year 7 Education	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit costs	85 298	77 742	314 780	291 021	459 132	424 478
Supplies and services	9 272	12 217	57 337	59 460	83 631	86 727
Grants and subsidies	8 793	6 701	21 692	22 287	31 640	32 508
Depreciation and amortisation	520	504	12 983	12 542	18 937	18 293
Borrowing costs	-	-	79	97	117	142
Other expenses	13	2 611	16	3 100	23	4 523
<b>Total Expenses</b>	<b>103 896</b>	<b>99 775</b>	<b>406 887</b>	<b>388 507</b>	<b>593 480</b>	<b>566 671</b>
<b>INCOME:</b>						
Commonwealth revenues	189	137	44 089	42 924	64 307	62 610
Student and other fees and charges	69	67	3 936	4 413	5 742	6 437
Other grants and contributions	13	35	3 072	3 673	4 483	5 357
Interest revenues	1 356	1 297	1 729	1 660	2 523	2 422
Net gain (loss) from disposal of assets	-	194	193	(461)	281	(674)
Other revenues	-	4 681	3 459	9 340	5 043	13 622
<b>Total Income</b>	<b>1 627</b>	<b>6 411</b>	<b>56 478</b>	<b>61 549</b>	<b>82 379</b>	<b>89 774</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>102 269</b>	<b>93 364</b>	<b>350 409</b>	<b>326 958</b>	<b>511 101</b>	<b>476 897</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	101 170	94 358	345 918	330 237	504 549	481 677
<b>NET RESULT</b>	<b>(1 099)</b>	<b>994</b>	<b>(4 491)</b>	<b>3 279</b>	<b>(6 552)</b>	<b>4 780</b>

	DECS - Education					
	Year 8 to Year 10 Education		Year 11 to Year 12+ Education		Total Education	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit costs	338 063	312 546	218 457	201 968	1 415 730	1 307 755
Supplies and services	61 579	63 858	39 792	41 265	251 611	263 527
Grants and subsidies	23 297	23 935	15 054	15 467	100 476	100 898
Depreciation and amortisation	13 944	13 469	9 010	8 704	55 394	53 512
Borrowing costs	85	104	55	67	336	410
Other expenses	17	3 329	11	2 152	80	15 715
<b>Total Expenses</b>	<b>436 985</b>	<b>417 241</b>	<b>282 379</b>	<b>269 623</b>	<b>1 823 627</b>	<b>1 741 817</b>
<b>INCOME:</b>						
Commonwealth revenues	47 350	46 099	30 598	29 789	186 533	181 559
Student and other fees and charges	4 227	4 739	2 732	3 063	16 706	18 719
Other grants and contributions	3 300	3 944	2 132	2 551	13 000	15 560
Interest revenues	1 857	1 783	1 200	1 152	8 665	8 314
Net gain (loss) from disposal of assets	207	(495)	134	(320)	815	(1 756)
Other revenues	3 715	10 031	2 400	6 482	14 617	44 156
<b>Total Income</b>	<b>60 656</b>	<b>66 101</b>	<b>39 196</b>	<b>42 717</b>	<b>240 336</b>	<b>266 552</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>376 329</b>	<b>351 140</b>	<b>243 183</b>	<b>226 906</b>	<b>1 583 291</b>	<b>1 475 265</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	371 504	354 663	240 067	229 184	1 563 208	1 490 119
<b>NET RESULT</b>	<b>(4 825)</b>	<b>3 523</b>	<b>(3 116)</b>	<b>2 278</b>	<b>(20 083)</b>	<b>14 854</b>

## Program Schedule of Expenses and Income for the year ended 30 June 2006

	<b>DECS - Child Care</b>					
	Planning and Support for Child Care Centres		Administration and Monitoring		Out of School Hours Care	
	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005
<b>EXPENSES:</b>	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Employee benefit costs	414	485	8 985	8 709	671	709
Supplies and services	223	188	25 948	26 066	261	248
Grants and subsidies	749	780	43	11	499	462
Depreciation and amortisation	1	1	21	23	1	1
Borrowing costs	-	-	-	-	-	-
Other expenses	-	-	7	174	6	174
<b>Total Expenses</b>	<b>1 387</b>	1 454	<b>35 004</b>	34 983	<b>1 438</b>	1 594
<b>INCOME:</b>						
Commonwealth revenues	1	85	33 539	30 443	-	-
Student and other fees and charges	29	37	828	894	35	41
Other grants and contributions	-	3	21	619	50	3
Interest revenues	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other revenues	7	8	20	31	7	10
<b>Total Income</b>	<b>37</b>	133	<b>34 408</b>	31 987	<b>92</b>	54
<b>NET COST OF PROVIDING SERVICES</b>	<b>1 350</b>	1 321	<b>596</b>	2 996	<b>1 346</b>	1 540
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	1 333	1 336	-	-	1 494	1 557
<b>NET RESULT</b>	<b>(17)</b>	15	<b>(596)</b>	(2 996)	<b>148</b>	17

	<b>DECS - Child Care</b>					
	Occasional Care		Regulatory and Licensing Services for Child Care		Total	
	<b>2006</b>	2005	<b>2006</b>	2005	<b>2006</b>	2005
<b>EXPENSES:</b>	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Employee benefit costs	1 557	1 463	988	1 099	12 615	12 465
Supplies and services	139	161	212	241	26 783	26 904
Grants and subsidies	158	131	43	19	1 492	1 403
Depreciation and amortisation	1	1	1	1	25	27
Borrowing costs	-	-	-	-	-	-
Other expenses	-	-	-	-	13	348
<b>Total Expenses</b>	<b>1 855</b>	1 756	<b>1 244</b>	1 360	<b>40 928</b>	41 147
<b>INCOME:</b>						
Commonwealth revenues	315	308	274	-	34 129	30 836
Student and other fees and charges	337	331	1	1	1 230	1 304
Other grants and contributions	-	-	-	-	71	625
Interest revenues	-	-	-	-	-	-
Net gain (loss) from disposal of assets	-	-	-	-	-	-
Other revenues	7	8	-	23	41	80
<b>Total Income</b>	<b>659</b>	647	<b>275</b>	24	<b>35 471</b>	32 845
<b>NET COST OF PROVIDING SERVICES</b>	<b>1 196</b>	1 109	<b>969</b>	1 336	<b>5 457</b>	8 302
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	1 180	1 121	956	1 351	4 963	5 365
<b>NET RESULT</b>	<b>(16)</b>	12	<b>(13)</b>	15	<b>(494)</b>	(2 937)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department

The Department of Education and Children's Services (DECS) operates within the:

- *Education Act 1972* and the *Education Regulations 1997*;
- *Children's Services Act 1985* and the Regulations under the *Children's Services Act 1985*;
- *Public Sector Management Act 1995*.

The Department's purpose is to engage every child and student so that they achieve at the highest possible level of their learning and wellbeing through quality care and teaching. Its key functions are to:

#### **Set the Directions for Education and Care in South Australia**

The Department ensures the state's education system is well positioned to deliver high quality education and care through strategic and coordinated leadership in implementing South Australia's Strategic Plan, integrated policy development in collaboration with key stakeholders and planning for an effective workforce to meet current and future requirements.

#### **Provide and Regulate Children's Services**

The role of the Department in relation to children's services involves the provision of preschool services, administration of Family day Care, sponsorship of Outside School Hours Care programs and the establishment and enforcement of minimum standards for all types of child care, including child care centres.

#### **Manage the State's Education System**

The Department delivers high quality primary and secondary education to more than 160 000 school students in 604 schools across the State. DECS is responsible for the education of children and students across all areas of the curriculum and preparing young people to be active and productive members of a democratic society. DECS involves parents and communities in the education of children and students.

The Department's eight goals and key objectives are summarised below:

#### *Strong Beginnings for All Children*

- Strengthen and integrate Early Childhood Services to improve their capacity and quality
- Increase the number of young children experiencing successful learning and development

#### *Excellence in Learning: Provision, Achievement and Pathways*

- Improve overall student achievement
- Strengthen literacy and numeracy
- Provide engaging, stimulating and flexible learning programs
- Support students to be equipped to respond to a changing world
- Increase the number of international students

#### *Engagement and Wellbeing*

- Increase levels of child and student attendance, retention and engagement in learning programs
- Enhance child and student wellbeing

#### *Build Workforce Capability, Flexibility and Resilience*

- Enhance the capabilities and performance of our workforce
- Develop a culture that values staff morale and wellbeing
- Improve systems and processes to be more responsive

#### *Quality Teaching*

- Expect all teachers to achieve recognised professional standards
- Develop the skills and knowledge of our teaching workforce

#### *Access to Integrated Services*

- Increase the responsiveness and integration of support services to children, students and their families

#### *An Interdependent DECS*

- Improve service delivery through local decision making
- Foster the interdependence between local sites, district offices and state office

#### *A Sustainable System*

- Promote a culture of sustainability
- Reduce energy and water consumption
- Provide more efficient and effective ICT and management systems

### 2. Summary of Significant Accounting Policies

#### **2.1 Basis of Accounting**

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

## 2.1 **Basis of Accounting (continued)**

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

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

## 2.2 **Reporting Entity**

The Department of Education and Children's Services produces both Departmental and Administered financial statements. The Departmental financial statements include the use of income, expenses, assets and liabilities controlled or incurred by the Department in its own right. The Administered financial statements include the income, expenses, assets and liabilities, which the Department administers on behalf of the Minister for Education and Children's Services, but does not control.

The Department of Education and Children's Services economic entity comprises:

- the corporate department including its operational units;
- government schools (including school councils, canteens, out of school hours care and vacation care programs);
- other non-corporate operational units viz:
  - preschools;
  - long day care centres (those referred to as 'Bowen Funded Centres' only);
  - neighbourhood houses;
  - toy libraries;
  - child parent centres.

The values in the Consolidated column in the financial statements incorporate the activities of the corporate department and government schools but exclude funds separately generated by the other non-corporate operational units. As a consequence, the financial statements treat any transactions with these units as transactions with third parties. All material transactions between the corporate department and schools have been eliminated, as required by Australian Accounting Standards.

The values in the DECS column in the financial statements incorporate the activities of the corporate department but exclude funds separately generated by government schools and other non-corporate operational units. As a consequence, the DECS financial statements treat any transactions with these sites as transactions with third parties. The amounts reported in the DECS financial statements do include material expenses paid on behalf of schools and preschools (ie salaries and wages, salary related oncosts and utilities expenses), and major assets and liabilities (ie land and buildings, employee benefits).

Financial data was collected from government schools for the school year ended 31 December 2005 for the purpose of consolidating it with data from State Office. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to State Office. It is not intended that data for other non-corporate operational units be included in the financial statements, as it is not considered material.

The Department is responsible for the administration of specific funds on behalf of the Minister for Education and Children's Services. The Department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties. The Administered financial statements include the income, expenses, assets and liabilities of these funds.

The main administered funds are:

### *Minister for Education and Children's Services - Payments*

Funds are appropriated to the Minister for Education and Children's Services and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the Senior Secondary Assessment Board of South Australia (SSABSA);
- payments to the Office of Public Transport for the purposes of student travel;
- the State Government contribution to the operation of non-government schools, organisations and services to students with disabilities.

In addition, the Commonwealth Government contribution to the operation of non-government schools, organisations, services to students with disabilities and investing in Our Schools Program.

### *Minister's Salary and Allowances*

The Minister's salary and allowances are funded by Special Acts Appropriation, therefore the Department has no control over this part of the annual appropriation.

*Minister's Borrowings*

The Minister for Education and Children's Services is liable for funds borrowed from the Department of Treasury and Finance. The funds were loaned to the Department and various schools by the Minister to undertake capital works projects.

**2.3 Comparative Figures**

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

**2.4 Rounding**

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

**2.5 Taxation**

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

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

- the amount of GST incurred by the Department as a purchaser is not recoverable from the Australian Taxation Office;
- receivables and payables are stated with the amount of GST included.

**2.6 Income and Expenses**

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

Income and expenses have been classified according to their nature in accordance with the Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 3.5 and have not been offset unless required or permitted by a specific accounting standard.

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APSs 4.1 and 4.2 the financial report's notes disclose revenues, expenses, financial assets and financial liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

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

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 3.11.

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with the Accounting Policy Framework III *Asset Accounting Framework* APS 2.12. Resources provided free of charge are recorded in the expense line items to which they relate.

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

Generally the Department has obtained control or the right to receive for:

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

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

All contributions paid by the Department have been contributions with unconditional stipulations attached.

All borrowing costs are recognised as an expense.

**2.7 Revenues from/Payments to SA Government**

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

Where money has been appropriated in the form of a loan, the Department has recorded a loan receivable.

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

Payments to the SA Government include the return of surplus cash pursuant to the cash alignment policy (refer Note 2.9).

**2.8 Current and Non-Current Classification**

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

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

**2.9 Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, 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. The definition of cash in relation to the Balance Sheet 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 are 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 this financial year the Department was required to transfer \$688 000 of its cash balance to the Consolidated Account via the repayment of existing loans.

**2.10 Receivables**

Receivables include amounts receivable from trade, prepayments and other accruals.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are generally receivable 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 the balances within trade receivables that are unlikely to be collected. These are generally receivables that are 90 days or more overdue.

**2.11 Inventories**

Inventories held for distribution for no or nominal consideration are measured at the lower of cost and replacement cost. Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

Cost is allocated in accordance with the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of inventory write-down to net realisable value/replacement cost or inventory losses are recognised as an expense in the period the write-down or loss occurred. Any write-down reversals are recognised as an expense reduction.

**2.12 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 Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

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

### **2.12 Non-Current Asset Acquisition and Recognition (continued)**

In accordance with Accounting Policy Framework III *Asset Accounting Framework* APSs 2.15 and 7.2:

- all non-current tangible assets with a value of \$5 000 or greater are capitalised; and
- componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is greater than \$5 million for infrastructure assets and \$1 million for other assets.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

The Department's non-current assets include property, plant and equipment controlled by the Department. Works in progress are projects physically incomplete as at reporting date.

#### *Land*

Land valuations reflect the Valuer-General's values (for rating purposes) as at 30 June 2006. The Valuer-General's values are deemed to be fair value for financial reporting purposes.

#### *Building and Improvements*

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 31 March 2005, asphalt paved areas are current as at 31 March 2004 and swimming pools are current as at 30 June 2006. The building data provided in the statements relates specifically to buildings, paved areas and swimming pools. The building data excludes landscaping, infrastructure, pergolas, playground equipment, sheds and some paving, fencing and leasehold improvements because they either cannot be reliably measured or no information is centrally recorded.

Buildings under construction are reported as work in progress and are valued at cost.

Where buildings and improvements are destroyed by fire during the year, the written down value of the buildings and improvements is treated as an expense in the Income Statement.

#### *Buses*

Buses are recorded at current replacement cost as at 30 June 2006 less accumulated depreciation.

#### *Plant and Equipment*

Items within administrative sites of the Department acquired prior to 1 July 1997 are recorded at current replacement cost as at 1 July 1997 less accumulated depreciation. Items acquired after 1 July 1997 are recorded at historical cost less accumulated depreciation. Only individual items costing \$5 000 or more are capitalised and recorded in the Balance Sheet. Items under \$5 000 are recorded in the Income Statement as an expense in the accounting period in which they are acquired.

### **2.13 Revaluation of Non-Current Assets**

In accordance with Accounting Policy Framework III *Asset Accounting Framework*:

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

Every three years, the 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 tangible assets that are acquired between revaluations are held at cost until the next valuation, where they are revalued to fair value.

### **2.14 Impairment**

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

### **2.15 Depreciation and Amortisation of Non-Current Assets**

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

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.

Land and assets held for sale are not depreciated.

**2.15 Depreciation and Amortisation of Non-Current Assets (continued)**

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

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings	Straight line	30 to 106
Paving	Straight line	25 to 40
Swimming pools	Straight line	50 to 60
Leasehold improvements	Straight line	life of lease
Buses/Motor vehicles	Straight line	12 to 20
Furniture and equipment	Straight line	10 to 15
Computers and software	Straight line	3 to 5
Intangibles	Straight line	5
Other plant and equipment	Straight line	7 to 10

**2.16 Intangible Assets**

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

The acquisition of or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets* and when the amount of expenditure is greater than or equal to \$10 000, in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.15.

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Department has been unable to attribute this expenditure to the intangible asset rather than to the Department as a whole.

**2.17 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 payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received, in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

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

**2.18 Employee Benefits**

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

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

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

### **2.19 Provisions**

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 for the Department for Administrative and Information Services.

A provision is also raised to reflect the liability for outstanding (unsettled) vicarious liability claims. Provisions for outstanding fire claims yet to be settled as at balance date are also reported, as required by Accounting Standard AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. The majority of this provision is between the corporate department and government schools, therefore is eliminated on consolidation.

### **2.20 Operating Leases**

In respect of operating leases, the lessor retains substantially all the risks and rewards incidental to ownership of the leased assets. Operating lease payments are recognised as an expense on a basis that is representative of the pattern of benefits derived from the leased assets.

## **3. Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, the continued existence of the Department in its present form, and with its current programs, is dependent on government policy and on continuing appropriations by Parliament for the Department's administration and programs.

## **4. Changes in Accounting Policies**

### **4.1 Provision for Long Service Leave**

In previous financial years, the Department has measured its long service leave liability using employee's base remuneration rates. For the 2005-06 financial year, the long service leave liability has been calculated using employee's current remuneration rates in accordance with Accounting Policy Framework IV *Financial Asset and Liability Framework*. The effect of this change is an increase to the provision of approximately \$14.4 million.

In addition to this, the Accounting Policy Framework IV *Financial Asset and Liability Framework* has retained the benchmark number of years for recognising a liability (ie nine years), however the current estimate of long service leave taken as leave whilst in service has decreased from 43 percent to 26 percent. The effect of this on the associated employment on-costs such as superannuation, payroll tax and WorkCover levy is a decrease of approximately \$6.5 million.

### **4.2 Adoption of Australian Equivalents to International Financial Reporting Standards**

The Department has adopted the AIFRS for the first time for the year ended 30 June 2006.

The adoption of AIFRS has not resulted in any material adjustments to the Income Statement, Balance Sheet or Cash Flow Statement.

However, in accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, non-current assets available for sale have been disclosed as a separate class of assets on the balance sheet. Assets classified as non-current assets held for sale are not depreciated and are measured at the lower of carrying amount and fair value less selling costs. The Department has identified items of property, plant and equipment that are available for sale, which are disclosed in Note 21 of the notes to the accounts.

In addition, a number of new or amended Australian Accounting Standards are applicable to the Department, but are not yet effective. The Department has assessed the impact of the new and amended standards and there will be no impact on the Accounting Policies of the Department.

## **5. Programs of the Department**

In achieving its objective the Department provides a range of services classified into the following programs and sub-programs:

### **Program 1: Education – Preschool to Year 12**

Provision of preschool education and Reception to Year 12 Education.

#### *Sub-program 1.1 Delivery of Preschool Education*

Provision of early childhood education through preschools and child-parent centres and the purchase (coordination, policy, planning, curriculum, quality regulation and funding) of preschool positions through independent community organisations.

#### *Sub-program 1.2 Reception to Year 2*

Delivery of R-2 educational programs at the local level incorporating the aggregate global budget.

**Program 1: Education – Preschool to Year 12 (continued)**

<i>Sub-program 1.3</i>	<i>Year 3 to Year 7</i> Delivery of Year 3 to Year 7 educational programs at the local level incorporating the aggregate global budget.
<i>Sub-program 1.4</i>	<i>Year 8 to Year 10</i> Delivery of Year 8 to Year 10 educational programs at the local level incorporating the aggregate global budget.
<i>Sub-program 1.5</i>	<i>Year 11 to Year 12+</i> Delivery of Year 11 to Year 12+ educational programs at the local level incorporating the aggregate global budget.

**Program 2: Children's Services**

Provision of a flexible range of high quality programs and services which meet the changing needs of families and enhance children's development in the critical early years, including the provision of child care centres, family day care, out of school-hours care and occasional care.

<i>Sub-program 2.1</i>	<i>Planning and Support for Child Care Centres</i> Provision of statewide policy and planning in order to influence the development of appropriate levels of service, curriculum materials, industry development, support and information to parents and staff working in child care centres.
<i>Sub-program 2.2</i>	<i>Family day Care Administration and Monitoring</i> Provision of support for care providers of approved child care in their homes, and the planning and coordination of home-based care as sponsor; involves the recruitment and training of care providers, payment of care providers, matching families with care providers, and monitoring quality of care against national standards.
<i>Sub-program 2.3</i>	<i>Out of School Hours Care</i> Provision of policy support and training for school councils and other sponsor organisations in delivering out of school hours and vacation care to children from 5 to 15 years of age.
<i>Sub-program 2.4</i>	<i>Occasional Care</i> Provision of policy, resource allocation, planning and development for new services, and staff and facilities to support occasional care (the majority provided through DECS preschools).
<i>Sub-program 2.5</i>	<i>Regulatory and Licensing Service for Child Care</i> Provision of a licensing, standards development, inspection, investigation and advisory service for child care to meet the requirements of the <i>Children's Services Act 1985</i> and regulations.

**6. Employee Benefit Costs**

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Salaries and wages (including annual leave)	1 140 456	1 047 722	1 129 754	1 040 169
Superannuation	130 451	123 703	128 939	122 338
Payroll tax	77 619	70 423	74 422	67 565
Long service leave	67 246	46 186	66 932	45 958
Workers compensation	18 935	40 501	18 906	40 488
TVSP (refer below)	4 779	20	4 779	20
Other employee related costs	4 793	3 859	4 613	3 682
<b>Total Employee Benefit Costs</b>	<b>1 444 279</b>	<b>1 332 414</b>	<b>1 428 345</b>	<b>1 320 220</b>

**Targeted Voluntary Separation Packages (TVSP)**

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
TVSPs paid to employees during the reporting period	4 779	20	4 779	20
Annual leave and long service leave paid during the period	860	-	860	-
	<b>5 639</b>	<b>20</b>	<b>5 639</b>	<b>20</b>
Recovery from the Department of Premier and Cabinet	-	256	-	256
Appropriation received from the Department of Treasury and Finance for TVSPs paid	4 779	-	4 779	-

**Targeted Voluntary Separation Packages (TVSP) (continued)**

Number of employees who were paid TVSPs during the reporting period

<b>2006 Number of Employees</b>	2005 Number of Employees	<b>2006 Number of Employees</b>	2005 Number of Employees
<b>42</b>	-	<b>42</b>	-

**Remuneration of Employees**

The number of employees whose remuneration received or receivable exceeded \$100 000 for this period are grouped within the following bands:

	<b>2006 Number of Executives*</b>	<b>2006 Number of Employees</b>	2005 Number of Executives*	2005 Number of Employees
\$100 000 - \$109 999	<b>2</b>	<b>208</b>	2	207
\$110 000 - \$119 999	<b>4</b>	<b>113</b>	1	80
\$120 000 - \$129 999	<b>5</b>	<b>43</b>	6	47
\$130 000 - \$139 999	<b>6</b>	<b>41</b>	4	37
\$140 000 - \$149 999	<b>1</b>	<b>8</b>	4	13
\$150 000 - \$159 999	<b>3</b>	<b>9</b>	4	12
\$160 000 - \$169 999	<b>2</b>	<b>2</b>	4	7
\$170 000 - \$179 999	<b>5</b>	<b>5</b>	1	1
\$180 000 - \$189 999	-	<b>1</b>	-	1
\$190 000 - \$199 999	-	<b>1</b>	1	1
\$200 000 - \$209 999	<b>1</b>	<b>2</b>	-	-
\$210 000 - \$219 999	-	-	-	-
\$220 000 - \$229 999	<b>1</b>	<b>1</b>	-	-
\$230 000 - \$239 999	<b>1</b>	<b>1</b>	1	1
\$240 000 - \$249 999	-	-	-	-
\$250 000 - \$259 999	-	-	-	1
\$260 000 - \$269 999	-	-	-	-
\$270 000 - \$279 999	-	-	-	-
\$280 000 - \$289 999	<b>1</b>	<b>1</b>	-	-
\$290 000 - \$299 999	-	-	1	1
<b>Total Number of Executives/Employees</b>	<b>32</b>	<b>436</b>	29	409

\* Based on the Department's Executive Organisation Structure.

Total remuneration received or due and receivable by the above employees was \$50.9 million (\$47.9 million), which is included in employee expenses. This number of employees includes 42 (35) who received country incentive payments. The remuneration includes salary, employer's superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated fringe benefits tax, but does not include any amounts payable due to retirement under the Targeted Voluntary Separation Package (TVSP) Scheme. There were 2 (nil) persons who received an amount under the TVSP Scheme that retired at the over \$100 000 remuneration level and an additional 44 (28) persons who did not receive an amount under the TVSP Scheme that retired at the over \$100 000 remuneration level. These 44 (28) persons are included in the above employee numbers. Salary rates have increased by 6.5 percent for *Education Act* employees, 3.75 percent for *Public Sector Management (PSM) Act* employees (ASO 4 and above), 4.0 percent for PSM Act employees (ASO 1-3), and 3.5 percent for Executives due to enterprise agreements.

**7. Supplies and Services**

Supplies and Services provided by entities within the SA Government:

	Consolidated		DECS	
	<b>2006 \$'000</b>	2005 \$'000	<b>2006 \$'000</b>	2005 \$'000
Minor works and maintenance	<b>70 120</b>	88 213	<b>70 932</b>	101 436
Rentals and leases	<b>13 098</b>	12 496	<b>13 110</b>	12 524
Management fees, fees and charges	<b>10 074</b>	11 120	<b>10 072</b>	11 123
Computer communications	<b>5 526</b>	5 184	<b>5 531</b>	5 187
Utilities	<b>6 127</b>	6 545	<b>6 136</b>	6 703
Vehicle and travelling expenses	<b>4 744</b>	4 510	<b>6 260</b>	5 432
Insurance (including self insurance)	<b>4 335</b>	3 463	<b>5 065</b>	4 017
Telecommunications	<b>2 630</b>	2 275	<b>2 630</b>	2 280
Security	<b>3 053</b>	2 166	<b>3 054</b>	2 171
Legal	<b>565</b>	889	<b>570</b>	892
Fees - Contractors and other outsourced services	<b>1 129</b>	953	<b>4 211</b>	3 287
Other	<b>1 065</b>	720	<b>1 616</b>	1 979
<b>Total Supplies and Services - SA Government Entities</b>	<b>122 466</b>	138 534	<b>129 187</b>	157 031

7. <b>Supplies and Services (continued)</b>	Consolidated		DECS	
	2006	2005	2006	2005
Supplies and Services provided by entities external to the SA Government:	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Printing, postage and consumables	<b>59 877</b>	55 828	<b>5 851</b>	6 330
Minor works, maintenance and equipment	<b>27 585</b>	44 763	<b>9 450</b>	8 373
Child care assistance, school card and other allowances	<b>28 002</b>	28 095	<b>28 002</b>	28 095
Cleaning	<b>25 633</b>	24 609	<b>2 417</b>	3 962
Student learning materials	<b>22 119</b>	20 212	-	-
Utilities	<b>19 125</b>	16 726	<b>17 880</b>	15 336
Cost of goods sold	<b>17 933</b>	17 768	-	-
Vehicle and travelling expenses	<b>19 344</b>	18 750	<b>17 387</b>	16 545
Bus contractors	<b>16 749</b>	15 305	<b>16 749</b>	15 305
Telecommunications	<b>13 184</b>	9 567	<b>12 095</b>	8 396
Fees - Consultants, contractors and other outsourced services	<b>13 189</b>	15 110	<b>12 693</b>	14 696
Excursions and camps	<b>14 465</b>	13 556	-	-
Security	<b>3 448</b>	3 703	<b>3 124</b>	3 327
Computer communications	<b>7 167</b>	5 431	<b>5 885</b>	4 440
Training and development	<b>4 486</b>	4 722	<b>1 920</b>	2 250
Rentals and leases	<b>3 632</b>	3 755	<b>1 974</b>	2 307
Other	<b>64 839</b>	50 148	<b>13 780</b>	4 038
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>360 777</b>	348 048	<b>149 207</b>	133 400
<b>Total Supplies and Services</b>	<b>483 243</b>	486 582	<b>278 394</b>	290 431

The number and dollar amount of consultancies paid/payable (included in supplies and services expense) during the period:

<b>2006</b>	<b>2006</b>	2005	2005
<b>Number</b>	<b>\$'000</b>	Number	\$'000
<b>2</b>	<b>68</b>	1	38

8. <b>Grants and Subsidies</b>	Consolidated		DECS	
	2006	2005	2006	2005
Grants and Subsidies paid/payable to entities within the SA Government:	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Recurrent grants paid to schools and units	-	-	<b>89 603</b>	91 190
Recurrent grants paid to preschools	<b>4 051</b>	3 502	<b>4 051</b>	3 502
Recurrent grants paid to other organisations	<b>969</b>	1 628	<b>969</b>	1 628
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>5 020</b>	5 130	<b>94 623</b>	96 320
Grants and Subsidies paid/payable to entities external to the SA Government:				
Recurrent grants paid to other organisations	<b>7 345</b>	5 981	<b>7 345</b>	5 981
<b>Total Grants and Subsidies - Non-SA Government Entities</b>	<b>7 345</b>	5 981	<b>7 345</b>	5 981
<b>Total Grants</b>	<b>12 365</b>	11 111	<b>101 968</b>	102 301

9. <b>Depreciation and Amortisation</b>	Consolidated		DECS	
	2006	2005	2006	2005
Depreciation:				
Buildings and improvements	<b>48 312</b>	47 518	<b>48 290</b>	47 399
Computing, communication equipment, furniture and equipment	<b>4 555</b>	3 081	<b>2 688</b>	1 050
Buses/motor vehicles	<b>2 290</b>	3 842	<b>1 994</b>	3 517
Other	<b>550</b>	579	<b>335</b>	302
<b>Total Depreciation</b>	<b>55 707</b>	55 020	<b>53 307</b>	52 268
Amortisation:				
Leasehold improvements	<b>1 315</b>	1 198	<b>1 315</b>	1 198
Intangible assets	<b>797</b>	73	<b>797</b>	73
<b>Total Amortisation</b>	<b>2 112</b>	1 271	<b>2 112</b>	1 271
<b>Total Depreciation and Amortisation</b>	<b>57 819</b>	56 291	<b>55 419</b>	53 539

10. (a) <b>Other Expenses</b>	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Other expenses paid/payable to entities within the SA Government:				
Auditor's Remuneration -				
Auditor-General's Department	465	423	465	423
Other expenses	-	2	-	876
<b>Total Other Expenses - SA Government Entities</b>	<b>465</b>	<b>425</b>	<b>465</b>	<b>1 299</b>
Other expenses paid/payable to entities external to the SA Government:				
Auditor's Remuneration - School Auditors	579	634	572	620
Allowance for doubtful debts and debt write offs	644	9 230	(2 209)	1 791
Non-current assets written off	1 265	12 353	1 265	12 353
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>2 488</b>	<b>22 217</b>	<b>(372)</b>	<b>14 764</b>
<b>Total Other Expenses</b>	<b>2 953</b>	<b>22 642</b>	<b>93</b>	<b>16 063</b>

10. (b) <b>Auditor's Remuneration</b>				
Audit fees paid/payable to the Auditor-General's Department excluding GST	465	423	465	423
Audit fees paid/payable to school auditors (for non-corporate work) excluding GST	579	634	572	620
<b>Total Audit Fees</b>	<b>1 044</b>	<b>1 057</b>	<b>1 037</b>	<b>1 043</b>

*Other Services*

The Auditor-General's Department provided no other services and received no other benefits.

11. (a) <b>Commonwealth Revenue</b>				
Recurrent Revenue:				
General purpose	126 139	124 060	126 139	124 060
Specific purpose	72 922	61 175	72 922	61 175
<b>Total Recurrent Revenue</b>	<b>199 061</b>	<b>185 235</b>	<b>199 061</b>	<b>185 235</b>
Capital Revenue:				
General purpose	21 601	27 160	21 601	27 160
<b>Total Capital Revenue</b>	<b>21 601</b>	<b>27 160</b>	<b>21 601</b>	<b>27 160</b>
<b>Total Commonwealth Revenue</b>	<b>220 662</b>	<b>212 395</b>	<b>220 662</b>	<b>212 395</b>

11. (b) <b>Conditions Over Revenue</b>				
The following revenues were recognised for the year ended 30 June 2006 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2006:				

	Opening Balance 01.07.05 \$'000	Revenue for 2005-06 \$'000	*Expenses for 2005-06 \$'000	Closing Balance 30.06.06 \$'000
Commonwealth Revenue for:				
Primary and secondary education	308	39 209	(38 207)	1 310
Child care services	674	33 713	(30 788)	3 599
<b>Total Recurrent Revenue</b>	<b>982</b>	<b>72 922</b>	<b>(68 995)</b>	<b>4 909</b>

\* Included in expenses is an amount of \$23 million transferred to schools and providers of child care services to be applied for the purposes required under the funding agreements.

12. <b>Student and Other Fees and Charges</b>	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Fees and charges received/receivable from entities within the SA Government:				
Sales/fee for service revenue	504	519	623	625
Other user fees and charges	1 661	1 513	3 756	6 751
<b>Total Fees and Charges - SA Government Entities</b>	<b>2 165</b>	<b>2 032</b>	<b>4 379</b>	<b>7 376</b>
Fees and charges received/receivable from entities external to the SA Government:				
Sales/fee for service revenue	3 123	3 539	2 936	3 292
Student enrolment fees and charges	74 052	69 898	2 670	2 242
Other user fees and charges	7 950	7 113	7 951	7 113
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>85 125</b>	<b>80 550</b>	<b>13 557</b>	<b>12 647</b>
<b>Total Student and Other Fees and Charges</b>	<b>87 290</b>	<b>82 582</b>	<b>17 936</b>	<b>20 023</b>

13. Interest and Investment Income	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Interest from entities within the SA Government	17 575	16 975	8 665	8 311
Other	448	481	-	3
<b>Total Interest Received</b>	<b>18 023</b>	<b>17 456</b>	<b>8 665</b>	<b>8 314</b>
<b>14. Net Gain (Loss) from Disposal of Assets</b>				
Land and Buildings:				
Proceeds from disposal	4 153	1 385	4 153	1 385
Net book value of assets disposed	3 124	2 834	3 124	2 834
Net gain from disposal of land and building	1 029	(1 449)	1 029	(1 449)
Plant and Equipment:				
Proceeds from disposal	774	998	142	179
Net book value of assets disposed	637	701	356	486
Net loss from disposal of plant and equipment	137	297	(214)	(307)
Total Assets:				
Total proceeds from disposal	4 927	2 383	4 295	1 564
Total value of assets disposed	3 761	3 535	3 480	3 320
<b>Total Net Gain (Loss) from Disposal of Assets</b>	<b>1 166</b>	<b>(1 152)</b>	<b>815</b>	<b>(1 756)</b>
<b>15. Other Revenue</b>				
Targeted Voluntary Separation Package recoveries	-	256	-	256
Recoveries- Other	1 561	2 321	2 358	3 154
Assets recognised for the first time	465	25 462	465	25 462
Canteen revenue	20 610	20 324	-	-
Other revenue	37 749	29 389	11 835	15 364
<b>Total Other Revenue</b>	<b>60 385</b>	<b>77 752</b>	<b>14 658</b>	<b>44 236</b>
<b>16. Revenue from SA Government</b>				
<b>Revenues from SA Government</b>				
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	1 494 042	1 459 275	1 494 042	1 459 275
Appropriation received under other acts	11 925	34 749	11 925	34 749
Transfers from contingencies	62 204	1 460	62 204	1 460
<b>Total Revenues from SA Government</b>	<b>1 568 171</b>	<b>1 495 484</b>	<b>1 568 171</b>	<b>1 495 484</b>
<b>17. Cash</b>				
Deposits at call - Westpac	44 540	38 893	44 540	38 893
Deposits with the Treasurer	118 892	76 679	118 892	76 679
Cash at bank - SA School Investment Fund (SASIF) *	150 321	156 388	-	-
Cash at bank and on hand	12 129	12 312	92	328
Section 21 Deposit Accounts	325	317	325	317
<b>Total Cash</b>	<b>326 207</b>	<b>284 589</b>	<b>163 849</b>	<b>116 217</b>
<b>Deposits with the Treasurer</b>				
Comprises Accrual Appropriation Account balance that can only be used for capital works purposes and payment of long service leave entitlements.				
* The amount held in schools and units SASIF accounts as at 30 June 2006 was \$177.1 million (\$183.5 million) and does not include \$17.1 million (\$16 million) held in the account for preschools and some units as these have been treated as transactions with third parties refer Note 2.2 'Reporting Entities'.				
<b>18. Receivables</b>				
	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current:				
Fees, charges and other receivables	18 664	16 595	20 442	27 076
Less: Provision for doubtful debts	(8 266)	(7 876)	(1 061)	(3 296)
GST recoverable from the ATO	6 020	8 660	4 168	7 335
Accrued revenues	824	734	1 139	780
Loan receivables	74	65	272	212
<b>Total Current Receivables</b>	<b>17 316</b>	<b>18 178</b>	<b>24 960</b>	<b>32 107</b>
Non-Current:				
Workers compensation receivable	550	1 144	550	1 144
Loan receivables	31	41	2 986	2 187
<b>Total Non-Current Receivables</b>	<b>581</b>	<b>1 185</b>	<b>3 536</b>	<b>3 331</b>
<b>Total Receivables</b>	<b>17 897</b>	<b>19 363</b>	<b>28 496</b>	<b>35 438</b>

	Consolidated		DECS	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<b>Government/Non-Government Receivables</b>				
Receivables from SA Government entities:				
Fees, charges and other receivables	1 081	1 717	12 974	19 575
Less: Provision for doubtful debts	(40)	(167)	(454)	(2 442)
Loan receivables	-	-	3 153	2 293
Accrued revenues	487	399	802	445
<b>Total Receivables from SA Government Entities</b>	<b>1 528</b>	1 949	<b>16 475</b>	19 871
Receivables from Non-SA Government entities:				
Fees, charges and other receivables	17 583	14 878	7 468	7 501
Less: Provision for doubtful debts	(8 226)	(7 709)	(607)	(854)
GST recoverable from the ATO	6 020	8 660	4 168	7 335
Workers compensation receivable	550	1 144	550	1 144
Accrued revenues	337	335	337	335
Loan receivables	105	106	105	106
<b>Total Receivables from Non-SA Government Entities</b>	<b>16 369</b>	17 414	<b>12 021</b>	15 567
<b>Total Receivables</b>	<b>17 897</b>	19 363	<b>28 496</b>	35 438
<b>19. Inventories</b>				
Current:				
Supplies	1 441	1 150	98	176
<b>Total Current Inventories</b>	<b>1 441</b>	1 150	<b>98</b>	176
<b>Total Inventories</b>	<b>1 441</b>	1 150	<b>98</b>	176
<b>20. Investments/Financial Assets</b>				
Current:				
Term deposits	6 931	3 927	-	-
<b>Total Current Investments</b>	<b>6 931</b>	3 927	-	-
Non-Current:				
Term deposits	644	905	-	-
<b>Total Non-Current Investments</b>	<b>644</b>	905	-	-
<b>Total Investments</b>	<b>7 575</b>	4 832	-	-
<b>21. Non-Current Assets Classified as Held for Sale</b>				
Current:				
Land	6 118	5 658	6 118	5 658
Buildings and improvements	2 318	2 271	2 318	2 271
Buses	141	188	141	188
<b>Total Current Non-Current Assets held for Sale</b>	<b>8 577</b>	8 117	<b>8 577</b>	8 117
<b>22. Property, Plant and Equipment</b>				
Land:				
Land at valuation	829 759	757 352	829 759	757 352
Land at cost	212	1 194	-	979
<b>Total Land</b>	<b>829 971</b>	758 546	<b>829 759</b>	758 331
Buildings and Improvements:				
Buildings and improvements at valuation	3 106 527	3 088 621	3 106 527	3 088 621
Accumulated depreciation	(1 959 652)	(1 934 068)	(1 959 652)	(1 934 068)
Buildings and improvements at cost	46 393	48 170	44 736	45 799
Accumulated depreciation	(1 122)	(114)	(1 112)	(107)
<b>Total Buildings and Improvements</b>	<b>1 192 146</b>	1 202 609	<b>1 190 499</b>	1 200 245
Leasehold Improvements:				
Leasehold improvements at cost	13 331	13 331	13 331	13 331
Accumulated amortisation	(2 558)	(1 243)	(2 558)	(1 243)
<b>Total Leasehold Improvements</b>	<b>10 773</b>	12 088	<b>10 773</b>	12 088
Construction Work in Progress:				
Construction work in progress at cost	33 440	32 074	33 440	32 074
<b>Total Construction Work in Progress</b>	<b>33 440</b>	32 074	<b>33 440</b>	32 074
Buses/Motor Vehicles:				
Buses/motor vehicles at valuation	56 794	40 134	56 794	40 134
Accumulated depreciation	(43 851)	(31 811)	(43 851)	(31 811)
Buses/motor vehicles at cost	6 376	9 554	-	3 818
Accumulated depreciation	(3 408)	(3 207)	-	(136)
<b>Total Buses/Motor Vehicles</b>	<b>15 911</b>	14 670	<b>12 943</b>	12 005

22. Property, Plant and Equipment (continued)	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Computing, Communication Equipment, Furniture and Equipment:				
Computing, communication equipment, furniture and equipment at valuation	6 783	7 468	6 783	7 468
Accumulated depreciation	(3 279)	(3 766)	(3 279)	(3 766)
Computing, communication equipment, furniture and equipment at cost	34 745	31 306	17 437	16 151
Accumulated depreciation	(16 454)	(11 200)	(6 490)	(2 566)
<b>Total Computing,     Communication Equipment,     Furniture and Equipment</b>	<b>21 795</b>	<b>23 808</b>	<b>14 451</b>	<b>17 287</b>
Other Assets:				
Other assets at cost	5 903	5 479	3 737	3 426
Accumulated depreciation	(3 816)	(3 400)	(2 412)	(2 089)
<b>Total Other Assets</b>	<b>2 087</b>	<b>2 079</b>	<b>1 325</b>	<b>1 337</b>
<b>Total Property Plant and Equipment</b>	<b>2 106 123</b>	<b>2 045 874</b>	<b>2 093 190</b>	<b>2 033 367</b>

**Valuation of Non-Current Assets***DECS*

Valuations of land and pools are at 30 June 2006. The land valuations were performed by the Valuer-General and pool valuations by the Department for Administrative and Information Services. Valuations of buildings and improvements were performed by the Department for Administrative and Information Services at 31 March 2005. Valuations of computing and communication equipment, furniture and equipment, and buses are based on current replacement cost in accordance with the Department of Treasury and Finance policy on valuations of non-current assets.

*Schools*

Schools' non-current assets are recorded at cost.

**Reconciliation of Property, Plant and Equipment**

The following table shows the movement of Property, Plant and Equipment:

	DECS 2005-06			
	Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Computing, Communicatn Equipment, Furniture and Equipment \$'000
Carrying amount at 1 July	758 331	1 200 245	12 088	17 287
Additions	2 801	3 050	-	649
Disposals	(1 728)	(1 396)	-	-
Reclassified as assets held for sale	(460)	(47)	-	-
Transfer to (from) WIP	-	37 503	-	-
Revaluation increment (decrement)	71 182	332	-	-
Depreciation	-	(48 290)	(1 315)	(3 485)
Other movements	(367)	(898)	-	-
<b>Carrying Amount at 30 June</b>	<b>829 759</b>	<b>1 190 499</b>	<b>10 773</b>	<b>14 451</b>
	DECS 2005-06			
	Buses/ Motor Vehicles \$'000	Construction Work in Progress \$'000	Other Assets \$'000	<b>Total \$'000</b>
Carrying amount at 1 July	12 005	32 074	1 337	2 033 367
Additions	924	41 930	323	49 677
Disposals	(168)	-	-	(3 292)
Reclassified as assets held for sale	(141)	-	-	(648)
Transfer to (from) WIP	-	(37 503)	-	-
Revaluation increment (decrement)	2 317	-	-	73 831
Depreciation	(1 994)	-	(335)	(55 419)
Other movements	-	(3 061)	-	(4 326)
<b>Carrying Amount at 30 June</b>	<b>12 943</b>	<b>33 440</b>	<b>1 325</b>	<b>2 093 190</b>

**Reconciliation of Property, Plant and Equipment (continued)**

DECS 2004-05

	Land \$'000	Buildings \$'000	Leasehold Improve- ments \$'000	Computing, Communicatn Equipment, Furniture and Equipment \$'000
Carrying amount at 1 July	669 004	1 087 006	342	2 587
Additions	1 805	16 078	12 624	15 835
Disposals	(1 226)	(1 608)	-	(12)
Reclassified as assets held for sale	(5 658)	(2 271)	-	-
Transfer to (from) WIP	-	44 042	320	-
Revaluation increment (decrement)	95 450	114 639	-	-
Depreciation	-	(47 399)	(1 198)	(1 123)
Other movements	(1 044)	(10 242)	-	-
<b>Carrying Amount at 30 June</b>	<b>758 331</b>	<b>1 200 245</b>	<b>12 088</b>	<b>17 287</b>

DECS 2004-05

	Buses/ Motor Vehicles \$'000	Construction Work in Progress \$'000	Other Assets \$'000	Total \$'000
Carrying amount at 1 July	14 001	24 898	2 201	1 800 039
Additions	2 183	51 538	505	100 568
Disposals	(474)	-	-	(3 320)
Reclassified as assets held for sale	(188)	-	-	(8 117)
Transfer to (from) WIP	-	(44 362)	-	-
Revaluation increment (decrement)	-	-	-	210 089
Depreciation	(3 517)	-	(302)	(53 539)
Other movements	-	-	(1 067)	(12 353)
<b>Carrying Amount at 30 June</b>	<b>12 005</b>	<b>32 074</b>	<b>1 337</b>	<b>2 033 367</b>

**23. Other Assets**

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current Assets:				
Prepayments	783	770	368	310
Other	52	178	-	106
<b>Total Current Other Assets</b>	<b>835</b>	<b>948</b>	<b>368</b>	<b>416</b>

**24. Payables**

Current:				
Creditors	49 863	51 824	52 864	54 999
Accrued expenses	4 340	4 415	4 108	3 550
Employment on-costs	16 029	14 358	16 029	14 358
Lease payables	218	162	-	-
<b>Total Current Payables</b>	<b>70 450</b>	<b>70 759</b>	<b>73 001</b>	<b>72 907</b>
Non-Current:				
Employment on-costs	24 769	27 140	24 769	27 140
Lease payables	478	400	-	-
<b>Total Non-Current Payables</b>	<b>25 247</b>	<b>27 540</b>	<b>24 769</b>	<b>27 140</b>
<b>Total Payables</b>	<b>95 697</b>	<b>98 299</b>	<b>97 770</b>	<b>100 047</b>

**Government/Non-Government Payables**

Payables to SA Government Entities:				
Creditors	17 499	23 706	22 665	28 541
Accrued expenses	1 750	1 489	1 750	1 489
<b>Total Payables to SA Government Entities</b>	<b>19 249</b>	<b>25 195</b>	<b>24 415</b>	<b>30 030</b>
Payables to Non-SA Government Entities:				
Creditors	32 364	28 118	30 199	26 458
Accrued expenses	2 590	2 926	2 358	2 061
Employment on-costs	40 798	41 498	40 798	41 498
Lease payables	696	562	-	-
<b>Total Payables to Non-SA Government Entities</b>	<b>76 448</b>	<b>73 104</b>	<b>73 355</b>	<b>70 017</b>
<b>Total Payables</b>	<b>95 697</b>	<b>98 299</b>	<b>97 770</b>	<b>100 047</b>

25. Borrowings	Consolidated		DECS	
	2006	2005	2006	2005
Current:				
Loans	358	1 439	300	1 200
<b>Total Current Borrowings</b>	<b>358</b>	<b>1 439</b>	<b>300</b>	<b>1 200</b>
Non-Current:				
Loans	1 991	3 387	1 826	2 697
Advances	121	121	121	121
<b>Total Non-Current Borrowings</b>	<b>2 112</b>	<b>3 508</b>	<b>1 947</b>	<b>2 818</b>
<b>Total Borrowings</b>	<b>2 470</b>	<b>4 947</b>	<b>2 247</b>	<b>4 018</b>

26. (a) Employee Benefits				
Current:				
Annual leave	69 416	60 793	69 365	60 781
Accrued salaries and wages	7 298	2 224	7 287	2 140
Long service leave	34 088	33 692	33 896	33 547
<b>Total Current Employee Benefits</b>	<b>110 802</b>	<b>96 709</b>	<b>110 548</b>	<b>96 468</b>
Non-Current:				
Long service leave	291 315	258 558	290 361	257 672
<b>Total Non-Current Employee Benefits</b>	<b>291 315</b>	<b>258 558</b>	<b>290 361</b>	<b>257 672</b>
<b>Total Employee Benefits</b>	<b>402 117</b>	<b>355 267</b>	<b>400 909</b>	<b>354 140</b>

In the 2006 financial year, the provision for long service leave has been calculated using the current remuneration instead of base. The effect of this is an increase to the provision of \$14.4 million. In addition, the percentage of long service leave taken as leave has decreased from 43 percent to 26 percent. The effect of this change on the relevant on-costs is a decrease of \$6.5 million.

(b) Employee Benefits and Related On-Costs	Consolidated		DECS	
	2006	2005	2006	2005
Accrued Salaries:	\$'000	\$'000	\$'000	\$'000
On-costs included in payables - Current (Note 24)	1 238	368	1 238	368
Provision for employee benefits - Current (Note 26(a))	7 298	2 224	7 287	2 140
	<b>8 536</b>	<b>2 592</b>	<b>8 525</b>	<b>2 508</b>
Annual Leave:				
On-costs included in payables - Current (Note 24)	11 900	10 457	11 900	10 457
Provision for employee benefits - Current (Note 26(a))	69 416	60 793	69 365	60 781
	<b>81 316</b>	<b>71 250</b>	<b>81 265</b>	<b>71 238</b>
Long Service Leave:				
On-costs included in payables - Current (Note 24)	2 891	3 533	2 891	3 533
Provision for employee benefits - Current (Note 26(a))	34 088	33 692	33 896	33 547
	<b>36 979</b>	<b>37 225</b>	<b>36 787</b>	<b>37 080</b>
On-costs included in payables - Non-current (Note 24)	24 769	27 140	24 769	27 140
Provision for employee benefits - Non-current (Note 26(a))	291 315	258 558	290 361	257 672
	<b>316 084</b>	<b>285 698</b>	<b>315 130</b>	<b>284 812</b>
<b>Aggregate Employee Benefit and Related On-Costs</b>	<b>442 915</b>	<b>396 765</b>	<b>441 707</b>	<b>395 638</b>

27. Provisions				
Current:				
Provision for workers compensation	18 549	18 809	18 549	18 809
Provision for vicarious liability claims	724	753	724	753
Provision for fire claims	25	-	1 086	1 288
<b>Total Current Provisions</b>	<b>19 298</b>	<b>19 562</b>	<b>20 359</b>	<b>20 850</b>
Non-Current:				
Provision for workers compensation	83 121	81 280	83 121	81 280
Provision for vicarious liability claims	1 445	762	1 445	762
<b>Total Non-Current Provisions</b>	<b>84 566</b>	<b>82 042</b>	<b>84 566</b>	<b>82 042</b>
<b>Total Provisions</b>	<b>103 864</b>	<b>101 604</b>	<b>104 925</b>	<b>102 892</b>

<b>Movements in Provisions</b>	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Provision for Workers Compensation:				
Carrying amount at 1 July	100 089	78 593	100 089	78 593
Payments made during the year	(17 325)	(18 992)	(17 325)	(18 992)
Increase in the provision	18 906	40 488	18 906	40 488
<b>Carrying Amount at 30 June</b>	<b>101 670</b>	<b>100 089</b>	<b>101 670</b>	<b>100 089</b>
Provision for Vicarious Liability Claims:				
Carrying amount at 1 July	1 515	1 783	1 515	1 783
Payments made during the year	(378)	(1 122)	(378)	(1 122)
Increase in the provision	1 032	854	1 032	854
<b>Carrying Amount at 30 June</b>	<b>2 169</b>	<b>1 515</b>	<b>2 169</b>	<b>1 515</b>
Provision for Fire Claims:				
Carrying amount at 1 July	-	-	1 288	1 507
Payments made during the year	(17)	-	(1 497)	(1 089)
Increase in the provision	42	-	1 295	870
<b>Carrying Amount at 30 June</b>	<b>25</b>	<b>-</b>	<b>1 086</b>	<b>1 288</b>
<b>28. Other Liabilities</b>				
Current:				
Deposits	10 644	6 427	9 595	5 767
Unearned revenue	4 114	4 978	428	1 584
Other liabilities	3 718	3 602	780	613
<b>Total Current Other Liabilities</b>	<b>18 476</b>	<b>15 007</b>	<b>10 803</b>	<b>7 964</b>
Non-Current:				
Deposits	2 425	3 390	-	-
Other liabilities	167	170	-	-
<b>Total Non-Current Other Liabilities</b>	<b>2 592</b>	<b>3 560</b>	<b>-</b>	<b>-</b>
<b>Total Other Liabilities</b>	<b>21 068</b>	<b>18 567</b>	<b>10 803</b>	<b>7 964</b>
<b>29. Equity</b>				
Accumulated surplus	1 137 122	1 153 663	971 607	992 144
Asset revaluation reserve	701 854	628 063	701 854	628 063
Contributed capital	4 463	4 463	4 463	4 463
<b>Total Equity</b>	<b>1 843 439</b>	<b>1 786 189</b>	<b>1 677 924</b>	<b>1 624 670</b>
Accumulated Surplus:				
Balance at 1 July	1 153 663	1 141 701	992 144	979 733
Prior period adjustment	-	7 875	-	-
Net surplus (deficit) from Ordinary Activities	(16 581)	3 558	(20 577)	11 917
Transfer from reserves	40	529	40	494
<b>Balance at 30 June</b>	<b>1 137 122</b>	<b>1 153 663</b>	<b>971 607</b>	<b>992 144</b>
Asset Revaluation Reserve:				
Balance at 1 July	628 063	418 503	628 063	418 468
Increase (Decrease) in asset revaluation reserve:				
Transfer from reserve	(40)	(529)	(40)	(494)
Land	71 182	95 450	71 182	95 450
Buildings - Pools component	332	-	332	-
Building and improvements	-	114 639	-	114 639
Buses	2 317	-	2 317	-
<b>Balance at 30 June</b>	<b>701 854</b>	<b>628 063</b>	<b>701 854</b>	<b>628 063</b>
Contributed Capital:				
Balance at 1 July	4 463	4 463	4 463	4 463
<b>Balance at 30 June</b>	<b>4 463</b>	<b>4 463</b>	<b>4 463</b>	<b>4 463</b>
<b>30. Financial Instruments</b>				
<b>(a) Terms, Conditions and Accounting Policies</b>				
(i) <i>Financial Assets</i>				
Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable common public sector interest rate. Interest is paid on a monthly basis.				

(i) *Financial Assets (continued)*

Trade accounts receivables are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. 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.

Loans are recognised at the amounts lent. Collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than likely. Interest is credited to revenue as it accrues. No security is generally required. Principal is repaid in full at maturity. Interest rates are fixed. Interest payments are due on the day of the scheduled agreed terms of payment.

(ii) *Financial Liabilities*

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense when it is due.

All Assets and Liabilities are unsecured.

**(b) Credit Risk Exposures**

The credit risk on financial assets of the Department, which have been recognised on the Balance Sheet, is generally the carrying amount, net of any provision for doubtful debts.

**(c) Interest Rate Exposures**

The Department'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	Consolidated 2006 Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash and deposits	5.45	313 910	-	-	12 297	326 207
Receivables	-	-	-	-	17 792	17 792
Other assets	-	-	-	-	835	835
Investments	7.22	7 575	-	-	-	7 575
Loan receivables	-	-	-	-	105	105
		321 485	-	-	31 029	352 514
Financial Liabilities:						
Trade and other creditors	-	-	-	-	54 899	54 899
Loans	6.81	2 349	-	-	121	2 470
Other liabilities	-	-	-	-	23 260	23 260
		2 349	-	-	78 280	80 629
<b>Net Financial Assets (Liabilities)</b>		319 136	-	-	(47 251)	271 885
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Consolidated 2005 Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash and deposits	4.69	272 336	-	-	12 253	284 589
Receivables	-	-	-	-	19 257	19 257
Other assets	-	-	-	-	948	948
Investments	4.90	4 832	-	-	-	4 832
Loan receivables	6.64	-	1	-	105	106
		277 168	1	-	32 563	309 732
Financial Liabilities:						
Trade and other creditors	-	-	-	-	56 801	56 801
Loans	13.16	4 827	-	-	-	4 827
Other liabilities	-	-	-	-	20 081	20 081
		4 827	-	-	76 882	81 709
<b>Net Financial Assets (Liabilities)</b>		272 341	1	-	(44 319)	228 023

**(c) Interest Rate Exposures (continued)**

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	DECS 2006 Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash and deposits	5.67	163 538	-	-	311	163 849
Receivables	-	-	-	-	25 238	25 238
Other assets	-	-	-	-	368	368
Loan receivables	6.28	-	17	3 136	105	3 258
		163 538	17	3 136	26 022	192 713
Financial Liabilities:						
Trade and other creditors	-	-	-	-	56 972	56 972
Loans	6.95	2 126	-	-	121	2 247
Other liabilities	-	-	-	-	14 058	14 058
		2 126	-	-	71 151	73 277
<b>Net Financial Assets (Liabilities)</b>		161 412	17	3 136	(45 129)	119 436

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	DECS 2005 Fixed Interest Maturing in		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:						
Cash and deposits	4.24	115 907	-	-	310	116 217
Receivables	-	-	-	-	33 039	33 039
Other assets	-	-	-	-	416	416
Loan and lease receivables	6.44	-	28	2 266	105	2 399
		115 907	28	2 266	33 870	152 071
Financial Liabilities:						
Trade and other creditors	-	-	-	-	58 549	58 549
Loans	10.53	3 897	-	-	121	4 018
Other liabilities	-	-	-	-	10 767	10 767
		3 897	-	-	69 437	73 334
<b>Net Financial Assets (Liabilities)</b>		112 010	28	2 266	(35 567)	78 737

**(d) Net Fair Values**

The net fair value of financial assets and financial liabilities of the Department approximate their carrying value.

**31. Commitments for Expenditure****Capital Commitments**

At the end of the reporting period the Department had the following capital commitments payable as follows:

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Not later than one year	44 969	36 470	44 969	36 470
Later than one year but not later than five years	30 537	25 923	30 537	25 923
<b>Total Capital Commitments</b>	<b>75 506</b>	<b>62 393</b>	<b>75 506</b>	<b>62 393</b>

Capital works projects involve mainly the construction or upgrade of school buildings and facilities. Included in capital commitments is an amount of \$10.6 million relating to new capital works for 2005-06 which are in the design phase and have incurred some expenditure but have not yet gone to tender.

**Operating Lease Commitments for Motor Vehicles**

The Department has non-cancellable operating lease commitments for the provision of cars to senior executive officers or sections (ie pool cars) with Fleet SA. There are no purchase options available to the Department.

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Not later than one year	3 043	2 915	3 043	2 915
Later than one year but not later than five years	2 807	1 467	2 807	1 467
<b>Total Motor Vehicle Operating Lease Commitments</b>	<b>5 850</b>	<b>4 382</b>	<b>5 850</b>	<b>4 382</b>

**Operating Lease Commitments for Accommodation and Facilities**

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Balance Sheet and are payable as follows:

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Not later than one year	5 846	5 388	5 846	5 388
Later than one year but not later than five years	3 253	6 992	3 253	6 992
Later than five years	10	114	10	114
<b>Total Accommodation and Facilities</b>				
<b>Operating Lease Commitments</b>	<b>9 109</b>	12 494	<b>9 109</b>	12 494

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

**32. Contingent Assets and Liabilities**

The Department has items, which meet the definition of liabilities but have not been recognised because they cannot be measured reliably. These items are set out as follows:

The Department has received advice from the Crown Solicitor that Temporary Relieving Teachers (TRTs), Hourly Paid Instructors (HPIs), Bus Drivers and other casual employees are eligible for long service leave pursuant to section 71(2) of the *Public Sector Management Act 1995*. The complete effect of this has not been quantified, however the Department recognises that it does have a liability to provide for long service leave for TRTs, HPIs and other casual employees applicable from 1 January 1978 and for Bus Drivers applicable from 1 January 1994. The portion of Long Service Leave liability that has been quantified and included as Employee Benefits (Note 26(a)) as at 30 June 2006 is \$855 000. Payments for long service leave to these employees totalled \$192 640 in 2004-05 and \$142 232 in 2005-06.

**33. Cash Flow Reconciliation**

	Consolidated		DECS	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Reconciliation of Cash - Cash at 30 June as per:				
Cash Flow Statement	326 207	284 589	163 849	116 217
Balance Sheet	326 207	284 589	163 849	116 217
Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services:				
Net cash provided by operating activities	94 942	76 631	95 892	59 639
Less: Revenues from Government	(1 568 171)	(1 495 484)	(1 568 171)	(1 495 484)
Add/Less: Non-Cash Items:				
Depreciation of property, plant and equipment	(57 819)	(56 291)	(55 419)	(53 539)
Bad and doubtful debts	(644)	(9 230)	2 209	(1 791)
Net assets recognised for the first time	465	25 462	465	25 462
Gain (Loss) on sale of assets	1 166	(1 152)	815	(1 756)
Change in Assets and Liabilities:				
Increase (Decrease) in receivables	1 661	5 088	(6 956)	10 998
(Decrease) Increase in GST receivable	(2 640)	1 208	(3 167)	1 631
Increase (Decrease) in other assets	336	(3 383)	12	(3 628)
(Increase) Decrease in employee entitlements	(46 850)	20 577	(46 769)	20 770
(Increase) Decrease in provisions	(2 261)	(21 228)	(2 033)	(21 009)
(Increase) Decrease in payables	(4 537)	(19 396)	(5 516)	(13 527)
Decrease (Increase) in other liabilities	865	(2 375)	1 155	1 020
Decrease in non-current assets	(1 265)	(12 353)	(1 265)	(12 353)
<b>Net Cost of Providing Services</b>	<b>(1 584 752)</b>	(1 491 926)	<b>(1 588 748)</b>	(1 483 567)

**Statement of Administered Income and Expenses  
for the year ended 30 June 2006**

		<b>2006</b>	2005
<b>INCOME:</b>	Note	<b>\$'000</b>	\$'000
Revenues from SA Government	A3	<b>136 217</b>	131 096
Commonwealth revenues	A4	<b>445 974</b>	402 704
Interest revenues	A5	<b>457</b>	519
Other revenues		<b>4</b>	3
<b>Total Income</b>		<b>582 652</b>	534 322
<b>EXPENSES:</b>			
Employee benefits cost	A6	<b>1 629</b>	1 499
Supplies and services	A7	<b>279</b>	900
Transfer payments	A8	<b>581 407</b>	531 679
Borrowing costs		<b>371</b>	441
Depreciation	A9	<b>6</b>	5
Other expenses		<b>1</b>	2
<b>Total Expenses</b>		<b>583 693</b>	534 526
<b>OPERATING DEFICIT</b>		<b>(1 041)</b>	(204)
<b>THE OPERATING DEFICIT IS ATTRIBUTABLE TO SA GOVERNMENT AS OWNER</b>			

## Statement of Administered Assets and Liabilities as at 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>CURRENT ASSETS:</b>			
Cash	A10	44	297
Receivables	A11	1 265	1 844
Other		-	2 092
<b>Total Current Assets</b>		<b>1 309</b>	4 233
<b>NON-CURRENT ASSETS:</b>			
Receivables	A11	2 076	3 049
Plant and equipment	A12	18	24
<b>Total Non-Current Assets</b>		<b>2 094</b>	3 073
<b>Total Assets</b>		<b>3 403</b>	7 306
<b>CURRENT LIABILITIES:</b>			
Payables	A13	274	764
Employee benefits	A14	95	81
Borrowings	A15	1 500	1 500
<b>Total Current Liabilities</b>		<b>1 869</b>	2 345
<b>NON-CURRENT LIABILITIES:</b>			
Payables	A13	33	30
Employee benefits	A14	391	280
Borrowings	A15	1 460	3 960
<b>Total Non-Current Liabilities</b>		<b>1 884</b>	4 270
<b>Total Liabilities</b>		<b>3 753</b>	6 615
<b>NET ASSETS</b>		<b>(350)</b>	691
<b>EQUITY:</b>			
Accumulated (deficit) surplus	A16	(350)	691
<b>TOTAL EQUITY</b>		<b>(350)</b>	691
Contingent Asset and Liabilities	A18		

## Statement of Changes in Administered Equity for the year ended 30 June 2006

		Retained Earnings	Total
	Note	\$'000	\$'000
<b>Balance at 30 June 2004</b>		895	895
<b>Operating deficit</b>		(204)	(204)
<b>Total recognised income and expense for 2004-05</b>		(204)	(204)
<b>Balance at 30 June 2005</b>	A16	691	691
<b>Operating deficit</b>		(1 041)	(1 041)
<b>Total recognised income and expense for 2006</b>		(1 041)	(1 041)
<b>Balance at 30 June 2006</b>	A16	<b>(350)</b>	<b>(350)</b>

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

## Administered Cash Flow Statement for the year ended 30 June 2006

		<b>2006</b>	2005
		<b>Inflows</b>	Inflows
		<b>(Outflows)</b>	(Outflows)
		<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note		
CASH INFLOWS:			
Receipts from SA Government		<b>136 217</b>	131 096
Receipts from Commonwealth		<b>445 974</b>	402 704
Interest received		<b>439</b>	519
GST input tax credits		<b>13 769</b>	11 341
Other receipts		<b>4</b>	-
<b>Total Cash Inflows</b>		<b>596 403</b>	545 660
CASH OUTFLOWS:			
Employee benefit payments		<b>(1 498)</b>	(1 410)
Supplies and services		<b>(765)</b>	(240)
Transfer payments		<b>(579 906)</b>	(533 771)
Borrowing costs		<b>(378)</b>	(452)
GST remitted to ATO		<b>(13 529)</b>	(11 793)
<b>Total Cash Outflows</b>		<b>(596 076)</b>	(547 666)
<b>Net Cash Inflows (Outflows) from Operating Activities</b>	A19	<b>327</b>	(2 006)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
CASH INFLOWS:			
Loans repaid		<b>1 920</b>	1 331
<b>Total Cash Inflows</b>		<b>1 920</b>	1 331
CASH OUTFLOWS:			
Payments for plant and equipment		-	(10)
<b>Total Cash Outflows</b>		-	(10)
<b>Net Cash Inflows from Investing Activities</b>		<b>1 920</b>	1 321
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Repayment of borrowings		<b>(2 500)</b>	(2 000)
<b>Total Cash Outflows</b>		<b>(2 500)</b>	(2 000)
<b>Net Cash Outflows from Financing Activities</b>		<b>(2 500)</b>	(2 000)
<b>NET DECREASE IN CASH HELD</b>		<b>(253)</b>	(2 685)
<b>CASH AT 1 JULY</b>		<b>297</b>	2 982
<b>CASH AT 30 JUNE</b>	A10	<b>44</b>	297

## Program Schedule of Administered Income and Expenses for the year ended 30 June 2006

	Minister's Other Payments		Minister's Borrowings		Minister's Salary and Allowances		Total	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>ADMINISTERED INCOME:</b>								
Revenue from SA Government	136 039	130 891	-	-	178	205	136 217	131 096
Commonwealth revenue	445 974	402 704	-	-	-	-	445 974	402 704
Interest revenues	-	255	457	264	-	-	457	519
Other revenues	4	3	-	-	-	-	4	3
<b>Total Administered Income</b>	<b>582 017</b>	<b>533 853</b>	<b>457</b>	<b>264</b>	<b>178</b>	<b>205</b>	<b>582 652</b>	<b>534 322</b>
<b>ADMINISTERED EXPENSES:</b>								
Employee benefit costs	1 416	1 294	-	-	213	205	1 629	1 499
Supplies and services	279	900	-	-	-	-	279	900
Transfer payments	581 407	531 679	-	-	-	-	581 407	531 679
Borrowing costs	-	-	371	441	-	-	371	441
Depreciation	6	5	-	-	-	-	6	5
Other expenses	1	2	-	-	-	-	1	2
<b>Total Administered Expenses</b>	<b>583 109</b>	<b>533 880</b>	<b>371</b>	<b>441</b>	<b>213</b>	<b>205</b>	<b>583 693</b>	<b>534 526</b>
<b>OPERATING (DEFICIT) SURPLUS</b>	<b>(1 092)</b>	<b>(27)</b>	<b>86</b>	<b>(177)</b>	<b>(35)</b>	<b>-</b>	<b>(1 041)</b>	<b>(204)</b>

### NOTES TO AND FORMING PART OF THE ADMINISTERED STATEMENTS

#### A1. Summary of Significant Accounting Policies

All the Department of Education and Children's Services accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Department and Administered Financial Statements.

#### A2. Changes in Accounting Policies

All the Department of Education and Children's Services changes in accounting policies are contained in Note 4 'Changes in Accounting Policies'. The changes outlined in Note 4 apply to both the Department and Administered Financial Statements.

#### A3. Revenue from SA Government

Revenues from SA Government:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>135 803</b>	130 831
Appropriations under other Acts	<b>178</b>	205
Transfers from contingencies	<b>236</b>	60
<b>Total Revenues from SA Government</b>	<b>136 217</b>	<b>131 096</b>

#### A4. (a) Commonwealth Revenue

Commonwealth Revenue:		
Recurrent	<b>424 922</b>	394 617
Capital	<b>21 052</b>	8 087
<b>Total Commonwealth Revenue</b>	<b>445 974</b>	<b>402 704</b>

#### (b) Conditions Over Revenue

The following revenues were recognised for the year ended 30 June 2006 with the condition that they be expended in a particular manner, but had yet to be applied in that manner at 30 June 2006:

	Opening Balance 01.07.05 \$'000	Revenue 2005-06 \$'000	Expenses 2005-06 \$'000	Closing Balance 30.06.06 \$'000
Commonwealth Revenue for:				
Special Education	281	14 028	14 120	<b>189</b>
School Language and Literacy	476	770	972	<b>274</b>
<b>Total Commonwealth Revenue</b>	<b>757</b>	<b>14 798</b>	<b>15 092</b>	<b>463</b>



<b>A8. Transfer Payments</b>	<b>2006</b>	2005
Transfer payments paid/payable to entities within SA Government:	<b>\$'000</b>	\$'000
Multicultural grants	<b>35</b>	29
Government schools	<b>9 201</b>	-
Special schools	<b>2 421</b>	2 689
Other organisations	<b>97</b>	99
SSABSA	<b>11 058</b>	10 504
Transport concessions	<b>10 429</b>	10 479
Other	<b>305</b>	135
<b>Total Transfer Payments to SA Government Entities</b>	<b>33 546</b>	23 935
Transfer payments paid/payable to entities external to SA Government:		
Multicultural grants	<b>1 773</b>	685
Non-Government schools	<b>531 368</b>	492 770
Special schools	<b>13 892</b>	13 361
Other organisations	<b>595</b>	573
Other	<b>233</b>	355
<b>Total Transfer Payments to Non-SA Government Entities</b>	<b>547 861</b>	507 744
<b>Total Transfer Payments</b>	<b>581 407</b>	531 679
<b>A9. Depreciation</b>		
Depreciation expense for the reporting period was charged in respect of:		
Computing, communication equipment, furniture and equipment	<b>6</b>	5
<b>Total Depreciation</b>	<b>6</b>	5
<b>A10. Cash</b>		
Special Deposit Accounts with Department of Treasury and Finance:		
Deposits at call - Westpac	<b>44</b>	297
<b>Total Cash</b>	<b>44</b>	297
<b>A11. Receivables</b>		
Current:		
Loan receivables	<b>385</b>	1 333
Interest receivable	<b>20</b>	2
GST recoverable from the ATO	<b>269</b>	509
Other receivables	<b>591</b>	-
<b>Total Current Receivables</b>	<b>1 265</b>	1 844
Non-Current:		
Loan receivables	<b>2 076</b>	3 049
<b>Total Non-Current Receivables</b>	<b>2 076</b>	3 049
<b>Total Receivables</b>	<b>3 341</b>	4 893
<b>Government/Non-Government Receivables</b>		
Receivables from SA Government Entities:		
Loan receivables	<b>2 461</b>	4 382
Interest receivable	<b>20</b>	2
Other receivables	<b>591</b>	-
<b>Total Current Receivables from SA Government Entities</b>	<b>3 072</b>	4 384
Receivables from Non-SA Government Entities:		
GST recoverable from the ATO	<b>269</b>	509
<b>Total Non-Current Receivables from Non-SA Government Entities</b>	<b>269</b>	509
<b>Total Receivables</b>	<b>3 341</b>	4 893
<b>A12. Plant and Equipment</b>		
Computing, furniture and equipment:		
Computing, furniture and equipment at cost	<b>62</b>	62
Accumulated depreciation	<b>(44)</b>	(38)
<b>Total Computing, Furniture and Equipment</b>	<b>18</b>	24
<b>Total Plant and Equipment</b>	<b>18</b>	24

**Valuation of Non-Current Assets**

Valuations of computing, furniture and equipment are based on current replacement cost in accordance with the Department of Treasury and Finance policy on valuations of non-current assets.

**Reconciliation of Plant and Equipment**

The following table shows the movement of plant and equipment:

	2006 \$'000	2005 \$'000
Carrying amount at 1 July	24	19
Additions	-	10
Depreciation	(6)	(5)
<b>Carrying Amount at 30 June</b>	<b>18</b>	<b>24</b>
<b>A13. Payables</b>	<b>2006</b>	<b>2005</b>
Current:	<b>\$'000</b>	<b>\$'000</b>
Creditors	223	711
Accrued expenses	38	41
Employee on-costs	13	12
<b>Total Current Payables</b>	<b>274</b>	<b>764</b>
Non-Current:		
Employee on-costs	33	30
<b>Total Non-Current Payables</b>	<b>33</b>	<b>30</b>
<b>Total Payables</b>	<b>307</b>	<b>794</b>
<b>Government/Non-Government Payables</b>		
Payables to SA Government Entities:		
Creditors	193	1
Accrued expenses	32	37
<b>Total Payables to SA Government Entities</b>	<b>225</b>	<b>38</b>
Payables to Non-SA Government Entities:		
Creditors	30	710
Accrued expenses	6	4
Employee on-costs	46	42
<b>Total Non-Current Payables to Non-SA Government Entities</b>	<b>82</b>	<b>756</b>
<b>Total Payables</b>	<b>307</b>	<b>794</b>
<b>A14. (a) Employee Benefits</b>		
Current:		
Accrued salaries and wages	4	1
Annual leave	50	51
Long service leave	41	29
<b>Total Current Employee Benefits</b>	<b>95</b>	<b>81</b>
Non-Current:		
Long service leave	391	280
<b>Total Non-Current Employee Benefits</b>	<b>391</b>	<b>280</b>
<b>Total Employee Benefits</b>	<b>486</b>	<b>361</b>
<b>(b) Employee Benefits and Related On-Costs</b>		
Accrued Salaries and Wages:		
On-costs included in payables - Current (Note A13)	1	-
Provision for employee benefits - Current (Note A14(a))	4	1
	<b>5</b>	<b>1</b>
Annual Leave:		
On-costs included in payables - Current (Note A13)	9	9
Provision for employee benefits - Current (Note A14(a))	50	51
	<b>59</b>	<b>60</b>
Long Service Leave:		
On-costs included in payables - Current (Note A13)	3	3
Provision for employee benefits - Current (Note A14(a))	41	29
	<b>44</b>	<b>32</b>
On-costs included in payables - Non-current (Note A13)	33	30
Provision for employee benefits - Non-current (Note A14(a))	391	280
	<b>424</b>	<b>310</b>
<b>Aggregate Employee Benefits and Related On-Costs</b>	<b>532</b>	<b>403</b>
<b>A15. Borrowings</b>		
Current:		
Borrowings from SA Government	1 500	1 500
<b>Total Current Borrowings</b>	<b>1 500</b>	<b>1 500</b>
Non-Current:		
Borrowings from SA Government	1 460	3 960
<b>Total Non-Current Borrowings</b>	<b>1 460</b>	<b>3 960</b>
<b>Total Borrowings</b>	<b>2 960</b>	<b>5 460</b>

<b>A16. Equity</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Accumulated (deficit) surplus	<b>(350)</b>	691
<b>Total Equity</b>	<b>(350)</b>	691
Accumulated Surplus:		
Balance at 1 July	<b>691</b>	895
Deficit for the year	<b>(1 041)</b>	(204)
<b>Balance at 30 June</b>	<b>(350)</b>	691

**A17. Financial Instruments****(a) Terms, Conditions and Accounting Policies***(i) Financial Assets*

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable overnight lending rate. Interest is paid on a monthly basis.

Loans are recognised at the amounts lent. Collectability of amounts outstanding is reviewed at balance date. Provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less rather than likely. Interest is credited to revenue as it accrues. No security is generally required. Principal is repaid in full at maturity. Interest rates are fixed. Interest payments are due on the day of the scheduled agreed terms of payment.

*(ii) Financial Liabilities*

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense when it is due.

All assets and liabilities are unsecured.

**(b) Credit Risk Exposures**

The credit risk on financial assets of the Department, which have been recognised on the Statement of Administered Assets and Liabilities, is generally the carrying amount.

**(c) Interest Rate Exposures**

The Department'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:

<i>Financial Instrument</i>	Weighted Average Interest Rate	Floating Interest Rate \$'000	2006 Fixed Interest Maturing in:		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 Years \$'000	More than 5 Years \$'000		
			Percent			
Financial Assets:						
Cash and deposits	6.96	922	-	-	(878)	44
Receivables	-	-	-	-	880	880
Loans receivables	7.13	2 126	182	98	55	2 461
		<b>3 048</b>	<b>182</b>	<b>98</b>	<b>57</b>	<b>3 385</b>
Financial Liabilities:						
Trade and other creditors	-	-	-	-	261	261
Loans	6.95	2 960	-	-	-	2 960
		<b>2 960</b>	<b>-</b>	<b>-</b>	<b>261</b>	<b>3 221</b>
<b>Net Financial Assets (Liabilities)</b>		<b>88</b>	<b>182</b>	<b>98</b>	<b>(204)</b>	<b>164</b>

<i>Financial Instrument</i>	Weighted Average Interest Rate	Floating Interest Rate \$'000	2005 Fixed Interest Maturing in:		Non- Interest Bearing \$'000	Total Carrying Amount \$'000
			1 to 5 Years \$'000	More than 5 Years \$'000		
			Percent			
Financial Assets:						
Cash and deposits	6.67	1 442	-	-	(1 145)	297
Receivables	-	-	-	-	2 603	2 603
Loans receivables	0.92	3 897	244	176	65	4 382
		<b>5 339</b>	<b>244</b>	<b>176</b>	<b>1 523</b>	<b>7 282</b>
Financial Liabilities:						
Trade and other creditors	-	-	-	-	752	752
Loans	8.08	5 460	-	-	-	5 460
		<b>5 460</b>	<b>-</b>	<b>-</b>	<b>752</b>	<b>6 212</b>
<b>Net Financial Assets (Liabilities)</b>		<b>(121)</b>	<b>244</b>	<b>176</b>	<b>771</b>	<b>1 070</b>

**(d) Net Fair Values**

The net fair value of financial assets and financial liabilities of the Department approximate their carrying value.

**A18. Contingent Assets and Liabilities**

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

**A19. Cash Flow Reconciliation**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Reconciliation of Cash - Cash at 30 June as per:		
Administered Cash Flow Statement	<b>44</b>	297
Statement of Administered Assets and Liabilities	<b>44</b>	297
<hr/>		
Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Operating Deficit:		
Net cash inflows (outflows) from operating activities	<b>327</b>	(2 006)
Add/Less: Non-Cash Items:		
Depreciation of plant and equipment	<b>(6)</b>	(5)
Bad and doubtful debts	<b>(1)</b>	(2)
Changes in Assets/Liabilities:		
(Decrease) Increase GST receivable	<b>(240)</b>	452
Increase (Decrease) in receivables	<b>606</b>	-
(Increase) Decrease in prepayments	<b>(2 092)</b>	2 092
(Increase) Decrease in employee benefits	<b>(125)</b>	(85)
Decrease (Increase) in payables	<b>490</b>	(650)
	<hr/>	<hr/>
<b>Operating Deficit</b>	<b>(1 041)</b>	(204)
	<hr/>	<hr/>

# DEPARTMENT FOR ENVIRONMENT AND HERITAGE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department for Environment and Heritage (DEH) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

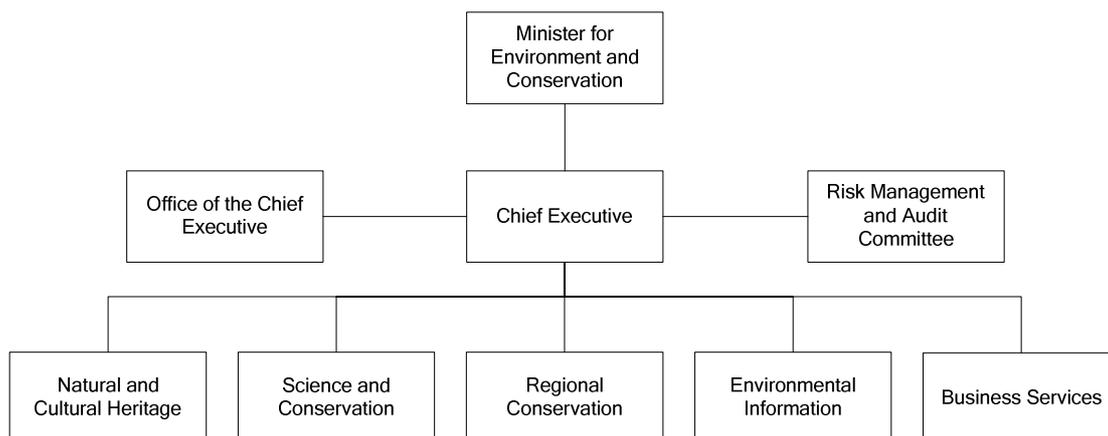
### Functions

DEH's functions are conserving and restoring the environment by:

- having a primary role in environmental policy, biodiversity conservation, heritage conservation, environmental sustainability and animal welfare;
- managing the State's public land held in the conservation reserve system and as Crown Lands;
- being a custodian of information and knowledge about the State's environment.

### Structure

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



### Changes to Functions and Structure

Effective from 1 April 2006 the Office of Sustainability was transferred from the DEH to the Department of the Premier and Cabinet.

### STATUS OF THE FINANCIAL REPORT

The financial report of the Department for Environment and Heritage for the year ended 30 June 2006 was not finalised in sufficient time by the Department to enable the audit to be completed at the date of finalising this Report.

The audited financial report of the Department for Environment and Heritage for the year ended 30 June 2006 will be included in a Supplementary Audit Report to Parliament.

# ENVIRONMENT PROTECTION AUTHORITY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- The Environment Protection Authority - an Administrative Unit established on 1 July 2002 pursuant to the *Public Sector Management Act 1995* as part of a restructure of the Government's environment protection functions.
- A Statutory Authority with an appointed Board also named the Environment Protection Authority established through amendments to the *Environment Protection Act 1993* (the Act).
- The Environment Protection Fund as established under the Act.

Under the Act, the Office of the Chief Executive was established and was made subject to the control and direction of the Board. The Act also permits the Statutory Authority, the Environment Protection Authority, to make use of the services of the Administrative Unit's employees and of its facilities.

### Functions

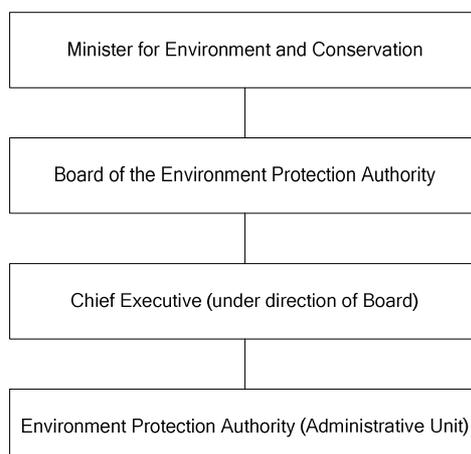
The functions of the EPA are to administer and enforce the Act, promoting principles of ecologically sustainable development. These functions include:

- review, develop and draft environment protection policies and national environment protection measures;
- authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste;
- conduct compliance investigations and institute environmental monitoring and evaluation programs;
- provide advice and assistance regarding best environmental management practice.

In administering these functions the EPA is also responsible for the Environment Protection Fund established under the Act. The purpose of the Environment Protection Fund is to provide funds which may be applied to the costs of administering the Act, education, training, investigations, research, and pilot programs for the protection, restoration or enhancement of the environment and to facilitate assistance for an environment performance agreement.

### Structure

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



## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the EPA 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 EPA 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 on the financial statements and internal controls.

During 2005-06, specific areas of audit attention included:

- revenue raising
- environmental licensing
- waste depot levies
- expenditure
- payroll
- computing environment
- risk management.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

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 Environment Protection Authority as at 30 June 2006, 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 EPA 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: Environment Protection Fund delegations of authority; and risk management as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the EPA 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 Authority and the related responses are considered herein.

#### ***Environment Protection Fund Delegations of Authority***

The Environment Protection fund is established under section 24(1) of the Act. Section 24(4) of the Act provides for the Minister or the Authority (EPA), with the approval of the Minister, to make payments from the fund for specific purposes.

During the year the Authority advised Audit that they had identified that Environment Protection Fund (EPF) delegations existed, but had not been used when authorising EPF expenditure. In lieu of the EPF delegations, the Authority had been using the expenditure delegations of the EPA. Due to differences between the EPA and EPF delegations, a significant number of EPF transactions were not appropriately authorised.

Since identifying this matter, the Authority has taken appropriate steps to ensure future expenditure of EPF monies is authorised consistent with EPF delegations of authority.

### **Risk Management**

Audit review of risk management within the EPA revealed that while it was clear that the Authority was committed to progressing risk management practices, a number of areas required timely action, being:

- creation and promulgation of an EPA Risk Management Policy;
- creation and implementation of a Risk Management Implementation Plan;
- creation and implementation of Key Performance Indicators for key risks.

The EPA responded, confirming the Authority's commitment to progressing an EPA specific risk management framework during the 2006-07 year.

## **INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

### **Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Fees and charges	<b>20.3</b>	20.4	-
Other revenues	<b>1.5</b>	2.3	(34.8)
<b>Total Operating Revenue</b>	<b>21.8</b>	22.7	(4.0)
<b>OPERATING EXPENDITURE</b>			
Employment benefits costs	<b>16.2</b>	16.0	1.3
Grants and contributions	<b>6.2</b>	6.0	3.3
Other expenses	<b>8.6</b>	8.2	4.9
<b>Total Expenses</b>	<b>31.0</b>	30.2	2.6
<b>Net Cost of Providing Services</b>	<b>9.2</b>	7.5	22.7
<b>REVENUE FROM PAYMENTS TO SA GOVERNMENT</b>			
Revenues from SA Government	<b>9.3</b>	8.9	4.5
Payments to SA Government	<b>0.3</b>	2.1	85.7
<b>Net Result</b>	<b>(0.2)</b>	(0.7)	(71.4)
<b>Net Cash provided by Operating Activities</b>	<b>1.5</b>	(0.3)	n/a
<b>ASSETS</b>			
Current assets	<b>7.1</b>	6.4	10.9
Non-current assets	<b>3.8</b>	4.1	(7.3)
<b>Total Assets</b>	<b>10.9</b>	10.5	3.8
<b>LIABILITIES</b>			
Current liabilities	<b>3.2</b>	2.6	23.1
Non-current liabilities	<b>3.3</b>	3.3	-
<b>Total Liabilities</b>	<b>6.5</b>	5.9	10.2
<b>EQUITY</b>	<b>4.4</b>	4.6	(4.3)

### **Income Statement**

#### **Income**

Income decreased by \$0.9 million. The major item affecting the movement was a decrease of \$0.9 million in grants and contribution receipts, of which \$0.6 million is due to no monies received from private industry or local government.

**Expenses**

Expenses increased by \$0.8 million. Major items affecting the movement were:

- Minor increases in salary and wage costs, grants and contributions expenditure and depreciation/amortisation expenses, offset by a decrease of \$0.6 million in other expenses due to the write down during 2004-05 of asset values.

**Cash Flow Statement**

The following table summarises the net cash flows since 2003.

	<b>2006</b>	2005	2004	2003
	<b>\$'million</b>	\$'million	\$'million	\$'million
<b>Net Cash Flows</b>				
Operations	<b>1.5</b>	(0.3)	(0.6)	3.5
Investing	<b>(0.7)</b>	(0.8)	(1.3)	(0.6)
Financing	-	-	(1.8)	7.1
Change in Cash	<b>0.8</b>	(1.1)	(3.7)	10.0
Cash at 30 June	<b>6.0</b>	5.2	6.3	10.0

Financing activities in 2002-03 and 2003-04 relate to administrative restructures. In 2002-03 the EPA was established and in 2003-04 Zero Waste SA was established.

**FURTHER COMMENTARY ON OPERATIONS****The Environment Protection Fund**

The Fund's operations are reflected in the Authority's financial statements. Note 32 discloses details of operations of the Fund.

**Income Statement  
for the year ended 30 June 2006**

	Note	<b>2006</b> <b>\$'000</b>	2005 \$'000
<b>EXPENSES:</b>			
Employee benefits costs	4	<b>16 234</b>	16 036
Supplies and services	5	<b>7 602</b>	7 542
Grants and contributions	6	<b>6 230</b>	5 984
Depreciation and amortisation	7	<b>927</b>	656
Net loss from disposal of non-current assets	8	<b>45</b>	7
Other expenses	9	<b>2</b>	(31)
<b>Total Expenses</b>		<b>31 040</b>	30 194
<b>INCOME:</b>			
Fees and charges	10	<b>20 269</b>	20 421
Grants and contributions	11	<b>1 088</b>	1 817
Interest	12	<b>428</b>	323
Assets received free of charge	13	<b>48</b>	93
Other revenue	14	<b>13</b>	46
<b>Total Income</b>		<b>21 846</b>	22 700
<b>NET COST OF PROVIDING SERVICES</b>		<b>9 194</b>	7 494
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues	15	<b>9 308</b>	8 874
Expenses	15	<b>335</b>	2 128
<b>Total SA Government Revenues and Payments</b>		<b>8 973</b>	6 746
<b>NET RESULT</b>		<b>(221)</b>	(748)
<b>THE NET RESULT IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			

**Balance Sheet  
as at 30 June 2006**

	Note	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	16	6 005	5 194
Receivables	17	1 080	1 114
Other current assets	19	44	87
<b>Total Current Assets</b>		<b>7 129</b>	6 395
<b>NON-CURRENT ASSETS:</b>			
Receivables	17	15	43
Financial assets	18	5	5
Property, plant and equipment	20	3 090	3 454
Intangible assets	21	695	606
<b>Total Non-Current Assets</b>		<b>3 805</b>	4 108
<b>Total Assets</b>		<b>10 934</b>	10 503
<b>CURRENT LIABILITIES:</b>			
Payables	22	1 552	1 238
Employee benefits	23	1 506	1 314
Other current liabilities	24	146	6
<b>Total Current Liabilities</b>		<b>3 204</b>	2 558
<b>NON-CURRENT LIABILITIES:</b>			
Payables	22	333	413
Employee benefits	23	3 011	2 925
<b>Total Non-Current Liabilities</b>		<b>3 344</b>	3 338
<b>Total Liabilities</b>		<b>6 548</b>	5 896
<b>NET ASSETS</b>		<b>4 386</b>	4 607
<b>EQUITY:</b>			
Asset revaluation reserve	25	1 221	1 221
Retained earnings	25	3 165	3 386
<b>TOTAL EQUITY</b>		<b>4 386</b>	4 607
Restrictions on Contributions	27		
Expenditure Commitments	28		
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			

**Statement of Changes in Equity  
for the year ended 30 June 2006**

		Asset Revaluation Reserve	Retained Earnings	Total
	Note	\$'000	\$'000	\$'000
Balance at 30 June 2004		-	4 657	4 657
Changes in accounting policy	2(o)	-	(661)	(661)
<b>Adjusted Opening Balance</b>		<b>-</b>	<b>3 996</b>	<b>3 996</b>
Net Increment (Decrement) related to the Revaluation of:				
Infrastructure		42	-	42
Moveable vehicles		26	-	26
Computing equipment		4	-	4
Furniture and fittings		6	-	6
Plant and equipment		1 082	-	1 082
Other		61	-	61
Correction to long service leave liability		-	138	138
Net Result for 2004-05		-	(748)	(748)
<b>Total Recognised Income (Expense) for 2004-05</b>		<b>1 221</b>	<b>(610)</b>	<b>611</b>
Balance as at 30 June 2005	25	1 221	3 386	4 607
Net Result for 2005-06		-	(221)	(221)
<b>Total Recognised Income (Expense) for 2005-06</b>		<b>-</b>	<b>(221)</b>	<b>(221)</b>
<b>Balance at 30 June 2006</b>	<b>25</b>	<b>1 221</b>	<b>3 165</b>	<b>4 386</b>

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

## Cash Flow Statement for the year ended 30 June 2006

	2006	2005
	<b>Inflows</b>	Inflows
	<b>(Outflows)</b>	(Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee benefits payments	(16 053)	(15 811)
Supplies and services	(7 143)	(7 761)
Grants and contributions	(6 230)	(5 984)
Other payments	(2)	-
<b>Cash used in Operations</b>	<b>(29 428)</b>	<b>(29 556)</b>
CASH INFLOWS:		
Fees and charges	20 427	20 235
Grant and contribution receipts	1 088	1 817
Interest received	432	325
Loan repayments	40	59
Other receipts	13	46
<b>Cash generated from Operations</b>	<b>22 000</b>	<b>22 482</b>
CASH FLOWS FROM SA GOVERNMENT:		
RECEIPTS FROM SA GOVERNMENT:		
Recurrent appropriation	8 674	8 106
Contingency funds	419	170
Accrual appropriation	215	598
<b>Total Receipts from SA Government</b>	<b>9 308</b>	<b>8 874</b>
PAYMENTS TO SA GOVERNMENT :		
Return of surplus cash	(335)	(2 128)
<b>Total Payments to SA Government</b>	<b>(335)</b>	<b>(2 128)</b>
<b>Net Cash provided by (used in) Operating Activities</b>	<b>1 545</b>	<b>(328)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(734)	(765)
Proceeds from sale of property, plant and equipment	-	1
<b>Net Cash used in Investing Activities</b>	<b>(734)</b>	<b>(764)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>811</b>	<b>(1 092)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>5 194</b>	<b>6 286</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>6 005</b>	<b>5 194</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Environment Protection Authority

#### (a) Strategic Context

The Environment Protection Authority (the Authority) is South Australia's primary environmental regulator for the protection, restoration and enhancement of our environment. The Authority promotes the principles of ecologically sustainable development and works with government, industry and the people of South Australia, with key roles to:

- Review, develop and draft environmental protection policies and national environment protection measures
- Authorise activities of environmental significance through an authorisation system aimed at the control and minimisation of pollution and waste
- Conduct compliance investigation and institute environmental monitoring and evaluation programmes
- Provide advice and assistance regarding best environmental management practice
- Minimise adverse impacts of radiation on human health and the environment

The Authority has a key advocacy and engagement role across Government and with the people of South Australia, business and communities throughout South Australia (SA) to achieve a healthy and valued environment.

#### (b) Financial Arrangements

The Department for Environment and Heritage (DEH) provides some professional, technical and administrative support to the Authority. The identifiable direct costs of providing these services are met by the Authority. In addition, certain services are provided by DEH at no charge to the Authority and have not been recognised in the financial statements as it is impractical to determine a value for these items. The costs of these services include salaries and overheads relating to the provision of various administrative services. A Memorandum of Understanding was signed on 31 May 2004 between DEH and the Authority relating to the future provision of these services.

The Authority's sources of funds consist of monies appropriated by Parliament together with income derived primarily from fees, levies and licences to the public and industry. These include:

- Environment and Radiation Protection Licences
- Waste levies from landfill depots
- Fines and Penalties
- Section 7 Enquiries.

The financial activities of the Authority are primarily conducted through Deposit Accounts with the Department of Treasury and Finance (DTF) pursuant to section 8 and section 21 of the *Public Finance and Audit Act 1987*. The Deposit Accounts are used for funds provided by Parliamentary appropriation together with revenues from services provided and from fees and charges.

#### (c) Reporting Entity

The financial reporting entity, the Environment Protection Authority (EPA), includes the following:

- The Environment Protection Authority - an Administrative Unit established on 1 July 2002 pursuant to the *Public Sector Management Act 1995* as part of a restructure of the Government's environment protection functions.
- A Statutory Authority also named the Environment Protection Authority established through amendments to the *Environment Protection Act 1993* (the Act).
- The Environment Protection Fund as established under the Act.

The Fund meets the accounting criteria of a controlled entity of the Authority and consequently the assets and the liabilities of the Fund are recognised by the Authority in the Balance Sheet, the Fund's revenues and expenses have been recognised in the Authority's Income Statement, and the Fund's changes in equity have been recognised in the Authority's Statement of Changes in Equity. The transactions of the Fund are disclosed in Note 32.

The Authority performs functions related to Authority and Administered activities. The Authority Financial Statements include the assets, liabilities, revenues and expenses controlled or incurred by the Authority in its own right. Administered Items have been disclosed in schedules of Administered Item revenues, expenses, assets, liabilities, changes in equity and cash flows which the Authority administers on behalf of the SA Government, industry and the Minister for Environment and Conservation but does not control (refer Note 33).

The Administered Items schedules detail the Administered Items' revenues, expenses, assets, liabilities, changes in equity and cash flows and as such the principles of consolidation have not been applied in preparing these financial statements as the definition of an economic entity has not been satisfied. The Administered Item is Adelaide Coastal Waters Study Steering Committee.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Accounting

The Authority's Financial Statements are a general purpose financial report that has been prepared on an accrual basis pursuant to the *Public Finance and Audit Act 1987* and in accordance with:

- the requirements of the Act;
- Australian Equivalents to International Financial Reporting Standards (AIFRS);
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Treasurer's Instructions and the Accounting Policy Framework issued pursuant to the *Public Finance and Audit Act 1987*.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed.

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Reporting Standards (AIFRS). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are in Note 2(o).

In the absence of a specific Accounting Standard, or other authoritative pronouncements of the Australian Accounting Standards Board, consideration is given to the order of preference of other pronouncements as outlined in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The financial statements, including administered items, have been prepared on the accrual basis of accounting. Accordingly, revenues are recognised when they are earned or when the Authority has control over them, rather than when they are received and expenses are recognised when they are incurred, rather than when they are paid. Some revenues are recognised when cash is received as this is when the Authority gains control of these revenues. These revenues include items such as non-perpetual leases and licence and accreditation fees, fines and penalties.

The financial statements have been prepared in accordance with the historical cost convention, with the exception of certain types of physical non-current assets which are valued at fair value, in accordance with Accounting Policy Framework (APF) guidance. Cost is based on the fair value of the consideration given in exchange for assets.

The financial statements detail the revenues, expenses and financial position of the Authority as a single entity and accordingly all intra Authority transactions and balances have been eliminated.

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

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 for the Authority's administration and outputs.

#### *Comparative Information*

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change. Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1.

The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

### (b) Changes in Accounting Policies

#### *Provisions for Employee Benefits*

On 1 July 2005 the Authority changed its policy for recognising provisions for employee benefits in accordance with AASB 119 *Employee Benefits*. Under the new policy the amount of the provision is calculated using the remuneration rate expected to apply at the time of settlement, rather than the remuneration rate applicable at reporting date.

#### *Asset Capitalisation Threshold Change*

The revision of the asset capitalisation threshold from \$2 000 to \$5 000 in the 2005-06 financial year impacted the reported balances for Fixed Assets, Retained Earnings and the Asset Revaluation reserve for comparative data. These prior period adjustments relate to the expensing of the cost and reversing of revalued components of the written down value for assets under the \$5 000 threshold. The impacts of these are as follows:

- A decrease in property, plant and equipment of \$661 000 at 30 June 2004.
- A decrease in depreciation expense of \$194 000 in 2005-06 (\$229 000 in 2004-05).
- An increase in supplies and services (minor assets) expense of \$145 000 in 2005-06 (\$108 000 in 2004-05).
- A decrease in the loss on disposal of non-current assets of \$33 000 in 2005-06 (\$nil in 2004-05).
- A decrease in revenue from assets recognised for the first time of \$62 000 in 2004-05 (\$nil in 2005-06).
- A decrease in the Asset Revaluation Reserve of \$nil in 2005-06 (\$58 000 in 2004-05).

**(c) South Australian (SA) Government Revenues and Expenses**

*Revenues*

Appropriations for program funding are recognised as revenue when the Authority 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*.

Any grant revenues have been recognised in accordance with AASB 1004 *Contributions* as the Authority is a 'Not-for-Profit' Entity.

*Expenses*

Payments include the return of surplus cash pursuant to the cash alignment policy paid directly to the DTF Consolidated Account.

**(d) Non-SA Government Revenues and Expenses Recognition**

Revenues and expenses are recognised in the Authority's Income Statement 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 APF II *General Purpose Financial Reporting* and have not been offset unless required or permitted by another accounting standard.

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

*Revenues*

All non-SA Government revenues recorded in the Income Statement are recognised when the Authority obtains control over the future economic benefits in the form of increases in assets or reductions in liabilities. With respect to licences, leases and accreditation fees revenue, where the period exceeds one reporting period, the Authority obtains control upon receipt.

The Authority is not economically dependent on one individual for its revenue, however, the amount of revenue earned from transactions with our customer base can be influenced by the South Australian economy.

Income from the disposal of non-current assets is recognised when control of the asset has passed to the buyer and determined by comparing proceeds with carrying amount. When revalued assets are sold, the revaluation increments are transferred to retained earnings in accordance with APF III *Asset Accounting Framework* APS 3.11.

Any grant revenues have been recognised in accordance with AASB 1004 as the Authority is a 'Not-for-Profit' Entity.

Resources received/provided free of charge are recorded as revenue and expenditure in the Income Statement at their fair value in accordance with the APF III *Asset Accounting Framework* APS 2.12. Resources provided free of charge are recorded in the expense line items to which they relate.

*Expenses*

Grants and Contributions are amounts provided by the Authority to entities for general assistance or for a particular purpose subject to terms and conditions set out in the contract, correspondence or by legislation and may be for capital, current or recurrent purposes.

**(e) Current and Non-Current Classification**

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

**(f) Cash and Cash Equivalents**

Cash in the Balance Sheet and Cash Flow Statement is comprised of cash on hand (including petty cash and cashier floats), at call accounts with banks and monies held by DTF in Deposit Accounts.

Cash equivalents are comprised of cash held in the accrual appropriation account with DTF.

**(g) Receivables**

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable whereas bad (uncollectible) debts are written off as incurred.

**(h) Property, Plant and Equipment**

The Balance Sheet includes all Property, Plant and Equipment controlled by the Authority.

#### *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 Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer. Where payment for an asset is deferred, EPA measures the obligation at the present value of the future outflow, discounted using the interest rate of a similar length borrowing.

In accordance with APF III *Asset Accounting Framework* APSs 2.15, 2.16 and 7.2 all non-current tangible assets with a value of \$5 000 or greater are capitalised.

Assets held for sale are separately disclosed and measured at the lower of carrying amount and fair value less cost to sell.

#### *Assets Disclosed at Valuation*

In accordance with the requirements of APF III *Asset Accounting Framework*, independent revaluations of classes of non-current assets need only be undertaken where there existed an asset within a class that satisfied the criteria specified in APF III *Asset Accounting Framework*. That is, there existed an asset within the class with an original acquisition cost of at least \$1 million and a useful life greater than three years.

The Authority undertook a professional valuation in 2004-05 and hence no valuations were undertaken in the current reporting period.

In accordance with APF III *Asset Accounting Framework*, the Authority must use the fair value method of asset valuation for revaluations which occur after 1 July 2002.

Non-current assets in Note 20 'Property, Plant and Equipment' are disclosed, within each class, to distinguish between the different carrying amounts and valuation methodologies.

In accordance with APF III *Asset Accounting Framework*, any revaluation increments arising upon revaluing the abovementioned non-current asset classes to their fair value are credited directly to the asset revaluation reserve except that, to the extent that the net increment reverses a net revaluation decrement previously recognised as an expense in Net Cost of Providing Services in respect of that same class of non-current assets, in which case the revaluation increments have been credited to the Income Statement.

In accordance with the provisions of AASB 116 *Property, Plant and Equipment*, any revaluation decrements arising upon revaluing the abovementioned non-current asset classes to their fair value are debited directly to the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of that class of non-current assets, and any remainder of the net revaluation decrement is debited directly to the Income Statement.

#### *Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III *Asset Accounting Framework* have not been met, these classes of non-current assets are deemed to be at fair value.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- Moveable Vehicles
- Computing Equipment
- Application Software
- Furniture and Fittings
- Plant and Equipment

#### *Intangible Assets*

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost.

#### *Application Software*

The acquisition of or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an intangible asset outlined in AASB 138 *Intangible Assets*, and when the amount of expenditure is greater than or equal to \$5 000 in accordance with APF III *Asset Accounting Framework* APS 2.15.

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

#### *Intellectual Property, Databases and Information Systems*

The Authority controls a large number of databases, registers, information systems and other intellectual property that were developed in-house and are used to store and manage intellectual property owned and controlled by the Authority. Whilst the development and maintenance of these databases involves ongoing costs to the Authority, in general, neither the systems nor the data have been recognised in the financial statements as assets, as it has not been possible to reliably measure the future economic benefits to the Authority.

*Other*

Property, Plant and Equipment provided free of charge is recorded as an asset at its fair value at the time control passes to the Authority. Assets received in this way are disclosed as revenue in the Income Statement (refer Note 13).

Items of Property, Plant and Equipment with an individual value of less than \$5 000 are expensed in the Income Statement at the time they are acquired.

**(i) Depreciation and Amortisation of Non-Current Assets**

All non-current assets with an initial cost greater than \$5 000 having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Depreciation is provided for on a straight line basis, with the following depreciation periods:

Computing Equipment	3-10 years
Application Software	3-10 years
Plant and Equipment	3-30 years
Moveable Vehicles	10-25 years
Furniture and Fittings	5-15 years
Buildings and Improvements	3-50 years

Leasehold improvements are amortised over the useful life of the asset or the lease term, whichever is the shorter.

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

**(j) Leases**

The Authority makes a distinction between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets and operating leases under which the lessor effectively retains substantially all of the risks and benefits incidental to ownership.

*Operating Leases*

Operating lease payments are charged to the Income Statement in the periods in which they are incurred. Details of Operating Lease Commitments are disclosed in Note 28.

**(k) Payables**

Those amounts which represent liabilities for goods and services provided to the Authority and other amounts, including interest, are identified as payables. Accrued expenses represents goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received. All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice was first received, in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

**(l) Provisions for Employee Benefits**

In accordance with AASB 119, a provision is made for the Authority's liability for employee benefits arising from services rendered by employees to reporting date. These provisions represent the amounts which the Authority has a present obligation to pay to employees for services provided.

*Accrued Salaries and Wages*

The liability for accrued salaries and wages represents the amount earned by employees at reporting date not yet paid by the Authority based on remuneration rates current at reporting date.

*Sick Leave*

No provision is made for sick leave as experience indicates that on average sick leave taken each reporting period is less than or equal to the accruing sick leave entitlement in each reporting period. This experience is expected to recur in future reporting periods such that it is improbable that existing accrued sick leave entitlements will be used by employees in the reporting period.

*Annual Leave*

A provision has been made for the unused component of annual leave, including annual leave loading and related on-costs based on the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate plus a salary inflation factor of 4 percent. This calculation is consistent with the Authority's experience of employee retention and leave taking.

*Long Service Leave*

In calculating long service leave benefits the Authority uses a benchmark of seven years, based on an actuarial assessment undertaken by DTF of a significant sample of employees throughout the South Australian public sector. The long service leave entitlement estimated to be paid within 12 months of balance date, is calculated by multiplying employee benefits and related on-costs by the remuneration rates expected to apply when the leave is taken. The expected remuneration rates are calculated as the current remuneration rate. This calculation is consistent with the Authority's experience of employee retention and leave taking.

*Employee On-Costs*

In general, related on-costs of payroll tax and superannuation have been calculated by applying the standard applicable rates to leave balances as at 30 June. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 65 percent of the provision will be paid as a lump sum payment on cessation of employment and will not be subject to employer superannuation contributions (refer Note 22).

*Superannuation*

Contributions are made by the Authority to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the superannuation schemes. Any liability outstanding at reporting date relates to any contribution due but not yet paid to the superannuation schemes, any such amount is treated as a payable not an employee benefit (refer Note 22).

*Workers Compensation*

The workers compensation liability recognised for the employees of the Authority is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2005-06 financial year the Authority has reflected a workers compensation provision of \$94 000 (\$77 000) (refer Note 23).

The actuarial assessment conducted by Taylor Fry Consulting is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 4 *Insurance Contracts* and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that not all claims have to be paid out in the immediate future.

Changes to the fund took effect from 1 July 2004. Any new claims from 1 July 2004 are the responsibility of the Authority and as such the Provision for Workers Compensation Liability will be reported accordingly. All claims payments currently covered by the Fund (ie claims lodged prior to 1 July 2004) continue to be covered by the Fund and as such this liability is not reflected within the Authority's Financial Statements.

**(m) Tax Status**

The activities of the Authority are exempt from Commonwealth income tax but other Commonwealth taxes such as Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and other State taxes including Payroll Tax are applicable.

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

DEH prepares a Business Activity Statement on behalf of the Authority under the grouping provisions of the GST legislation. Under these provisions, DEH is liable for the payments and entitled to the receipts associated with GST. As such, the GST applicable to the Authority forms part of the receivables and payables recorded in the Balance Sheet and the GST cash flows recorded in the Cash Flow Statement of DEH.

Any GST incurred by the Authority as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is, however, recognised as part of an item of expense.

**(o) Changes in Accounting Policy - AIFRS**

The Authority has adopted AIFRS for the first time for the year ended 30 June 2006.

The adoption of AIFRS has resulted in adjustments to the Balance Sheet and Income Statement. There have been no material adjustments to the Cash Flow Statement.

Comparatives	At 01.07.04			At 30.06.05		
	Previous AGAAP \$'000	Adjustments \$'000	AIFRS \$'000	Previous AGAAP \$'000	Adjustments \$'000	AIFRS \$'000
Current Assets	7 353	-	7 353	6 395	-	6 395
Non-Current Assets	3 468	(661)	2 807	4 769	(661)	4 108
Current Liabilities	(2 743)	-	(2 743)	(2 566)	(8)	(2 558)
Non-Current Liabilities	(3 421)	-	(3 421)	(3 468)	(130)	(3 338)
<b>NET ASSETS</b>	<b>4 657</b>	<b>(661)</b>	<b>3 996</b>	<b>5 130</b>	<b>(523)</b>	<b>4 607</b>
Retained earnings	4 657	(661)	3 996	3 851	(465)	3 386
Asset revaluation reserve	-	-	-	1 279	(58)	1 221
<b>TOTAL EQUITY</b>	<b>4 657</b>	<b>(661)</b>	<b>3 996</b>	<b>5 130</b>	<b>(523)</b>	<b>4 607</b>
<b>NET RESULT</b>	<b>(4 470)</b>	<b>-</b>	<b>(4 470)</b>	<b>(804)</b>	<b>56</b>	<b>(748)</b>

*Other Impacts of Adopting AIFRS*

A major change is the treatment of accounting policy changes under AIFRS. These now apply retrospectively except for specific exemptions in accordance with another standard. The resulting adjustments arising from events and transactions before the date of transition to AIFRS have been recognised directly in retained earnings at the date of transition to AIFRS.

*Other Impacts of Adopting AIFRS (continued)*

In particular, the movement in non-current assets is due to a change in the asset capitalisation threshold - refer Note 2(b). Movements in current and non-current liabilities reflect adjustments to the calculation of long service leave and related on-costs.

There have been no identified impacts of AIFRS standards issued but whose adoption date is subsequent to the preparation of these standards.

The estimates applied by the Authority under AIFRS are consistent with the estimates applied under previous Australian AGAAP, after adjustments to reflect any differences in accounting policies.

**(p) SA Government Specific Disclosures**

In accordance with APF II *General Purpose Financial Reporting Framework*, APSs 4.1 and 4.2, EPA has disclosed revenues, expenses, assets and liabilities where the counterparty/transaction is with an entity within the SA Government, classified according to their nature. Transaction below the \$100 000 threshold have been included with the non-SA Government transactions, classified according to their nature.

**(q) Comparative Figures**

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

**(r) Rounding**

All amounts have been rounded to the nearest thousand dollars (\$'000) and expressed in Australian currency.

**3. Programs of the Authority**

The Authority is funded by appropriation for the provision of environment protection, policy and regulatory services. In line with the objective of establishing the Authority to focus on environment protection activities the Authority conducts its services through a single program, Environment and Radiation Protection. The purpose of this program is to achieve a clean, healthy and valued environment that supports social and economic prosperity for all South Australians.

**4. Employee Benefits**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Salaries and wages <sup>(i)</sup>	<b>11 699</b>	11 452
Annual leave	<b>1 147</b>	1 117
Long service leave	<b>458</b>	636
Employment on-costs - Superannuation	<b>1 523</b>	1 529
Employment on-costs - Other	<b>850</b>	822
Sitting fees boards and committees	<b>117</b>	147
	<b>15 794</b>	15 703
Employment Costs - Other:		
OH&S	<b>80</b>	35
Other on-costs	<b>168</b>	122
Staff development	<b>192</b>	176
	<b>440</b>	333
<b>Total Employment Benefits</b>	<b>16 234</b>	16 036

**(i) Targeted Voluntary Separation Packages (TVSPs)**

TVSP amounts paid by the Authority are included within salaries and wages expenses.

During the year a total of 1 (nil) employee of the Authority accepted a package in line with the State Government's policy.

The TVSP component of termination payments totalled \$136 000 (\$nil). These costs were reimbursed by the Department of Treasury and Finance.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$61 000 (\$nil) were paid to the employee who received a TVSP.

**Employee Remuneration**

	<b>2006</b>	2005
	<b>Number of</b>	Number of
	<b>Employees</b>	Employees
The number of employees whose remuneration exceeded \$100 000 was:		
\$100 000 - \$109 999	<b>-</b>	1
\$110 000 - \$119 999	<b>2</b>	2
\$120 000 - \$129 999	<b>1</b>	-
\$130 000 - \$139 999	<b>1</b>	1
\$220 000 - \$229 999	<b>-</b>	1
\$230 000 - \$239 999	<b>1</b>	-
<b>Total Number of Employees</b>	<b>5</b>	5

**Employee Remuneration (continued)**

Total remuneration received, or due and receivable by employees whose remuneration exceeded \$100 000

2006	2005
\$'000	\$'000
<b>726</b>	698

Remuneration includes salary, employer's superannuation costs, use of motor vehicles in accordance with prescribed conditions and associated FBT and contract termination payments, but does not include any amounts payable due to retirement under the TVSP arrangements.

**Number of Employees at Reporting Date**

As at the reporting date the Authority had 225 (211) employees.

**Remuneration of Board and Committee Members**

Under legislative requirements and co-operative management arrangements a number of boards and committees currently provide advice to the Minister and EPA management.

	2006	2005
	Number of	Number of
	Members	Members
The number of Board and Committee members whose remuneration received or due and receivable fell within the following bands:		
\$0	<b>16</b>	17
\$1 - \$10 000	<b>7</b>	6
\$10 001 - \$20 000	<b>5</b>	6
\$20 001 - \$30 000	<b>2</b>	-
<b>Total Number of Board and Committee Members</b>	<b>30</b>	29

The Board of the Environment Protection Authority consists of 9 members. During the 2005-06 financial year, 3 members resigned and 3 new members were elected. A total of 10 members receiving sitting fees.

Board members and their respective remuneration is as follows:

**Board of the Environment Protection Authority**

Name	Period	Remuneration Bandwidth
Dr Paul Vogel (Chair)	Ongoing	\$nil
Ms Megan Dyson	Ongoing	\$10 001 - \$20 000
Mr Mike Elliot	Ongoing	\$10 001 - \$20 000
Mr Andrew Fletcher	Resigned 11.11.05	\$1 - \$10 000
Mr Stephen Hains	Ongoing	\$10 001 - \$20 000
Mr Alan Holmes	Ongoing	\$nil
Mr Mike Nagel	From 20.10.05	\$10 001 - \$20 000
Ms Linda Bowes	Resigned 02.09.05	\$1 - \$10 000
Ms Ann Shaw-Rungie	Resigned 20.04.06	\$10 001 - \$20 000
Mr Victor Farrington	Resigned 03.03.06	\$10 001 - \$20 000
Mr Greg Panigas	From 04.03.06	\$1 - \$10 000
Ms Yvonne Sneddon	From 21.04.06	\$1 - \$10 000

The Radiation Protection Committee consists of 19 members, including 9 proxies. In the current reporting period, 4 members received payment of sitting fees. Both members and proxies have been included in the count. In the previous financial year, 4 members of the Radiation Protection Committee were paid sitting fees.

In accordance with the Department of the Premier and Cabinet Circular No. 16, government employees did not receive any remuneration for Board duties during the financial year.

**5. Supplies and Services**

	2006	2005
	\$'000	\$'000
Accommodation and property management services	<b>1 762</b>	1 661
Materials and consumables	<b>178</b>	205
Vehicles	<b>338</b>	354
Travel and accommodation	<b>203</b>	173
Contractors	<b>597</b>	366
Consultant fees <sup>(i)</sup>	<b>95</b>	257
Computing	<b>823</b>	401
Minor plant and equipment	<b>330</b>	201
Printing and publishing	<b>155</b>	198
Bank fees	<b>7</b>	6
Postage, courier and freight	<b>38</b>	38
Advertising	<b>296</b>	645
Scholarships, awards and prizes	<b>7</b>	7
Scientific and technical services	<b>806</b>	930
Telephone expenses	<b>260</b>	246
Audit fees	<b>64</b>	62
Equipment repairs and maintenance	<b>44</b>	54

<b>5. Supplies and Services (continued)</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Books, periodicals and newspapers	<b>20</b>	17
Document storage and preservation	<b>5</b>	4
Entertainment	<b>41</b>	15
Equipment hire	<b>12</b>	10
Monitoring fees	<b>13</b>	26
Photocopying and Preservation	<b>8</b>	7
Conference and seminar presentation	<b>86</b>	108
Insurance	<b>23</b>	23
Transportation	<b>96</b>	90
Fee for service	<b>1 130</b>	1 257
Customer call centre costs	<b>71</b>	75
Hazardous waste storage and disposal costs	<b>69</b>	71
Membership subscriptions	<b>23</b>	12
Other	<b>2</b>	23
	<b>7 602</b>	7 542
<hr/>		
(i) The number and amount of consultant fees fell within the following bandwidths:	<b>2006</b>	2005
	<b>Number</b>	\$'000
Below \$10 000	<b>8</b>	12
Between \$10 000 and \$50 000	<b>4</b>	44
Above \$50 000	<b>-</b>	201
<b>Total Number and Amount of Consultant Fees</b>	<b>12</b>	257
<hr/>		
	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Supplies and services provided by entities within the SA Government:	<b>1 626</b>	1 586
Accommodation and property management services	<b>329</b>	338
Vehicles	<b>389</b>	295
Fee for service	<b>396</b>	49
Computing	<b>656</b>	627
Scientific and technical services	<b>172</b>	182
Telephone expenses	<b>3 568</b>	3 077
<hr/>		
<b>6. Grants and Contributions</b>		
Private Industry and Community Organisations and Associations	<b>347</b>	161
State Government <sup>(i)</sup>	<b>5 732</b>	5 657
Individuals	<b>84</b>	56
Local Government	<b>-</b>	65
Other	<b>67</b>	45
	<b>6 230</b>	5 984
<hr/>		
(i) <i>State Government Grants and Contributions</i>		
Zero Waste SA*	<b>5 577</b>	5 641
Environment and Heritage	<b>125</b>	-
Onkaparinga Catchment Water Management Board	<b>10</b>	-
SA Water	<b>10</b>	-
Conservation Council	<b>10</b>	-
Department of Primary Industries and Resources	<b>-</b>	16
	<b>5 732</b>	5 657
<hr/>		
* As per section 113 of the <i>Environment Protection Act 1993</i> the Authority earns and collects 100 percent of waste levies, however is then required to transfer 50 percent of levies collected to Zero Waste SA as per section 17 of the <i>Zero Waste SA Act 2004</i> . This transfer represents the payment of waste levies monies to Zero Waste SA in accordance with the <i>Zero Waste SA Act 2004</i> .		
<b>7. Depreciation and Amortisation</b>	<b>2006</b>	2005
Depreciation:	<b>\$'000</b>	\$'000
Buildings and improvements	<b>3</b>	3
Infrastructure	<b>10</b>	10
Moveable vehicles	<b>3</b>	4
Computing equipment	<b>48</b>	-
Furniture and fittings	<b>98</b>	88
Plant and equipment	<b>483</b>	385
Other	<b>10</b>	8
<b>Total Depreciation</b>	<b>655</b>	498
<hr/>		
Amortisation:		
Application software	<b>272</b>	158
<b>Total Amortisation</b>	<b>272</b>	158
<b>Total Depreciation and Amortisation</b>	<b>927</b>	656
<hr/>		

**Change in Depreciation due to Change in Accounting Policy**

In 2005-06, the Authority increased its asset threshold from \$2 000 to \$5 000 for all classes of assets. This threshold adjustment was applied to 2004-05 and 2005-06. As a result the depreciation of these assets was decreased by \$194 000 in 2005-06 (\$229 000). 2004-05 comparative has been re-stated to include this threshold change and adjustment has been made to opening balances for 2006.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Plant and equipment	<b>53</b>	106
Motor vehicle	<b>1</b>	2
Computing	<b>130</b>	109
Furniture and fittings	<b>5</b>	5
Other fixed assets	<b>5</b>	5
Park infrastructure	<b>-</b>	1
Application software	<b>-</b>	1
Total Net Decrease	<b>194</b>	229
<b>8. Net Gain Loss from Disposal of Non-Current Assets</b>		
Proceeds from disposal of non-current assets	<b>-</b>	1
Less: Written down value of non-current assets	<b>45</b>	8
	<b>(45)</b>	(7)
In 2005-06, the Authority replaced its computing equipment and during the 2005-06 stocktake, the Authority disposed of some major plant and equipment.		
<b>9. Other Expenses</b>		
Bad and doubtful debts	<b>2</b>	(39)
Asset write-downs	<b>-</b>	8
	<b>2</b>	(31)
<b>10. Fees and Charges</b>		
Fines and penalties	<b>101</b>	161
Waste levies	<b>11 528</b>	12 107
Fees and licences	<b>8 178</b>	7 390
Section 7 enquiries	<b>294</b>	286
Support services	<b>172</b>	309
Sale of goods	<b>-</b>	9
Sale of services	<b>(4)</b>	159
	<b>20 269</b>	20 421
Fees and Charges earned from entities within the SA Government:		
Waste levies	<b>856</b>	1 708
Section 7 enquiries	<b>20</b>	273
Sale of services	<b>-</b>	309
	<b>876</b>	2 290
<b>11. Grants and Contributions</b>		
Commonwealth Government <sup>(i)</sup>	<b>153</b>	239
Commonwealth Government Refunds	<b>(59)</b>	-
State Government <sup>(ii)</sup>	<b>994</b>	969
Private Industry <sup>(iii)</sup>	<b>-</b>	609
	<b>1 088</b>	1 817
(i) Commonwealth Government Grants and Contributions:		
Natural Heritage Trust	<b>35</b>	129
Department for Environment and Heritage Canberra	<b>90</b>	90
Rural Industries Research Development	<b>15</b>	20
Department of Agriculture and Fisheries	<b>13</b>	-
	<b>153</b>	239
(ii) State Government Grants and Contributions:		
Catchment Water Management Boards	<b>74</b>	574
Water, Land and Biodiversity Conservation	<b>505</b>	150
Integrated Natural Resources Management Group	<b>190</b>	100
SA Water Corporation	<b>50</b>	50
Trade and Economic Development	<b>-</b>	50
Primary Industries and Resources SA	<b>-</b>	30
Environment and Heritage	<b>25</b>	15
Department for Further Education and Employment	<b>150</b>	-
	<b>994</b>	969

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
<b>11. Grants and Contributions (continued)</b>		
(iii) Private Industry Grants and Local Contributions:		
National Packaging Covenant	-	379
NRG Flinders	-	200
Kimberly Clark	-	30
	<u>-</u>	<u>609</u>
<b>12. Interest</b>		
Interest on funds held	<b>428</b>	323
Interest earned from entities within the SA Government:		
Interest on funds held	<b>428</b>	323
<b>13. Assets Received Free of Charge</b>		
Plant and equipment	<b>48</b>	71
Transfers received assets	-	22
	<u><b>48</b></u>	<u>93</u>
<b>14. Other Revenue</b>		
Salaries and wages recoveries	<b>7</b>	34
Insurance recoveries	-	10
Other	<b>6</b>	2
	<u><b>13</b></u>	<u>46</u>
<b>15. SA Government Revenues and Expenses</b>		
Revenues:		
Recurrent appropriation	<b>8 674</b>	8 106
Accrual appropriation	<b>215</b>	598
Contingency funds	<b>419</b>	170
<b>Total SA Government Revenues</b>	<u><b>9 308</b></u>	<u>8 874</u>
Expenses:		
Return of surplus cash	<b>335</b>	2 128
<b>Total SA Government Expenses</b>	<u><b>335</b></u>	<u>2 128</u>
<b>16. Cash and Cash Equivalents</b>		
Cash:		
Authority Deposit Account	<b>2 579</b>	1 834
Environment Protection Fund Deposit Account	<b>1 333</b>	1 592
Advance accounts	<b>4</b>	4
Cash on hand	<b>1</b>	1
	<u><b>3 917</b></u>	<u>3 431</u>
Cash Equivalent:		
Accrual appropriation	<b>2 088</b>	1 763
	<u><b>2 088</b></u>	<u>1 763</u>
<b>Total Cash and Cash Equivalents</b>	<u><b>6 005</b></u>	<u>5 194</u>
<b>17. Receivables</b>		
Current:		
Debtors	<b>1 049</b>	1 065
Loans	<b>26</b>	38
Interest	<b>11</b>	15
Other	<b>1</b>	1
Less: Provision for doubtful debts	<b>7</b>	5
	<u><b>1 080</b></u>	<u>1 114</u>
Non-Current:		
Loans	<b>12</b>	40
Other	<b>3</b>	3
	<u><b>15</b></u>	<u>43</u>
<b>18. Financial Assets</b>		
Non-Current:		
Equity in listed entities	<b>5</b>	5
	<u><b>5</b></u>	<u>5</u>
<b>19. Other Assets</b>		
Current:		
Prepayments	<b>44</b>	87
	<u><b>44</b></u>	<u>87</u>

<b>20. Property, Plant and Equipment</b>	<b>2006</b>	2005
<b>(a) Land, Buildings and Improvements and Infrastructure</b>	<b>\$'000</b>	\$'000
Land:		
Independent Valuation	<b>100</b>	100
<b>Total Land</b>	<b>100</b>	100
Buildings and Improvements:		
Independent Valuation	<b>84</b>	84
At cost (deemed fair value)	<b>7</b>	7
Less: Accumulated depreciation	<b>46</b>	43
<b>Total Buildings and Improvements</b>	<b>45</b>	48
Infrastructure:		
Independent Valuation	<b>188</b>	188
At cost (deemed fair value)	<b>66</b>	66
Less: Accumulated depreciation	<b>76</b>	66
<b>Total Infrastructure</b>	<b>178</b>	188
Capital Works in Progress:		
At cost (deemed fair value)	<b>158</b>	284
<b>Total Capital Works in Progress</b>	<b>158</b>	284
<b>Total Land, Buildings and Improvements and Infrastructure</b>	<b>481</b>	620
<b>(b) Plant and Equipment</b>		
Moveable Vehicles:		
Independent Valuation	<b>55</b>	55
At cost (deemed fair value)	<b>46</b>	46
Less: Accumulated depreciation	<b>53</b>	50
<b>Total Moveable Vehicles</b>	<b>48</b>	51
Computing Equipment:		
Independent valuation	<b>6</b>	6
At cost (deemed fair value)	<b>212</b>	164
Less: Accumulated depreciation	<b>185</b>	154
<b>Total Computing Equipment</b>	<b>33</b>	16
Furniture and Fittings:		
Independent valuation	<b>49</b>	49
At cost (deemed fair value)	<b>1 180</b>	1 021
Less: Accumulated depreciation	<b>430</b>	332
<b>Total Furniture and Fittings</b>	<b>799</b>	738
Plant and Equipment:		
Independent Valuation	<b>2 816</b>	2 980
At cost (deemed fair value)	<b>1 374</b>	1 277
Less: Accumulated depreciation	<b>2 543</b>	2 250
<b>Total Plant and Equipment</b>	<b>1 647</b>	2 007
Other:		
Independent valuation	<b>69</b>	69
At cost (deemed fair value)	<b>76</b>	6
Less: Accumulated depreciation	<b>63</b>	53
<b>Total Other</b>	<b>82</b>	22
<b>Total Plant and Equipment</b>	<b>2 609</b>	2 834
<b>Total Property, Plant and Equipment</b>	<b>3 090</b>	3 454

**Reconciliation**

A reconciliation of the carrying amount of each class of property, plant and equipment is displayed in the table below.

	Land \$'000	Buildings and Improve- ments \$'000	Infra- structure \$'000	Moveable Vehicles \$'000	Computing Equipment \$'000
Gross Carrying Amount:					
Balance at 30 June 2005	100	91	254	101	170
Additions	-	-	-	-	64
Additions - Transfer from capital works in progress	-	-	-	-	-
Assets received free of charge	-	-	-	-	-
Disposals	-	-	-	-	(16)
<b>Balance at 30 June 2006</b>	<b>100</b>	<b>91</b>	<b>254</b>	<b>101</b>	<b>218</b>
Accumulated Depreciation:					
Balance at 30 June 2005	-	(43)	(66)	(50)	(154)
Depreciation expense	-	(3)	(10)	(3)	(48)
Assets received free of charge	-	-	-	-	-
Disposals	-	-	-	-	17
<b>Balance at 30 June 2006</b>	<b>-</b>	<b>(46)</b>	<b>(76)</b>	<b>(53)</b>	<b>(185)</b>
Net Book Value:					
As at 30 June 2005	100	48	188	51	16
<b>As at 30 June 2006</b>	<b>100</b>	<b>45</b>	<b>178</b>	<b>48</b>	<b>33</b>

**Reconciliation (continued)**

	Furniture and Fittings \$'000	Plant and Equipment \$'000	Other \$'000	Capital Works in Progress \$'000	2006 Total \$'000
Gross Carrying Amount:					
Balance at 30 June 2005	1 070	4 257	75	284	6 402
Additions	-	121	70	395	650
Additions - Transfer from capital works in progress	159	-	-	(521)	(362)
Assets received free of charge	-	50	-	-	50
Disposals	-	(238)	-	-	(254)
<b>Balance at 30 June 2006</b>	<b>1 229</b>	<b>4 190</b>	<b>145</b>	<b>158</b>	<b>6 486</b>
Accumulated Depreciation:					
Balance at 30 June 2005	(332)	(2 250)	(53)	-	(2 948)
Depreciation expense	(98)	(483)	(10)	-	(655)
Assets received free of charge	-	(2)	-	-	(2)
Disposals	-	192	-	-	209
<b>Balance at 30 June 2006</b>	<b>(430)</b>	<b>(2 543)</b>	<b>(63)</b>	<b>-</b>	<b>(3 396)</b>
Net Book Value:					
As at 30 June 2005	738	2 007	22	284	3 454
<b>As at 30 June 2006</b>	<b>799</b>	<b>1 647</b>	<b>82</b>	<b>158</b>	<b>3 090</b>

**21. Intangible Assets**

	2006 \$'000	2005 \$'000
Computer Software (Internally generated) At cost (Deemed fair value)	1 415	1 054
Less accumulated amortisation	720	448
<b>Total Computer Software (Internally generated)</b>	<b>695</b>	<b>606</b>
<b>Total Intangible Assets</b>	<b>695</b>	<b>606</b>

**Reconciliation**

A reconciliation of the carrying amount of intangible assets is displayed in the table below.

Gross Carrying Amounts:	2006 \$'000	2005 \$'000
Balance at 30 June 2005	1 054	
Additions - transfers from Capital Works in Progress	361	
<b>Balance at 30 June 2006</b>	<b>1 415</b>	
Accumulated Amortisation:		
Balance at 30 June 2005	(448)	
Amortisation expense	(272)	
<b>Balance at 30 June 2006</b>	<b>(720)</b>	
Net Book Value:		
As at 30 June 2005		606
<b>As at 30 June 2006</b>		<b>695</b>

**22. Payables**

	2006 \$'000	2005 \$'000
Current:		
Creditors	1 215	907
Accruals	113	90
Employee benefit on-costs <sup>(i)</sup>	224	241
	<b>1 552</b>	<b>1 238</b>
Non-Current:		
Employee benefit on-costs <sup>(i)</sup>	333	413

(i) *Employee Benefit On-Costs*

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. The employee benefit on-costs associated with each type of employee benefit are as follows:

	2006 \$'000	2005 \$'000
Current:		
Accrued Payroll Tax:		
Annual leave	55	58
Long service leave	12	10
Accrued salaries and wages	1	7
	<b>68</b>	<b>75</b>
Superannuation:		
Annual leave	121	139
Long service leave	11	13
Accrued salaries and wages	24	14
	<b>156</b>	<b>166</b>
<b>Total Current Employee Benefit On-Costs</b>	<b>224</b>	<b>241</b>

(i) <i>Employee Benefit On-Costs (continued)</i>	<b>2006</b>	2005
Non-Current:	<b>\$'000</b>	\$'000
Accrued Payroll Tax:		
Long service leave	<b>170</b>	172
	<b>170</b>	172
Superannuation:		
Long service leave	<b>163</b>	241
	<b>163</b>	241
<b>Total Non-Current Employee Benefit On-Costs</b>	<b>333</b>	413
Payables to SA Government entities:		
Creditors	<b>357</b>	146
Accruals	<b>63</b>	63
Employee benefit on-costs	<b>572</b>	667
	<b>992</b>	876

**23. Provisions for Employee Benefits**

Current:		
Annual leave	<b>1 004</b>	916
Long service leave	<b>201</b>	153
Workers compensation	<b>25</b>	21
Accrued salaries and wages	<b>276</b>	224
	<b>1 506</b>	1 314
Non-Current:		
Long service leave	<b>2 942</b>	2 869
Workers compensation	<b>69</b>	56
	<b>3 011</b>	2 925

Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 22 as they do not accrue to employees.

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2006 is \$1.7 million and \$3.5 million respectively (\$1.6 million and \$3.5 million respectively).

In the 2006 financial year, the long service leave benchmark contained within the APF IV *Financial Asset and Liability Framework* was amended, based on an actuarial assessment.

**24. Other Liabilities**

	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Unearned revenue	<b>131</b>	-
Other	<b>15</b>	6
	<b>146</b>	6

**25. Equity**

Equity represents the residual interest in the net assets of the Authority. The State Government holds the equity interest in the Authority on behalf of the community.

	<b>Retained Earnings</b>	<b>2006 Asset Revaluation Reserve</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	<b>3 386</b>	<b>1 221</b>	<b>4 607</b>
Deficit for the year	<b>(221)</b>	<b>-</b>	<b>(221)</b>
<b>Balance at 30 June</b>	<b>3 165</b>	<b>1 221</b>	<b>4 386</b>
		<b>2005 Asset Revaluation Reserve</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>
Balance at 1 July	3 996	-	3 996
Deficit for the year	(748)	-	(748)
Net Increment related to the revaluation of:			
Infrastructure	-	42	42
Moveable vehicles	-	26	26
Computing equipment	-	4	4
Furniture and fittings	-	6	6
Plant and equipment	-	1 082	1 082
Other	-	61	61
Correction to long service leave liability	138	-	138
<b>Balance at 30 June</b>	<b>3 386</b>	<b>1 221</b>	<b>4 607</b>

<b>26. Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of Services</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Net cash provided by (used in) operating activities	<b>1 545</b>	(328)
Adjustments:		
Cash flows from Government	<b>(8 973)</b>	(6 746)
Depreciation and amortisation	<b>(927)</b>	(656)
Assets received free of charge	<b>48</b>	93
Assets written off	<b>-</b>	(8)
Net loss on sale of assets	<b>(45)</b>	(7)
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	<b>(62)</b>	93
Increase (Decrease) in other assets	<b>(43)</b>	12
Decrease (Increase) in payables	<b>(319)</b>	262
(Increase) in employee benefits	<b>(278)</b>	(270)
Decrease (Increase) in other liabilities	<b>(140)</b>	61
<b>Net Cost of Providing Services</b>	<b>(9 194)</b>	(7 494)

**27. Restrictions on Contributions Received**

The Authority is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Authority on the premise that these funds are expended in a manner consistent with the terms of the agreement. At reporting date the Authority had the following outstanding funding commitments:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Environment protection	<b>1 344</b>	1 755

**28. Expenditure Commitments**  
**Operating Lease Commitments**

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

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>1 827</b>	1 853
Later than one year but not later than five years	<b>2 752</b>	4 646
<b>Total (including GST)</b>	<b>4 579</b>	6 499

Included in the operating lease commitments above is \$416 000 (\$591 000) which is the GST component of the operating lease payments.

The operating leases held by the Authority are mainly property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and the Authority has the right of renewal. There are no existing or contingent rental provisions.

**29. Contingent Assets and Liabilities**

The Authority is not aware of the existence of any contingent assets and liabilities as at 30 June 2006.

**30. Financial Instruments Disclosure**

**(a) Accounting Policies and Terms and Conditions affecting Future Cash Flows**

*Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Authority invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter. The average effective interest rate for the reporting period was 5.37 percent (5.16 percent).

Debtors (trade accounts receivable) are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date with provision being made for bad and doubtful loans. That is, where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived at the discretion of the Minister. Principal repayments occur in accordance with the loan repayment schedules and the principal is repaid in full at maturity.

*Financial Liabilities*

Creditors (trade accounts payable), including accruals not yet billed, are recognised when the Authority becomes obliged to make future payments as a result of a purchase of assets or goods and services at their nominal amounts and are generally settled within 30 days.

All financial assets and liabilities are unsecured.

**(b) Interest Rate Risk Exposure**

The Authority's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below.

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	2006				Non- Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000			
Financial Assets:								
Cash	5.37	6 005	-	-	-	-	6 005	
Loans	N/A	-	-	-	-	38	38	
Debtors	N/A	-	-	-	-	1 057	1 057	
Financial Assets	N/A	-	-	-	-	5	5	
		<b>6 005</b>	-	-	-	<b>1 100</b>	<b>7 105</b>	
Financial Liabilities:								
Creditors	N/A	-	-	-	-	1 885	1 885	
		-	-	-	-	<b>1 885</b>	<b>1 885</b>	

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	2005				Non- Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 to 5 Years \$'000	More than 5 Years \$'000			
Financial Assets:								
Cash	5.16	5 194	-	-	-	-	5 194	
Loans	N/A	-	-	-	-	78	78	
Debtors	N/A	-	-	-	-	1 079	1 079	
Financial Assets	N/A	-	-	-	-	5	5	
		<b>5 194</b>	-	-	-	<b>1 162</b>	<b>6 356</b>	
Financial Liabilities:								
Creditors	N/A	-	-	-	-	1 651	1 651	
		-	-	-	-	<b>1 651</b>	<b>1 651</b>	

**(c) Net Fair Value of Financial Assets and Liabilities**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

	2006		2005	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash	6 005	6 005	5 194	5 194
Loans	38	38	78	78
Debtors	1 057	1 057	1 079	1 079
Financial Assets	5	5	5	5
	<b>7 105</b>	<b>7 105</b>	6 356	6 356
Financial Liabilities:				
Creditors	1 885	1 885	1 651	1 651
	<b>1 885</b>	<b>1 885</b>	1 651	1 651

**31. Auditors' Remuneration**

Services provided by the Auditor-General's Department with respect to the audit of the Authority totalled \$64 000 (\$62 000) for the reporting period. No other services were provided by the Auditor-General's Department.

**32. The Environment Protection Fund**

The following is a summary of the amounts included in the Fund. In reflecting these amounts in the Authority's financial statements transactions between the Fund and the Authority have been eliminated (refer to Note 1(c)).

**Income Statement for the year ended 30 June 2006**

	2006 \$'000	2005 \$'000
EXPENSES:		
Employee benefits costs	611	682
Supplies and services	546	623
Grants and contributions	119	131
<b>Total Expenses</b>	<b>1 276</b>	<b>1 436</b>
INCOME:		
Fees and charges	1 017	1 134
Interest	81	99
<b>Total Income</b>	<b>1 098</b>	<b>1 233</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>178</b>	<b>203</b>
<b>NET RESULT</b>	<b>(178)</b>	<b>(203)</b>

**32. The Environment Protection Fund (continued)**

**Balance Sheet as at 30 June 2006**

	<b>2006</b>	2005
CURRENT ASSETS:	<b>\$'000</b>	\$'000
Cash and Cash Equivalents	<b>1 333</b>	1 592
Receivables	<b>49</b>	54
<b>Total Current Assets</b>	<b>1 382</b>	1 646
<b>Total Assets</b>	<b>1 382</b>	1 646
CURRENT LIABILITIES:		
Payables	<b>96</b>	186
Employee benefits	<b>8</b>	4
<b>Total Current Liabilities</b>	<b>104</b>	190
<b>Total Liabilities</b>	<b>104</b>	190
<b>NET ASSETS</b>	<b>1 278</b>	1 456
EQUITY:		
Retained earnings	<b>1 278</b>	1 456
<b>TOTAL EQUITY</b>	<b>1 278</b>	1 456

**Statement of Changes in Equity for the year ended 30 June 2006**

	Retained Earnings \$'000	Total \$'000
<b>Balance as at 30 June 2004</b>	1 659	1 659
Net Result for 2004-05	(203)	(203)
<b>Balance as at 30 June 2005</b>	1 456	1 456
Net Result for 2005-06	(178)	(178)
<b>Balance at 30 June 2006</b>	<b>1 278</b>	<b>1 278</b>

**33. Administered Item of the Authority**

**(a) Reporting Entity and Strategic Context**

The major objective of the Adelaide Coastal Waters Study Steering Committee (the Committee) is to carry out an integrated ecological study of the marine environment off metropolitan Adelaide. The study is referred to as the Adelaide Coastal Waters Study (ACWS) and focuses on the issues of loss of seagrass, declining water quality, algal blooms, beach closures, sand loss and wide scale movement, sediment on reef systems, mangrove dieback and problems caused by exotic organisms.

**(b) Administered Item Financial Arrangements**

The Committee's sources of funds consist of monies contributed or to be contributed by Mobil Australia, Ports Corp, SA Water Corporation, Onkaparinga, Torrens and Patawalonga Catchment Water Management Boards, Tru Energy, the Department of Transport, Energy and Infrastructure, the Department of Primary Industries and Resources, the Coast Protection Board and the Authority.

The financial activities of the Committee are conducted through the Authority's Special Deposit Account with the Department of Treasury and Finance pursuant to section 8 of the *Public Finance and Audit Act 1987*.

The Authority and DEH continue to provide financial services to the Committee. Officers of the Authority and DEH provide technical and administrative support to the Committee at no charge. Certain facilities are also provided at no charge to the Committee including the use of plant and equipment and office accommodation.

**(c) Administered Item Summary of Significant Accounting Policies**

The Administered Item schedules of activities detail the Administered Item revenues, expenses, assets, liabilities, changes in equity and cash flows.

In general, the Administered Item adopts the accounting policies of the Authority, as detailed in Note 2, deviations from these policies are as follows:

*Provisions for Employee Benefits*

In general, the Administered Item utilises the services of the Authority's and DEH's employees rather than recruiting and appointing employees in its own right. In the majority of cases, the services provided by the employees are provided free of charge. If, however, the services provided by the employees are directly attributable to the activities of the Administered Item and can be reliably measured the services are charged to the Administered Item on a fee for service (cost recovery) basis. Further, the provision for the liability for employee benefits arising from services rendered by employees is not recognised in the Administered Items' schedules as the Authority and DEH are obligated to pay employees for services provided. Accordingly, the Provisions for Employee Benefits are recognised in the Authority's and DEH's financial statements.

*Provisions for Employee Benefits (continued)*

Details of the Administered Item revenues, expenses, assets, liabilities, changes in equity and cash flows are provided in the following schedules.

- Schedule 1(A): Administered Revenues and Expenses for the year ended 30 June 2006
- Schedule 1(B): Administered Revenues and Expenses for the year ended 30 June 2005
- Schedule 2(A): Administered Assets and Liabilities as at 30 June 2006
- Schedule 2(B): Administered Assets and Liabilities as at 30 June 2005
- Schedule 3(A): Administered Statement of Changes in Equity for the year ended 30 June 2006
- Schedule 4(A): Administered Cash Flows for the year ended 30 June 2006
- Schedule 4(B): Administered Cash Flow for the year ended 30 June 2005

**Schedule 1A: Administered Revenues and Expenses for the year ended 30 June 2006**

	<b>2006 Adelaide Coastal Waters Study Steering Committee \$'000</b>
EXPENSES FROM ORDINARY ACTIVITIES:	
Supplies and services	579
<b>Total Expenses from Ordinary Activities</b>	<b>579</b>
REVENUES FROM ORDINARY ACTIVITIES:	
Grants and contributions	50
Interest and dividends	42
<b>Total Revenues from Ordinary Activities</b>	<b>92</b>
<b>Net Surplus (Cost of Services) from Ordinary Activities</b>	<b>(487)</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS</b>	<b>(487)</b>

**Schedule 1B: Administered Revenues and Expenses for the year ended 30 June 2005**

	2005 Adelaide Coastal Waters Study Steering Committee \$'000
EXPENSES FROM ORDINARY ACTIVITIES:	
Supplies and services	510
<b>Total Expenses from Ordinary Activities</b>	<b>510</b>
REVENUES FROM ORDINARY ACTIVITIES:	
Grants and contributions	637
Interest and dividends	42
<b>Total Revenues from Ordinary Activities</b>	<b>679</b>
<b>Net Surplus (Cost of Services) from Ordinary Activities</b>	<b>169</b>
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS</b>	<b>169</b>

**Schedule 2A: Administered Assets and Liabilities as at 30 June 2006**

	<b>2006 Adelaide Coastal Waters Study Steering Committee \$'000</b>
CURRENT ASSETS:	
Cash	399
Receivables	2
<b>Total Current Assets</b>	<b>401</b>
<b>Total Assets</b>	<b>401</b>
CURRENT LIABILITIES:	
Payables	24
<b>Total Current Liabilities</b>	<b>24</b>
<b>Total Liabilities</b>	<b>24</b>
<b>NET ASSETS</b>	<b>377</b>
EQUITY:	
Retained earnings	377
<b>TOTAL EQUITY</b>	<b>377</b>

Provisions for Employee Benefits (continued)

**Schedule 2B: Administered Assets and Liabilities as at 30 June 2005**

	2005 Adelaide Coastal Waters Study Steering Committee \$'000
CURRENT ASSETS:	
Cash	1 004
Receivables	4
<b>Total Current Assets</b>	<u>1 008</u>
<b>Total Assets</b>	<u>1 008</u>
CURRENT LIABILITIES:	
Payables	144
<b>Total Current Liabilities</b>	<u>144</u>
<b>Total Liabilities</b>	<u>144</u>
<b>NET ASSETS</b>	<u>864</u>
EQUITY:	
Retained earnings	864
<b>TOTAL EQUITY</b>	<u>864</u>

**Schedule 3A: Administered Statement of Changes in Equity for the year ended 30 June 2006**

	Earnings \$'000	Total \$'000
<b>Balance at 30 June 2004</b>	695	695
Net Result for 2004-05	169	169
<b>Total recognised income and expenses for 2004-05</b>	<u>169</u>	<u>169</u>
<b>Balance as at 30 June 2005</b>	864	864
Net Result for 2005-06	(487)	(487)
<b>Total recognised income and expense for 2005-06</b>	<u>(487)</u>	<u>(487)</u>
<b>Balance at 30 June 2006</b>	<u>377</u>	<u>377</u>

**Schedule 4A: Administered Cash Flows for the year ended 30 June 2006**

	2006 Adelaide Coastal Waters Study Steering Committee Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments:	
Supplies and services	(699)
<b>Total Outflows from Ordinary Activities</b>	<u>(699)</u>
Receipts:	
Grants and contributions	50
Interest and dividends	44
<b>Total Inflows from Ordinary Activities</b>	<u>94</u>
<b>Net Cash Outflows from Operating Activities</b>	<u>(605)</u>
<b>NET DECREASE IN CASH HELD</b>	<u>(605)</u>
<b>CASH AT 1 JULY</b>	<u>1 004</u>
<b>CASH AT 30 JUNE</b>	<u>399</u>

**Schedule 4B: Administered Cash Flows for the year ended 30 June 2005**

	2005 Adelaide Coastal Waters Study Steering Committee Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments:	
Supplies and services	(366)
<b>Total Outflows from Ordinary Activities</b>	<u>(366)</u>
Receipts:	
Grants and contributions	637
Interest and dividends	41
<b>Total Inflows from Ordinary Activities</b>	<u>678</u>
<b>Net Cash Inflows from Operating Activities</b>	<u>312</u>
<b>NET INCREASE IN CASH HELD</b>	<u>312</u>
<b>CASH AT 1 JULY</b>	<u>692</u>
<b>CASH AT 30 JUNE</b>	<u><u>1 004</u></u>

# DEPARTMENT FOR FAMILIES AND COMMUNITIES

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment of the Department

On 5 March 2004 the Governor, by proclamation, pursuant to the *Public Sector Management Act 1995*, established an administrative unit titled the Department for Families and Communities (DFC). The proclamation provided that, for financial accounting and reporting purposes, the establishment of the administrative unit may occur on 1 July 2004.

In addition, on 11 March 2004, the Governor, by proclamation, transferred the Department for Aboriginal Affairs and Reconciliation (DAARE) from the Department for Administrative and Information Services to the newly created DFC. The proclamation provided that, for financial accounting and reporting purposes, the transfer of employees under the proclamation may occur on 1 July 2004.

The assets and liabilities which are subject to the control of DFC as a consequence of the proclamations referred to above were transferred to the newly created Department on 1 July 2004.

On 14 October 2004, the Governor proclaimed the transfer of employees of DAARE from DFC to the Department of the Premier and Cabinet (DPC). As a consequence the assets and liabilities of DAARE were transferred to DPC effective 31 October 2004.

### Vision and Functions

The Department works with people in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

The Department is responsible for delivering specific programs to the public with respect to activities assigned to the Department under various Acts as delegated by responsible Ministers.

In addition, the Department provides services to other entities within the portfolio including the South Australian Housing Trust, the South Australian Community Housing Authority (SACHA), Aboriginal Housing Authority, HomeStart Finance and Disability Health Services.

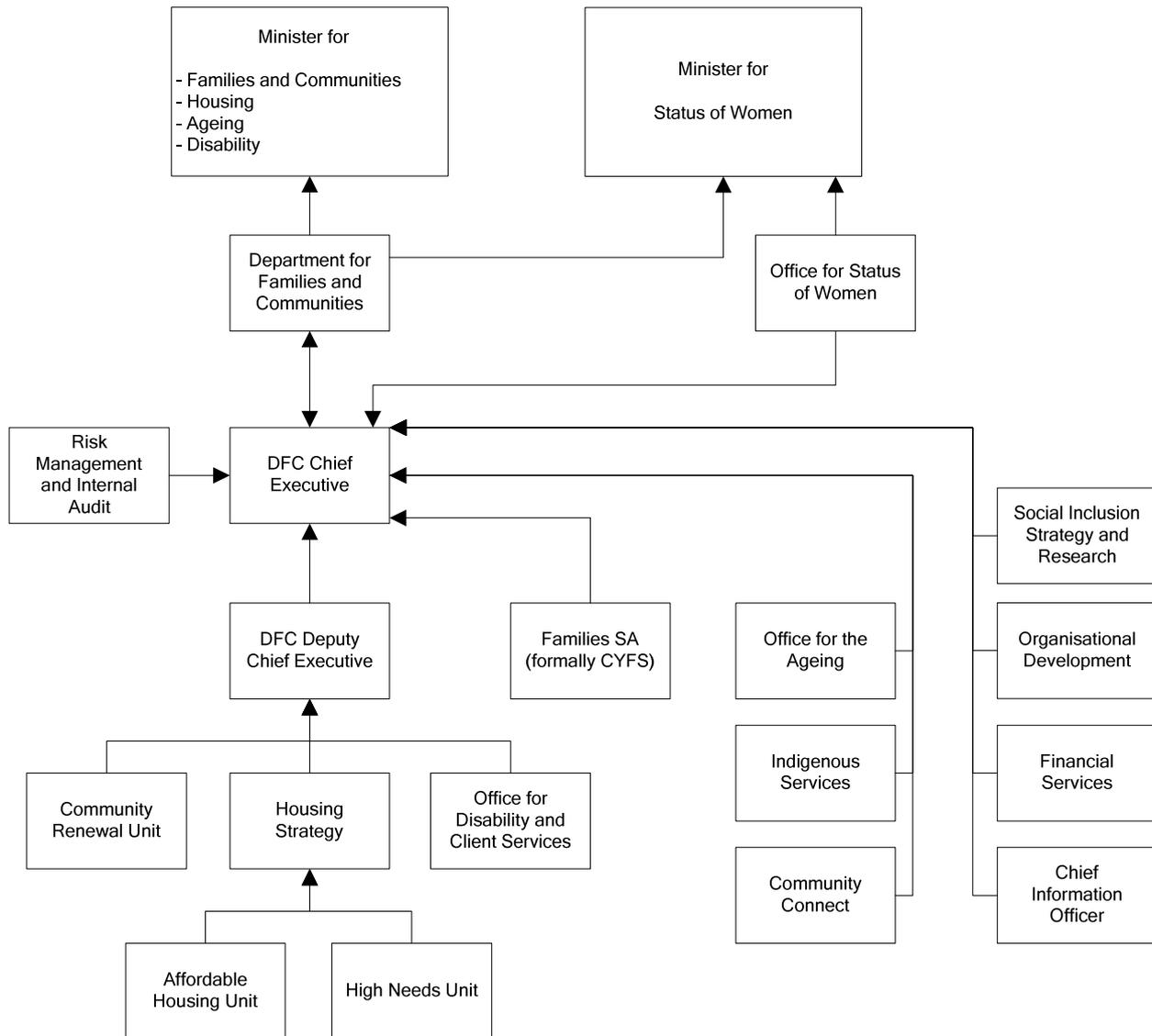
The Minister of Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act 1976* for three incorporated Disability Health Services.

### Shared Service Arrangements

Shared services arrangements were entered into to facilitate the delivery of certain business services to DFC and the Department of Health (DH). The services provided to DFC by DH include Financial Services and Legal Services. Services provided to DH by DFC include Risk Management and Internal Audit Services, Purchasing and Fleet Management.

**Structure**

The structure of the Department for Families and Communities is illustrated in the following organisation chart.



**Changes to Function and Structure**

**Disability**

The Minister of Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act 1976* for the Intellectual Disability Services Council (IDSC), Independent Living Council (ILC) and the Julia Farr Services (JFS). The financial activity of these disability health services are not incorporated in the Financial Statements of DFC as they are required to prepare and maintain separate accounts of their financial affairs.

In May 2006 the Minister for Disability announced proposed reforms to governance arrangements for the provision of disability services within the State. In accordance with the new arrangements, on 29 June 2006 the Governor by proclamation, dissolved IDSC and ILC effective 1 July 2006. Pursuant to the proclamation the assets and liabilities of the incorporated disability health services were transferred to DFC on that date.

In regards to JFS, the Board (in June 2006) resolved to request the Governor to dissolve JFS on 30 June 2007 or such a later date as the Minister may consider administratively convenient. At the time of finalising this report JFS was not dissolved.

## **Housing**

The Minister for Housing announced proposed reforms to housing governance arrangements including the restructure of the South Australian Housing System. To facilitate implementation of the reforms and the Government's housing initiatives the South Australian Housing Trust, the South Australian Community Housing Authority and the Aboriginal Housing Authority have entered into service level agreements with the Department for Families and Communities for the provision of housing services on behalf of the entity Boards effective 1 July 2006.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

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 Families and Communities 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 Families and Communities 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 2005-06, specific areas of audit attention included:

- grant funding to non-government organisations (NGOs)
- administration of concessions
- financial operations of Families SA (formerly Child, Youth and Family Services)
- management reporting
- payroll
- accounts payable
- revenue
- fixed assets.

The work of Internal Audit was considered in planning the audit program and was relied on in assessing the effectiveness of the internal controls. Specific areas of reliance included the review of the financial operations of Families SA.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

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, other mandatory professional reporting requirements in Australia, the financial position of the Department for Families and Communities as at 30 June 2006, 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 Families and Communities 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 Funding to NGOs, Administration of Concessions, Payroll, Accounts Payable and Financial Operations of Families SA as outlined under 'Audit Communications with Management and Other Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department for Families and Communities have been conducted properly and in accordance with law.

### **Audit Committee and Internal Audit**

The Department's Internal Auditors conducted audits within the Department and in portfolio Housing agencies. In addition to using Departmental staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department included:

- Suspicious Transaction Analysis
- IT Governance/General Controls Review
- IT Standards/Policies/Procedures Review
- Credit Cards
- Review of CYFS Accountability Project Outcomes
- Families SA - Advance Accounts
- NGO Follow-up
- Disability Services Funding and Performance Management.

Further commentary regarding Internal Audit's review of Families SA - Advance Accounts is provided under the heading 'Audit Communications with Management and Other Matters'.

### **Audit Communications with Management and Other Matters**

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.

### **Funding to Non-Government Organisations**

Audit review of funding to NGOs considered whether arrangements implemented by the Department for the administration of grants supported appropriate accountability by the Department and the funded organisations. Prior year audits of this area, when controlled by the Department of Human Services, identified a number of control weaknesses.

In 2005-06 Audit found that the Department had made some progress in addressing issues raised in prior years. In particular, Audit noted improvement in the processing of transactions through the Financial Grant Management System (FGMS). Notwithstanding the action implemented by the Department and other proposed initiatives there remains significant scope to improve controls and address matters previously identified by Audit. The more significant Audit observations were:

- the Department had not finalised the development and implementation of a new framework with related policies and procedures to ensure grant funding provided to organisations was aligned to the Department's strategic objectives;
- the Department had not implemented a formal performance evaluation system;
- some funding agreements were rolled over from year to year without a documented assessment of the grant recipients performance;
- payments were made to grant recipients before funding agreements were executed;
- the Department had not developed and implemented arrangements to ensure unexpended funds are repaid or approval is obtained for recipients to retain the funds;
- Commonwealth Grant acquittals relating to funding received under the Home and Community Care program were not submitted to the Commonwealth on a timely basis;
- documented policies and procedures were not prepared for key areas of operation associated with the provision of grant funding;
- there was a need to develop a mechanism to ensure grant payments are costed to appropriate general ledger accounts on an ongoing basis;
- the Department has not prepared a documented action plan to address the areas of weakness in controls identified by Audit.

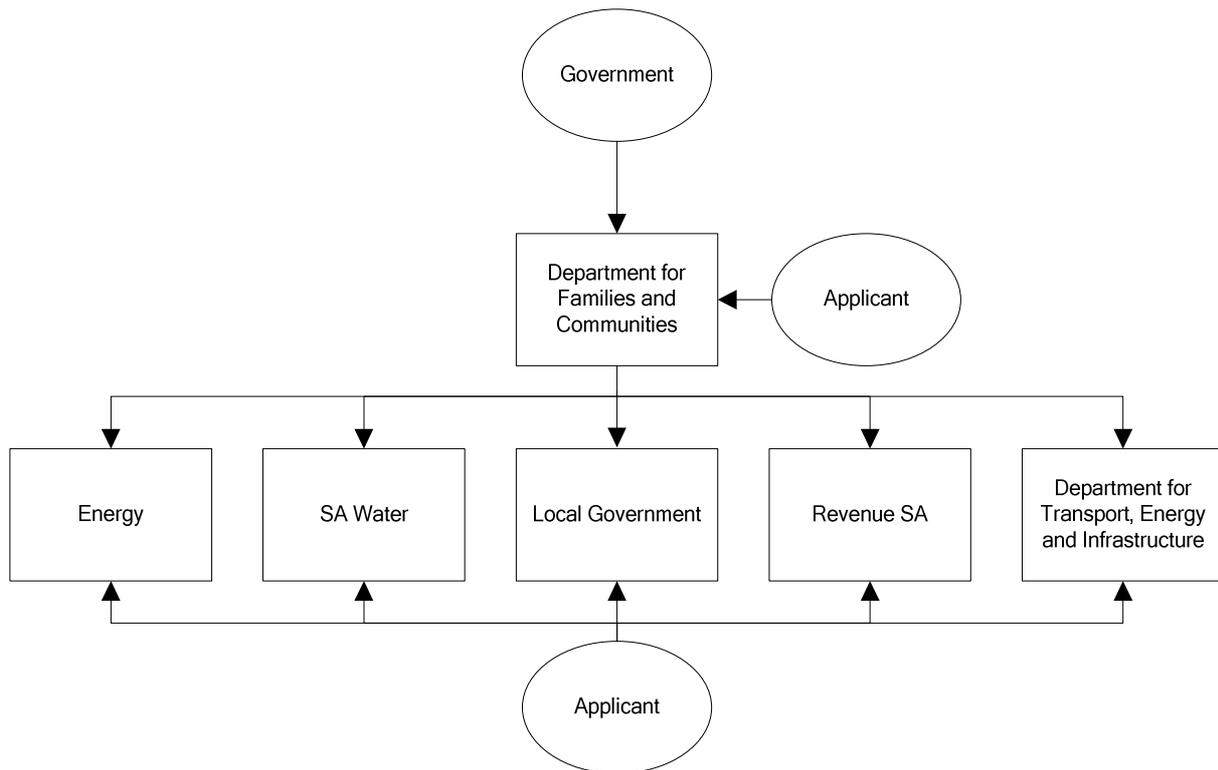
It is Audit's view that documented policies and procedures covering the key aspects of providing funding to NGOs is an essential element of a sound internal control framework.

Response

In response the Department advised that considerable work has occurred in a number of areas including developing a new framework and related policies and procedures. This has included the release of the Delivering Community Value document in June 2006 which establishes a procedural and best practice guide for allocating grant funding. Implementation of the policies and procedures will continue to occur in 2006-07 with planned training and education sessions for all grant program areas.

**Administration of Concessions**

The Department administers the provision of concessions to eligible recipients, for the Emergency Services Levy; water, sewer and council rates; electricity and transport charges. The value of concessions provided in the year to 30 June 2006 was \$108 million (\$142 million). The following diagram depicts the arrangements for provision of concessions and the parties involved.



Audit review of the administration of concessions payments over a number of years has highlighted areas where controls could be improved.

Audit review for 2005-06 found that the Department had addressed some of the issues raised by Audit. It was noted, however, that there were a number of matters which had not been addressed and as a consequence it was considered that control over concession payments was unsatisfactory. The following summarises the key observations:

- Formal Service Level Agreements have not been entered into with service providers who provide non-energy concessions.
- Not all energy customers were recorded in the system used to validate eligibility of concessions (ie CARTS). Audit found that at the time of the audit approximately 3000 AGL customers were not recorded in CARTS and therefore were not validated.
- Arrangements implemented by the Department for validating energy concessions do not provide a comprehensive checking process which confirms that all claimants were entitled to the concessions provided by the electricity suppliers.

- Audit found that details of concessions provided by SA Water were matched against information contained in CARTS and Centrelink data by DFC who provided exception reports to SA Water for follow-up. It was noted, however, that arrangements were not implemented to ensure all exceptions were followed up appropriately.
- The Department does not check that the amount invoiced by SA Water for concessions payments reconciles to the total value of records validated in the matching runs. Audit noted that DFC pay SA Water on invoice, however, SA Water do not provide DFC with a breakdown of the amount invoiced (ie details of the customers paid concessions).
- Audit found the Department is invoiced for metropolitan transport concessions each quarter based on an estimate determined at the beginning of the year. Audit noted, however, that no reconciliation was performed of the payments made (ie which were based on estimates) to the value of concessions provided by the service provider.
- The Department had yet to review, update and document policies and procedures covering all aspects of processing concessions (eg validation and reconciliation procedures).
- There was a lack of check to confirm whether applicants for energy concessions meet one of the required eligibility criteria.
- There was a lack of control to ensure amounts paid to various service providers (ie electricity retailers, SA Water and Councils and Revenue SA) were actually received by the customer.
- SA Water administers the council rate pensioner scheme on behalf of councils. Audit review found the Department had not performed a reconciliation of amounts paid to SA Water for council rate concessions to the actual concessions paid by SA Water to Councils. Audit noted that SA Water retained significant credit balances throughout the 2005-06 financial year which were not returned to DFC. The review found there was a lack of formal agreement or documented procedures detailing reconciliation procedures and how surpluses/deficits are to be treated.

#### *Response*

In response to the Audit findings the Department advised it will implement interim solutions including executing Service Level Agreements with service providers and improving reconciliation procedures. In the longer term the Department will develop options for reforming the program.

#### **Financial Operations of Families SA (formerly CYFS)**

Audit review in prior years highlighted the breakdown of controls over financial transactions processed by FAYS (now known as Families SA).

In 2005-06 audit follow up of matters raised previously included review of Internal Audit's work. Audit review found that while many of the matters previously raised had been addressed, there was still scope to improve controls in some areas.

#### *CYFS Financial Accountability Project*

Audit review found that the Department continued to make progress in addressing issues raised by the CYFS Financial Accountability Project. The following matters remain outstanding:

- An integrated case management system to record and monitor client payments in a reliable and consistent fashion across the Department has not been implemented. District Centres were still using spreadsheets in an ad-hoc and inconsistent way to monitor client payments.
- The review and revision of key policy documents (ie the Child Payments Manual and the Anti Poverty Manual) was not completed.

The Department indicated Cabinet has recently approved funding for implementation of a new information system to support case management business processes. In the interim a local solution is being developed as part of the existing Client Information System.

*Use of Advance Accounts – Review by Internal Audit*

Prior reviews of controls over advance accounts and previous fraud investigations have highlighted weaknesses in controls over the use of advance accounts. Internal Audit completed a review of internal controls over the use of advance accounts within Families SA and found that appropriate controls have been implemented. The review also highlighted:

- 40 percent of payments processed through the advance accounts were for payments disallowed by the Advance Account Policy. Internal Audit noted contributing factors for the results and considered that there were appropriate controls to ensure accounts paid were valid and appropriately authorised;
- there was a need to revised the Advance Account Policy to reflect changes in positions and legislation;
- there was scope to improve training of administration officers in district centres.

External Audit recognises that the results of the internal audit were generally positive and indicate many controls weaknesses previously identified have been addressed.

In response the Department advised of the circumstances causing the higher than expected use of the Advance Account and indicated that the use of the accounts is now monitored closely. The Department also advised further specific training will be provided to administrative staff.

**Management Reporting**

The provision of relevant, reliable and timely information to the Department's Executive and managers is considered by Audit to be a fundamental element in its control environment. Audit review in 2004-05 of the Department's management reporting practices found a number of areas where procedures and related controls could be improved.

Follow up by Audit in 2005-06 found that the Department had made progress in addressing a number of matters raised in 2004-05 and identified areas where controls could be improved including:

- monthly management reports did not report against the Department's key performance measures which limited their usefulness in assessing achievement of strategic objectives;
- the Department had not documented all aspects of its budget monitoring and reporting practices in a formal policy or procedure;
- there was scope to improve quality assurance processes. The Department had not implemented a formal and ongoing quality assurance process over information contained in the report.

*Response*

The Department advised of actions taken to address the issues raised by Audit.

**Service Level Agreements**

Audit review in 2004-05 found that the Department had not implemented Service Level Agreements for 2004-05 with housing agencies for a number of areas. It is Audit's view that Service Level Agreements provide assurance that the roles and responsibilities of each party are clearly defined and agreed upon.

Audit review in 2005-06 revealed that the Service Level Agreements between the Department and other agencies were not executed on a timely basis. Some agreements for 2005-06 were not signed until June 2006.

In response the Department advised it will revise procedures related to establishing Service Level Agreements with associated entities.

**Payroll**

From 1 July 2005, the shared service arrangement, for payroll services between the Department and the Department of Health ceased. The Department now processes payroll transactions for the Department and its employees assigned to the South Australian Housing Trust, the South Australian Community Housing Authority and the Aboriginal Housing Authority.

Audit review of payroll in 2004-05 identified weakness in controls over the processing of payroll transactions. The audit follow up in 2005-06 included consideration of progress made in addressing issues raised as the result of the 2004-05 audit.

The 2005-06 audit found that while some progress has been made in addressing the control issues raised in prior years, there remains significant control weaknesses associated with the processing of payroll. Audit formed the view that controls over the processing of payroll and leave by the Department were unsatisfactory. The more significant observations made by Audit included:

- ineffective bona fide certification review processes;
- bona fide reports did not report all salary and wage payments;
- the formalised Departmental policies did not address the variance reporting process used to identify and investigate variances in payments made to employees;
- position relationships within the payroll system, which define who is able to approve electronic leave applications, were not aligned with the Department's HR delegations.

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

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

In response the Department advised of action taken to address the issues raised by Audit. The Department indicated that outstanding audit issues, particularly Bona fide Reports and policies and procedures, are continuing to be addressed and scheduled for completion in 2006-07.

### **Accounts Payable**

The Department of Health processes accounts payable transactions for the Department. Review of the Department of Health's accounts payable function identified areas where controls could be improved, including:

- lack of formal review to ensure Manual Payments Vouchers were approved in accordance with the delegations of authority;
- the absence of regular review of access to the Online Purchasing System to confirm access is consistent with the Department's approved delegations of authority;
- instances where requisitions were authorised according to the line amount rather than the total of the requisition;
- lack of documented policies for key controls and processes.

In addition Audit noted that problems were encountered in the implementation of the BasWare system used to scan and electronically approve invoices. These problems which included technical problems, staff and procedural issues, mistakes made in the implementation strategy had led to delays in the payment of accounts.

Further commentary on these matters is provided under the Department of Health section of this Report (under the heading 'Audit Communications with Management and Other Matters').

### **Disability Service Governance Reforms**

As indicated under the heading 'Changes to Function and Structure' the Government has proposed reforms to the governance arrangements associated with the provision of disability services within the State.

In accordance with the new governance arrangements the Intellectual Disability Services Council and Independent Living Council Boards were dissolved and their assets and liabilities were transferred to DFC.

In relation to the Julia Farr Service (JFS), in June 2006, Cabinet approved:

- the transfer of community based housing assets totalling \$6.85 million (including \$2.4 million cash committed to finalising the purchase, renovation and upgrade of these assets) from JFS to the Julia Farr Housing Association (JFHA);

## *Families and Communities*

- the provision of a once off non-recourse grant of \$8 million by DFC to JFHA for the provision of disability services;
- a commitment to transfer housing stock of \$21 million from the South Australian Community Housing Authority (SACHA) to the JFHA. The assets are to be managed by the JFHA under a community housing funding agreement with SACHA which will hold debentures over the assets.

Audit noted that in accordance with the Cabinet approval, in June 2006:

- DFC paid the JFHA a non-recourse grant of \$8 million.
- Community based housing assets (totalling \$6.85 million) were transferred from Julia Farr Services to JFHA.

The JFHA is an incorporated body under the *Associations Incorporation Act 1985* and operates as a Community Housing Association under the *South Australian Co-operative and Community Housing Act 1991*.

The objectives of the JFHA, as settled in its constitution are to:

- provide housing accommodation for persons whose ability to live independently is temporarily or permanently impaired or in jeopardy as a consequence of an acquired brain injury or a degenerative neurological condition or a physical condition resulting in permanent disability and who may be receipt of low income;
- operate according to the principles of equity and fairness.

Audit found that no agreement was entered into with the JFHA detailing the nature of disability services to be provided. It is noted that the JFHA constitution provides for the delivery of housing accommodation to persons with disability, however, it does not specifically provide for the provision of other disability services.

It was also noted that the community based housing assets were transferred from JFS to JFHA unencumbered.

## **Commentary on Computer Information System (CSI) Environments**

### ***Information and Communication Technology Management and Control***

During the year, Audit reviewed the Department's Information and Communications Technology (ICT) strategic planning and management controls. The review noted that:

- the DFC portfolio has a mixture of Department, business unit and statutory authority IT governance structures, arrangements and skill levels and that a DFC ICT Council had been established to provide guidance and advice to the Chief Executive;
- DFC did not have a comprehensive ICT Strategic Plan and not all DFC business units and statutory authorities had up to date ICT Strategic Plans;
- the Department has not developed, tested and implemented business continuity plans.

The need to develop and implement effective planning and risk management practices was emphasised by the Department's commitment to develop significant ICT projects including systems for Case Management and Congregate Care.

The Department considered the matters raised by Audit and advised the following:

- It had established a planning framework and the Divisional and Departmental business plans, along with the DFC strategy document 'Connecting to the Future', aligns ICT activities to the business directions and together comprised an ICT Strategic Plan. Business plans were due to be finalised in the third quarter of 2006.
- Testing, training and implementation of business continuity plans would be finalised in the last quarter of 2006.

The matters relating to strategic planning and disaster recovery planning will be the subject of further review in 2006-07.

**INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT****Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Rent, fees and charges	<b>86</b>	67	28
SA Government appropriations	<b>594</b>	571	4
Commonwealth Government grants	<b>237</b>	227	4
Other	<b>39</b>	30	30
Net result from restructure	<b>-</b>	71	n/a
<b>Total Income</b>	<b>956</b>	966	(1)
<b>EXPENSES</b>			
Employment expenses	<b>196</b>	170	15
Supplies, services and other expenses	<b>76</b>	65	17
Grants, subsidies and client payments	<b>688</b>	675	2
<b>Total Expenses</b>	<b>960</b>	910	5
<b>Surplus (Deficit)</b>	<b>(4)</b>	56	-
<b>NET CASH FLOWS</b>	<b>5</b>	19	(74)
<b>ASSETS</b>			
Current assets	<b>54</b>	36	50
Non-current assets	<b>108</b>	112	(4)
<b>Total Assets</b>	<b>162</b>	148	9
<b>LIABILITIES</b>			
Current liabilities	<b>48</b>	38	26
Non-current liabilities	<b>39</b>	39	-
<b>Total Liabilities</b>	<b>87</b>	77	13
<b>EQUITY</b>	<b>75</b>	71	6

**Income Statement****Income**

Income for the year decreased by \$10 million to \$956 million.

Notably, South Australian Government Appropriations increased by \$23 million from \$571 million to \$594 million due mainly to:

- an increase of \$33 million in general appropriations;
- a \$16 million increase in appropriations received for Tax Equivalent Regime reimbursements for the South Australian Housing Trust;
- a decrease of \$26 million in State housing assistance appropriations.

Commonwealth Government Grants increased by \$10 million due mainly to increases in Commonwealth State Disability Agreement funding (\$5 million) and Home and Community Care funding (\$5 million):

Rent Fees and Charges increased by \$19 million to \$86 million due primarily to increases in employee service fee increases (\$4 million) and business services fees (\$13 million). The increase mainly reflects revenue received from other portfolio agencies for employee benefit and other costs associated with information technology and communication services which were previously provided by the Department of Health.

The increases were offset by a decrease of \$71 million in the Net Revenue from Restructure in 2005. Refer to Note 32 of the Department's financial statements for the details of the financial effect of the restructures for 2006 and 2005.

### **Expenses**

In 2006 Total Expenses increased by \$50 million to \$960 million. The increases related to Employment Expenses (\$26 million), Supplies, Services and Other Expenses (\$11 million) and Grants, Subsidies and Client Payments (\$13 million).

The increase in Employee Expenses was due mainly to an increase of \$22 million in salaries and wages expenses reflecting enterprise bargaining pay increases and an increase in employee numbers.

The increase in Supplies, Services and Other Expenses is due mainly to a \$7 million increase in Communication and Computing expenses reflecting the fact that in 2006 the Department assumed responsibility for information technology and communication services from the Department of Health.

Grants, Subsidies and Client Payments is the most material expenditure item for the Department. Expenses for this category increased by \$13 million (2 percent) reflecting a net increase in activity for 2006 in comparison to the previous year. Note 9 of the Department's financial statements discloses a detailed list of grants and subsidies paid/payable to various entities and clients.

### **Net Result**

The Net Result recorded in 2006 decreased by \$60 million due mainly to the effect of the Net Revenue from Restructure of \$71 million recognised in 2005. The Department recorded a relatively small Net Revenue from Restructure in 2006 (\$335 000) in comparison to the previous year.

### **Balance Sheet**

#### **Assets**

In 2006 current assets increased by \$18 million (50 percent) due mainly to an increase in receivables including general debtors (\$4 million), GST Receivable (\$3 million) and the amounts recoverable from disability health services for budget over-runs (\$3 million).

#### **Liabilities**

Current liabilities increased in 2006 by \$10 million due mainly to an increase in Payables (\$5 million) and an increase in Employee Benefits (\$6 million). The increase in Payables reflected a \$11 million increase in creditors which was offset by a \$5 million decrease in the income tax equivalent regime payable to the SAHT. The increase in Employee Benefits was due mainly to an increase in annual leave and long service leave liabilities reflecting pay increases and an increase in employee number.

#### **Equity**

The Department received an equity capital contribution appropriation in 2006 for \$11 million from the South Australian Government.

### **Cash Flow Statement**

The following table summarises the net cash flows.

	<b>2006</b>	2005
	<b>\$'million</b>	\$'million
<b>Net Cash Flows</b>		
Operations	(4)	(9)
Investing	(2)	(1)
Financing	11	29
Change in Cash	5	19
Cash at 30 June	24	19

The table shows that net cash outflows from operating activities exceeded net cash inflows resulting in a net cash deficit from operating activities of \$4 million (\$9 million).

The table also highlights a net cash inflow from financing activities of \$11 million due primarily to an equity contribution of \$11 million received from the SA Government. In 2005 the Department recorded an inflow of \$29 million which reflected administrative restructures which occurred during the year.

Cash as at 30 June 2006 is \$24 million. It is noted, however, that the Department is engaged in a number of programs involving the receipt of funds from State and Commonwealth sources who provide funds on the basis that funds are to be expended in a manner consistent with the terms of the program. As at 30 June 2006 the value of unexpended funding commitments was \$13 million.

**Income Statement  
for the year ended 30 June 2006**

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>EXPENSES:</b>			
Employee benefit costs	6	<b>196 525</b>	169 715
Supplies and services	7	<b>71 184</b>	62 087
Depreciation and amortisation	8	<b>2 146</b>	1 905
Grants, subsidies and client payments	9	<b>687 984</b>	675 375
Other	10	<b>2 350</b>	1 199
<b>Total Expenses</b>		<b>960 189</b>	910 281
<b>INCOME:</b>			
Rent, fees and charges	11	<b>86 246</b>	66 826
Dividends - HomeStart Finance	2.8	<b>5 000</b>	5 000
Commonwealth Government grants	12	<b>236 681</b>	226 886
Interest revenue	13	<b>1 227</b>	3 824
Net gain from disposal of non-current assets	14	-	7
Other	15	<b>1 381</b>	1 187
<b>Total Income</b>		<b>330 535</b>	303 730
<b>NET COST OF PROVIDING SERVICES</b>		<b>(629 654)</b>	(606 551)
<b>REVENUES FROM/PAYMENTS TO SA GOVERNMENT:</b>			
SA Government appropriations	16.1	<b>594 325</b>	571 230
Grants from SA government agencies	16.2	<b>30 646</b>	19 553
<b>Net Result before Restructure</b>		<b>(4 683)</b>	(15 768)
<b>NET RESULT FROM RESTRUCTURING</b>			
Net revenues from restructure	32	<b>335</b>	71 456
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>(4 348)</b>	55 688
<b>THE NET RESULT AFTER RESTRUCTURE IS</b>			
<b>ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			

## Balance Sheet as at 30 June 2006

		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	18, 34	<b>23 939</b>	18 675
Receivables	19	<b>29 969</b>	17 408
Inventories	20	<b>35</b>	50
Other	23	<b>488</b>	492
<b>Total Current Assets</b>		<b>54 431</b>	36 625
<b>NON-CURRENT ASSETS:</b>			
Receivables	19	<b>181</b>	212
Property, plant and equipment	21	<b>104 067</b>	110 349
Capital works in progress	22	<b>3 741</b>	1 314
Other	23	<b>157</b>	-
<b>Total Non-Current Assets</b>		<b>108 146</b>	111 875
<b>Total Assets</b>		<b>162 577</b>	148 500
<b>CURRENT LIABILITIES:</b>			
Payables	24	<b>22 548</b>	17 142
Employee benefits	25	<b>23 255</b>	17 578
Provisions	27	<b>2 567</b>	2 745
Other	28	<b>89</b>	946
<b>Total Current Liabilities</b>		<b>48 459</b>	38 411
<b>NON-CURRENT LIABILITIES:</b>			
Payables	24	<b>5 749</b>	7 475
Borrowings	26	<b>285</b>	-
Employee benefits	25	<b>25 826</b>	23 868
Provisions	27	<b>6 722</b>	7 328
<b>Total Non-Current Liabilities</b>		<b>38 582</b>	38 671
<b>Total Liabilities</b>		<b>87 041</b>	77 082
<b>NET ASSETS</b>		<b>75 536</b>	71 418
<b>EQUITY:</b>			
Contributed capital	29	<b>10 763</b>	-
Asset revaluation reserve	29	<b>13 433</b>	15 730
Retained earnings	29	<b>51 340</b>	55 688
<b>TOTAL EQUITY</b>		<b>75 536</b>	71 418
Unexpended Funding Commitments	17		
Commitments	31		
Contingent Assets and Liabilities	33		

## Statement of Changes in Equity for the year ended 30 June 2006

	Asset		Retained Earnings	Total
	Contributed Capital \$'000	Revaluation Reserve \$'000		
Balance as at 1 July 2004 (Department established 1 July 2004)	-	-	-	-
Gain on revaluation of property during 2004-05	-	15 730	-	15 730
Equity contribution from the SA Government	-	-	-	-
Net income/expense recognised directly in equity for 2004-05	-	-	-	-
Net result after restructure for 2004-05	-	-	55 688	55 688
<b>Balance at 30 June 2005</b>	-	15 730	55 688	71 418
Changes in accounting policy	-	-	-	-
Error correction	-	-	-	-
<b>Restated balance at 30 June 2005</b>	-	15 730	55 688	71 418
Gain on revaluation of property during 2005-06	-	-	-	-
Loss on revaluation of property during 2005-06	-	(2 297)	-	(2 297)
Equity contribution from SA Government	10 763	-	-	10 763
Net income/expense recognised directly in equity for 2005-06	-	-	-	-
Net result after restructure for 2005-06	-	-	(4 348)	(4 348)
<b>Total Movement for 2005-06</b>	10 763	(2 297)	(4 348)	4 118
<b>Balance at 30 June 2006</b>	<b>10 763</b>	<b>13 433</b>	<b>51 340</b>	<b>75 536</b>

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

## Cash Flow Statement for the year ended 30 June 2006

	2006	2005
	<b>Inflows</b>	Inflows
	<b>(Outflows)</b>	(Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee benefit payments	(190 122)	(159 944)
Supplies and services	(59 383)	(57 196)
Grants, subsidies and client payments	(698 252)	(675 876)
GST payments on purchases	(35 523)	(40 456)
Other	(703)	-
<b>Cash used in Operating Activities</b>	<b>(983 983)</b>	<b>(933 472)</b>
CASH INFLOWS:		
Rent, fees and charges	80 093	61 472
Receipts from Commonwealth	236 681	226 886
Dividends received - HomeStart Finance	5 000	5 000
Interest received	1 346	3 438
GST received from customers	32 096	35 662
Other receipts	609	686
<b>Cash generated from Operating Activities</b>	<b>355 825</b>	<b>333 144</b>
<b>CASH FLOWS FROM SA GOVERNMENT:</b>		
SA Government appropriations	594 325	571 230
Grants from SA Government agencies	30 646	19 553
<b>Cash generated from SA Government</b>	<b>624 971</b>	<b>590 783</b>
<b>Net Cash used in Operating Activities</b>	<b>(3 187)</b>	<b>(9 545)</b>
	34	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of property, plant and equipment	(2 312)	(1 025)
<b>Cash used in Investing Activities</b>	<b>(2 312)</b>	<b>(1 025)</b>
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	-	315
<b>Cash generated from Investing Activities</b>	<b>-</b>	<b>315</b>
<b>Net Cash used in Investing Activities</b>	<b>(2 312)</b>	<b>(710)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Payments due to restructuring activities	-	(526)
<b>Cash used in Financing Activities</b>	<b>-</b>	<b>(526)</b>
CASH INFLOWS:		
Capital contributions from Government	10 763	-
Proceeds from restructuring activities	-	29 456
<b>Cash generated from Financing Activities</b>	<b>10 763</b>	<b>29 456</b>
<b>Net Cash provided by Financing Activities</b>	<b>10 763</b>	<b>28 930</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5 264</b>	<b>18 675</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>18 675</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>23 939</b>	<b>18 675</b>
	18, 34	

## Program Schedule of Expenses and Income for the year ended 30 June 2006

	F1		F2		F3	
	2006	2005	2006	2005	2006	2005
<b>EXPENSES:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employee benefit costs	22 247	19 064	38 647	34 592	8 772	6 579
Supplies and services	284	141	944	1 859	6 216	7 838
Grants, subsidies and client payments	83 447	86 955	188 724	192 019	372 980	363 579
Depreciation and amortisation	1	-	7	-	948	904
Other	-	-	(13)	-	2 348	-
<b>Total Expenses</b>	<b>105 979</b>	<b>106 160</b>	<b>228 309</b>	<b>228 470</b>	<b>391 264</b>	<b>378 900</b>
<b>INCOME:</b>						
Rent, fees and charges	21 223	19 367	36 751	33 160	1 866	1 069
Interest revenue	-	-	-	-	-	-
Dividends - HomeStart Finance	1 600	1 600	3 400	3 400	-	-
Commonwealth government grants	24 306	23 133	64 483	65 304	147 156	136 715
Other	79	-	372	-	407	299
Net gain (loss) from disposal of non-current assets	-	-	-	-	-	(1)
<b>Total Income</b>	<b>47 208</b>	<b>44 100</b>	<b>105 006</b>	<b>101 864</b>	<b>149 429</b>	<b>138 082</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(58 771)</b>	<b>(62 060)</b>	<b>(123 303)</b>	<b>(126 606)</b>	<b>(241 835)</b>	<b>(240 818)</b>
<b>REVENUE FROM (PAYMENTS TO)</b>						
<b>SA GOVERNMENT:</b>						
SA Government appropriations	-	-	-	-	-	-
Grants from other SA Government agencies	-	-	-	-	-	-
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(58 771)</b>	<b>(62 060)</b>	<b>(123 303)</b>	<b>(126 606)</b>	<b>(241 835)</b>	<b>(240 818)</b>
Net revenue from restructure	-	-	-	-	-	-
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(58 771)</b>	<b>(62 060)</b>	<b>(123 303)</b>	<b>(126 606)</b>	<b>(241 835)</b>	<b>(240 818)</b>

**Programs - Refer Note 5**

F1. Affordable Housing Choices and Communities that Prosper

F2. High Need Housing

F3. Independence and Community Connection

## Program Schedule of Expenses and Income for the year ended 30 June 2006 (continued)

	F4		F5		F6	
	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>EXPENSES:</b>						
Employee benefit costs	99 438	85 590	24 622	19 995	1 355	1 772
Supplies and services	27 885	24 414	34 475	25 197	543	897
Grants, subsidies and client payments	38 460	32 436	3 788	(2 010)	542	1 611
Depreciation and amortisation	1 155	928	28	15	7	9
Other	(72)	-	87	1 199	-	-
<b>Total Expenses</b>	<b>166 866</b>	<b>143 368</b>	<b>63 000</b>	<b>44 396</b>	<b>2 447</b>	<b>4 289</b>
<b>INCOME:</b>						
Rent, fees and charges	2 110	1 403	24 130	11 744	-	-
Interest revenue	-	-	1 227	3 710	-	-
Dividends - HomeStart Finance	-	-	-	-	-	-
Commonwealth government grants	736	1 734	-	-	-	-
Other	286	278	205	525	32	47
Net gain (loss) from disposal of non-current assets	-	(5)	-	13	-	-
<b>Total Income</b>	<b>3 132</b>	<b>3 410</b>	<b>25 562</b>	<b>15 992</b>	<b>32</b>	<b>47</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(163 734)</b>	<b>(139 958)</b>	<b>(37 438)</b>	<b>(28 404)</b>	<b>(2 415)</b>	<b>(4 242)</b>
<b>REVENUE FROM (PAYMENTS TO)</b>						
<b>SA GOVERNMENT:</b>						
SA Government appropriations	-	-	-	-	-	-
Grants from other SA Government agencies	-	-	-	-	-	-
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(163 734)</b>	<b>(139 958)</b>	<b>(37 438)</b>	<b>(28 404)</b>	<b>(2 415)</b>	<b>(4 242)</b>
Net revenue from restructure	-	-	335	-	-	-
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(163 734)</b>	<b>(139 958)</b>	<b>(37 103)</b>	<b>(28 404)</b>	<b>(2 415)</b>	<b>(4 242)</b>

**Programs - Refer Note 5**

F4. Keeping Them Safe and Connected  
F5. Effective and Sustainable Business Practices  
F6. Office for Youth

## Program Schedule of Expenses and Income for the year ended 30 June 2006 (continued)

	F7		DAARE		Total	
	2006	2005	2006	2005	2006	2005
<b>EXPENSES:</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Employee benefit costs	1 444	1 067	-	1 056	196 525	169 715
Supplies and services	837	816	-	925	71 184	62 087
Grants, subsidies and client payments	43	42	-	743	687 984	675 375
Depreciation and amortisation	-	-	-	49	2 146	1 905
Other	-	-	-	-	2 350	1 199
<b>Total Expenses</b>	<b>2 324</b>	<b>1 925</b>	<b>-</b>	<b>2 773</b>	<b>960 189</b>	<b>910 281</b>
<b>INCOME:</b>						
Rent, fees and charges	166	18	-	65	86 246	66 826
Interest revenue	-	-	-	114	1 227	3 824
Dividends - HomeStart Finance	-	-	-	-	5 000	5 000
Commonwealth government grants	-	-	-	-	236 681	226 886
Other	-	-	-	38	1 381	1 187
Net gain (loss) from disposal of non-current assets	-	-	-	-	-	7
<b>Total Income</b>	<b>166</b>	<b>18</b>	<b>-</b>	<b>217</b>	<b>330 535</b>	<b>303 730</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(2 158)</b>	<b>(1 907)</b>	<b>-</b>	<b>(2 556)</b>	<b>(629 654)</b>	<b>(606 551)</b>
<b>REVENUE FROM (PAYMENTS TO)</b>						
<b>SA GOVERNMENT:</b>						
SA Government appropriations	-	-	-	-	594 325	571 230
Grants from other SA Government agencies	-	-	-	-	30 646	19 553
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(2 158)</b>	<b>(1 907)</b>	<b>-</b>	<b>(2 556)</b>	<b>(4 683)</b>	<b>(15 768)</b>
Net revenue from restructure	-	-	-	-	335	71 456
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(2 158)</b>	<b>(1 907)</b>	<b>-</b>	<b>(2 556)</b>	<b>(4 348)</b>	<b>55 688</b>

### Programs - Refer Note 5

F7. Office for Women

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives And Functions of the Department

The Department for Families and Communities (the Department) was established on 5 March 2004 to provide a clear focus for the South Australian Government's goals for the protection of our children and young people and to help build the resilience and well-being of families and communities. The vision of the Department is to be an innovative, effective and responsive leader in improving the quality of family and community life in South Australia. The Department has a broad mandate to work with those in need who, through circumstance, may be poor, vulnerable, at risk of harm or isolated and disconnected.

To achieve this vision, the Department will actively work towards a community where:

- enhanced wellbeing is a fundamental right;
- everybody shares the responsibility for building and supporting stronger families and communities;
- everybody benefits from improved wellbeing.

The Department serves the Minister for Families and Communities, Housing, Ageing and Disability and the Minister for Status of Women. For the period 1 July 2005 to 31 March 2006 the Department also served the Minister for Youth (refer to Note 1.2). The Department has the responsibility for delivery of specific programs to the public with respect to activities assigned to the Department under various Acts as delegated, by the respective Ministers, to the Chief Executive of the Department.

## 1. Objectives And Functions of the Department (continued)

In addition, the Minister of Health has delegated to the Minister for Disability and the Chief Executive certain powers under the *South Australian Health Commission Act, 1976* for three incorporated disability health services, namely Julia Farr Services, Independent Living Centre and the Intellectual Disability Services Council. The financial affairs of these incorporated disability health services do not form part of the Department's financial report as they are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

The Department also functions as a service provider to the South Australian Housing Trust (SAHT), South Australian Community Housing Authority (SACHA), Aboriginal Housing Authority (AHA), HomeStart Finance and various other non-government organisations. Similarly, the financial affairs of these organisations do not form part of the Department's financial report.

### 1.1 Administered Items

The Department administered certain income, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. The administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance with Accounting Policy Framework (APF) II *General Purpose Financial Reporting Framework* issued by the Department of Treasury and Finance, separate consolidated administered financial statements and notes to the accounts have been prepared.

### 1.2 Administrative Restructures

#### 2005-06

Effective 1 April 2006, the Government proclaimed the transfer of employees of The Office for Youth in the Department to the Department of Further Education, Employment, Science and Technology (DFEEST). It is taken that the proclamation means the transfer of assets and liabilities of The Office for Youth to DFEEST. The liabilities are primarily employee liabilities.

#### 2004-05

A major restructure resulted in the former Department of Human Services (DHS) being retitled the Department of Health (DH) from 1 July 2004. On 5 March 2004, the Governor established the Department and declared that for financial accounting and reporting purposes the establishment of the Department would be taken to occur on 1 July 2004. Certain assets and liabilities were transferred from DHS to the Department effective from 1 July 2004.

On 11 March 2004, the division of the Department for Administrative and Information Services known as the Department of Aboriginal Affairs and Reconciliation (DAARE) transferred to the Department. For financial accounting and reporting purposes the transfer was taken to occur on 1 July 2004. On 14 October 2004, the Governor proclaimed the transfer of the employees of DAARE from the Department to the Department of the Premier and Cabinet (DPC). It is taken that the proclamation also means the transfer of the assets and liabilities of DAARE to DPC. In accordance with the former Accounting Policy Statement (APS) 13 *Form and Content of General Purpose Financial Reports* and the current APF II *General Purpose Financial Reporting Framework*, for financial accounting and reporting purposes the transfer is taken to occur on 31 October 2004.

### 1.3 Funding for the Department

Funding for the Department comes mainly from appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.

The Department also receives amounts from other sources including rent, fees, and charges, interest on cash deposits and dividends from portfolio housing agencies.

## 2. Summary of Significant Accounting Policies

### 2.1 Basis of Accounting

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

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

These Financial Statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles (AGAAP).

As there are no major impacts as a result of the transition to AIFRS, Note 4 does not contain a reconciliation explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005, rather a description is provided regarding minor changes.

The financial report has been prepared in accordance with historic cost convention, except for certain assets that were valued in accordance with the valuation policy applicable.

The Cash Flow Statement within the Financial Report has been prepared on a cash basis.

**2.1 Basis of Accounting (continued)**

The existence of the Department and the ongoing delivery of current programs and services is dependent on Government policy and on continuing appropriations by Parliament.

**2.2 Reporting Entity**

The Department's financial statements include both departmental and administered items. The Department's financial statements include assets, liabilities, income and expenses controlled or incurred by the Department in its own right. As administered items are significant to the Department's overall financial performance and position, separate financial statements have been produced for administered items.

**2.3 Comparative Figures**

Where practicable, comparative figures have been adjusted to conform to changes in presentation in these financial statements.

**2.4 Rounding**

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

**2.5 Taxation**

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax and the emergency services levy. In accordance with the requirements of Interpretation 1031 *Accounting for the Goods and Services Tax (GST)*, income, 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 is part of an item of expenses;
- where appropriate, receivables and payables are stated with the amount of GST included.

**2.6 Income and Expenses**

Income and Expenses are recognised in the Department's Income Statement when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Income and Expenses have been classified according to their nature in accordance with APF II *General Purpose Financial Reporting Framework* and have not been offset unless required or permitted by a specific accounting standard.

Income from fees and charges is derived from the provision of services to other SA Government agencies and to the public. This income is recognised upon delivery of the service to the client's or by reference to the stage of completion.

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

Resources received/provided free of charge are recorded as income/expenditure in the Income Statement at their fair value. Goods and Services received free of charge are recorded as such with 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 that are received from other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies or Commonwealth Government. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, non-government organisations or the public. The grants 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 funding. Control over the appropriations is normally obtained upon their receipt and are accounted for in accordance with TI 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 the contribution is recorded as contributed equity.

**2.8 Dividends**

Dividends are received by the Department from HomeStart Finance (through the Department of Treasury and Finance), in compliance with section 26(8) of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and redistributed to portfolio housing entities consistent with Departmental strategic plans.

**2.9 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.

**2.10 Cash and Cash Equivalents**

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

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the financial year the Department was not required to transfer any of its cash balance relating to controlled items of the Consolidated Account. An amount of \$13.997 million was transferred to Consolidated Account in respect of Administered Items (refer Note 2 in Administered Items) .

**2.11 Receivables**

Receivables include amounts receivable from trade, prepayments, and other accruals.

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 otherwise in accordance with relevant contractual arrangements.

Other debtors arise outside the normal course of selling goods and services to other agencies and to the public.

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts will only be written off after all reasonable effort has been made to collect the debt.

**2.12 Inventories**

Inventories are stated at the lower of cost and their net realisable value. Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in, first-out method.

**2.13 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 Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer. As stated in Note 1.2, when the Department was created, certain assets and liabilities were transferred from DHS to the new Department for Families and Communities, effective 1 July 2004. These assets were transferred at the carrying value in the transferor's book and are deemed to be at fair value.

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with APF III *Asset Accounting Framework*.

Works in progress are projects physically incomplete as at reporting date.

**2.14 Revaluation of Non-Current Assets**

In accordance with APF III *Asset Accounting Framework*:

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

*Land and Buildings at Fair Value*

The Department has undertaken the first full revaluation of its land and buildings assets for the period ending 30 June 2006. From then on, and in accordance with Departmental policy, the Department will revalue its land and buildings every three years. However, if at any time management considers that the carrying amount of the asset materially differs from the 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.

Asset classes that were revalued include:

- Vacant land
- Site land
- Vacant buildings
- Building and improvements.

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2006, based on independent valuations performed by:

- Martin Burns - M.B.A., B.App.Sc. Property Resource Management, AAPI, Certified Practising Valuer (CPV), Liquid Pacific Limited
- Wayne Smith B.Bus (Property) AAPI, Certified Practising Valuer (CPV), Liquid Pacific Limited.

*Land and Buildings at Fair Value (continued)*

During the 2004-05 financial year, Management decided to review whether there had been a material appreciation in land values and a desktop valuation was carried out on metropolitan land with a value of \$800 000 or greater. As a result of the desktop valuation, an index of 29.3 percent was determined and applied to metropolitan land assets only. The desktop valuation was carried out by Rob Taylor, AAPI, Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited.

*Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III *Asset Accounting Framework* have not been met, these classes of non-current assets are deemed fair value as determined by APF III *Asset Accounting Framework* as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- Leasehold improvements
- Buildings and improvements in progress (WIP)
- Computing equipment
- Other plant and equipment.

**2.15 Depreciation and Amortisation of Non-Current Assets**

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, 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/amortisation for non-current assets is determined as follows:

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight line	25-50
Leasehold improvements	Straight line	Life of lease
Computing equipment	Straight line	3
Other plant and equipment	Straight line	3-15

**2.16 Intangibles**

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to \$5 000, in accordance with Departmental policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years. As at 30 June 2006, there was not any software that had been capitalised.

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

**2.17 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 normal operations of the Department.

Accrued expenses represents 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. Invoices are normally settled within 30 days after the Department receives an invoice in accordance with TI 11 *Payment of Creditors' Accounts*, paragraph 11.7.3.

Employment on-costs include superannuation contributions and payroll tax with respect to the 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.

**2.18 Employee Benefits**

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid.

*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 is estimated to be less than the annual entitlement of sick leave.

*Annual Leave*

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2006 and is measured at the nominal amount.

*Long Service Leave*

The liability for long service leave was determined through an actuarial assessment undertaken by William M Mercer Pty Ltd, in accordance with AASB 119 *Employee Benefits*. The following assumptions were made by the actuary when performing the assessment:

- Salary increases of 4 percent per annum based on the current enterprise bargaining agreement and short-term forecasts
- Discounting of 5.78 percent per annum based on the pre-tax yield on the 10 year Commonwealth Government bonds at the valuation date.

*Accrued Salaries and Wages*

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

**2.19 Provisions***Insurance*

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SA Government Captive Insurance Corporation (SAICORP) for professional indemnity insurance and general public liability insurance and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible.

The provisions for Public Liability and Professional Indemnity Insurance represents liabilities for outstanding claims in respect of incidents that have occurred. The liabilities include claims incurred and reported but not paid, claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER) and the anticipated costs of settling those claims. The claims liabilities are measured as the present values of the expected future payments. Claims incurred but not paid and claim settlement costs that can be directly attributed to particular claims are assessed by reviewing individual claim files. In respect of IBNR and IBNER Claims, an amount of \$50 000 has been set aside for both the Public Liability Claims and Professional Indemnity Claims. These amounts are based upon historical claims activity and with allowance for prudential margins and is reviewed annually. Public Liability and Professional Indemnity claims relating to periods prior to the split of DHS, effective 1 July 2004, will be the responsibility of DH.

The provision for Property claims represents outstanding payments for incurred damage to property. An allowance is also included for (IBNER) claims. This provision is based upon historical claims activity and with allowance for prudential margins and is reviewed annually.

*Workers Compensation*

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2005-06 financial year the Department has reflected a workers compensation provision of \$8.47 million (\$9.08 million) (refer Note 27.2).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

The Disability Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Disability Health Services for workers compensation expenditure, lump sum settlements and for redemption payments. In addition, the Department also funds non-safety net funded Disability Health Services for workers compensation lump sum settlements and for redemption payments. Accordingly, the Department recognises a payable to Disability Health Services equivalent to the liability for these specifically funded items which Disability Health Services recognise as a provision in their financial statements. The value of the liability at 30 June 2006 is \$3.61 million (\$3.99 million) (refer to Note 24).

**2.20 Leases**

The Department has not entered into any finance leases. The Department has entered into some operating leases.

*Operating Leases*

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

### **2.21 Government/Non-Government Disclosures**

The Department has adopted the requirements of APF II *General Purpose Financial Reporting Framework* where the Department must disclose by way of note whether transactions are with entities that are within or external to the South Australian Government. These transactions are classified by their nature and relate to income, expenses, financial assets and financial liabilities.

### **3. Financial Risk Management**

The Department has non-interest bearing assets in the form of cash on hand and receivables, and non-interest bearing liabilities in the form of payables. The Department's exposure to market risk is minimal and cash flow interest risk is negligible. From 1 July 2006, as a result of policy changes, the Department will not receive interest on cash balances in the Departmental operating account. These balances comprise the majority of the Department's controlled cash.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, 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.

### **4. Change in Accounting Policy**

#### **4.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

The Department has adopted the AIFRS for the first time for the year ended 30 June 2006. The adoption of AIFRS has not resulted in any material adjustments to the Income Statement, Balance Sheet or Cash Flow Statement.

A major change is the treatment of accounting policy changes AIFRS. Where there has been a change in accounting policy these changes now apply retrospectively except for specific exemptions in accordance with another standard.

The estimates applied by the Department under AIFRS, such as depreciation rates, estimates used in determining the amount of provisions and certain assets, are consistent with the estimates applied under previous AGAAP, after adjustments to reflect any difference in accounting policies.

### **5. Programs of the Department**

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

#### **Program F1: Affordable Housing Choices and Communities that Prosper**

To work with others to expand and improve affordable housing choices across the State and help build communities that prosper.

This program encompasses the management of grants for housing services to low-income households. This includes grants for the provision of public housing, urban and community renewal and private rental services by the South Australian Housing Trust, the provision of public and community managed housing by the Aboriginal Housing Authority, the funding and regulation of community housing by the South Australian Community Housing Authority and activities funded by the Commonwealth State Housing Agreement (CSHA).

#### **Program F2: High Need Housing**

To develop and implement better high need housing and service responses for people at risk or in need.

This program encompasses the management of grants for housing services and supported accommodation assistance to people in crisis as well as providing other services and programs related to high need housing.

#### **Program F3: Independence and Community Connection**

To enable people to take charge of their lives and ensure community connection opportunities are available to all.

The program encompasses the provision of services related to supporting people with disabilities to live in the community, managing grants and providing advice to the Minister for the promotion of health, social well-being and quality of life of the community, implementing strategies and programs to promote the participation and support of older people in the community.

#### **Program F4: Keeping Them Safe and Connected**

To ensure children, young people and families are safe, supported and connected to the future.

This program encompasses the following services; child protection, alternative care for those children and young people not able to be cared for by their own families, case management and support for young people under the Guardianship of the Minister, adoption and post adoption services, youth justice services as directed by the Youth Court (eg remand, bail orders, community service orders, supervision and home detention), provision of secure care facilities for young people who are detained, emergency financial assistance, funeral assistance, domestic violence assistance, anti-poverty preventative programs, and recovery services for victims of disasters.

#### **Program F5: Effective and Sustainable Business Practices**

To establish and maintain efficient, effective and accountable business practices to underpin delivery of the Connecting to the Future strategic agenda.

**Program F5: Effective and Sustainable Business Practices (continued)**

This program delivers strategic and overarching support services such as policy development and advice, strategic planning and evaluation, continuous improvement, risk management plans and quality management, research, financial services, information management, workforce and infrastructure development, for the entire Portfolio.

**Program F6: Office for Youth**

The Office for Youth initiates, advocates and facilitates policies and strategies that create opportunities for positive outcomes for young people in South Australia. This program was transferred from the Department to DFEEST effective 1 April 2006.

**Program F7: Office for Women**

Pursuit of the full and equal participation of women in the social and economic life of the State by providing innovative and balanced public policy advice to government. Providing high quality Statewide information, support and referral services through the Women's Information Service.

<b>6. Employee Benefit Costs</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Salaries and wages	<b>142 694</b>	120 613
TVSP (refer below)	<b>1 265</b>	-
Long service leave	<b>6 873</b>	6 642
Annual leave	<b>14 808</b>	12 019
Employment on-costs (Superannuation)	<b>15 602</b>	15 904
Workers compensation	<b>3 141</b>	3 495
Payroll tax	<b>9 969</b>	8 540
Other	<b>2 173</b>	2 502
<b>Total Employee Benefit Costs</b>	<b>196 525</b>	169 715

**Targeted Voluntary Separation Packages (TVSPs)**

Amount paid to these employees:

TVSPs	<b>1 265</b>	-
Annual leave and long service leave accrued over the period	<b>333</b>	-
Recovery from the Department of Treasury and Finance	<b>1 265</b>	-

	<b>2006</b>	2005
	<b>Number of</b>	Number of
	<b>Employees</b>	Employees
Number of employees that were paid TVSPs during the reporting period	<b>12</b>	-

**Remuneration of Employees**

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

\$100 000 - \$109 999	<b>27</b>	15
\$110 000 - \$119 999	<b>6</b>	7
\$120 000 - \$129 999	<b>8</b>	3
\$130 000 - \$139 999	<b>4</b>	3
\$140 000 - \$149 999	<b>6</b>	2
\$150 000 - \$159 999	<b>5</b>	7
\$160 000 - \$169 999	<b>2</b>	3
\$170 000 - \$179 999	<b>-</b>	-
\$180 000 - \$189 999	<b>6</b>	1
\$190 000 - \$199 999	<b>1</b>	-
\$200 000 - \$209 999	<b>-</b>	-
\$210 000 - \$219 999	<b>-</b>	-
\$220 000 - \$229 999	<b>-</b>	-
\$230 000 - \$239 999	<b>-</b>	1
\$240 000 - \$249 999	<b>2</b>	-
\$250 000 - \$259 999	<b>-</b>	-
\$260 000 - \$269 999	<b>-</b>	-
\$270 000 - \$279 999	<b>-</b>	-
\$280 000 - \$289 999	<b>-</b>	-
\$290 000 - \$299 999	<b>-</b>	-
\$300 000 - \$309 999	<b>-</b>	-
\$310 000 - \$319 999	<b>1</b>	-
<b>Total Number of Employees</b>	<b>68</b>	42

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, board fees, superannuation contributions, fringe benefit tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$9.1 million (\$5.4 million).

For the purpose of this note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the Department.

<b>7. Supplies and Services</b>	<b>2006</b>	2005
Supplies and Services provided by entities within the SA Government:	<b>\$'000</b>	\$'000
Accommodation and property related	<b>15 076</b>	10 349
Advertising and promotions	<b>21</b>	5
Client related expenses	<b>356</b>	189
Bad and doubtful debts	<b>(366)</b>	468
Communication and computing	<b>10 941</b>	5 706
Contractors and agency staff	<b>3 169</b>	4 718
Consultants	<b>52</b>	62
Insurance	<b>573</b>	48
Interpreter and translator fees	<b>-</b>	20
Managed payments	<b>2 529</b>	2 580
Minor equipment	<b>102</b>	56
Motor vehicles	<b>3 996</b>	3 610
Printing, stationery, postage and periodicals	<b>78</b>	104
Seminars, courses and training	<b>189</b>	173
Travel and accommodation	<b>23</b>	36
Other administration	<b>80</b>	4 490
<b>Total Supplies and Services (excluding Audit Fees) - SA Government</b>	<b>36 819</b>	<b>32 614</b>
Audit fees paid/payable to the Auditor-General's Department*	<b>266</b>	152
<b>Total Audit Fees - SA Government</b>	<b>266</b>	152

\* *Other Services*

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

Supplies and Services provided by entities external to the SA Government:		
Accommodation and property related	<b>3 782</b>	7 068
Advertising and promotions	<b>724</b>	262
Client related expenses	<b>2 681</b>	1 709
Communication and computing	<b>5 895</b>	3 877
Contractors and agency staff	<b>5 807</b>	4 622
Consultants	<b>444</b>	457
Drugs and medical supplies	<b>24</b>	4
Insurance	<b>221</b>	1 346
Interpreter and translator fees	<b>67</b>	37
Managed payments	<b>302</b>	44
Minor equipment	<b>1 212</b>	1 305
Motor vehicles	<b>279</b>	224
Printing, stationery, postage and periodicals	<b>2 618</b>	2 135
Seminars, courses and training	<b>2 274</b>	1 567
Travel and accommodation	<b>1 812</b>	1 585
Other administration	<b>5 957</b>	3 079
<b>Total Supplies and Services - Non-SA Government</b>	<b>34 099</b>	<b>29 321</b>
<b>Total Supplies and Services</b>	<b>71 184</b>	<b>62 087</b>

The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:		<b>2006</b>		2005
	<b>Number</b>	<b>\$'000</b>	Number	\$'000
Below \$10 000	<b>19</b>	<b>92</b>	30	100
between \$10 000 - \$50 000	<b>6</b>	<b>143</b>	11	265
Above \$50 000	<b>3</b>	<b>261</b>	2	154
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>28</b>	<b>496</b>	43	519

<b>8. Depreciation and Amortisation</b>	<b>2006</b>	2005
Depreciation:	<b>\$'000</b>	\$'000
Buildings and improvements	<b>1 595</b>	1 572
Other plant and equipment	<b>88</b>	81
Computing equipment	<b>18</b>	11
<b>Total Depreciation</b>	<b>1 701</b>	1 664
Amortisation:		
Leasehold improvements	<b>445</b>	241
<b>Total Amortisation</b>	<b>445</b>	241
<b>Total Depreciation and Amortisation</b>	<b>2 146</b>	1 905

<b>9. Grants, Subsidies and Client Payments</b>		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
Grants and subsidies paid/payable to entities within the SA Government:			
Recurrent funding to Incorporated Disability Health Services	9.1	<b>133 742</b>	126 943
Housing assistance		<b>108 137</b>	133 716
Capital funding to incorporated Disability Health Services	9.2	<b>2 063</b>	519
SAHT - Tax equivalent regime		<b>119 021</b>	102 840
Supported accommodation assistance program		<b>1 061</b>	560
Department of Health - Home and Community Care*		-	54 177
Incorporated Health Units - Home and Community Care*		<b>44 927</b>	-
GST compensation		<b>3 030</b>	3 423
Children's payments		<b>388</b>	2 937
Family and community development		<b>55</b>	71
Alternative care		<b>566</b>	131
Emergency financial assistance		<b>1 129</b>	278
Strathmont Centre		<b>4 480</b>	-
Funds for seniors		<b>4 824</b>	6 441
Public Trustee-Disability		<b>2 000</b>	-
Other		<b>6 017</b>	10 916
<b>Total Grants, Subsidies and Client Payments - SA Government</b>		<b>431 440</b>	442 952

\* In 2004-05 HACC funding was paid to the Department of Health who disbursed funds to Incorporated Health Units. In 2005-06, this funding was directly provided to the incorporated Health Units by DFC.

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
Grants and subsidies paid/payable to entities external to the SA Government:			
Housing assistance		<b>1 824</b>	74
Funding to non-government organisations	9.3	<b>110 111</b>	131 071
Supported accommodation assistance program		<b>26 998</b>	25 281
Home and community care		<b>69 487</b>	36 818
Children's payments		<b>20 556</b>	15 290
Parks Community Centre (Local Government Grant)		<b>1 886</b>	1 840
Family and community development		<b>8 125</b>	7 543
Alternative care		<b>10 044</b>	8 779
Emergency financial assistance		<b>1 177</b>	233
Concessions		<b>431</b>	-
Funds for seniors		<b>720</b>	2 512
Other		<b>5 185</b>	2 982
<b>Total Grants, Subsidies and Client Payments - Non-SA Government</b>		<b>256 544</b>	232 423
<b>Total Grants, Subsidies and Client Payments</b>		<b>687 984</b>	675 375

<b>9.1 Recurrent Funding to Incorporated Disability Health Services</b>		<b>2006</b>	2005
		<b>\$'000</b>	\$'000
Intellectual Disability Services Council *		<b>74 416</b>	95 208
Julia Farr Services *		<b>51 838</b>	25 484
Independent Living Centre *		<b>7 488</b>	6 251
<b>Total Recurrent Funding to Incorporated Disability Health Services</b>		<b>133 742</b>	126 943

\* Effective 1 July 2004, the Minister of Health delegated to the Minister for Disability responsibility for the Incorporated Disability Health Service.

<b>9.2 Capital Funding to Incorporated Disability Health Services</b>		<b>2006</b>	2005
		<b>\$'000</b>	\$'000
Intellectual Disability Services Council *		<b>1 796</b>	369
Julia Farr Services *		<b>253</b>	150
Independent Living Centre *		<b>14</b>	-
<b>Total Capital Funding to Incorporated Disability Health Services</b>		<b>2 063</b>	519

\* Effective 1 July 2004, the Minister of Health delegated to the Minister for Disability responsibility for the Incorporated Disability Health Service.

**9.3 Funding to Non-Government Organisations**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Minda Incorporated	<b>27 681</b>	41 824
Community Accommodation Respite Agency	<b>10 417</b>	10 540
NOVITA	<b>10 049</b>	10 416
Community Support Incorporated*	-	7 080
Leveda Incorporated	<b>3 981</b>	3 815
Anglicare SA	<b>2 932</b>	3 674
Centacare	<b>2 919</b>	3 266
Orana	<b>2 033</b>	3 156
Community Access Service	<b>3 101</b>	3 131
Royal Society for the Blind	<b>2 321</b>	2 516
Uniting Care Wesley	<b>2 788</b>	2 320
Guide Dogs association	<b>1 243</b>	1 913
Lifes for Living	<b>2 000</b>	1 836
Paraplegic and Quadriplegic Assoc	<b>1 278</b>	1 160
Lifestyles Assistance and Accommodation Services	<b>740</b>	1 130
Barkuma Inc	<b>1 045</b>	1 062
Community Living Project	<b>1 090</b>	1 058
Community Living Options	<b>1 394</b>	1 006
Individual Supported Accommodation Services	<b>1 298</b>	1 004
Relationships Australia	<b>963</b>	946
Autism Association of Australia	<b>1 102</b>	937
Hills Community Options	<b>996</b>	937
Elizabeth Bowey Lodge	<b>690</b>	914
CAID Inc	<b>923</b>	893
Community Lifestyles Inc	<b>609</b>	865
Community Living for Disabled	<b>1 114</b>	-
Julia Farr Housing Ass Inc	<b>8 000</b>	-
Other	<b>17 404</b>	23 672
<b>Total Funding to Non-Government Organisations</b>	<b>110 111</b>	131 071

\* During 2005-06 funding for Community Support Incorporated was provided through Home and Community Care Funding.

**10. Other Expenses**

Other Expenses paid/payable to entities within the SA Government:

Transferred assets	<b>3</b>	840
Other	<b>65</b>	-
<b>Total Other Expenses - SA Government</b>	<b>68</b>	840

Other Expenses paid/payable to entities external to the SA Government:

Loss on revaluation of non-current assets	<b>2 281</b>	358
Other	<b>1</b>	1
<b>Total other Expenses - Non-SA Government</b>	<b>2 282</b>	359
<b>Total Other Expenses</b>	<b>2 350</b>	1 199

**11. Rent, Fees and Charges**

Rent, fees and charges received/receivable from entities within SA Government:

Employee services *	<b>56 879</b>	52 609
Insurance recoveries from Health Services	<b>1 018</b>	1 048
Recoveries	<b>7 548</b>	6 987
Business services	<b>16 945</b>	3 707
Fees, fines and penalties	<b>240</b>	149
Rent	<b>465</b>	324
<b>Total Rent, Fees and Charges - SA Government</b>	<b>83 095</b>	64 824

\* Represents the recovery of costs for the provision of employee related services to the SAHT, SACHA and AHA.

Rent, Fees and Charges received/receivable from entities external to the SA Government:

Employee services	<b>548</b>	-
Recoveries	<b>1 652</b>	1 153
Business services	<b>34</b>	17
Fees, fines and penalties	<b>798</b>	543
Rent	<b>119</b>	289
<b>Total Rent, Fees and Charges - Non-SA Government</b>	<b>3 151</b>	2 002
<b>Total Rent, Fees and Charges</b>	<b>86 246</b>	66 826

12. Commonwealth Government Grants	Note	2006 \$'000	2005 \$'000
Housing Assistance		72 029	72 043
Commonwealth State Disability Agreement		67 429	62 709
Home and Community Care		73 111	67 619
Supported Accommodation Assistance Program		16 760	16 394
Aged Care Assessment Program		5 232	5 086
Other		2 120	3 035
<b>Total Commonwealth Government Grants</b>		<b>236 681</b>	<b>226 886</b>
<b>13. Interest Revenue</b>			
Interest received/receivable from entities within SA Government:			
Interest on funds held		1 227	3 824
<b>Total Interest Revenue - SA Government</b>		<b>1 227</b>	<b>3 824</b>
<b>14. Net Gain/Loss from Disposal of Non-Current Assets</b>			
Land and Buildings:			
Proceeds from disposal		-	315
Less: Net book value of assets disposed		-	277
Less: Other costs of disposal		-	16
<b>Net Gain from Disposal of Land and Buildings</b>		<b>-</b>	<b>22</b>
Plant and Equipment:			
Proceeds from disposal		-	-
Less: Net book value of assets disposed		-	15
<b>Net Loss from Disposal of General Plant and Equipment</b>		<b>-</b>	<b>(15)</b>
Total Assets:			
Total proceeds from disposal		-	315
Less: Total value of assets disposed		-	292
Less: Total other costs of disposal		-	16
<b>Total Net Gain (Loss) from Disposal of Non-Current Assets</b>		<b>-</b>	<b>7</b>
<b>15. Other Income</b>			
Other Income received/receivable from entities within SA Government:			
Assets received for nil consideration	15.1	579	505
Prior period adjustments not assignable		194	-
Other Income		52	682
<b>Total Other Income - SA Government</b>		<b>825</b>	<b>1 187</b>
Other Income received/receivable from entities external to the SA Government:			
Other Income		556	-
<b>Total Other Income - Non-SA Government</b>		<b>556</b>	<b>-</b>
<b>Total Other Income</b>		<b>1 381</b>	<b>1 187</b>
<b>15.1 Assets Received for Nil Consideration</b>			
During the reporting period the Department received the following assets free of charge or for nominal consideration:			
Land and buildings		492	-
Plant and equipment		87	13
Other		-	492
<b>Total Assets Received for Nil Consideration</b>		<b>579</b>	<b>505</b>
<b>16. Revenues from/Payments to SA Government</b>			
<b>16.1 SA Government Appropriations:</b>			
Appropriations from Consolidated Account pursuant to the Appropriation Act:			
General appropriation		438 320	405 150
Tax equivalent regime reimbursement - HomeStart Finance		1 500	1 331
Tax equivalent regime reimbursement - SAHT		118 879	103 276
State Housing Assistance Funds		35 626	61 473
<b>Total SA Government Appropriations</b>		<b>594 325</b>	<b>571 230</b>
<b>16.2 Grants from SA Government Agencies:</b>			
Community Development Fund		3 400	3 400
Department of Treasury and Finance - Contingency funds		9 396	4 525
TVSP recoveries		1 265	-
Social Inclusion		5 304	2 882
Other		11 281	8 746
<b>Total Grants from SA Government Agencies</b>		<b>30 646</b>	<b>19 553</b>
<b>Total Revenues from SA Government</b>		<b>624 971</b>	<b>590 783</b>

**Payments to SA Government**

There have been no payments to SA Government under the Cash Alignment Policy for the 2005-06 financial year relating to activities controlled by the Department. Cash of \$13.997 million relating to Administered Items was transferred to the Consolidated Account.

**17. Unexpended Funding Commitments**

The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program.

As at 30 June 2006 the Department had outstanding funding commitments to the following programs:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Social Inclusion Initiatives	-	148
CIRC Special Education Funding	-	95
Dry Zone and Inner City Strategy - Inner Indigenous Client Strategies	-	48
Keeping Them Safe - Early Intervention Support for High Risk Families	-	550
Indigenous Family Tier 3 Program	-	120
Secure Care Development Project	-	68
Home and Community Care Program	<b>716</b>	2 386
DVA Veteran Home Care Program	-	2 282
Moving ahead	-	95
African Communities Innovation Project	-	45
Refugee Minors Resettlement Program - Unaccompanied Minors	-	160
ILC Disability Equipment Waiting List	-	2 600
CSHA Projects	<b>7 487</b>	7 648
AP Lands Bus Service	-	100
Parenting Assessment Program	-	50
Panyappi Program	-	49
Child Death and Serious Injury Committee	-	20
Office for the Guardian Fitout	-	18
Supported Accommodation Assistance Program	<b>173</b>	2 496
Community Care Innovation Fund	<b>2 229</b>	-
Aged Care Assessment Program	<b>60</b>	-
Positive Ageing Grants	<b>200</b>	-
Financial Counselling- Gamblers Rehabilitation	<b>194</b>	-
Unspent APY Lands Funding from External Agencies	<b>134</b>	-
<b>Total Operating</b>	<b>11 193</b>	18 978
Strathmont Centre	<b>971</b>	-
Youth Training Centre Sustainment	<b>452</b>	-
CYFS Accommodation and Security	-	241
SACOSS Children's Facility	-	500
CYFS Case Management System	-	498
Additional Group Homes	-	1 520
Child Protection Review - Staff Accommodation	-	966
CYFS Adelaide Office Accommodation	-	970
<b>Total Capital</b>	<b>1 423</b>	4 695
<b>Total Unexpended Funding Commitments</b>	<b>12 616</b>	23 673
<b>18. Cash and Cash Equivalents</b>		
Special Deposit Account with the Treasurer	<b>23 632</b>	18 369
Advance account	<b>304</b>	304
Other Deposits	<b>1</b>	-
Cash on hand	<b>2</b>	2
<b>Total Cash and Cash Equivalents</b>	<b>23 939</b>	18 675

**Special Deposit Account with the Treasurer**

There has been no reduction in the level of cash controlled by the Department as a result of the cash alignment policy. Cash of \$13.997 million relating to Administered Items was transferred to the Consolidated Account.

<b>19. Receivables</b>	2006	2005
Current:	Note	\$'000
Debtors	<b>6 996</b>	2 582
Less: Provision for doubtful debts	<b>101</b>	468
Disability Health Service budget over-runs	<b>3 242</b>	237
Employee related services recoverable	<b>11 178</b>	9 703
Interest	<b>267</b>	386
Overpaid salaries	<b>108</b>	109
Sundry	<b>58</b>	65
Goods and services tax receivable	<b>8 221</b>	4 794
<b>Total Current Receivables</b>	<b>29 969</b>	17 408
Non-Current:		
Sundry	<b>181</b>	212
Less: Provision for doubtful debts	-	-
<b>Total Non-Current Receivables</b>	<b>181</b>	212
<b>Total Receivables</b>	<b>30 150</b>	17 620
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Debtors	<b>5 047</b>	1 208
Less: Provision for doubtful debts	<b>79</b>	446
Disability Health Service budget over-runs	<b>3 242</b>	237
Employee related services recoverable	<b>11 178</b>	9 703
Interest	<b>267</b>	386
Goods and services tax receivable from members in the group	<b>8 221</b>	4 794
<b>Total Receivables - SA Government</b>	<b>27 876</b>	15 882
Receivables from Non-SA Government entities:		
Debtors	<b>1 949</b>	1 374
Less: Provision for doubtful debts	<b>22</b>	22
Overpaid salaries	<b>108</b>	109
Sundry	<b>239</b>	277
<b>Total Receivables - Non-SA Government</b>	<b>2 274</b>	1 738
<b>Total Receivables</b>	<b>30 150</b>	17 620
<b>20. Inventories</b>		
Stores	<b>35</b>	50
<b>Total Inventories</b>	<b>35</b>	50
<b>21. Property, Plant and Equipment</b>		
Land, Buildings and Improvements:		
Vacant land (fair value)	<b>4 360</b>	4 818
Site land (fair value)	<b>65 916</b>	65 882
Vacant buildings (fair value)	-	3 036
Less: Accumulated depreciation - Vacant buildings	-	-
Buildings and improvements (fair value)	<b>43 316</b>	70 648
Less: Accumulated depreciation - Buildings and improvements	<b>11 402</b>	36 511
<b>Total Land, Buildings and Improvements</b>	<b>102 190</b>	107 873
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	<b>6 671</b>	7 135
Less: Accumulated amortisation - Leasehold improvements	<b>5 550</b>	5 105
<b>Total Leasehold Improvements</b>	<b>1 121</b>	2 030
<b>Total Property and Leasehold Improvements</b>	21(a) <b>103 311</b>	109 903
Plant and Equipment:		
Computing equipment at cost (deemed fair value)	<b>168</b>	142
Less: Accumulated depreciation - Computing equipment at cost	<b>97</b>	122
Other plant and equipment at cost (deemed fair value)	<b>1 559</b>	1 089
Less: Accumulated depreciation - other plant and equipment at cost	<b>874</b>	663
<b>Total Plant and Equipment</b>	21(b) <b>756</b>	446
<b>Total Property, Plant and Equipment</b>	<b>104 067</b>	110 349

**(a) Reconciliation of Property and Leasehold Improvements**

The following table shows the movement of Land, Buildings and Improvements, and Leasehold Improvements during 2005-06.

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings and Improve- ments \$'000	Leasehold Improve- ments \$'000	Total Property & Leasehold Improve- ments \$'000
Carrying amount at 1 July	4 818	65 882	3 036	34 137	2 030	109 903
Purchases	-	-	-	-	-	-
Assets received for Nil Consideration	-	325	-	167	-	492
Disposals	-	-	-	-	-	-
Revaluation increment (decrement)	(458)	(1 841)	-	(2 281)	-	(4 580)
Depreciation and amortisation for the year	-	-	-	(1 595)	(445)	(2 040)
Acquisition (Disposal) from administrative restructure	-	-	-	-	-	-
Transfers to/from other classes	-	1 550	(3 036)	1 486	(33)	(33)
Transfers from works in progress	-	-	-	-	52	52
Other movements	-	-	-	-	(483)	(483)
<b>Carrying amount at 30 June 2006</b>	<b>4 360</b>	<b>65 916</b>	<b>-</b>	<b>31 914</b>	<b>1 121</b>	<b>103 311</b>

**(b) Reconciliation of Plant and Equipment**

The following table shows the movement of Plant and Equipment during 2005-06.

	Computing Equipment \$'000	Other Plant & Equipment \$'000	Total Plant & Equipment \$'000
Carrying amount at 1 July	20	426	446
Purchases	69	154	223
Assets received for nil consideration	-	87	87
Disposals	-	-	-
Revaluation increment (decrement)	-	-	-
Depreciation and amortisation for the year	(18)	(88)	(106)
Acquisition (disposal) through administrative restructure	-	(19)	(19)
Transfers to/from other classes	-	33	33
Transfers from works in progress	-	95	95
Other movements	-	(3)	(3)
<b>Carrying amount at 30 June 2006</b>	<b>71</b>	<b>685</b>	<b>756</b>

**22. Capital Works in Progress**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Buildings and Improvements in progress at cost (deemed fair value)	<b>3 741</b>	1 314
<b>Total Capital Works in Progress</b>	<b>3 741</b>	1 314

**23. Other Assets**

Current:		
Prepayments	<b>488</b>	492
Other	-	-
<b>Total Current Other Assets - SA Government</b>	<b>488</b>	492
Non-Current:		
Prepayments	<b>157</b>	-
<b>Total Non-Current Other Assets - SA Government</b>	<b>157</b>	-
<b>Total Other Assets</b>	<b>645</b>	492

**24. Payables**

Current:		
Creditors	<b>16 895</b>	5 833
Disability Health Service workers compensation	<b>1 067</b>	1 189
Disability Health Service budget under-runs	-	90
Grants to non-government organisations	-	1 621
Grants to SAHT - Tax equivalent regime	<b>72</b>	5 380
Other accrued expenses	<b>1 239</b>	157
Employee benefit on-costs	<b>3 036</b>	2 872
Other	<b>239</b>	-
<b>Total Current Payables</b>	<b>22 548</b>	17 142

<b>24. Payables (continued)</b>		<b>2006</b>	2005
Non-Current:		<b>\$'000</b>	\$'000
Disability Health Service workers compensation		<b>2 543</b>	2 806
Grants to non-government organisations		<b>797</b>	849
Employee benefit on-costs		<b>2 409</b>	3 820
<b>Total Non-Current Payables</b>		<b>5 749</b>	7 475
<b>Total Payables</b>		<b>28 297</b>	24 617
Government/Non-Government Payables:			
Payables to SA Government entities:			
Creditors		<b>7 137</b>	2 385
Disability Health Service workers compensation		<b>3 610</b>	3 995
Disability Health Service budget under-runs		-	90
Grants to SAHT - Tax equivalent regime		<b>72</b>	5 380
Other accrued expenses		<b>388</b>	-
Employee benefit on-costs		<b>5 445</b>	6 692
<b>Total Payables - SA Government</b>		<b>16 652</b>	18 542
Payables to Non-SA Government entities:			
Creditors		<b>9 758</b>	3 448
Grants to Non-government organisations		<b>797</b>	2 470
Other accrued expenses		<b>851</b>	157
Other		<b>239</b>	-
<b>Total Payables - Non-SA Government</b>		<b>11 645</b>	6 075
<b>Total Payables</b>		<b>28 297</b>	24 617
<b>25. Employee Benefits</b>			
Current:			
Annual leave		<b>13 096</b>	10 162
Long service leave		<b>6 684</b>	5 200
Accrued salaries and wages		<b>3 140</b>	2 214
Other		<b>335</b>	2
<b>Total Current Employee Benefits</b>		<b>23 255</b>	17 578
Non-Current:			
Long service leave		<b>25 769</b>	23 837
Other		<b>57</b>	31
<b>Total Non-Current Employee Benefits</b>		<b>25 826</b>	23 868
<b>Total Employee Benefits</b>		<b>49 081</b>	41 446
The total current and non-current employee liabilities (ie aggregate employee liabilities plus related on-costs) for 2006 is \$26 291 and \$28 235 respectively.			
Costs that are a consequence of employing employees, but which are not employee benefits, such as payroll tax and superannuation on-costs, are recognised as liabilities and expenses when the employee benefits to which they relate are recognised. These employee benefit on-costs are recognised as Payables in Note 24 as they do not accrue to employees.			
<b>26. Borrowings</b>		<b>2006</b>	2005
Non-Current	Note	<b>\$'000</b>	\$'000
Advance - Treasury Imprest Account		<b>285</b>	-
<b>Total Non-Current Borrowings - SA Government</b>		<b>285</b>	-
<b>Total Borrowings</b>		<b>285</b>	-
<b>27. Provisions</b>			
Current:			
Insurance	27.1	<b>272</b>	-
Workers compensation	27.2	<b>2 295</b>	2 593
Other		-	152
<b>Total Current Provisions</b>		<b>2 567</b>	2 745
Non-Current:			
Insurance	27.1	<b>551</b>	844
Workers compensation	27.2	<b>6 171</b>	6 484
<b>Total Non-Current Provisions</b>		<b>6 722</b>	7 328
<b>Total Provisions</b>		<b>9 289</b>	10 073

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.

**27.1 Reconciliation of Insurance**

The following table shows the movement of Insurance during the year:

	Public Liability \$'000	Property \$'000	2006 Total \$'000
Carrying amount as at 1 July	740	104	844
Increase to provision due to revision of estimates	341	11	352
Reduction due to payments	(73)	(265)	(338)
Net revision of estimates	(228)	193	(35)
<b>Carrying Amount at 30 June</b>	<b>780</b>	<b>43</b>	<b>823</b>

The following table shows the movement of Insurance during 2004-05:

	Public Liability \$'000	Property \$'000	2005 Total \$'000
Transfers in at 1 July	169	16	185
Increase to provision due to revision of estimates	5 324	1 416	6 740
Reduction due to payments	(38)	(131)	(169)
Net revision of estimates	(4 715)	(1 197)	(5 912)
<b>Carrying Amount at 30 June</b>	<b>740</b>	<b>104</b>	<b>844</b>

**27.2 Reconciliation of Workers Compensation**

The following table shows the movement of workers compensation during the year:

	2006 \$'000	2005 \$'000
Transfers in at 1 July	9 077	8 826
Increase to provision due to revision of estimates	3 179	3 494
Reduction due to payments	(3 790)	(3 243)
<b>Carrying Amount at 30 June</b>	<b>8 466</b>	<b>9 077</b>

**28. Other Liabilities**

Current

Unclaimed monies	5	4
Unearned revenue	84	20
Other	-	922
<b>Total Current Other Liabilities - SA Government</b>	<b>89</b>	<b>946</b>
<b>Total Other Liabilities</b>	<b>89</b>	<b>946</b>

**29. Equity**

Contributed capital	10 763	-
Retained earnings	51 340	55 688
Asset revaluation reserve	13 433	15 730
<b>Total Equity</b>	<b>75 536</b>	<b>71 418</b>

**30. Financial Instruments**

**(a) Terms, Conditions and Accounting Policies**

*Financial Assets*

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter.

Trade account receivables are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

The Department has not entered any loan arrangements.

*Financial Liabilities*

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or goods and services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

The Department of Treasury and Finance has advanced the Department funds for the purpose of an Imprest Account. The Department has not entered into any other arrangements that are Borrowings.

**(b) Interest Rate Risk Exposure**

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	Fixed Interest Rate			Non- Interest Bearing \$'000	<b>2006 Total \$'000</b>
			1 Year or less \$'000	1 to 5 years \$'000	More Than 5 Years \$'000		
Financial Assets:							
Cash and deposits	5.37	23 939	-	-	-	-	<b>23 939</b>
Disability Health Service budget over-runs	N/A	-	-	-	-	3 242	<b>3 242</b>
Debtors	N/A	-	-	-	-	26 908	<b>26 908</b>
		<u>23 939</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30 150</u>	<b>54 089</b>
Financial Liabilities:							
Creditors and accruals	N/A	-	-	-	-	24 687	<b>24 687</b>
Borrowings	N/A	-	-	-	-	285	<b>285</b>
Disability Health Service budget under-runs	N/A	-	-	-	-	-	-
Disability Health Service workers compensation	N/A	-	-	-	-	3 610	<b>3 610</b>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28 582</u>	<b>28 582</b>

	Weighted Average Effective Rate Percent	Floating Interest Rate \$'000	Fixed Interest Rate			Non- Interest Bearing \$'000	2005 Total \$'000
			1 Year or less \$'000	1 to 5 years \$'000	More Than 5 Years \$'000		
Financial Assets:							
Cash and deposits	5.16	18 675	-	-	-	-	18 675
Disability Health Service budget over-runs	N/A	-	-	-	-	237	237
Debtors	N/A	-	-	-	-	17 383	17 383
		<u>18 675</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17 620</u>	<u>36 295</u>
Financial Liabilities:							
Creditors and accruals	N/A	-	-	-	-	20 532	20 532
Disability Health Service budget under-runs	N/A	-	-	-	-	90	90
Disability Health Service workers compensation	N/A	-	-	-	-	3 995	3 995
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24 617</u>	<u>24 617</u>

**(c) Foreign Exchange Risk**

The Department has not entered into any foreign exchange contracts.

**(d) Credit Risk**

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on the Department's financial assets which have been recognised in the Balance Sheet, is the carrying amount, net of any provision for doubtful debts.

**31. Commitments****(a) Capital Commitments**

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

	<b>2006 \$'000</b>	2005 \$'000
Within one year	<b>555</b>	860
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total Capital Commitments (including GST)</b>	<b>555</b>	860

Included in Capital expenditure commitments above is \$50 410 (\$82 000) which is the GST component of the Capital expenditure commitments.

**(b) Other Commitments**

Capital expenditure contracted for by the Department on behalf of Disability Health Units, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	<b>2006 \$'000</b>	2005 \$'000
Not later than one year	<b>2 416</b>	-
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total Other Commitments (including GST)</b>	<b>2 416</b>	-

**(b) Other Commitments (continued)**

Included in other commitments expenditure above is \$219 676 (\$nil) which is the GST component of the other expenditure commitments.

The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements.

**(c) Operating Lease Commitments**

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>12 799</b>	7 024
Later than one year and not later than five years	<b>38 506</b>	26 131
Later than five years	-	170
<b>Total Operating Lease Commitments (including GST)</b>	<b>51 305</b>	33 325

Included in the operating lease commitments above is \$4.664 million (\$1.915 million) which is the GST component of the operating lease payments.

The Department has many lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee.

**32. Net Revenues from Restructure**

**Net Revenues from Restructure for 2005-06**

*Transfers out of the Department*

On 23 March 2006, the Governor proclaimed the transfer of the employees of the Office for Youth from the Department for Families and Communities (DFC) to the Department of Further Education, Employment, Science and Technology (DFEEST). It is taken that the proclamation also means the transfer of the assets and liabilities of OFY to DFEEST. In accordance with APF II *General Purpose Financial Reporting Framework*, for financial accounting and reporting purposes the transfer is taken to occur 1 April 2006.

	<b>Office for Youth</b>	<b>2006 Total</b>
	<b>\$'000</b>	<b>\$'000</b>
Assets:		
Current assets	-	-
Non-current assets	<b>19</b>	<b>19</b>
<b>Total Assets</b>	<b>19</b>	<b>19</b>
Liabilities:		
Current liabilities	<b>354</b>	<b>354</b>
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>354</b>	<b>354</b>
<b>Net Assets</b>	<b>(335)</b>	<b>(335)</b>

**Increase in Net Assets due to Administrative Restructure in 2006**

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the Income Statement are the following:

	<b>Office for Youth</b>	<b>2006 Total</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Revenues from Restructure</b>	<b>335</b>	<b>335</b>

**Net Revenues from Restructure for 2004-05**

*Transfers to the Department*

On 5 March 2004, the Governor established the Department for Families and Communities (the Department) and declared that for financial accounting and reporting purposes the establishment of the Department may be taken to occur on 1 July 2004. The assets and liabilities were transferred from the Department of Health to the Department effective 1 July 2004 (refer Note 1.2).

On 11 March 2004, the division of the Department for Administrative and Information Services known as the Department of Aboriginal Affairs and Reconciliation (DAARE) transferred to the Department. For financial accounting and reporting purposes the transfer was taken to occur on 1 July 2004.

*Transfers to the Department (continued)*

In respect of the activities gained, the following assets and liabilities were transferred into the Department:

	DH \$'000	DAARE \$'000	2005 Total \$'000
Assets:			
Current assets	37 229	9 758	46 987
Non-current assets	97 765	868	98 633
<b>Total Assets</b>	<b>134 994</b>	<b>10 626</b>	<b>145 620</b>
Liabilities:			
Current liabilities	26 380	1 385	27 765
Non-current liabilities	36 108	-	36 108
<b>Total Liabilities</b>	<b>62 488</b>	<b>1 385</b>	<b>63 873</b>
<b>Net Assets</b>	<b>72 506</b>	<b>9 241</b>	<b>81 747</b>

*Transfers out of the Department*

On 14 October 2004, the Governor proclaimed the transfer of the employees of DAARE from the Department to the Department of the Premier and Cabinet (DPC). It is taken that the proclamation also means the transfer of the assets and liabilities of DAARE to DPC. In accordance with the former APS 16, for financial accounting and reporting purposes the transfer was taken to occur 31 October 2004.

In respect of the activity relinquished, the following assets and liabilities were transferred out of the Department:

	DAARE \$'000	2005 Total \$'000
Assets:		
Current assets	10 473	10 473
Non-current assets	820	820
<b>Total Assets</b>	<b>11 293</b>	<b>11 293</b>
Liabilities:		
Current liabilities	1 002	1 002
Non-current liabilities	-	-
<b>Total Liabilities</b>	<b>1 002</b>	<b>1 002</b>
<b>Net Assets</b>	<b>10 291</b>	<b>10 291</b>

**Increase in Net Assets due to Administrative Restructure in 2005**

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the Income Statement are the following:

**Net Revenues from Restructure**

DH \$'000	DAARE \$'000	2005 Total \$'000
72 506	(1 050)	71 456

**33. Contingent Assets and Liabilities**

The Department does not have any known contingent liabilities

**34. Cash Flow Reconciliations**

Reconciliation of Cash and Cash Equivalents at 30 June as per:

	2006 \$'000	2005 \$'000
Cash Flow Statement	23 939	18 675
Balance Sheet	23 939	18 675
	-	-

Reconciliation of Net Cash provided by (used in) Operating Activities to Net Cost of Providing Services:

Net cash provided by (used in) operating activities	(3 187)	(9 545)
SA Government appropriations	(594 325)	(571 230)
Grants from SA Government agencies	(30 646)	(19 553)
	<b>(628 158)</b>	<b>(600 328)</b>

Add (Less): Non-Cash Items:

Depreciation and amortisation	(2 146)	(1 905)
Assets transferred	(3)	(840)
Assets received for nil consideration	579	505
Bad and doubtful debts	367	(468)
Revaluation increments/decrements	(2 281)	(358)
Prior period adjustment TER	194	-
Net gain from disposal of non-current assets	-	7

Changes in Assets and Liabilities:

Increase (Decrease) in receivables	12 163	10 727
Increase (Decrease) in other assets	138	318
Decrease (Increase) in payables	(3 893)	(6 037)
Decrease (Increase) in employee benefits	(7 186)	(7 399)
Decrease (Increase) in borrowings	(285)	-
Decrease (Increase) in other liabilities	857	(773)
<b>Net Cost of Providing Services</b>	<b>(629 654)</b>	<b>(606 551)</b>

**35. Events After Balance Date**

The Intellectual Disability Services Council (IDSC) and the Independent Living Centre (ILC) were incorporated under the *South Australian Health Commission Act 1976*. Effective 1 July 2004, the Minister of Health delegated responsibility for IDSC and ILC to the Minister for Disability. On 29th June 2006 the Governor proclaimed to dissolve IDSC and ILC in association with reforms to the governance arrangements within the South Australian government with respect to the management of the provision of disability services. Effective 1 July 2006, the Boards of IDSC and ILC dissolved and the assets and liabilities of IDSC and ILC were transferred or assigned or were vested in the Minister for Disability.

The Minister for Housing has announced the introduction of the Government's Housing Reform and the restructure of the South Australian Housing system. To facilitate the implementation of the Government's housing initiatives, prior to the introduction by the Government of legislative reforms later in 2006-07, the board of the South Australian Housing Trust (SAHT) has entered into a service level agreement with the Department for the Department to provide housing and asset services on behalf of the SAHT, effective from 1 July 2006.

**36. Financial Statements for Administered Funds**

The Revenues, Expenditures, Assets and Liabilities that were administered but not controlled by the Department have not been included in the financial statements. These administered transactions and balances are regarded as significant in relation to the Department's overall financial performance and in accordance the APF II *General Purpose Financial Reporting Framework*, separate consolidated administered financial statements and notes to the accounts have been prepared.

**Administered Items Income Statement  
for the year ended 30 June 2006**

		<b>2006</b>	2005
<b>ADMINISTERED INCOME:</b>	Note	<b>\$'000</b>	\$'000
Grants and contributions		<b>9 732</b>	9 890
Revenue from rent, fees and charges		<b>123</b>	169
Interest		<b>146</b>	203
Other Income		<b>284</b>	34
<b>Total</b>		<b>10 285</b>	10 296
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT</b>			
Revenue from SA Government	A4.1	<b>119 909</b>	150 789
Payment to SA Government under Cash Alignment Policy	A2,A4.2	<b>(13 997)</b>	-
<b>Total Revenues from (Payments to) SA Government</b>		<b>105 912</b>	150 789
<b>Total Administered Income</b>		<b>116 197</b>	161 085
<b>ADMINISTERED EXPENSES:</b>			
Employee benefit costs		<b>264</b>	274
Supplies and services	A6	<b>1 580</b>	2 374
Grants, subsidies and client payments	A5	<b>124 306</b>	158 160
<b>Total Administered Expenses</b>		<b>126 150</b>	160 808
<b>NET (DEFICIT) SURPLUS</b>		<b>(9 953)</b>	277
<b>ALL CHANGES IN EQUITY ARE ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			

## Administered Items Balance Sheet as at 30 June 2006

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>CURRENT ASSETS:</b>			
Cash	A7	<b>21 194</b>	58 998
Receivables		<b>18</b>	205
Other		<b>1 810</b>	1 766
<b>Total Current Assets</b>		<b>23 022</b>	60 969
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment		-	-
<b>Total Non-Current Assets</b>		-	-
<b>Total Assets</b>		<b>23 022</b>	60 969
<b>CURRENT LIABILITIES:</b>			
Payables		<b>1 558</b>	29 317
Overdraft		<b>18</b>	205
Employee benefits		<b>4</b>	-
Provisions		<b>2</b>	1
<b>Total Current Liabilities</b>		<b>1 582</b>	29 523
<b>NON-CURRENT LIABILITIES:</b>			
<b>Total Non-Current Liabilities</b>		-	-
<b>Total Liabilities</b>		<b>1 582</b>	29 523
<b>NET ASSETS</b>		<b>21 440</b>	31 446
<b>EQUITY:</b>			
Retained earnings		<b>21 440</b>	31 446
Asset revaluation reserve		-	-
<b>TOTAL EQUITY</b>		<b>21 440</b>	31 446

### Administered Items Statement of Changes in Equity for the year ended 30 June 2006

	Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 July 2004</b>	-	-	31 169	31 169
Gain on revaluation of property during 2004-05	-	-	-	-
Loss on revaluation of plant and equipment during 2004-05	-	-	-	-
Transfers from asset revaluation	-	-	-	-
<b>Net result after restructure for 2004-05</b>	-	-	277	277
Prior period adjustment	-	-	-	-
<b>Balance at 30 June 2005</b>	-	-	31 446	31 446
Gain on revaluation of property during 2005-06	-	-	-	-
Loss on revaluation of plant and equipment during 2005-06	-	-	-	-
Transfers from asset revaluation	-	-	-	-
Net income/expense recognised directly in equity for 2005-06 restructure	-	-	(53)	(53)
<b>Net result after restructure for 2005-06</b>	-	-	(9 953)	(9 953)
Prior period adjustment	-	-	-	-
<b>Total recognised income and expense for 2005-06</b>	-	-	(10 006)	(10 006)
<b>Balance at 30 June 2006</b>	-	-	<b>21 440</b>	<b>21 440</b>

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

## Administered Items Cash Flow Statement for the year ended 30 June 2006

		2006	2005
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH OUTFLOWS:			
Payments to SA Government under Cash Alignment Policy		(13 997)	-
Employee benefit payments		(262)	(274)
Concessions		(135 825)	(115 423)
Other grants, subsidies and client payments		(16 476)	(16 506)
Supplies and services		(1 385)	(1 740)
Other payments		-	-
<b>Total Cash Outflows</b>		<b>(167 945)</b>	<b>(133 943)</b>
CASH INFLOWS:			
Receipts from SA Government		119 909	150 789
Taxes, fees and charges		78	150
Grants and contributions		9 747	9 702
Interest received		146	92
Other receipts		499	53
<b>Total Cash Inflows</b>		<b>130 379</b>	<b>160 786</b>
<b>Net Cash (Outflows) Inflows from Operating Activities</b>	A7	<b>(37 566)</b>	<b>26 843</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment		-	-
Proceeds from sale of property, plant and equipment		-	-
<b>Net Cash Inflows from Investing Activities</b>		<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Restructuring		(53)	952
Cash overdraft		(185)	188
<b>Net Cash (Outflows) Inflows from Financing Activities</b>		<b>(238)</b>	<b>1 140</b>
<b>NET (DECREASE) INCREASE IN CASH HELD</b>		<b>(37 804)</b>	<b>27 983</b>
<b>CASH AT 1 JULY</b>		<b>58 998</b>	<b>31 015</b>
<b>CASH AT 30 JUNE</b>		<b>21 194</b>	<b>58 998</b>

### NOTES TO AND FORMING PART OF THE ADMINISTERED ITEMS FINANCIAL STATEMENTS

**A1. Accounting Policies**

The accounting policies pertaining to the administered items for the Department are contained in Note 2 'Summary of Significant Account Policies' for the Department.

**A2. Cash Alignment Policy**

An amount of \$13.997 million was returned to consolidated account under the Cash Alignment Policy. Of the amount transferred \$13.407 million related to Concessions and \$0.589 million related to the Alternative Care Fund.

**A3. Programs of Administered Items**

The administered items do not fall within specific programs.

Concessions  
Ministers' salary  
Supported Residential Facility Fund  
Gamblers Rehabilitation  
Charitable and Social Welfare  
Duke of Edinburgh\*  
CRC Trust  
Family maintenance orders  
Alternative Care Fund  
Community Service Obligations

\* Effective 1 April 2006, (transferred to Department of Further Education, Employment, Science and Technology)

<b>A4. Revenue From/Payments to SA Government</b>		<b>2006</b>	2005
<b>A4.1 Revenue From SA Government</b>		<b>\$'000</b>	\$'000
Concessions		<b>110 892</b>	141 772
Community service obligations		<b>9 017</b>	9 017
<b>Total Revenue from SA Government</b>		<b>119 909</b>	150 789
<b>A4.2 Payments to SA Government</b>			
Concessions (Cash Alignment Policy transfer)		<b>(13 407)</b>	-
Alternative Care Fund (Cash Alignment Policy transfer)		<b>(590)</b>	-
<b>Total Payments to SA Government</b>		<b>(13 997)</b>	-
<b>A5. Grants, Subsidies and Client Payments</b>			
Gamblers rehabilitation		<b>3 501</b>	3 313
Concessions		<b>107 830</b>	141 654
Community Service Obligations		<b>9 017</b>	9 017
Duke of Edinburgh		<b>7</b>	-
Charitable and social welfare		<b>3 951</b>	4 176
<b>Total Grants, Subsidies and Client Payments</b>		<b>124 306</b>	158 160
<b>A6. Consultancies</b>			
The number and dollar amount of consultancies paid/payable (included in supplies and services) that fell within the following band:			
	<b>2006</b>		2005
	<b>Number</b>	<b>\$'000</b>	<b>Number</b>
Below \$10 000	<b>1</b>	<b>5</b>	-
Between \$10 000 and \$50 000	-	-	-
Above \$50 000	-	-	-
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>1</b>	<b>5</b>	-
<b>A7. Cash Flow Reconciliations</b>		<b>2006</b>	2005
Reconciliation of Cash at 30 June as per:		<b>\$'000</b>	\$'000
Cash Flow Statement		<b>21 194</b>	58 998
Balance Sheet		<b>21 194</b>	58 998
		-	-
<b>Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Net (Deficit) Surplus</b>			
Net cash inflows (outflows) from operating activities		<b>(37 566)</b>	26 843
<i>Add (Less): Non-Cash Items:</i>			
Depreciation and amortisation		-	-
Assets transferred for nil consideration		-	-
Assets received for nil consideration		-	-
First time recognition		-	-
Gain on sale of assets		-	-
Changes in Assets and Liabilities:			
Increase (Decrease) in receivables		<b>(187)</b>	299
Increase (Decrease) in other assets		<b>45</b>	1 766
Decrease (Increase) in payables		<b>27 759</b>	(29 818)
Decrease (Increase) in employee benefits		<b>(4)</b>	3
Decrease (Increase) in other liabilities		-	1 184
<b>Net (Deficit) Surplus</b>		<b>(9 953)</b>	277

# FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

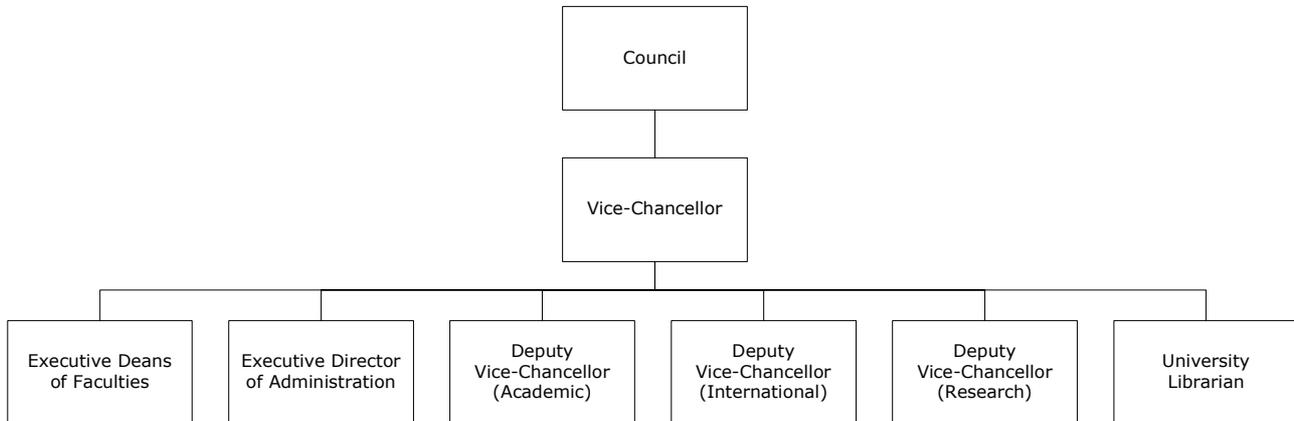
The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council.

### Functions

The functions of the University are to provide higher education and research in an environment which fosters creativeness, advances intellectual knowledge and facilitates accessibility with the wider public community.

### Structure

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



As at 31 December 2005 the University had a number of controlled entities which are detailed at Note 44 to the Financial Statements.

### Audit Committee

As part of the University's corporate governance, the Council has established an Audit Committee which comprises six external members, of whom two are members of Council, and operates within the framework of a Charter. The Audit Committee's primary function is to assist Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Audit representatives attended Audit Committee meetings throughout the year.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

Regulations under the *Public Finance and Audit Act 1987* provide that the University is a public authority. Consequently, subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the University for each financial year.

#### *Assessment of Controls*

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

## **Scope of Audit**

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

For the year ended 31 December 2005, specific areas of audit attention included:

- expenditure and accounts payable
- revenue and debtors
- payroll
- assets
- liabilities
- the computer processing environment
- controlled entities
- procurement activity
- risk management
- legal compliance.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

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*, the *Higher Education Funding Act 1988*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Flinders University of South Australia and of the consolidated entity as at 31 December 2005, the results of their operations and their cash flows for the year then ended.

#### ***Assessment of Controls***

In my opinion, the controls exercised by the Flinders University of South Australia in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to payroll, accounts payable and risk management as outlined under 'Audit Communications with Management', are sufficient to provide reasonable assurance that the financial transactions of the Flinders University of South Australia have been conducted properly and in accordance with law.

#### **Audit Communications with Management**

Matters arising during the course of the audit were detailed in management letters to the Vice-Chancellor. Matters raised with the University and the related response are considered herein.

#### ***Payroll***

The University has devolved many key payroll functions and controls to cost centre managers. Audit review in 2004 found that payroll information is made available to cost centre managers for review and validation, however, it was Audit's view that there was a lack of control to ensure the payroll data was actually reviewed and appropriately actioned (where necessary) on a consistent and timely basis across the University. This assessment reflected Audit's observation that the University's policies and procedures did not clearly document the checking procedures required to be performed by University staff.

Audit recommended the University clearly document and communicate its expectations of the nature and extent of checking processes. Audit also recommended the University develop and distribute bona fide reports for review by cost centre managers.

Audit review in 2005 found that the control weaknesses raised in the previous year were still in existence throughout the 2005 reporting period. Audit review found that the University had not implemented a bona fide report and it was in the process of revising its payroll policies and procedures.

#### ***Response***

The University advised that it has strong controls over the appointment of staff and has improved review processes over payroll variations. The University also advised it places reliance on budgetary control processes and its payroll policies and procedures are being redeveloped to clarify the University's requirements regarding checking processes.

## **Accounts Payable**

Audit review of the University's purchasing, approval and accounts payable processes highlighted areas where it was considered controls could be improved. The more significant observations made by Audit included:

- the lack of segregation of duties concerning responsibility for raising purchase orders, reviewing expenditure authority and receipting of goods and services, all of which can be undertaken by some Buyers located in the Faculties;
- the payment authorisation process did not incorporate effective checking of authority;
- there was scope to improve controls over the vendor masterfile.

### *Response*

The University advised that it would strengthen procedures to ensure payments are appropriately authorised. These procedures include implementing a review of transactions by the central Accounts Payable section and improving review processes undertaken in the Faculties. In regards to controls over the vendor masterfile the University acknowledged that it has adopted a risk based approach and advised it considered more detailed checking would not be cost effective. The University also advised it places reliance on budgetary review processes.

## **Risk Management**

Audit review in 2004 found that the University's risk management practices would be enhanced by preparing risk management plans at the corporate and faculty level to document specific risk management activities. The review also indicated it was appropriate to develop formal processes for monitoring and reporting on progress against plans.

Audit review in 2005 found that the University had undertaken substantial work in developing its risk management framework. Audit noted that in February 2006 the Vice Chancellor approved a proposal to enhance the University's risk management framework which includes formal processes for the documentation, evaluation, monitoring and reporting of risk management practices.

## **Procurement**

Prior reviews by Audit found that there was scope for the University to enhance its policies and procedures to ensure that procurement practice is defensible and decisions are properly evidenced.

Audit review in 2005 found that the University had improved policies and procedures relating to procurement. Audit noted that in August 2005 the University approved a revised Purchasing Policy. Review of the policy found that there was scope to further improve the policy by documenting:

- procedures required when developing acquisition plans;
- contract management processes required when using acquisition plans;
- procedures required to be followed when appointing suppliers for major purchases.

In response the University advised that it agreed with Audit's observations.

## **Commentary on Computer Information Systems (CIS) Environments**

### ***Student One System and Computer Processing Environment:***

The previous Report included commentary in regard to an audit that was undertaken in 2004 of the University's student administration system, Student One, and its computer processing environment.

The commentary mentioned specific matters that were reported to the University where improvements in control could be made to the system and processing environment. The principal areas requiring attention related to documentation of the information security policy framework, system and database security access, physical environment and access to the main computer facility, management control of changes to the system, and backup/disaster recovery arrangements.

Last year's report also advised that the University had identified a range of measures to be taken in relation to the matters raised by Audit and that the proposed action to be taken by the University would be subject to follow-up review.

During the year a follow-up audit was undertaken to assess the status of the remedial action taken by the University. The audit revealed that remedial action had been implemented in relation to a number of matters. Resolution of some other matters, particularly associated with system access authorisation and monitoring, and system change management and testing, are being considered by the University in respect of the adoption of a new information technology quality assurance methodology and a proposed implementation of a system upgrade in 2007. In addition, several matters relating to formalisation of policy and procedures require further attention. For example, the information security policy was still in draft form at the time of the follow-up audit and there had been little advancement in progressing work in the area of Business Continuity Planning.

The status of outstanding matters will be further reviewed in 2006-07.

## INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

### Highlights of Financial Report (Consolidated)

	2005 \$'million	2004 \$'million	Percentage Change
<b>OPERATING INCOME</b>			
Commonwealth Government grants	112	96	17
HECS	36	36	-
Fees and charges	33	28	18
Other	47	38	24
<b>Total Operating Income</b>	<b>228</b>	198	15
<b>OPERATING EXPENDITURE</b>			
Employment benefits	137	127	8
Other expenses	79	68	16
Library collection depreciation adjustment	-	36	n/a
<b>Total Operating Expenses</b>	<b>216</b>	231	(6)
<b>Net Operating Result</b>	<b>12</b>	(33)	n/a
<b>Net Cash Flows from Operations</b>	<b>24</b>	19	26
<b>ASSETS</b>			
Current assets	101	84	20
Non-current assets	203	197	3
<b>Total Assets</b>	<b>304</b>	281	8
<b>LIABILITIES</b>			
Current liabilities	43	36	19
Non-current liabilities	44	42	5
<b>Total Liabilities</b>	<b>87</b>	78	12
<b>EQUITY</b>	<b>217</b>	203	7

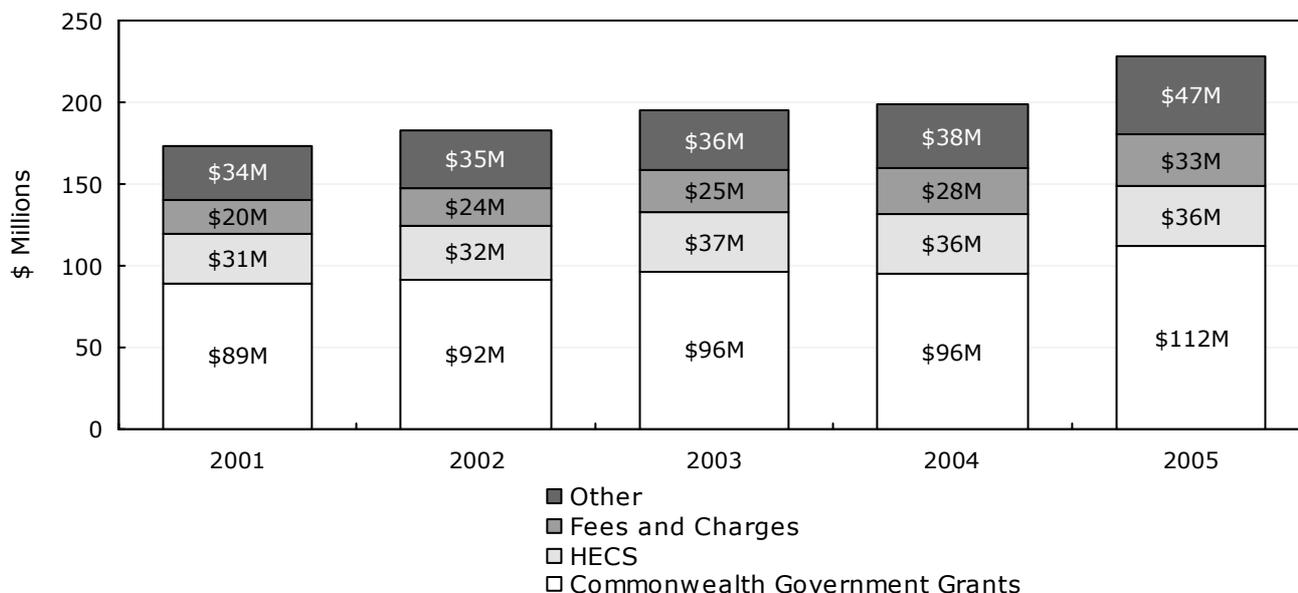
### Income Statement

The following analyses excludes the effect of the deferred Government superannuation contribution which is recognised as income and the related deferred employee benefits for superannuation included as an expense in Employee Benefits. These items have no effect on the Net Operating Result as the income is offset against a corresponding expense. Refer to Note 42 to the financial statements for further details of the University's superannuation plans.

### Operating Income

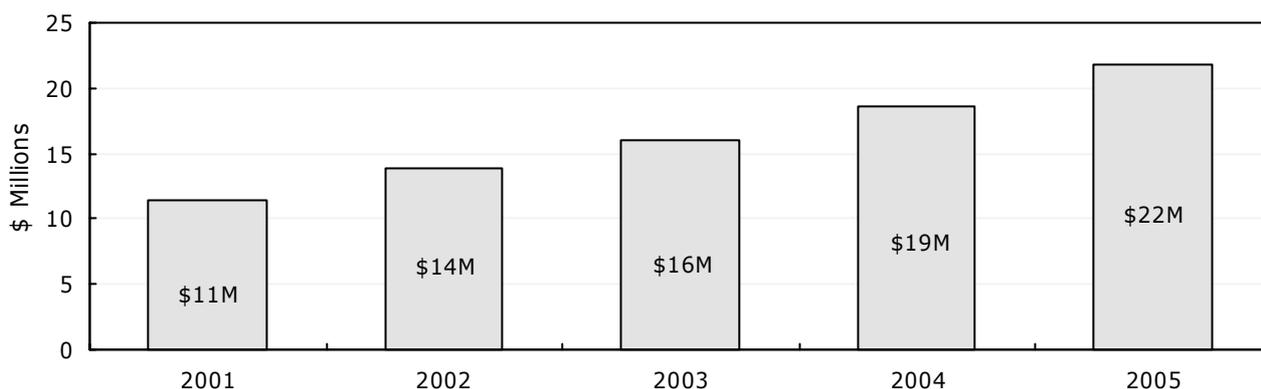
Operating Income increased by \$30 million (15 percent). This is due predominately to increases in Commonwealth Government Grants of \$16 million (17 percent), Other Revenue of \$9 million (24 percent) and Fees and Charges of \$5 million (18 percent). The increase in Commonwealth Government Grants was mainly due to a \$15 million increase in funding received in relation to the Commonwealth Grants Scheme. The increase in Other Revenue was mainly due to a \$7 million increase in consultancy fees. The increase in Fees and Charges is due predominately to a \$3 million increase in revenue from fee paying overseas students (refer to the chart and commentary provided below).

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



The preceding chart shows that the University is dependent to a large extent on financial assistance from the Commonwealth Government. The chart also demonstrates that a significant proportion of revenue relates to Fees and Charges and Other Revenue.

The following chart highlights a consistent upward trend in revenue from fee paying overseas students. This increase is mainly due to an increase in student enrolments.



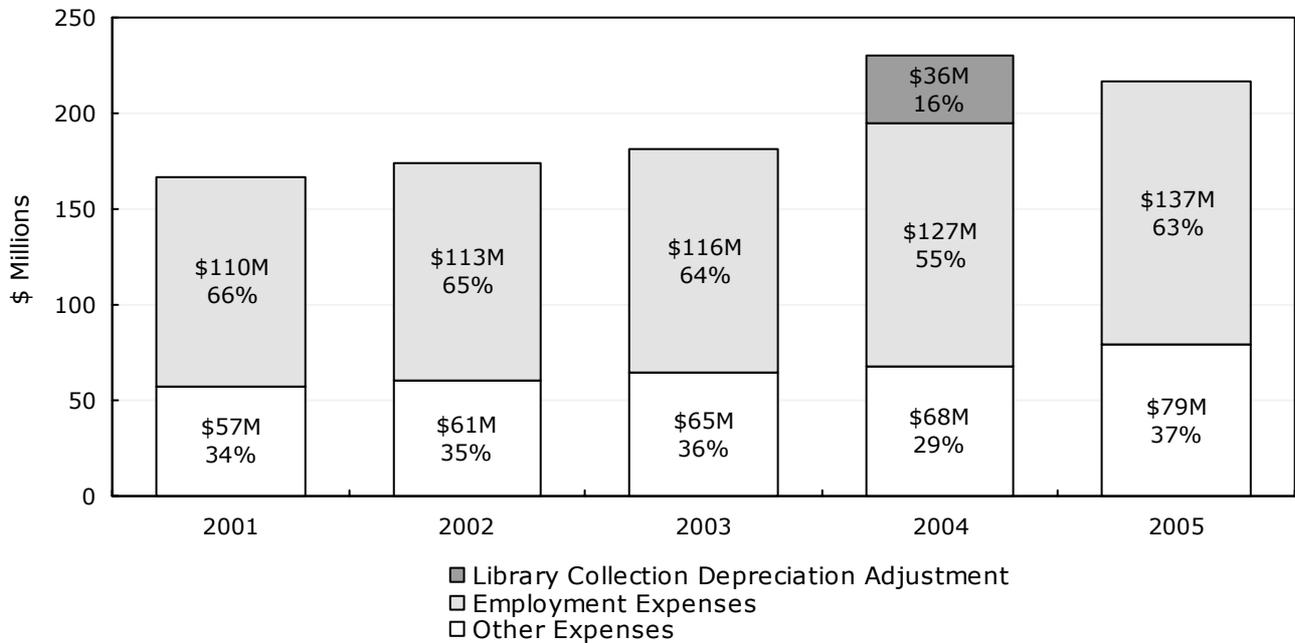
### Operating Expenses

Total operating expenses decreased by \$15 million (6 percent) from \$231 million to \$216 million. The main reason for the decrease was the recognition of a Library Collection Depreciation Adjustment of \$36 million in 2004. Further commentary on this adjustment and the impact on the University's Net Operating Result for 2004 is included under the analysis of the Operating Result. The effect of this once off adjustment was offset by increases in 2005 in Employee Benefits and Other Expenses.

Employment Benefits expenses increased by \$10 million (8 percent) from \$127 million to \$137 million. The main reason for the variation was an increase in salary expenses of \$10 million mainly due to enterprise bargain agreement pay increases paid during the year.

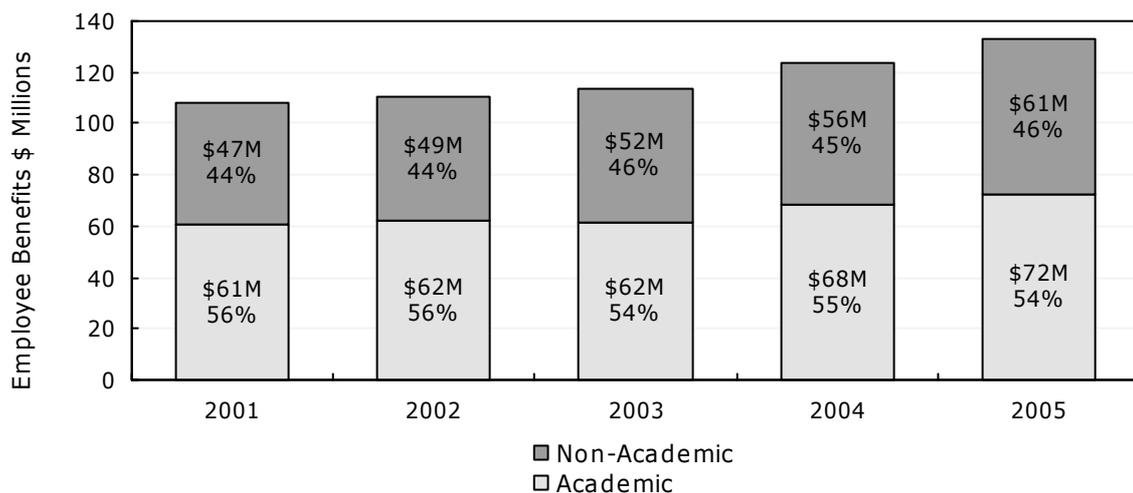
Other expenses increased by \$11 million (16 percent) mainly due to increases in Fees and Charges of \$4 million and Repairs and Maintenance of \$2 million.

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



The preceding chart shows that with the exception of 2004 the proportion of employment expenses to total expenditure has remained constant over the last five years. This proportion changed in 2004 due primarily to the recognition of the Library Collection Depreciation Adjustment of \$36 million.

The following chart shows that the proportion of academic to non-academic employee benefits has remained consistent over the last five years. This chart reflects the parent entity only.



**Operating Result**

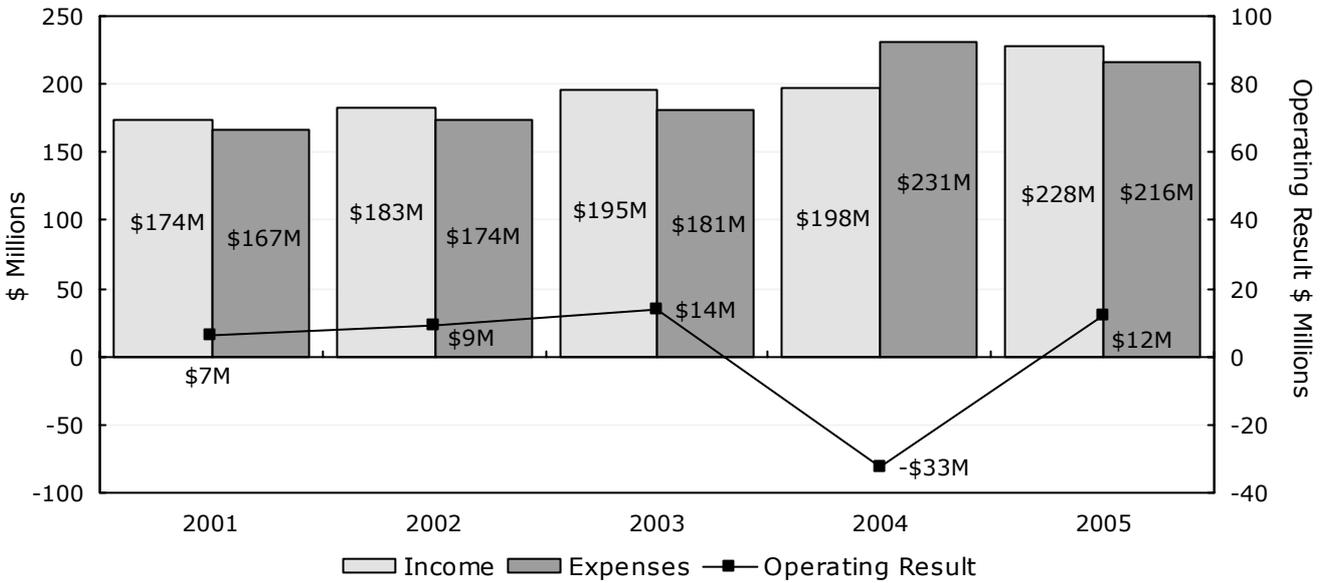
The following chart shows the operating income, operating expenses and the operating result for the five years to 2005. The chart shows that the University recorded surpluses for the first three years followed by a deficit in 2004 and then a surplus in 2005.

As highlighted above, the University recorded a surplus of \$12 million in 2005 in comparison to a \$33 million deficit in 2004.

The deficit recorded in 2004 was due to the recognition of a Library Collection Depreciation Adjustment resulting from the revision of the estimated useful lives of the University’s Library Collection. Further details of the financial effect in 2004 of the revision of the Library Collection useful lives is detailed in Note 15.

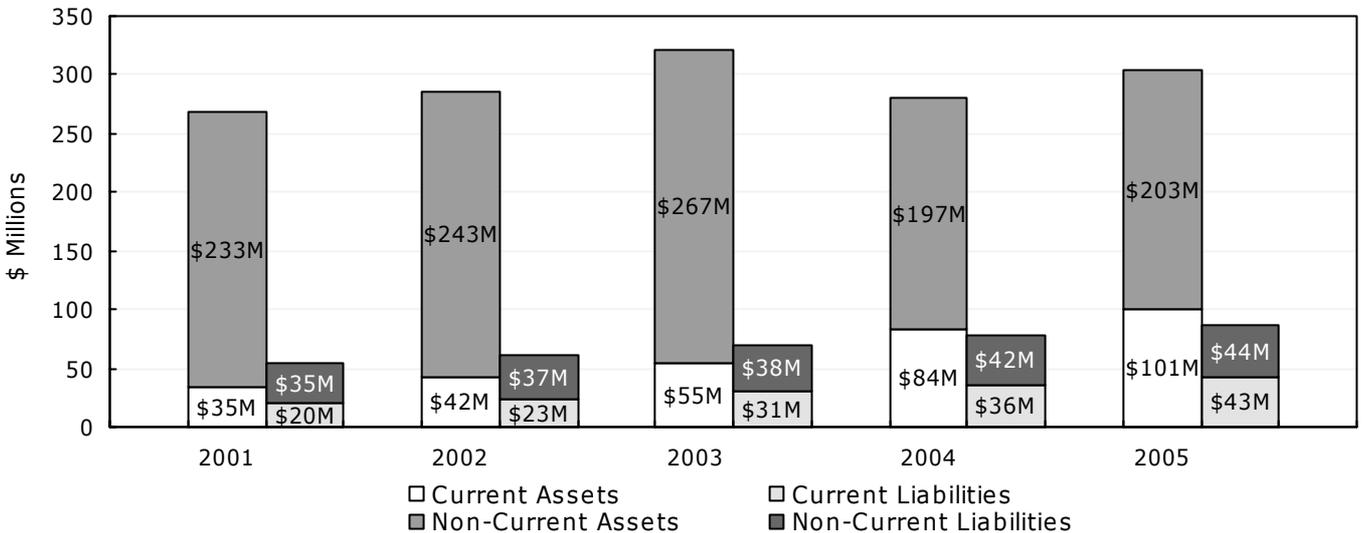
The Net Operating Result for 2004 excluding the depreciation adjustment was a surplus of \$3.5 million. In addition, Note 1(y) reports on changed Commonwealth funding agreements which increased the reported Operating Deficit for 2004 by \$8 million.

The following chart shows the operating income, operating expenses and operating result for the five years to 2005.



**Balance Sheet**

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



Over the period of review assets increased by \$36 million (13 percent) and liabilities increased by \$32 million (58 percent).

The value of non-current assets was reduced by \$30 million largely due to the reduction in the value of the University’s library collection in 2004 following the reassessment of useful lives. The reduction in non-current assets was offset by an increase in the value of current assets which is largely attributable to increases in cash at bank, deposits at call and term deposits. Over the five year period the value of these assets increased by \$45 million to \$66 million.

The chart also demonstrates a steady increase in liabilities over the five years. In 2005 current liabilities increased by \$7 million (19 percent) and non-current liabilities increased by \$2 million (5 percent). The increase in current liabilities reflected increases in Payables (\$5 million) principally due to increased accrued expenses, Provisions (\$2 million) and Other Liabilities (\$3 million). These increases were offset by a \$3 million decrease in funds held for other external entities.

### Cash Flow Statement

The following table summarises the net cash flows for 2005 and 2004. Comparative figures for the Cash Flow Statement are not available for 2003 and 2002 as a result of adopting Australian equivalents to International Financial Reporting Standards.

	<b>2005</b>	2004
	<b>\$'million</b>	\$'million
<b>Net Cash Flows</b>		
Operations	<b>24</b>	19
Investing	<b>(12)</b>	(23)
Change in Cash	<b>12</b>	(4)
Cash at 30 June	<b>65</b>	53

Net cash inflow from operating activities increased by \$5 million. The increase mainly reflects an increase in cash receipts received from the Commonwealth Government.

Net cash outflow from investing activities mainly reflects the University's purchase of property, plant and equipment. The reduced cash outflow from investing activities is principally due to the reduction in the University's net payments for investments.

## Income Statement for the year ended 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>REVENUE FROM CONTINUING OPERATIONS:</b>					
Australian Government financial assistance:					
Australian Government grants	1(o)(y), 2	<b>112 542</b>	95 534	<b>112 533</b>	95 499
HECS-HELP - Australian Government payments	2(b)	<b>30 403</b>	30 343	<b>30 403</b>	30 343
FEE-HELP	2(b)	<b>2 298</b>	1 725	<b>2 298</b>	1 725
State and local Government financial assistance	3	<b>8 870</b>	8 014	<b>8 870</b>	8 014
HECS-HELP - Student Payments		<b>5 516</b>	5 312	<b>5 516</b>	5 312
Fees and charges	1(o), 4	<b>32 510</b>	28 534	<b>31 237</b>	27 532
Investment income	1(o), 5	<b>7 588</b>	6 592	<b>7 043</b>	6 211
Royalties, trademarks and licenses	6	<b>463</b>	2 322	<b>463</b>	2 447
Consultancy and contracts	1(o), 7	<b>15 713</b>	8 052	<b>4 317</b>	3 935
Other revenue	8	<b>12 415</b>	11 138	<b>12 138</b>	11 118
Share of net results of associates using the equity method	45	<b>(103)</b>	-	-	-
Sub Total		<b>228 215</b>	197 566	<b>214 818</b>	192 136
Deferred Government superannuation contributions	1(h)(iv),42	<b>2 100</b>	700	<b>2 100</b>	700
<b>Total Revenue from Continuing Operations</b>		<b>230 315</b>	198 266	<b>216 918</b>	192 836
Other income	9	<b>18</b>	256	<b>935</b>	-
<b>Total Income</b>		<b>230 333</b>	198 522	<b>217 853</b>	192 836
<b>EXPENSES FROM CONTINUING OPERATIONS:</b>					
Employee benefits and on-costs	10	<b>136 877</b>	126 613	<b>133 396</b>	123 830
Depreciation	11	<b>10 816</b>	11 044	<b>10 587</b>	10 686
Repairs and maintenance	12	<b>11 119</b>	8 776	<b>11 044</b>	8 699
Bad and doubtful debts	13	<b>293</b>	(424)	<b>288</b>	(295)
Other expenses	14	<b>57 153</b>	48 322	<b>47 925</b>	45 080
Sub Total		<b>216 258</b>	194 331	<b>203 240</b>	188 000
Deferred employee benefits for superannuation	1(h)(iv),42	<b>2 100</b>	700	<b>2 100</b>	700
Sub Total		<b>218 358</b>	195 031	<b>205 340</b>	188 700
Library collection depreciation adjustment	1(z), 15	-	36 077	-	36 077
<b>Total Expenses from Continuing Operations</b>		<b>218 358</b>	231 108	<b>205 340</b>	224 777
Operating result before library adjustment	15	<b>11 975</b>	3 491	<b>12 513</b>	4 136
<b>NET OPERATING RESULT FOR THE YEAR</b>	1 (y)	<b>11 975</b>	(32 586)	<b>12 513</b>	(31 941)
Net Operating Result attributable to minority interest	35	<b>(3)</b>	1	-	-
<b>Net Operating Result attributable to the University</b>		<b>11 978</b>	(32 587)	<b>12 513</b>	(31 941)

## Balance Sheet as at 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	1(d), 16	65 213	53 204	62 673	50 453
Receivables	1(d), 17	12 418	9 794	11 247	8 821
Inventories	1(l), 18	358	300	358	297
Held-to-maturity investments	1(d), 20	2 800	3 984	2 800	3 984
Other financial assets at fair value through profit or loss	1(d), 19	16 684	13 955	14 595	12 289
Other non-financial assets	27	3 945	3 198	4 345	3 268
<b>Total Current Assets</b>		<b>101 418</b>	<b>84 435</b>	<b>96 018</b>	<b>79 112</b>
<b>NON-CURRENT ASSETS:</b>					
Receivables	1(d), 17	26 444	24 252	26 444	24 252
Held-to-maturity investments	1(d), 20	3 128	4 920	3 128	4 920
Investments using the equity method	1(b)(ii), 21	1 117	-	1 117	-
Available-for-sale financial assets	1(d), 22	3 351	3 247	7 034	8 733
Investment property	1(e), 23	5 400	5 400	5 400	5 400
Other financial assets	24	473	557	473	557
Property, plant and equipment	1(p), 25	161 914	157 620	161 684	155 492
Intangible assets	1(g), 28	1 047	796	-	-
<b>Total Non-Current Assets</b>		<b>202 874</b>	<b>196 792</b>	<b>205 280</b>	<b>199 354</b>
<b>Total Assets</b>		<b>304 292</b>	<b>281 227</b>	<b>301 298</b>	<b>278 466</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES:</b>					
Payables	1(d), 29	16 087	11 024	14 624	10 434
Interest-bearing liabilities	1(d), 30	7 033	10 124	12 011	13 805
Provisions	1(h), 1(j), 31	10 121	7 717	9 822	7 451
Other liabilities	1(d), 32	9 662	6 930	5 799	3 265
<b>Total Current Liabilities</b>		<b>42 903</b>	<b>35 795</b>	<b>42 256</b>	<b>34 955</b>
<b>NON-CURRENT LIABILITIES:</b>					
Payables	1(d), 29	3 397	2 304	3 383	2 290
Provisions	1(h), 1(j), 31	40 581	40 359	40 494	40 260
<b>Total Non-Current Liabilities</b>		<b>43 978</b>	<b>42 663</b>	<b>43 877</b>	<b>42 550</b>
<b>Total Liabilities</b>		<b>86 881</b>	<b>78 458</b>	<b>86 133</b>	<b>77 505</b>
<b>NET ASSETS</b>		<b>217 411</b>	<b>202 769</b>	<b>215 165</b>	<b>200 961</b>
<b>EQUITY:</b>					
Parent entity interest:					
Statutory funds	33	6 019	3 079	6 019	3 079
Reserves	34	45 930	44 775	50 750	50 571
Retained surplus	34	165 447	154 892	158 396	147 311
<b>Total Parent Entity Interest</b>		<b>217 396</b>	<b>202 746</b>	<b>215 165</b>	<b>200 961</b>
Minority interest	35	15	23	-	-
<b>TOTAL EQUITY</b>		<b>217 411</b>	<b>202 769</b>	<b>215 165</b>	<b>200 961</b>

## Statement of Changes in Equity for the year ended 31 December 2005

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>TOTAL EQUITY AT THE BEGINNING OF THE FINANCIAL YEAR</b>		<b>202 769</b>	252 420	<b>200 961</b>	248 557
Gain (Loss) on revaluation of land and buildings	25, 34	<b>2 140</b>	(6 052)	<b>2 140</b>	(6 568)
Gain on revaluation of art collection	25, 34	<b>526</b>	469	<b>526</b>	469
Gain on revaluation of Held-to-maturity investments	34	<b>85</b>	80	<b>85</b>	80
Gain (Loss) on revaluation of Available-for-sale investments	34	-	-	<b>(93)</b>	1 926
Realised gain on disposal of subsidiary	9, 34	-	-	<b>(883)</b>	-
Library adjustment	1(z), 34	-	(11 743)	-	(11 743)
AASB 119 adjustment - Super Scheme No. 1 surplus	24, 34	<b>(84)</b>	181	<b>(84)</b>	181
<b>Net income recognised directly in equity</b>		<b>2 667</b>	(17 065)	<b>1 691</b>	(15 655)
<b>Operating result for the year</b>		<b>11 975</b>	(32 586)	<b>12 513</b>	(31 941)
<b>Total Recognised Income and Expense for the Year</b>		<b>14 642</b>	(49 651)	<b>14 204</b>	(47 596)
Transactions with equity holders in their capacity as equity holders		-	-	-	-
<b>TOTAL EQUITY AT THE END OF THE FINANCIAL YEAR</b>		<b>217 411</b>	202 769	<b>215 165</b>	200 961
Total recognised income and expense for the year is attributable to:					
University		<b>14 645</b>	(49 652)	<b>14 204</b>	(47 596)
Minority interest	35	<b>(3)</b>	1	-	-
<b>Effect of Correction of Error in Previous year, being a Reduction in Retained Surplus, attributable to Members of University</b>		-	-	-	-

## Cash Flow Statement for the year ended 31 December 2005

	Note	Consolidated		University	
		2005 Inflows (Outflows) \$'000	2004 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000	2004 Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Australian Government:					
CGS and Other DEST Grants	55.1	63 208	50 452	63 208	50 452
Higher Education Loan Programmes	55.2	33 781	32 120	33 781	32 120
Scholarships	55.3	2 753	2 467	2 753	2 467
DEST research	55.4	21 481	19 816	21 481	19 816
ARC grant - Discovery	55.5(a)	2 132	1 942	2 132	1 942
ARC grant - Linkages	55.5(b)	2 166	1 038	2 166	1 038
Other Australian Government Grants		21 327	19 425	21 413	19 389
State Government and local Government		8 869	8 114	8 869	8 114
HECS-HELP - Student payments		5 516	5 312	5 516	5 312
OS-Help (net)		250	-	250	-
Receipts from student fees and other customers		57 845	57 163	42 750	48 074
Dividends received		356	69	229	162
Interest received		4 027	2 937	4 011	2 944
Other investment income		1 372	1 350	1 396	1 114
Payments to suppliers and employees (inclusive of GST)		(200 439)	(183 640)	(186 787)	(175 454)
<b>Net Cash Inflow from Operating Activities</b>	50	<b>24 644</b>	<b>18 565</b>	<b>23 168</b>	<b>17 490</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Payments for property, plant and equipment		(12 517)	(10 209)	(12 483)	(9 875)
Payments for investments		(3 236)	(19 159)	(1 242)	(18 010)
Proceeds from sale of property, plant and equipment		1 046	2 707	1 083	857
Proceeds from sale of investments		5 381	1 833	3 306	-
Increase (Decrease) in funds held on behalf of other entities		(3 131)	2 300	(1 434)	5 502
<b>Net Cash Outflow from Investing Activities</b>		<b>(12 457)</b>	<b>(22 528)</b>	<b>(10 770)</b>	<b>(21 526)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from borrowings		-	-	-	-
<b>Net Cash Outflow from Financing Activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		<b>12 187</b>	<b>(3 963)</b>	<b>12 398</b>	<b>(4 036)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>		<b>53 026</b>	<b>56 989</b>	<b>50 275</b>	<b>54 311</b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	1(d), 50	<b>65 213</b>	<b>53 026</b>	<b>62 673</b>	<b>50 275</b>
Non-cash Financing and Investing Activities	51				

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the years presented unless otherwise stated.

#### (a) Basis of Preparation

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the requirements of the Department of Education, Science and Training (DEST)<sup>1</sup> and other State/Australian Government legislative requirements.

The financial statements are generally consistent with relevant provisions of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Framework issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

The financial report has been prepared based on a 12 month operating cycle and is presented in Australian dollars.

The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries.

#### *Compliance with International Financial Reporting Standards (IFRS)*

The financial statements and notes comply with the Australian Accounting Standards some of which contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements.

#### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

These financial statements are the first statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements until 31 December 2004 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the 2005 financial statements, management has amended certain accounting and valuation methods applied in the AGAAP financial statements to comply with AIFRS. The comparative figures in respect of 2004 were restated to reflect these adjustments. Flinders University has not taken the exemption available under AASB 1 to only apply AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the University's equity and its net income are given in Note 53.

#### *Early Adoption of Standard*

Flinders University has elected to adopt AASB 119 *Employee Benefits* (issued in December 2004) to the annual reporting period beginning 1 January 2005. This includes applying AASB 119 to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. This means that actuarially determined gains or losses associated with Superannuation Scheme No. 1 are taken direct to equity. Refer to Note 42.

#### *Historical Cost Convention*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### *Critical Accounting Estimates*

In the application of AIFRS management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements are made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in this accounting policy note and relevant notes to the financial statements. The main items with critical assumptions are DEST financial assistance for student load, superannuation receivable and provision, investment classifications, valuation of property, plant and equipment where not independently valued, long service leave liability, annual leave liability, workers compensation provision and depreciation.

1 DEST requirements are specified in the publication 'Financial Statement Guidelines for Australian Higher Education Providers for 2005 Reporting Period'.

**(b) Principles of Consolidation****(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the University as at 31 December and the revenues and expenses of all subsidiaries for the financial years shown. The consolidated financial statements (the Economic entity) comprise the accounts of the University (the Parent entity) and all of its subsidiaries. A subsidiary is any entity controlled by the University. Control exists where the University has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities. A list of subsidiaries is contained in Note 44.

The University consolidates the Heaslip Trust entity despite having no ownership interest. However, the University is the sole beneficiary of the Trust and is therefore required to consolidate this entity under the provisions of AASB 127 *Consolidated and Separate Financial Statements*.

The effects of transactions between subsidiaries and the University have been eliminated on consolidation.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement and Balance Sheet respectively.

**(ii) Associates**

Associates are entities over which the Economic entity has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Economic entity's investment in associates is shown in Note 45.

The Economic entity's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Economic entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Economic entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Economic entity and its associates are eliminated to the extent of the Economic entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Economic entity.

**(c) Depreciation**

Depreciation is calculated on a straight line basis on all property, plant and equipment, other than land and works of art, which are not depreciated. The following rates are based on the estimated useful life of the assets to the University:

Item:	Percentage
Buildings and Infrastructure	2.5
Equipment:	
Motor vehicles	20.0
General equipment	16.7
Computer hardware	33.3
Computer software	20.0
Aircraft	10.0
Library Collection	10.0

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 25. Depreciation expense by asset class is shown in Note 11.

**(d) Financial Instruments****(i) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and at bank, deposits with financial institutions at call within three days and term deposits less than 90 days that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank accounts are recognised at nominal amounts. Note disclosure is made in Note 16.

For the Balance Sheet, Cash and cash equivalents exclude Bank overdrafts, as they are included within Other liabilities.

For the Cash Flow Statement, Cash and cash equivalents are net of Bank overdrafts.

- (ii) *Receivables*  
Receivables are shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (provision for doubtful debts). The University's credit terms are net 30 days. Note disclosure is made in Note 17.

Details regarding the receivable from the Australian Government relating to the State Super Scheme are disclosed in Note 1(h)(iv) Superannuation.

- (iii) *Financial Assets (Investments)*  
Subsequent to initial recognition, investments in subsidiaries are measured at fair value. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the parent entity financial statements.

In accordance with AASB 139 *Financial Instruments: Recognition and Measurement* other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

*Financial Assets at Fair Value through Profit or Loss*

The consolidated entity has classified certain shares, convertible notes and property trust investments as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

*Held-to-maturity Investments*

Indexed bonds and fixed interest securities are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period.

*Available-for-sale Financial Assets*

Certain shares held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

*Loans and Receivables*

Trade receivables, loans, and other receivables are recorded at cost less impairment.

The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value.

Note disclosure for financial assets (investments) is made in Notes 19, 20, 22 and 23.

- (iv) *Payables*  
Payables are shown at amounts due to suppliers, inclusive of GST and exclusive of any applicable discounts that will be taken. Note disclosure is made in Note 29.
- (v) *Interest Bearing Liabilities*  
The University holds funds on behalf of affiliated student entities, subsidiaries, certain joint ventures and related external entities. The University invests these funds along with University funds and shares the investment income with those entities. Note disclosure is made in Note 30.
- (vi) *Other Liabilities: Funds Held on behalf of External Entities*  
Funds held on behalf of external entities are shown at amounts due. These do not incur any interest charges. Note disclosure is made in Note 32.

**(e) Investment Property**

The Mark Oliphant building investment property was independently valued at fair value as at 31 December 2004 by Norm Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Pty Ltd.

The University acquired the Mark Oliphant building in 2000 as an investment property. The intention was, and still is, to make returns from capital appreciation and rentals. The property is off campus and the majority of tenants are external entities. Where subsidiaries or internal units of the University occupy space, rental is charged. This contrasts with space in the University where no charges are applied. There are no restrictions on the realisability of investment property or remittance of income from it.

**(f) Website Costs**

Costs in relation to websites controlled by the Economic entity are charged as expenses in the period in which they are incurred.

**(g) Intangible Assets****(i) Research and Development**

Expenditure on research activities, undertaken with the prospect of obtaining new scientific or technical knowledge and understanding, is recognised in the Income Statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred.

The University expenses development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's subsidiaries, Flinders Technologies Pty Ltd, has the rights to commercialise intellectual property arising from the University. Development costs incurred by Flinders Technologies Pty Ltd are treated as deferred expenditure:

- during the assessment phase of projects, until financial viability is determined; and
- for projects expected to be financially viable, to offset future revenue.

Development costs treated as deferred expenditure are included in the Consolidated Balance Sheet and are disclosed under Note 28 as Project costs carried forward.

The recoverability of deferred expenditure is reviewed annually and any amounts previously deferred that are no longer expected to be recovered are charged to the Net Operating Result.

**(h) Employee Benefits**

Employee benefits expected to be settled within one year have been recognised at their nominal amount. These liabilities are measured at the amounts expected to be paid when the liability is settled. On-costs on the leave liabilities accruing to employees are recognised as provisions and on-costs not accruing to employees are classed as payables as required under SA State Government Accounting Policy Framework IV (APS 5.21). Benefits expected to be settled later than one year have been measured at the present value of the estimated applicable future cash flows to be made for those benefits and related on-costs.

**(i) Long Service Leave**

The long service leave liability is independently actuarially estimated each year in accordance with AASB 119 *Employee Benefits*. The last update was performed at 31 December 2005 by Stuart Mules, FIAA, of Mercer Human Resource Consulting Pty Ltd. The assumptions used by the actuary include:

- investment earnings rate of 5.21 percent per annum
- salary inflation rate of 5.3 percent per annum
- on-costs have been applied at the rate of 25.16 percent
- the proportion of leave taken in service is 67.8 percent, the balance at termination of service.

The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 29 and 31.

**(ii) Annual Leave**

The University has a liability for unused annual leave for non-academic staff. In accordance with conditions of employment, academic staff are required to take annual leave each year and no annual leave is accrued at year end. The calculation to measure the value of annual leave has assumed a 4 percent salary inflation factor, as required by the SA State Government Accounting Policy Framework IV (APS 5.5). The current portion represents the amount expected to be paid in the following 12 months. Note disclosure is made in Notes 29 and 31.

**(iii) Sick Leave**

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken each year is less than the annual entitlement for sick leave.

**(iv) Superannuation****Superannuation Schemes**

Superannuation schemes exist to provide benefits to University employees and their dependents upon resignation, retirement, disability or death. The contributions made to these schemes by the University and the emerging cost from unfunded Schemes are expensed in the Income Statement. Except in the case of multi-employer plans such as UniSuper, the University recognises, as an asset or a liability, the difference between the employer established defined benefit superannuation plan's accrued benefits and the net market value of the plan's assets. Note 42 provides details in respect of the individual Schemes.

*Superannuation Scheme No. 1*

Actuarial gains or losses are recognised in the Statement of Changes in Equity in the period to which they relate.

*Unfunded Superannuation - State Superannuation Scheme*

In accordance with the 1998 instructions issued by the then Department of Education, Training and Youth Affairs (now known as the Department of Education Science and Training (DEST)), the effects of the unfunded superannuation liabilities of the University were recorded in the Income Statement and Balance Sheet for the first time in 1998. The prior years' practice had been to disclose liabilities by way of a note to the financial statements. An arrangement exists between the Australian Government and the State Government to meet the unfunded liability for the University's beneficiaries of the State Superannuation Scheme on an emerging cost basis. This arrangement is evidenced by the *State Grants (General Revenue) Amendment Act 1987, Higher Education Funding Act 1988* and subsequent amending legislation. Accordingly the unfunded liabilities have been recognised in the Balance Sheet under Provisions with a corresponding asset recognised under Receivables. The recognition of both the asset and the liability consequently does not affect the year end net asset position of the University or the Economic entity.

(v) *Invalidity Scheme*

The Invalidity Scheme exists to provide benefits to certain members of University Superannuation Scheme Number 1 and a small number of other staff in the event of invalidity. The University calculates the present liability of the Scheme by estimating the net present value of future insurance premiums together with an assessment of the probable amount that will be paid above the level of insurance cover. Details are disclosed in Notes 31 and 42.

(vi) *Redundancy/Severance*

Provision is made for redundancy payments in circumstances where the University has formally approved individuals' redundancies and a reliable estimate of the amount of the payments can be determined.

Provision is also made for severance payments where it is probable payments will be made under industrial awards for fixed-term staff. The liability for severance payments is disclosed in Note 31.

(i) **Foreign Currency**

(i) *Functional and Presentation Currency*

The consolidated financial statements are presented in Australian dollars which is the Economic entity's functional and presentation currency.

(ii) *Transactions and Balances*

Foreign currency transactions were converted to Australian currency at the rates of exchange prevailing at the dates of the transactions. There were no material foreign currency monetary items outstanding at balance date.

(j) **Workers Compensation**

The University is responsible for payments of workers compensation and is registered with WorkCover as an exempt employer. Unisure Pty Ltd administers workers compensation arrangements on behalf of the University.

Prior to 2005 the provision for workers compensation liability was actuarially determined every five years, with the intervening years calculated by applying an extrapolation of the most recent actuarial calculation to the latest value of claims on hand. The 2004 provision was calculated on this basis. From 2005 the provision for workers compensation liability is actuarially determined each year. The method used is the claims paid development method where all past claims are brought to current values with an allowance for late claims reporting and administration costs. The liability for workers compensation is disclosed in Note 31.

(k) **Goods and Services Tax**

The University recognises revenues and expenses net of the amount of goods and services tax (GST), except where the amount of GST incurred by the University is not recoverable from the taxation authority.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

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

(l) **Inventories**

Inventories are stores of consumable items including printing and maintenance materials and are measured at cost. Annual stocktakes are used to verify inventory account balances. Other small inventories of consumable items including stationery, fuel and antisera are expensed as purchased. Note disclosure is made in Note 18.

**(m) Investments in Business Undertakings***Subsidiaries*

Investments in subsidiaries are carried in the University's Balance Sheet at fair value. Dividends are brought to account when they are declared. Note disclosure is made in Note 44.

*Associates*

Investments in Associates are valued at the lower of cost or recoverable amount in the University's financial statements. On consolidation, the investment is equity accounted. Note disclosure is made in Notes 21 and 45.

*Joint Ventures**Joint Venture Operations*

The University's interest in the share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the University's Balance Sheet and Income Statement, where material. Details of joint ventures are included in Note 46.

*Joint Venture Entities*

The University has no material interest in joint venture entities and does not include any amount in the financial statements for its interest in joint venture entities. Disclosure is made in Note 46.

**(n) Leased Assets***University as Lessee*

Leases of assets where substantially all the risks and benefits of ownership, but not legal ownership, are transferred to the University are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. They are then amortised on a straight line basis over the lease term.

Leases of assets where substantially all the risks and benefits of ownership remain with the lessor are classified as operating leases. Payments made under an operating lease are expensed in the period to which the payment relates.

*University as Lessor*

The University leases space in an investment property to external entities. Accommodation on campus is leased to students. The University also leases a small amount of space on its main campus to commercial entities for provision of services to students and staff and a portion of the Lincoln Marine Science Centre to other research entities. The leases are all classified as operating leases.

Note disclosure is made in Note 41 (b).

**(o) Revenue Recognition***(i) Australian Government Financial Assistance*

DEST provide annual grants for teaching and research to the University each year and these are brought to account in the period in which they are received because the University has control of the funds and there is not a direct reciprocal obligation to DEST. Certain grants are paid on a provisional basis, eg for student load, with funding adjustments made in the following year. Where material, the University makes appropriate estimates and adjusts the revenue in the year to which it relates. Up until 2004 the first payment was received at the end of the previous year, however for 2005 and onwards all grants will be received in the year to which they relate. Note 1(x) provides disclosure of this change in the timing of funding, as mandated by DEST, and the financial effects of this change.

Other revenue from DEST is brought to account when earned.

Other Commonwealth grant revenue is recognised when received.

Note disclosure is made in Note 2.

*(ii) Consultancy and Contract Research*

Revenue from Consultancy and Contract Research is recognised in the period in which the consultancies/contract services are provided. Research Grant revenue is recognised as revenue when received. Note disclosure is made in Note 7.

*(iii) Donations*

Donations are received in cash and non-cash forms. Non-cash donations are recognised at the University's estimate of the fair value of the items donated. Note disclosure is made in Note 8.

*(iv) Fees and Charges: Student Revenue*

Revenue comprises fees from students for the provision of courses. The fees are recognised in the periods during which the courses are provided. Note disclosure is made in Note 4.

*(v) Investment Income*

Interest income is recognised as it accrues. For 'Held-to-maturity assets', the indexation component of indexed bonds is recorded as revenue in the year that it is earned. Dividend income and imputation credits are recognised only when declared before 31 December reporting date.

(v) *Investment Income (continued)*

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. All movements in the value of investments classified as 'financial assets at fair value through profit and loss' are included in the Net Operating Result. For 'Available for sale investments' and investments classified as 'Other financial assets', realised gains are included in the Net Operating Result while unrealised gains and losses are taken to the Asset Revaluation Reserve for Investments except to the extent that unrealised losses exceed previous revaluation increments for all investments held in that reserve. Note disclosure is made in Note 5.

(p) **Property, Plant and Equipment**

Property, plant and equipment are measured on a fair value basis. At each reporting date, the value of each asset class is reviewed to ensure that it does not differ materially from the assets class' fair value at that date. Where necessary, the asset class is revalued to reflect its fair value. Note disclosure is made in Note 25.

(i) *Land*

Land occupied by the University is owned by the University in its own right and by the State Government. The value of land owned by the State Government is reflected in the University's financial statements on the basis that the University effectively controls the land occupied.

Land controlled by the University was revalued as at 31 December 2005 based on general land price movements in relevant areas, as advised by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd. This updated the previous independent valuation as at 31 December 2004 by Greg McCloud. Comprehensive independent land valuations are undertaken triennially.

(ii) *Buildings and Infrastructure*

Buildings and infrastructure controlled by the Consolidated entity were independently revalued as at 31 December 2004 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd. Building values were reviewed as at 31 December 2005, but based on advice from Greg McCloud, there was no change in fair value. Comprehensive independent valuations are undertaken triennially.

Buildings under construction are measured at cost.

(iii) *Library Books - Monographs and Serials*

The Library collection was revalued in 2004 and is reported at Council's valuation. Additions in 2005 were initially recorded at cost. The value was reassessed as at 31 December 2005 and the existing value deemed to be fair value. Following a change in useful lives at the beginning of 2004, the value is depreciated over a 10 year period on a straight-line basis with assets at 10 years being disposed of for accounting purposes. The financial effect of this change in policy has been disclosed in Note 1(z).

(iv) *Equipment*

This class of assets includes computer hardware and software, furniture, vehicles, marine and general equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Balance Sheet initially at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The depreciated value of equipment is deemed to be its fair value.

The acquisition cost for software includes the cost of staff time and consultants costs incurred in implementing the software.

(v) *Aircraft*

Individual items costing \$10 000 or more are initially capitalised and recorded in the Balance Sheet at cost. Items costing less than \$10 000 are recognised as an expense in the Income Statement in the period acquired. The carrying values of aircraft are reviewed annually by University management to ensure that they are carried at fair value.

(vi) *Works of Art*

The Works of Art collection was revalued as at 31 December 2005 and is reported at Council's valuation based on fair value.

(q) **Impairment of Assets**

At each reporting date, the University undertakes an assessment of its significant assets to determine if there is any evidence of impairment. Where an impairment exists, the University recognises an impairment loss. This is calculated as the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

(r) **Student Service Fees**

The University collects fees on behalf of the incorporated student organisations. The organisations provide services and amenities not available to students directly through the University. Student Service Fee revenue and associated expenditure are not reflected in the financial statements.

**(s) Doubtful Debts**

The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in Note 17.

**(t) Income Tax Status**

The activities of the University are exempt from income tax as are all but one of its wholly owned subsidiaries. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

The University is subject to fringe benefits tax, the goods and services tax and payroll tax.

**(u) Borrowing Costs**

When applicable, borrowing costs are recognised as an expense in the period incurred. At present neither the University nor the Economic entity has any borrowings.

**(v) Current and Non-Current Classification**

Assets and liabilities are characterised as either current or non-current. The University and the Economic entity operate on a 12 month operating cycle. Assets and liabilities that are sold, consumed or realised as part of the 12 month operating cycle are classified as current. All other assets and liabilities are classified as non-current.

**(w) Rounding to the Nearest \$'000**

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

**(x) Comparative Figures**

The previous year's figures are provided in the financial statements for comparative purposes. Where practicable, comparative figures have been adjusted to conform to changes in presentation and classification in the present year.

**(y) Financial effects of changes to Australian Government Payment Arrangements for 2005 Grant Year***Background*

DEST made changes to payment arrangements in late 2004 so that all recurrent payments in respect of a grant year will be made in that year. The past practice of making the first payment in respect of a grant year at the end of December of the previous year was discontinued. For the 2005 grant year, the first payment was made in January 2005 instead of December 2004.

*Financial Effects for 2004*

Changes to payment arrangements will mean that those Higher Education Providers (HEPs) that reported the whole or part of the 8 percent first payment in respect of the 2004 grant year as revenue in 2003 will have the effect of understating the Australian Government funding for the 2004 grant year in their 2004 Income Statement. The HEPs were required to identify in their 2004 financial statements, the impact of the change in treatment on their operating result by restating the Australian Government financial assistance for 2004 (by incorporating the amount received in December 2003 as revenue for the 2004 reporting period) and the total revenue from operating activities.

To identify the impact of the changed treatment on the operating result, grants provided for 2004 activities but recognised as 2003 revenue should be adjusted by incorporating the amount received in December 2003 as revenue for the 2004 reporting period. The effect of this is shown below:

	University 2004 \$'000
2004 Revenue from operating activities (per Income Statement)	192 836
Add grants received in 2003 for 2004 activities:	
Australian Government financial assistance	5 730
HECS - Australian Government payments	2 611
Australian Government loan programmes	-
<b>Total Restated 2004 Revenue from Operating Activities</b>	<b>201 177</b>
Restated 2004 operating result	(23 600)
Reported 2004 operating result	(31 941)
<b>Financial Effect on 2004 Operating Result</b>	<b>8 341</b>

The Australian Government has used the restated figures for 2004 in all DEST publications, including the Finance 2004 publication, to ensure consistent treatment across all HEPs.

**(z) Changes in Accounting Policies**

Other than changes required for the adoption of Australian equivalents to International Financial Reporting Standards, the accounting policies adopted are consistent with those of the previous year.

In 2004 the University revalued its library collection to fair value. Note disclosure of the financial impact is shown below.

*Library Revaluation (2004)*

In accordance with the former Accounting Policy Statement 3 *Valuation of Non-Current Assets* the Consolidated entity changed its policy for valuation of its library collection to fair value basis. The effect of this change was to decrease 2004 opening retained surplus by an amount of \$11.743 million (Consolidated) and \$11.743 million (Parent entity).

Prior to the revaluation, the estimated useful life of the library collection was changed to a 10 year period. Previously the collection had been depreciated over a 40 and 50 year period. The effect of this change in estimated useful life resulted in a significant write-down in the 2004 period. Refer Note 15.

		Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>2.</b>	<b>Australian Government Financial Assistance including HECS-HELP and other Australian Government Loan Programmes</b>				
	<b>(a) Commonwealth Grants Scheme and Other Grants</b>				
		Note			
		55.1			
	Commonwealth grants scheme #		45 058	45 058	45 058
	Indigenous support fund		350	350	350
	Equity programmes +		122	122	122
	Workplace reform programme		1 552	1 552	1 552
	Capital development pool		1 955	1 955	1 955
	Superannuation programme		1 240	1 240	1 240
	<b>Total Commonwealth Grants Scheme and Other Grants</b>		<b>63 178</b>	<b>63 178</b>	<b>63 178</b>
	<b>(b) Higher Education Loan Programmes</b>				
		55.2			
	HECS-HELP		30 343	30 343	30 343
	FEE-HELP *		1 725	1 725	1 725
	<b>Total Higher Education Loan Programmes</b>		<b>32 701</b>	<b>32 701</b>	<b>32 701</b>
	<b>(c) Scholarships</b>				
		55.3			
	Australian postgraduate awards		1 820	1 820	1 820
	International postgraduate research scholarships		308	308	308
	Commonwealth education costs scholarship		88	88	88
	Commonwealth accommodation scholarship		232	232	232
	<b>Total Scholarships</b>		<b>2 818</b>	<b>2 818</b>	<b>2 818</b>
	<b>(d) DEST - Research</b>				
		55.4			
	Institutional grants scheme		6 236	6 236	6 236
	Research training scheme		10 585	10 585	10 585
	Research infrastructure block grants		3 203	3 203	3 203
	<b>Total DEST - Research Grants</b>		<b>20 731</b>	<b>20 731</b>	<b>20 731</b>
	<b>(e) Australian Research Council</b>				
	<b>(i) Discovery</b>				
		55.5(a)			
	Project		1 903	1 903	1 903
	Fellowships		8	8	8
	Indigenous researchers development		31	31	31
	<b>Total Discovery</b>		<b>2 132</b>	<b>2 132</b>	<b>2 132</b>
	<b>(ii) Linkages</b>				
		55.5(b)			
	Special research initiatives		80	80	80
	Infrastructure		157	157	157
	International		35	35	35
	Projects		766	766	766
	<b>Total Linkages</b>		<b>2 166</b>	<b>2 166</b>	<b>2 166</b>
	<b>(f) Other Australian Government Financial Assistance</b>				
	National health and medical research council		6 207	6 207	6 207
	Other research		6 388	6 353	6 353
	Other non-research		7 210	7 210	7 210
	<b>Total Other Australian Government Financial Assistance</b>		<b>21 517</b>	<b>21 508</b>	<b>21 508</b>
	<b>Total Australian Government Financial Assistance</b>		<b>145 243</b>	<b>145 234</b>	<b>145 234</b>

# For 2004, the CGS would be an amount equivalent to the CGS base operating grant amount and will exclude Superannuation Programme and Workplace Productivity Programme.

+ Includes amounts For Higher Education Equity Support Programme and Students with Disabilities Programme.

\* For 2004, FEE-HELP would include Post-graduate Education Loan Scheme (PELS)

(f) <b>Other Australian Government Financial Assistance (continued)</b>	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Reconciliation</b>				
Australian Government grants (a+c+d+e+f)	<b>112 542</b>	95 534	<b>112 533</b>	95 499
HECS-HELP Australian Government payments	<b>30 403</b>	30 343	<b>30 403</b>	30 343
Other Australian Government loan programmes (FEE-HELP)	<b>2 298</b>	1 725	<b>2 298</b>	1 725
<b>Total Australian Government Financial Assistance</b>	<b>145 243</b>	127 602	<b>145 234</b>	127 567
<b>3. State and Local Government Financial Assistance</b>				
South Australian Government:				
Research financial assistance	<b>2 648</b>	1 278	<b>2 648</b>	1 278
Reimbursements	<b>3 033</b>	3 228	<b>3 033</b>	3 228
Non-research	<b>1 200</b>	1 552	<b>1 200</b>	1 552
<b>Total South Australian Government</b>	<b>6 881</b>	6 058	<b>6 881</b>	6 058
Local Government:				
Research financial assistance	<b>35</b>	29	<b>35</b>	29
<b>Total Local Government</b>	<b>35</b>	29	<b>35</b>	29
Other State/Territory Government:				
Other state government grants	<b>1 954</b>	1 927	<b>1 954</b>	1 927
<b>Total Other State/Territory Government</b>	<b>1 954</b>	1 927	<b>1 954</b>	1 927
<b>Total State and Local Government     Financial Assistance</b>	<b>8 870</b>	8 014	<b>8 870</b>	8 014
<b>4. Fees and Charges</b>				
Course Fees and Charges:				
Fee-paying overseas students	<b>21 771</b>	18 398	<b>21 771</b>	18 398
Fee-paying domestic postgraduate students	<b>2 056</b>	1 838	<b>2 056</b>	1 838
Fee-paying domestic non-award students	<b>150</b>	202	<b>150</b>	202
Other domestic course fees and charges	<b>1 189</b>	1 426	<b>1 183</b>	1 417
<b>Total Course Fees and Charges</b>	<b>25 166</b>	21 864	<b>25 160</b>	21 855
Other Fees and Charges:				
Student accommodation	<b>3 508</b>	3 164	<b>3 508</b>	3 164
Rental charges	<b>311</b>	277	<b>305</b>	269
Other student charges	<b>483</b>	504	<b>482</b>	504
Other hire fees	<b>264</b>	224	<b>253</b>	224
Parking fees	<b>861</b>	868	<b>861</b>	873
Other fees and charges	<b>1 917</b>	1 633	<b>668</b>	643
<b>Total Other Fees and Charges</b>	<b>7 344</b>	6 670	<b>6 077</b>	5 677
<b>Total Fees and Charges</b>	<b>32 510</b>	28 534	<b>31 237</b>	27 532
<b>5. Investment Income</b>				
Realised Gains:				
Dividends:				
Wholly-owned subsidiaries	-	-	-	-
Other entities	<b>356</b>	275	<b>229</b>	162
Interest	<b>4 057</b>	3 243	<b>4 026</b>	3 053
Managed funds	<b>746</b>	514	<b>729</b>	504
Investment property rental revenue	<b>626</b>	836	<b>667</b>	861
<b>Total Realised Gains</b>	<b>5 785</b>	4 868	<b>5 651</b>	4 580
Unrealised Gains:				
Movements in assets at fair value through profit and loss	<b>1 803</b>	1 724	<b>1 392</b>	1 631
<b>Total Unrealised Gains</b>	<b>1 803</b>	1 724	<b>1 392</b>	1 631
<b>Total Investment Income</b>	<b>7 588</b>	6 592	<b>7 043</b>	6 211
<b>6. Royalties, Trademarks and Licences</b>				
Total Royalties, Trademarks and Licences	<b>463</b>	2 322	<b>463</b>	2 447
<b>7. Consultancy and Contracts</b>				
Consultancy	<b>12 245</b>	5 477	<b>1 853</b>	1 560
Contract research	<b>3 468</b>	2 575	<b>2 464</b>	2 375
<b>Total Consultancy and Contracts</b>	<b>15 713</b>	8 052	<b>4 317</b>	3 935

8. Other Revenue	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Donations and bequests	1 127	1 118	1 127	1 118
Contribution of assets	956	860	956	860
Scholarships and prizes	864	1 018	864	1 018
Non-government grants	3 085	2 883	2 831	2 875
Reimbursements	3 245	2 994	3 383	3 088
Sales and other charges	2 880	2 028	2 737	1 911
Other revenue	258	237	240	248
<b>Total Other Revenue</b>	<b>12 415</b>	<b>11 138</b>	<b>12 138</b>	<b>11 118</b>
<b>9. Other Income</b>				
Net gain on disposal of subsidiary	-	-	883	-
Net gain on sale of assets - Refer below	18	256	52	-
<b>Total Other Income</b>	<b>18</b>	<b>256</b>	<b>935</b>	<b>-</b>
Proceeds from Sale of Assets:				
Investments	2 008	1 833	49	-
Property, plant and equipment	1 002	2 707	1 002	857
<b>Total Proceeds from Sale of Assets</b>	<b>3 010</b>	<b>4 540</b>	<b>1 051</b>	<b>857</b>
Carrying Amount of Assets Sold:				
Investments	2 038	1 842	45	-
Property, plant and equipment	954	2 442	954	1 109
<b>Total Carrying Amount of Assets Sold</b>	<b>2 992</b>	<b>4 284</b>	<b>999</b>	<b>1 109</b>
Net Gains on Sale of Assets:				
Investments	-	-	4	-
Property, plant and equipment	48	264	48	-
<b>Total Net Gains on Sale of Assets</b>	<b>48</b>	<b>264</b>	<b>52</b>	<b>-</b>
Net Losses on Sale of Assets:				
Investments	30	8	-	-
Property, plant and equipment	-	-	-	252
<b>Total Net Losses on Sale of Assets</b>	<b>30</b>	<b>8</b>	<b>-</b>	<b>252</b>
<b>Net Gain (Loss) on Sale of Assets</b>	<b>18</b>	<b>256</b>	<b>52</b>	<b>(252)</b>
Where net losses are made on sale of assets, the loss is disclosed as an expense in Note 14.				
<b>10. Employee Benefits and On-costs</b>				
Academic:				
Salaries	54 244	49 242	53 518	48 656
Contributions to superannuation and pension schemes:				
Emerging cost	1 311	1 000	1 311	1 000
Funded	7 681	6 968	7 590	6 896
Payroll tax	3 412	3 208	3 373	3 179
Workers compensation	15	1 136	6	1 130
Long service leave expense	2 277	3 118	2 287	3 088
Annual leave	4 399	4 366	4 392	4 364
<b>Total Academic</b>	<b>73 339</b>	<b>69 038</b>	<b>72 477</b>	<b>68 313</b>
Non-Academic:				
Salaries	47 707	42 857	45 395	41 004
Contributions to superannuation and pension schemes:				
Emerging cost	290	258	290	258
Funded	6 886	6 195	6 775	6 095
Payroll tax	3 048	2 779	2 987	2 730
Workers compensation	74	500	61	489
Long service leave expense	1 860	2 069	1 819	2 052
Annual leave	3 644	2 821	3 563	2 793
Redundancy expenses	29	96	29	96
<b>Total Non-Academic</b>	<b>63 538</b>	<b>57 575</b>	<b>60 919</b>	<b>55 517</b>
<b>Total Academic and Non-Academic Employee Benefits and On-costs</b>	<b>136 877</b>	<b>126 613</b>	<b>133 396</b>	<b>123 830</b>
<b>Deferred Employee Benefits for Superannuation</b>	<b>2 100</b>	<b>700</b>	<b>2 100</b>	<b>700</b>
<b>Total Employee Benefits and On-costs</b>	<b>138 977</b>	<b>127 313</b>	<b>135 496</b>	<b>124 530</b>

11. Depreciation	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Buildings and infrastructure	2 544	2 930	2 522	2 919
Plant and equipment	3 888	3 608	3 807	3 491
Aircraft	220	230	94	-
Library collection	4 164	4 276	4 164	4 276
<b>Total Depreciation</b>	<b>10 816</b>	<b>11 044</b>	<b>10 587</b>	<b>10 686</b>

For 2004, total Library collection depreciation is \$40.354 million. This comprises depreciation disclosed above of \$4.276 million plus a Library collection depreciation adjustment of \$36.077 million (refer to Note 15).

12. Repairs and Maintenance	Note	Consolidated		University	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Buildings and grounds		5 360	4 131	5 354	4 121
Minor new works		3 839	3 024	3 839	3 024
Equipment and artwork		1 920	1 621	1 851	1 554
<b>Total Repairs and Maintenance</b>		<b>11 119</b>	<b>8 776</b>	<b>11 044</b>	<b>8 699</b>

13. Bad and Doubtful Debts	Consolidated		University	
<b>Total Bad and Doubtful Debts</b>	<b>293</b>	<b>(424)</b>	<b>288</b>	<b>(295)</b>

14. Other Expenses	Consolidated		University	
Scholarships, grants and prizes	7 988	7 835	7 975	7 820
Non-capitalised equipment	5 629	5 203	4 969	5 123
Advertising, marketing and promotional expenses	1 452	1 211	1 434	1 197
Fees and charges	9 475	5 147	5 739	4 407
Consultancy fees	3 304	3 168	1 352	1 671
General consumables	5 859	4 689	5 002	4 516
Printing and photocopying	1 508	1 246	1 426	1 214
Operating lease rental expenses	1 260	873	953	781
Telecommunications	1 694	1 553	1 627	1 511
Travel, staff development and entertainment	8 323	7 068	6 979	6 953
Net loss on assets sold	9	-	-	252
Asset impairment loss	-	-	103	-
Revaluation decrement	15	684	-	151
Utilities	2 208	2 438	2 198	2 430
Student related expenditure	1 026	1 056	1 026	1 056
Library	1 812	1 454	1 811	1 449
Software	1 665	1 193	1 640	1 188
Postage and freight	907	839	869	832
Insurance	1 167	1 208	1 064	1 149
Other expenses	1 861	1 457	1 758	1 380
<b>Total Other Expenses</b>	<b>57 153</b>	<b>48 322</b>	<b>47 925</b>	<b>45 080</b>

#### 15. Library Collection Depreciation Adjustment

In 2004 the University revised the estimated useful lives of monographs and serials from 40 to 50 years respectively to 10 years. The effect of this was a depreciation adjustment expense of \$36.077 million which was included in the net operating result for 2004. Excluding this depreciation adjustment, the net operating result for 2004 would have been a surplus of \$3.492 million for the Economic Entity and a surplus of \$4.137 million for the Parent Entity.

	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Net operating Result for the year	11 975	(32 586)	12 513	(31 941)
Add: Library collection depreciation adjustment	-	36 077	-	36 077
<b>Operating Result excluding Library Adjustment</b>	<b>11 975</b>	<b>3 491</b>	<b>12 513</b>	<b>4 136</b>

The decision to adjust the estimated useful lives of the library collection resulted from bench-marking against other universities which indicated that this was a more appropriate estimate than the previous estimated useful lives utilised. Whilst this reflects the accounting treatment of the value placed on the library collection, the University has not altered its retention period in relation to these assets.

Had the University not revised the estimated useful lives or undertaken the revaluation of the library collection then the library collection depreciation expense for 2004 would have been \$2.548 million.

**16. Cash and Cash Equivalents**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and on hand	2 297	540	1 859	132
Cash deposits at call within three days	20 757	20 321	20 757	20 321
Term deposits maturing within 90 days	42 159	32 343	40 057	30 000
<b>Total Cash and Cash Equivalents</b>	<b>65 213</b>	<b>53 204</b>	<b>62 673</b>	<b>50 453</b>

**17. Receivables**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Current:</b>				
Student fees	1 397	638	1 397	638
Less: Provision for doubtful debts	(787)	(543)	(787)	(543)
	610	95	610	95
General debtors	9 999	7 710	8 828	6 771
Less: Provision for doubtful debts	(191)	(125)	(191)	(159)
	9 808	7 585	8 637	6 612
Subsidiary debtors	-	-	296	300
Less: Provision for doubtful debts	-	-	(296)	(300)
	-	-	-	-
Deferred government contribution for superannuation	2 000	2 100	2 000	2 100
Loans receivable	-	14	-	14
<b>Total Current Receivables</b>	<b>12 418</b>	<b>9 794</b>	<b>11 247</b>	<b>8 821</b>
<b>Non-Current:</b>				
General debtors	644	652	644	652
	644	652	644	652
Deferred government contribution for superannuation	25 800	23 600	25 800	23 600
<b>Total Non-Current Receivables</b>	<b>26 444</b>	<b>24 252</b>	<b>26 444</b>	<b>24 252</b>
<b>Total Receivables</b>	<b>38 862</b>	<b>34 046</b>	<b>37 691</b>	<b>33 073</b>

**Bad and Doubtful Trade Receivables**

The Economic entity has recognised a loss of \$293 000 (gain of \$424 000) in respect of bad and doubtful trade receivables during the year ended 31 December 2005. The loss has been included in 'Other expenses' in the Income Statement.

**18. Inventories**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Current:</b>				
Inventories held for other than distribution	358	300	358	297
<b>Total Current Inventories</b>	<b>358</b>	<b>300</b>	<b>358</b>	<b>297</b>
<b>Total Inventories</b>	<b>358</b>	<b>300</b>	<b>358</b>	<b>297</b>

**19. Other Financial Assets at Fair Value through Profit or Loss**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Current:</b>				
<b>Managed Funds:</b>				
Deutsche Bank Private Wealth Management	2 667	2 422	2 667	2 422
Australian Executor Trustees	1 168	1 033	-	-
Unisure Pty Ltd	6 014	5 209	6 014	5 209
	9 849	8 664	8 681	7 631
<b>Property:</b>				
Property trust	218	44	160	8
<b>Equities:</b>				
Australian equities	6 604	5 234	5 754	4 650
Convertible notes	13	13	-	-
	6 617	5 247	5 754	4 650
<b>Total Other Financial Assets at Fair Value through Profit or Loss</b>	<b>16 684</b>	<b>13 955</b>	<b>14 595</b>	<b>12 289</b>

Changes in fair values of other financial assets at fair value through profit or loss are recorded in investment revenue in the Income Statement (Note 5).

**20. Held-to-maturity Investments**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Current:</b>				
Indexed bonds	-	3 484	-	3 484
Government securities	2 300	-	2 300	-
Term deposits greater than 90 days	500	500	500	500
<b>Total Current Held-to-maturity Assets</b>	<b>2 800</b>	<b>3 984</b>	<b>2 800</b>	<b>3 984</b>
<b>Non-Current:</b>				
Indexed bonds	2 705	2 620	2 705	2 620
Government securities	-	2 300	-	2 300
Fixed interest	423	-	423	-
<b>Total Non-current Held-to-maturity Assets</b>	<b>3 128</b>	<b>4 920</b>	<b>3 128</b>	<b>4 920</b>
<b>Total Held-to-maturity Investments</b>	<b>5 928</b>	<b>8 904</b>	<b>5 928</b>	<b>8 904</b>

21. <b>Investments Accounted for using the Equity Method</b>	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Investment in associates	45	<b>1 117</b>	-	<b>1 117</b>	-
<b>Total Investments accounted for using the Equity Method</b>		<b>1 117</b>	-	<b>1 117</b>	-
Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at the lower of cost and recoverable amount by the parent entity (see Note 45).					
22. <b>Available-for-sale Financial Assets</b>	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-current:					
Equities:					
Interests in business undertakings:					
Subsidiaries at Council valuation	44	-	-	<b>6 844</b>	8 598
Other entities	46	<b>190</b>	135	<b>190</b>	135
Australian equities		<b>2 628</b>	2 611	-	-
International equities		<b>533</b>	501	-	-
<b>Total Available-for-sale Financial Assets</b>		<b>3 351</b>	<b>3 247</b>	<b>7 034</b>	<b>8 733</b>
23. <b>Investment Property</b>		Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-current:					
Property held for investment purposes		<b>5 400</b>	5 400	<b>5 400</b>	5 400
		<b>5 400</b>	5 400	<b>5 400</b>	5 400
Movements for the period:					
At beginning of year		<b>5 400</b>	5 115	<b>5 400</b>	5 115
Revaluation		-	285	-	285
<b>At End of Year</b>		<b>5 400</b>	5 400	<b>5 400</b>	5 400
24. <b>Other Financial Assets</b>		Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-current:					
Superannuation Scheme surplus					
Surplus in Superannuation Scheme No. 1	42	<b>473</b>	557	<b>473</b>	557
<b>Total Non-Current Other Financial Assets</b>		<b>473</b>	557	<b>473</b>	557
25. <b>Property, Plant and Equipment</b>		Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Land, Buildings and Infrastructure</b>					
Crown Land:					
2004 Independent valuation		-	18 335	-	18 335
2005 Independent valuation		<b>19 880</b>	-	<b>19 880</b>	-
		<b>19 880</b>	18 335	<b>19 880</b>	18 335
Freehold Land:					
2004 Independent valuation		-	1 995	-	1 995
2005 Independent valuation		<b>2 175</b>	-	<b>2 175</b>	-
		<b>2 175</b>	1 995	<b>2 175</b>	1 995
<b>Total Land</b>		<b>22 055</b>	20 330	<b>22 055</b>	20 330
Buildings:					
2004 independent valuation		<b>95 449</b>	95 449	<b>95 074</b>	95 074
At cost		<b>5 549</b>	575	<b>5 924</b>	575
<b>Total Buildings</b>		<b>100 998</b>	96 024	<b>100 998</b>	95 649
Infrastructure:					
2004 independent valuation		<b>4 762</b>	4 762	<b>4 762</b>	4 762
At cost		<b>316</b>	-	<b>316</b>	-
<b>Total Infrastructure</b>		<b>5 078</b>	4 762	<b>5 078</b>	4 762
		<b>106 076</b>	100 786	<b>106 076</b>	100 411
Less: Accumulated depreciation		<b>(2 544)</b>	-	<b>(2 544)</b>	-
<b>Total Buildings and Infrastructure</b>		<b>103 532</b>	100 786	<b>103 532</b>	100 411
Buildings under construction		<b>43</b>	425	<b>43</b>	425
<b>Total Land, Buildings and Infrastructure</b>		<b>125 630</b>	121 541	<b>125 630</b>	121 166
<b>Library Collection</b>					
Library Collection:					
2004 University valuation		<b>22 979</b>	22 979	<b>22 979</b>	22 979
At cost		<b>2 476</b>	-	<b>2 476</b>	-
		<b>25 455</b>	22 979	<b>25 455</b>	22 979
Less: Accumulated depreciation		<b>(7 837)</b>	(4 276)	<b>(7 837)</b>	(4 276)
<b>Total Library Collection</b>		<b>17 618</b>	18 703	<b>17 618</b>	18 703

**25. Property, Plant and Equipment (continued)**

<b>Plant and Equipment (continued)</b>	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Equipment:				
At fair value	<b>36 071</b>	33 914	<b>35 483</b>	32 912
Less: Accumulated depreciation	<b>(24 640)</b>	(23 268)	<b>(24 282)</b>	(22 547)
<b>Total Equipment</b>	<b>11 431</b>	10 646	<b>11 201</b>	10 365
Aircraft:				
2005 University valuation	<b>1 620</b>	1 620	<b>1 620</b>	-
At cost	<b>570</b>	570	<b>570</b>	-
Less: Accumulated depreciation	<b>(937)</b>	(718)	<b>(937)</b>	-
<b>Total Aircraft</b>	<b>1 253</b>	1 472	<b>1 253</b>	-
Works of Art:				
2004 University valuation	-	5 258	-	5 258
2005 University valuation	<b>5 982</b>	-	<b>5 982</b>	-
<b>Total Works of Art</b>	<b>5 982</b>	5 258	<b>5 982</b>	5 258
<b>Total Property, Plant and Equipment</b>	<b>161 914</b>	157 620	<b>161 684</b>	155 492

**Valuations of Land and Buildings**

Land, buildings and infrastructure were revalued as at 31 December 2004 by Norm Satchell AAPI B.App.Sc (Val) and Greg McCloud AAPI B.App.Sc (Val) of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use).

Land was revalued in 2005 based on general land price movements in relevant areas, as advised by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty. Ltd. Building values were reviewed, but based on advice from Greg McCloud, there was no change in fair value.

The basis of valuation of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition.

**Reconciliations**

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below.

	Land	Buildings and Infrastructure	Construction in Progress	Library	Equipment	Aircraft	Works of Art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Consolidated 2005</b>								
Balance at 1 January 2005	20 330	100 786	425	18 703	10 646	1 473	5 258	<b>157 621</b>
Additions	-	2 862	2 046	3 079	5 212	-	198	<b>13 397</b>
Reclassification	-	2 428	(2 428)	-	-	-	-	-
Disposals	(415)	-	-	-	(539)	-	-	<b>(954)</b>
Revaluation increments (decrements)	2 140	-	-	-	-	-	526	<b>2 666</b>
Depreciation expense	-	(2 544)	-	(4 164)	(3 888)	(220)	-	<b>(10 816)</b>
<b>Carrying Amount at 31 December 2005</b>	<b>22 055</b>	<b>103 532</b>	<b>43</b>	<b>17 618</b>	<b>11 431</b>	<b>1 253</b>	<b>5 982</b>	<b>161 914</b>
<b>(b) Parent 2005</b>								
Balance at 1 January 2005	20 330	100 411	425	18 703	10 365	-	5 258	<b>155 492</b>
Additions	-	2 862	2 046	3 079	5 177	-	198	<b>13 362</b>
Reclassification	-	2 428	(2 428)	-	-	-	-	-
Disposals	(415)	-	-	-	(539)	-	-	<b>(954)</b>
Transfers (ex ARA)	-	353	-	-	5	1 347	-	<b>1 705</b>
Revaluation increments (decrements)	2 140	-	-	-	-	-	526	<b>2 666</b>
Depreciation expense	-	(2 522)	-	(4 164)	(3 807)	(94)	-	<b>(10 587)</b>
<b>Carrying Amount at 31 December 2005</b>	<b>22 055</b>	<b>103 532</b>	<b>43</b>	<b>17 618</b>	<b>11 201</b>	<b>1 253</b>	<b>5 982</b>	<b>161 684</b>

**Land, Buildings and Infrastructure Revaluation**

Land, buildings and infrastructure were independently revalued as at 31 December 2004 by Norm Satchell AAPI B.App.Sc (Val) and Greg McCloud AAPI B.App.Sc (Val) of Edward Rushton Pty Ltd. The basis of both valuations was current market value (existing use). Land controlled by the University was revalued as at 31 December 2005 based on general land price movements in relevant areas, as advised by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd. Refer Note 1(p)(i).

**Land, Buildings and Infrastructure Revaluation**

	Land	Buildings & Infra- structure	Constr- uction in Progress	Library	Equip- ment	Aircraft	Works of Art	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(a) Consolidated 2004</b>								
Balance at 1 January 2004	19 280	96 892	11 798	67 870	10 744	2 895	4 679	214 158
Additions	-	2 161	1 383	2 930	4 218	223	110	11 025
Reclassification	-	12 756	(12 756)	-	-	-	-	-
Disposals	(190)	(130)	-	-	(708)	(1 415)	-	(2 443)
Revaluation increments (decrements)	1 240	(7 963)	-	(11 743)	-	-	469	(17 997)
Depreciation adjustment	-	-	-	(36 077)	-	-	-	(36 077)
Depreciation expense	-	(2 930)	-	(4 277)	(3 608)	(230)	-	(11 045)
<b>Carrying Amount at 31 December 2004</b>	<b>20 330</b>	<b>100 786</b>	<b>425</b>	<b>18 703</b>	<b>10 646</b>	<b>1 473</b>	<b>5 258</b>	<b>157 621</b>
<b>(b) Parent 2004</b>								
Balance at 1 January 2004	19 280	96 502	11 798	67 870	10 529	-	4 679	210 658
Additions	-	2 161	1 383	2 930	4 116	-	110	10 700
Reclassification	-	12 756	(12 756)	-	-	-	-	-
Disposals	(190)	(130)	-	-	(789)	-	-	(1 109)
Revaluations increments (decrements)	1 240	(7 959)	-	(11 743)	-	-	469	(17 993)
Depreciation adjustment	-	-	-	(36 077)	-	-	-	(36 077)
Depreciation expense	-	(2 919)	-	(4 277)	(3 491)	-	-	(10 687)
<b>Carrying Amount at 31 December 2004</b>	<b>20 330</b>	<b>100 411</b>	<b>425</b>	<b>18 703</b>	<b>10 365</b>	<b>-</b>	<b>5 258</b>	<b>155 492</b>

**26. Restricted Assets**

The University has restrictions imposed on the real property listed in Note 25 (Land, Buildings and Infrastructure) under *The Flinders University of South Australia Act 1966*. Section 3 (5) of the Act states:

*The University cannot alienate (except by way of lease for a term not exceeding 21 years), mortgage or charge land vested in or conveyed to the University on trust except with, and in accordance with any terms or conditions of, an approval given by the Governor.*

**27. Other Non-Financial Assets**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current:				
Prepayments	3 945	3 198	4 345	3 191
Short term advances to controlled entities	-	-	-	77
<b>Total Current Other Non-Financial Assets</b>	<b>3 945</b>	<b>3 198</b>	<b>4 345</b>	<b>3 268</b>
<b>Total Other Non-Financial Assets</b>	<b>3 945</b>	<b>3 198</b>	<b>4 345</b>	<b>3 268</b>

**28. Intangible Assets**

	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-Current:				
Project costs carried forward (development costs)	1 047	796	-	-
<b>Total Non-Current Other Non-Financial Assets</b>	<b>1 047</b>	<b>796</b>	<b>-</b>	<b>-</b>

	Development Costs \$'000
Consolidated:	
At 1 January 2004:	
Cost	679
Accumulated depreciation and impairment	-
<b>Closing Net Book Amount</b>	<b>679</b>
Year ended 31 December 2004:	
Opening net book amount	679
Additions	387
Impairment charge	(270)
Amortisation charge	-
<b>Closing Net Book Amount</b>	<b>796</b>
At 31 December 2004:	
Cost	796
Accumulated amortisation and impairment	-
<b>Closing Net Book Amount</b>	<b>796</b>

<b>28. Intangible Assets (continued)</b>	Development Costs \$'000
Year ended 31 December 2005:	
Opening book amount	796
Additions	251
	<u>1 047</u>
Impairment charge	-
Amortisation charge	-
<b>Closing Net Book Amount</b>	<u>1 047</u>
As at 31 December 2005:	
Cost	1 047
Accumulated amortisation and impairment	-
<b>Closing Net Book Amount</b>	<u>1 047</u>
<b>Closing Net Book Amount</b>	<u>1 047</u>

<b>29. Payables</b>	Consolidated		University	
	<b>2005</b>	2004	<b>2005</b>	2004
	\$'000	\$'000	\$'000	\$'000
Current:				
Creditors	<b>2 327</b>	1 962	<b>2 187</b>	1 651
OS-HELP Liability to Australian Government	<b>185</b>	-	<b>185</b>	-
Accrued expenses	<b>11 744</b>	8 230	<b>10 460</b>	7 978
Annual leave on-costs	<b>541</b>	443	<b>514</b>	428
Long service leave on-costs	<b>1 290</b>	389	<b>1 278</b>	377
<b>Total Current Payables</b>	<b>16 087</b>	11 024	<b>14 624</b>	10 434
Non-Current:				
Annual leave on-costs	<b>342</b>	275	<b>342</b>	275
Long service leave on-costs	<b>3 055</b>	2 029	<b>3 041</b>	2 015
<b>Total Non-Current Payables</b>	<b>3 397</b>	2 304	<b>3 383</b>	2 290
<b>Total Payables</b>	<b>19 484</b>	13 328	<b>18 007</b>	12 724

**30. Interest Bearing Liabilities**  
Interest bearing liabilities consist of funds held on behalf of related entities. The University invests these funds and provides an investment return to those entities. Funds held are at call.

Current:				
<i>Unsecured</i>				
Funds Held on Behalf of External Entities:				
Student entities	<b>3 144</b>	2 289	<b>3 144</b>	2 289
Other entities	<b>3 889</b>	7 835	<b>3 889</b>	7 882
Advances from subsidiaries	-	-	<b>4 978</b>	3 634
<b>Total Current Unsecured Interest Bearing Liabilities</b>	<b>7 033</b>	10 124	<b>12 011</b>	13 805
<b>Total Interest Bearing Liabilities</b>	<b>7 033</b>	10 124	<b>12 011</b>	13 805

The University has no assets pledged as security for interest bearing liabilities.

<b>31. Provisions</b>				
Current:				
Employee benefits:				
Annual leave	<b>1 825</b>	1 588	<b>1 693</b>	1 480
Long service leave	<b>5 245</b>	2 802	<b>5 078</b>	2 644
Deferred benefits for superannuation	<b>2 000</b>	2 100	<b>2 000</b>	2 100
Severance - Contract employees	<b>316</b>	237	<b>316</b>	237
<b>Total Employee Benefits</b>	<b>9 386</b>	6 727	<b>9 087</b>	6 461
Workers compensation	<b>735</b>	990	<b>735</b>	990
<b>Total Current Provisions</b>	<b>10 121</b>	7 717	<b>9 822</b>	7 451
Non-Current:				
Employee benefits				
Annual leave	<b>1 126</b>	845	<b>1 101</b>	845
Long service leave	<b>12 135</b>	14 254	<b>12 073</b>	14 155
Deferred benefits for superannuation	<b>25 800</b>	23 600	<b>25 800</b>	23 600
Invalidity scheme	<b>212</b>	175	<b>212</b>	175
<b>Total Employee Benefits</b>	<b>39 273</b>	38 874	<b>39 186</b>	38 775
Workers compensation	<b>1 308</b>	1 485	<b>1 308</b>	1 485
<b>Total Non-Current Provisions</b>	<b>40 581</b>	40 359	<b>40 494</b>	40 260
<b>Total Provisions</b>	<b>50 702</b>	48 076	<b>50 316</b>	47 711

31. Provisions (continued)	Consolidated		University	
	2005	2004	2005	2004
Reconciliation of employee benefits:	\$'000	\$'000	\$'000	\$'000
Current employee benefits	9 386	6 727	9 087	6 461
Non-Current employee benefits	39 273	38 874	39 186	38 775
Add: Leave on-costs (included in Note 29 Payables)	5 228	3 136	5 175	3 095
<b>Aggregate Employee Benefits</b>	<b>53 887</b>	<b>48 737</b>	<b>53 448</b>	<b>48 331</b>
Reconciliation of leave provisions:				
Annual leave	2 951	2 433	2 794	2 325
Annual leave on-costs	883	718	856	703
<b>Total Annual Leave Provision</b>	<b>3 834</b>	<b>3 151</b>	<b>3 650</b>	<b>3 028</b>
Long service leave	17 380	17 056	17 151	16 799
Long service leave on-costs	4 345	2 418	4 319	2 392
<b>Total Long Service Leave Provision</b>	<b>21 725</b>	<b>19 474</b>	<b>21 470</b>	<b>19 191</b>
<b>Total Leave Provisions</b>	<b>25 559</b>	<b>22 625</b>	<b>25 120</b>	<b>22 219</b>

**Movements in Provisions**

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Consolidated - 2005	Workers Compensation		Total
	\$'000	\$'000	
Current:			
Carrying amount at start of year	990		990
Additional provisions recognised	-		-
Unused amounts reversed	255		255
<b>Carrying Amount at End of Year</b>	<b>735</b>		<b>735</b>
Non-Current:			
Carrying amount at start of year	1 485		1 485
Additional provisions recognised	-		-
Unused amounts reversed	177		177
<b>Carrying Amount at End of Year</b>	<b>1 308</b>		<b>1 308</b>

32. Other Liabilities	Consolidated		University	
	2005	2004	2005	2004
Current:				
Income in Advance:	Note			
Fees and charges	2 782	2 043	2 782	2 043
Other	6 177	3 966	1 914	301
	8 959	6 009	4 696	2 344
Bank overdraft	-	178	-	178
Funds held on behalf of external entities	703	743	1 103	743
<b>Total Current Other Liabilities</b>	<b>9 662</b>	<b>6 930</b>	<b>5 799</b>	<b>3 265</b>
<b>Total Other Liabilities</b>	<b>9 662</b>	<b>6 930</b>	<b>5 799</b>	<b>3 265</b>
33. Statutory Funds				
Statutory funds	6 019	3 079	6 019	3 079
<b>Total Statutory Funds</b>	<b>6 019</b>	<b>3 079</b>	<b>6 019</b>	<b>3 079</b>

34. Reserves and Retained Surplus	Consolidated		University	
	2005	2004	2005	2004
(a) Reserves				
Asset revaluation reserve:				
Property, plant and equipment revaluation reserve	17 115	14 449	16 417	13 751
Held-to-maturity investments revaluation reserve	404	319	404	319
Available-for-sale investments revaluation reserve	-	-	5 518	6 494
<b>Total Asset Revaluation Reserve</b>	<b>17 519</b>	<b>14 768</b>	<b>22 339</b>	<b>20 564</b>
Capital reserve	8 582	8 582	8 582	8 582
Endowment reserve	7 867	8 881	7 867	8 881
Grant reserve	11 465	12 057	11 465	12 057
Student loan reserve	497	487	497	487
<b>Total Reserves</b>	<b>45 930</b>	<b>44 775</b>	<b>50 750</b>	<b>50 571</b>

**(a) Reserves (continued)**

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Movements:					
Property, plant and equipment revaluation reserve:					
Balance 1 January		14 449	32 446	13 751	31 744
Increment (Decrement) on revaluation of:					
Land	25	2 140	1 240	2 140	1 240
Buildings and infrastructure	25	-	(7 963)	-	(7 959)
Library	25	-	(11 743)	-	(11 743)
Aircraft	25	-	-	-	-
Artwork	25	526	469	526	469
<b>Balance 31 December</b>		<b>17 115</b>	<b>14 449</b>	<b>16 417</b>	<b>13 751</b>
Held-to-maturity investments revaluation reserve:					
Balance 1 January		319	239	319	239
Increment (Decrement) on revaluation		85	80	85	80
<b>Balance 31 December</b>		<b>404</b>	<b>319</b>	<b>404</b>	<b>319</b>
Available-for-sale investments revaluation reserve:					
Balance 1 January		-	-	6 494	4 567
Increment (Decrement) on revaluation		-	-	(93)	1 927
Realised gain in profit and loss		-	-	(883)	-
Balance 31 December		-	-	5 518	6 494

**(b) Retained Surplus**

Movements in retained surplus were as follows:					
Retained surplus at 1 January		154 892	208 623	147 311	200 396
Adjustment to opening balance	1(z)	-	(11 743)	-	(11 743)
Net operating result attributable to Parent entity		11 978	(32 587)	12 513	(31 941)
Movements in Super Scheme No. 1 surplus		(84)	181	(84)	181
Transfers (to) from statutory funds		(1 339)	(9 582)	(1 344)	(9 582)
<b>Retained Surplus at 31 December</b>		<b>165 447</b>	<b>154 892</b>	<b>158 396</b>	<b>147 311</b>

**(c) Nature and Purpose of Reserves**

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

The capital reserve is used to record funds dedicated to capital projects.

The endowment reserve is used to record the value of unspent gifts, prizes and bequests provided to the University.

The grant reserve is used to record the accumulated balance of funds restricted to grant research.

The student loan reserve is funds reserved for the purpose of providing loans to students.

**35. Minority Interest**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest in:				
Share capital	3	5	-	-
Retained surplus	12	18	-	-
<b>Total Minority Interests</b>	<b>15</b>	<b>23</b>	<b>-</b>	<b>-</b>

**36. Financial instruments**

The following is the Economic entity's accounting policies and terms and conditions for each class of financial asset, financial liability and equity instruments:

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
<b>(i) Financial Assets</b>			
Cash at Bank	1(d), 16	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits within three days	16	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term Deposits	16	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.
Government Securities (excluding Indexed Bonds)	20	Recognised at nominal amounts.	Interest accrued credited to revenue as it is earned.

**36. Financial Instruments (continued)**

<b>Recognised Financial Instruments</b>	<b>Note</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<b>(i) Financial Assets</b>			
Indexed Bonds	20	Recognised at market value.	Interest accrued credited to revenue as it is earned. Indexation factor credited to revenue as at year end.
Equities	19, 22	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Managed Funds	19	Recognised at market value.	Accrued distributions credited to revenue in June and December.
Interest in Business Undertakings	22	Recognised at fair value.	Carrying amount of investments reviewed annually to ensure that it is not in excess of the recoverable amount of these investments.
Investment Property – Mark Oliphant Building	23	Recognised at market value.	Independently valued by Edward Rushton Australia Pty Ltd as at 31 December 2004.
Receivables	17	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (ie Provision for Doubtful Debts).	Credit is allowed for a 30 day term.
<b>(ii) Financial Liabilities</b>			
Trade Creditors and Accruals	29	Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the University.	Trade Liabilities are normally settled within 30 days of statement.
Interest Bearing Liabilities	30	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short term investments.

The Economic entity's exposure to interest rate risks and the effective interest rates of financial assets and liabilities at balance date are shown below.

**Interest Rate Risk Exposure 2005**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	<b>2005 Total \$'000</b>
<b>Financial Assets:</b>									
<b>Current Assets:</b>									
Cash and cash equivalents	29 010	36 203	-	-	-	-	-	-	<b>65 213</b>
Receivables	-	-	-	-	-	-	-	12 419	<b>12 419</b>
Held-to-maturity investments	-	2 800	-	-	-	-	-	-	<b>2 800</b>
Other financial assets at fair value through profit or loss	-	-	13	-	-	-	-	16 671	<b>16 684</b>
<b>Total Current Assets</b>	<b>29 010</b>	<b>39 003</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 090</b>	<b>97 116</b>
<b>Non-Current Assets:</b>									
Receivables	-	-	-	-	-	-	-	26 444	<b>26 444</b>
Held-to-maturity investments	423	-	-	-	-	2 705	-	-	<b>3 128</b>
Investments using the equity method	-	-	-	-	-	-	-	1 117	<b>1 117</b>
Available for sale financial assets	-	-	-	-	-	-	-	3 351	<b>3 351</b>
Other financial assets	-	-	-	-	-	-	-	473	<b>473</b>
<b>Total Non-Current Assets</b>	<b>423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 705</b>	<b>-</b>	<b>31 385</b>	<b>34 513</b>
<b>Total Financial Assets</b>	<b>29 433</b>	<b>39 003</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>2 705</b>	<b>-</b>	<b>60 475</b>	<b>131 629</b>
<b>Weighted average interest rate - percent</b>									
	6.05	5.82	7.00	-	-	4.00	-	-	-

**Interest Rate Risk Exposure 2005 (continued)**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	<b>2005 Total \$'000</b>
Financial Liabilities:									
Current Liabilities:									
Payables	-	-	-	-	-	-	-	16 087	<b>16 087</b>
Interest bearing liabilities	7 033	-	-	-	-	-	-	-	<b>7 033</b>
Other liabilities	703	-	-	-	-	-	-	8 959	<b>9 662</b>
<b>Total Current Liabilities</b>	<b>7 736</b>	-	-	-	-	-	-	<b>25 046</b>	<b>32 782</b>
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	3 397	<b>3 397</b>
<b>Total Non-Current Liabilities</b>	-	-	-	-	-	-	-	<b>3 397</b>	<b>3 397</b>
<b>Total Financial Liabilities</b>	<b>7 736</b>	-	-	-	-	-	-	<b>28 443</b>	<b>36 179</b>
Weighted Average Interest rate - percent	5.56	-	-	-	-	-	-	-	-
<b>Net Financial Assets</b>	<b>21 697</b>	<b>39 003</b>	<b>13</b>	-	-	<b>2 705</b>	-	<b>32 032</b>	<b>95 450</b>

**Interest Rate Risk Exposure 2004**

	Floating interest rate \$'000	1 year or less \$'000	Over 1 to 2 Years \$'000	Over 2 to 3 Years \$'000	Over 3 to 4 Years \$'000	Over 4 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	2004 Total \$'000
Financial Assets:									
Current Assets:									
Cash and cash equivalents	16 261	36 943	-	-	-	-	-	-	53 204
Receivables	-	-	-	-	-	-	-	9 794	9 794
Held-to-maturity investments	-	3 984	-	-	-	-	-	-	3 984
Other financial assets at fair value through profit or loss	-	-	-	13	-	-	-	13 943	13 956
<b>Total Current Assets</b>	<b>16 261</b>	<b>40 927</b>	-	<b>13</b>	-	-	-	<b>23 737</b>	<b>80 938</b>
Non-Current Assets:									
Receivables	-	-	-	-	-	-	-	24 252	24 252
Held-to-maturity investments	-	-	2 300	-	-	-	2 620	-	4 920
Investments using the equity method	-	-	-	-	-	-	-	-	-
Available for sale financial assets	-	-	-	-	-	-	-	3 248	3 248
Other financial assets	-	-	-	-	-	-	-	557	557
<b>Total Non-Current Assets</b>	-	-	<b>2 300</b>	-	-	-	<b>2 620</b>	<b>28 057</b>	<b>32 977</b>
<b>Total Financial Assets</b>	<b>16 261</b>	<b>40 927</b>	<b>2 300</b>	<b>13</b>	-	-	<b>2 620</b>	<b>51 794</b>	<b>113 915</b>
Weighted average interest rate - percent	5.67	5.20	8.79	7.00	-	-	4.00	-	-
Financial Liabilities:									
Current Liabilities:									
Payables	-	-	-	-	-	-	-	11 024	11 024
Interest bearing liabilities	10 124	-	-	-	-	-	-	-	10 124
Other liabilities	743	-	-	-	-	-	-	6 187	6 930
<b>Total Current Liabilities</b>	<b>10 867</b>	-	-	-	-	-	-	<b>17 211</b>	<b>28 078</b>
Non-Current Liabilities:									
Payables	-	-	-	-	-	-	-	2 559	2 559
<b>Total Non-Current Liabilities</b>	-	-	-	-	-	-	-	<b>2 559</b>	<b>2 559</b>
<b>Total Financial Liabilities</b>	<b>10 867</b>	-	-	-	-	-	-	<b>19 770</b>	<b>30 637</b>
Weighted Average Interest rate - percent	5.36	-	-	-	-	-	-	-	-
<b>Net Financial Assets</b>	<b>5 394</b>	<b>40 927</b>	<b>2 300</b>	<b>13</b>	-	-	<b>2 620</b>	<b>32 024</b>	<b>83 278</b>

**36. Financial Instruments (continued)**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Currency risk/foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Economic entity's exposure to foreign exchange risk is limited to its investments in international equities of \$533 000 (\$501 000) and a component of its managed funds that are invested in international equities/international fixed interest.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Except for the following concentration of credit risk, the Economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Economic entity:

- Superannuation receivable from DEST of \$27.8 million (\$25.7 million).

**Net Fair Value**

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

**37. Disaggregated Information**

The University operates in the field of higher education in Australia and provides teaching and research services.

**38. Responsible Persons and Executive Officers**

**38.1 Responsible Persons**

The principal governing body of the University is its Council. All members of the University Council were appointed or elected under the provisions of *The Flinders University of South Australia Act 1966*. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

No members of Council received any remuneration from the University other than by way of salary and related benefits arising from a normal employment relationship.

**(a) Names of responsible persons:**

**Council Members in 2005**

Persons listed were all Council members for the full year unless otherwise indicated.

**Members ex-officio**

**Chancellor**

Sir Eric J Neal, AC, CVO

**Vice-Chancellor**

\*Professor Anne R Edwards

**Presiding member of the Academic Senate**

\*Professor Andrew W Parkin

**General Secretary of the Students' Association**

Jacqueline E Forte

**Members appointed by the Council**

Nicholas Begakis, AM  
 John G Branson  
 Ian A Chesterman, AM  
 Leonie J Clyne  
 Andrew V Fletcher  
 Peggy Lau Flux  
 Mary P Mitchell  
 Judith M Roberts, AO  
 Michael S Shanahan, AM  
 Ian G Yates, AM

**Member co-opted and appointed by the Council**

The Hon Dr Diana Laidlaw, AM

**Members elected by the academic staff**

\*Associate Professor Owen E Covick  
 \*Professor Lindon MH Wing, OAM

**Members elected by the general staff**

\*Hugh A Kearns  
 \*Christine A Steele

**Council Members in 2005 (continued)**

**Undergraduate student member**

Robert Simms

**Postgraduate student member**

Nigel V Palmer

**Directors of University Subsidiaries in 2005**

Persons listed were Directors for the full year unless otherwise indicated.

**Airborne Research Australia Pty Ltd (in voluntary liquidation)**

Mr Austin Taylor (Chair)

Professor John Browett

Associate Professor Jörg Hacker

Dr. Rob Lewis

Mr. David Twiss

**Flinders Bioremediation Pty Ltd**

Mr Richard Krantz (Chair)

Professor Andrew Ball (from September 2005)

Ms Denise Martin

Mr John Phillips (from September 2005)

Mr Tony Read

**Flinders Consulting Pty Ltd**

Ms Leonie Clyne (Chair)

Associate Professor Colin Carati (from October 2005)

Professor Dean Forbes

Dr Wayne Harvey (Executive Director) (to December 2005)

Mr Mark Legg (to October 2005)

Ms Sally MacDonald-Taylor

Ms Elaine Melhuish (from October 2005)

Mr Christopher Short (to June 2005)

Mr Douglas Strain

**Flinders Reproductive Medicine Pty Ltd <sup>1</sup>**

Ms Sally MacDonald-Taylor (Chair)

Ms Heather Denholm

Dr Wayne Harvey

Professor Marc Keirse

Professor John Kerin

Mr Nick Swann

Mr Michael Szwarcbord

**Flinders Technologies Pty Ltd**

Mr John Branson (Chair)

Mrs Janet Grieve

Professor Christopher Marlin

Mr Geoffrey Pitt

Dr John Turner (Managing Director)

**Flinders MediTech Pty Ltd <sup>2</sup>**

Mr John Branson (Chair)

Mrs Janet Grieve

Professor Christopher Marlin

Mr Geoffrey Pitt

Dr John Turner (Executive Director)

**MediMolecular Pty Ltd <sup>3</sup>**

Mr John Branson (Chair)

Mr Rahmon Coupe

Dr John Turner

**Re-Time Pty Ltd <sup>2</sup>**

Mr John Branson (Chair)

Mrs Janet Grieve

Professor Christopher Marlin

Mr Geoffrey Pitt

Dr John Turner (Managing Director)

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1 100 percent owned by Flinders Consulting Pty Ltd.

2 100 percent owned by Flinders Technologies Pty Ltd.

3 75 percent owned by Flinders Technologies Pty Ltd.

**Directors of University Subsidiaries in 2005 (continued)**

**Heaslip Trust**

Mr Andrew Goode (Chair)  
 Ms Barbara Fergusson  
 Mr Cesare Silvestri  
 Dr David Tye  
 Professor Lindon Wing, OAM

**Lung Health Diagnostics Pty Ltd**

Professor Christopher Marlin (Chair)

**National Institute of Labour Studies Inc**

Mr Mike Terlet, AO (Chair)  
 Ms Jan Andrews  
 Professor John Browett  
 Mr John Lesses, AM  
 Associate Professor Bill Martin  
 Professor Sue Richardson

**National Institute of Labour Studies Foundation Inc <sup>4</sup>**

Professor Judith Sloan (Chair)  
 Mr Hedley Bachmann  
 Professor John Browett  
 Mr Peter Dewhurst  
 Mr Richard Huxter  
 Mr Bruce Sheldrick

**Remuneration of Board Members**

The table comprises total remuneration that falls within the prescribed bandwidths for Board Members. Remuneration for Executive Officers who are also Directors is shown as zero in this table, with their total remuneration shown under Remuneration of Executive Officers.

	Number of Staff		Number of Staff	
	2005	2004	2005	2004
Nil	70	62	21	22
\$1 - \$9 999	6	11	-	-
\$10 000 - \$19 999	3	2	-	-
\$20 000 - \$29 999	3	3	-	-
\$30 000 - \$39 999	1	1	-	-
	<b>83</b>	<b>79</b>	<b>21</b>	<b>22</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Aggregate remuneration of Board members</b>	<b>158</b>	<b>159</b>	<b>Nil</b>	<b>Nil</b>

**38.2 Executive Officers**

**Remuneration of Executive Officers**

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated Number of Staff		University Number of Staff	
	2005	2004	2005	2004
\$100 000 - \$109 999	1	-	-	-
\$110 000 - \$119 999	1	1	1	-
\$120 000 - \$129 999	2	2	-	-
\$130 000 - \$139 999	-	1	-	1
\$160 000 - \$169 999	-	1	-	1
\$170 000 - \$179 999	1	2	1	2
\$180 000 - \$189 999	1	1	1	1
\$190 000 - \$199 999	-	1	-	1
\$200 000 - \$209 999	1	-	1	-
\$210 000 - \$219 999	-	4	-	3
\$220 000 - \$229 999	1	-	-	-
\$230 000 - \$239 999	5	-	5	-
\$350 000 - \$359 999	-	1	-	1
\$370 000 - \$379 999	1	-	1	-
	<b>14</b>	<b>14</b>	<b>10</b>	<b>10</b>
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Aggregate Remuneration of Executives</b>	<b>2 801</b>	<b>2 597</b>	<b>2 220</b>	<b>2 026</b>

<sup>4</sup> National Institute of Labour Studies Inc Subsidiary.

**Remuneration of Executive Officers (continued)**

The DEST Guidelines specify that executives are defined 'as the CEO and/or any person in a senior management position considered to be part of the University's executive group who is directly accountable and responsible for the strategic direction and operational management of the entity'.<sup>1</sup>

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax.

**38.3 Related Party Transactions**

From time to time University Council members have interests in entities with which the University conducts business. In all cases, transactions are undertaken on a normal commercial basis.

**39. Remuneration of Auditors**

	Consolidated		University	
	2005	2004	2005	2004
Auditing the financial report:	\$'000	\$'000	\$'000	\$'000
South Australian Auditor-General	197	191	197	191
Other auditors	17	16	2	2
<b>Total Remuneration for Audit Services</b>	<b>214</b>	<b>207</b>	<b>199</b>	<b>193</b>

No other services were provided by the auditors who audited the financial reports.

**40. Contingent Liabilities and Contingent Assets**

**Contingent Liabilities**

There are no material contingent liabilities.

**Contingent Assets**

There are no material contingent assets.

**41. Commitments for Expenditure**

**(a) Capital Commitments**

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated		University	
	2005	2004	2005	2004
Buildings Works:	\$'000	\$'000	\$'000	\$'000
Within one year	3 663	82	3 663	82
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>3 663</b>	<b>82</b>	<b>3 663</b>	<b>82</b>
Plant and Equipment:				
Within one year	1 578	512	1 578	512
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>1 578</b>	<b>512</b>	<b>1 578</b>	<b>512</b>
Joint Ventures:				
Within one year	5	3	-	-
Later than one year but not later than five years	-	-	-	-
Later than five years	-	-	-	-
	<b>5</b>	<b>3</b>	<b>-</b>	<b>-</b>
<b>Total Capital Commitments</b>	<b>5 246</b>	<b>597</b>	<b>5 241</b>	<b>594</b>

**(b) Lease Commitments**

*University as Lessee*

Total rents paid during the reporting period	<b>1 326</b>	873	<b>953</b>	781
----------------------------------------------	--------------	-----	------------	-----

*Commitments*

Commitments in relation to leases contracted for the reporting date but not recognised as liabilities, payable:

Within one year	456	212	456	187
Later than one year but not later than five years	817	590	817	489
Later than five years	297	282	297	-
<b>Total Lease Commitments</b>	<b>1 570</b>	<b>1 084</b>	<b>1 570</b>	<b>676</b>

*University as Lessor*

The University has various operating leases of property and equipment. Lease amounts have only been included in the above table where there is a non-cancellable commitment.

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within one year	545	364	566	468
Later than one year but not later than five years	913	496	929	534
Later than five years	-	-	-	-
<b>Total</b>	<b>1 458</b>	<b>860</b>	<b>1 495</b>	<b>1 002</b>

1 Financial Statement Guidelines for Australian Higher Education Providers for 2005 Reporting Period

**(b) Lease Commitments (continued)**

In 2000 the University purchased the Mark Oliphant building in Science Park. The University has recognised this as an investment property with a gross value of \$5.4 million (\$5.4 million). In accordance with Australian Accounting Standard AASB 140 *Investment Property*, it is not depreciated.

As at 31 December 2005, 57 percent (70 percent) of the building is leased or available for lease to entities outside the Economic entity. A further 8.9 percent (11.5 percent) is leased to entities outside the University but within the Economic entity.

The University has accommodations for 551 students available on campus that are leased on a yearly basis. As leases are not entered into until February and are completed before the end of the year, they are not included in the above figures.

The University leases a small amount of space on its main campus to commercial entities that provide services to students and staff. It also leases space to other research entities in the Port Lincoln Marine Science Centre.

**(c) Other Expenditure Commitments**

Commitments in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within one year	4 255	5 294	4 255	5 294
Later than one year but not later than five years	1 774	2 166	1 774	2 166
Later than five years	150	200	150	200
<b>Total Other Expenditure Commitments</b>	<b>6 179</b>	<b>7 660</b>	<b>6 179</b>	<b>7 660</b>

**42. Superannuation Plans**

The University contributes to the following employee superannuation funds:

**(i) UniSuper****(a) UniSuper Defined Benefit Plan or Investment Choice Plan**

UniSuper is classified as a multi-employer fund for the purposes of accounting and disclosure requirements contained in AASB 119 *Employee Benefits*.

UniSuper Management Pty Ltd administers the Scheme and UniSuper Ltd is the Trustee. As at 1 July 1998, the rules governing the fund were amended to allow employees the option to remain within the defined benefits arrangement or to convert to an accumulation fund. The University contributes at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides the option of defined benefits based on years of service and final average salary or an accumulation fund. The defined benefits scheme is fully funded. For accounting purposes the defined benefits scheme is treated as a defined contribution scheme under the multi-employer provisions of AASB 119 since UniSuper are unable to provide segregated information by university.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June 2005 there is no funding surplus or deficit which currently affects, or is expected to affect, the amount of future contributions payable by participating employers to the Defined Benefit Plan.

Historically, surplus in the Defined Benefit Plan has been used to improve members' benefits and has not affected the amount of participating employers contributions. Clause 34 of the UniSuper Trust Deed outlines the process UniSuper must take (including employer notifications and notice periods) in order to request additional contributions from employers if the UniSuper assets are considered by the Trustee to be insufficient to provide benefits payable under the deed. At least four years notice that such a request may be made is required. If such a request was agreed to by employers then members must also contribute additional contributions equal to one-half of the rate which their employer is prepared to contribute. If employers do not agree to increase contributions the Trustee must reduce benefits on a fair and equitable basis. The Trustee notified employers during 2003 that such a request may be made in the future but it considered that this was unlikely at that time.

**(b) UniSuper Award Plus Plan (formerly Tertiary Education Superannuation Scheme (TESS))**

UniSuper Management Pty Ltd administers the fund and TESS Superannuation Ltd is the Trustee. The University contributes to the fund at a rate determined by the trust deed. The Scheme is non-contributory for employees. The fund provides benefits based on the defined contributions of the University during the membership of the employee.

The University also makes contributions into the fund for employee benefits arising under the Superannuation Guarantee Legislation.

**(ii) South Australian Superannuation Scheme**

The University has 88 (90) present and former employees who are members of closed state government superannuation schemes. Under the schemes, defined benefits are paid as a lump sum or continuing pension on the termination of the employees' service, based on contributions made by the employee and the employees' final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for administering the schemes. Under current arrangements, the Board pays the benefits and is reimbursed by the University. The Commonwealth government funds the University on an emerging cost basis and recovers the State's share of the cost directly from the State government.

The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2005 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$27.8 million (\$25.7 million). The net unfunded amount has been recognised in the accounts of the University as a liability with a corresponding receivable from the Commonwealth government (see Note 17). Recognition of the receivable from the Commonwealth is in accordance with DEST Guidelines and reflects an assessment that while there is no legislated requirement, the Commonwealth has committed to fund the University's emerging costs.

Assumptions adopted by the Director Superannuation (State Superannuation Office), South Australian Department of Treasury and Finance in determining the University's liability were:

- Rate of increase in the Consumer Price Index (CPI) 2.5 percent per annum
- Rate of salary increases 4.0 percent per annum
- Investment earnings 7.5 percent per annum

These assumptions have not changed since 1999.

These rates provide for a 1.5 percent real gap between CPI and salary increases and a further 3.5 percent real gap between salary increases and investment earnings.

The liability and asset have been classified as current and non-current according to the cash flow projections of the assessment.

	University	
	2005	2004
	\$'000	\$'000
University's gross liability	29 700	27 400
Less: Funded component	1 900	1 700
<b>Unfunded Liability</b>	<b>27 800</b>	<b>25 700</b>

**(iii) Superannuation Scheme No. 1**

*Superannuation Scheme*

Prior to the inception of the Superannuation Scheme for Australian Universities – SSAU (now UniSuper) – the University operated its own schemes. Employees were given the option of transferring to UniSuper or remaining with the University's own scheme. As at 30 June 2005 there were 13 members of the Scheme (13 members). The Scheme, managed by a Board of Trustees, is similar to that of UniSuper with the University contributing, as a minimum, twice that of employees.

The administrator of the Scheme has calculated the value of members' accrued benefits at 30 June each year. As at 30 June, the financial position of the fund was:

	University	
	2005	2004
	\$'000	\$'000
Net Market Value	6 310	5 577
Less: Accrued Benefits	5 837	5 020
<b>Surplus</b>	<b>473</b>	<b>557</b>
<b>Vested Benefits</b>	<b>5 837</b>	<b>5 020</b>

The surplus of the fund is 8 percent (2004: surplus of 11 percent).

Portfolio Planning Solutions undertook the last actuarial review as at 31 December 2003, the results of which were discussed in a report dated 25 October 2004. At that time the Scheme had a surplus of \$415 000, which was 8 percent of members' accrued benefits. As a result of that review, the actuary concluded that the favourable position of the Scheme allowed the suspension of employer's contributions until 31 December 2006. The only employer contributions that were made in 2005 related to salary packaged member contributions, being \$40 000 (\$41 500).

The Scheme has both a defined benefit and an accumulation aspect with members being entitled to the higher calculated benefits of the two. Currently the accumulation fund aspect is dominant and consequently disclosure of the assumptions relevant to the defined benefit aspect is not relevant.

*Invalidity Scheme*

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. Total membership is nine (11). The Scheme was established to provide benefits to members who suffered disablement or temporary incapacity and the benefits are identical to those provided under the UniSuper defined benefit fund.

The University is directly responsible for the financial administration of the Scheme and for ensuring that the future liabilities of the Scheme are adequately funded. The University has taken out insurance to protect the majority of the risk and has set funds aside to cover the remaining risk.

The University has recognised a liability of \$212 000 (\$175 000) for the Scheme. This is equal to the estimated present value of future insurance premiums and future disablement benefits above that provided by the insurance cover, as at 31 December 2005.

**43. Related Parties**

**Responsible Persons and Specified Executives**

Disclosures relating to Council members, Directors of subsidiaries and specified executives are set out in Note 38.

**Wholly-Owned Economic Entity**

Ownership interests in subsidiaries are set out in Note 44.

**44. Subsidiaries**

Flinders University is the Parent entity or ultimate Parent entity of the following entities, all of which are incorporated in Australia. The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b):

Name of Entity	Principal Activities	Ownership Interest	
		2005 Percent	2004 Percent
Airborne Research Australia Pty Ltd (in voluntary liquidation)# *	Undertakes atmospheric research.	100	100
Flinders Bioremediation Pty Ltd#	Develop and extend commercial activities of the University in the areas of soil bioremediation, organic waste management and related technologies.	100	100
Flinders Consulting Pty Ltd	Arranges the conduct of commercial consultancies.	100	100
Flinders Reproductive Medicine Pty Ltd (subsidiary of Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service.	100	100
Flinders Technologies Pty Ltd	Commercialisation of University sourced intellectual property.	100	100
Flinders MediTech Pty Ltd (subsidiary of Flinders Technologies Pty Ltd)	Medical device company	100	75
MediMolecular Pty Ltd (subsidiary of Flinders Technologies Pty Ltd)	Biotech company.	75	75
Re-time Pty Ltd (subsidiary of Flinders Technologies Pty Ltd)	Specialist eye-wear company	100	-
Heaslip Trust**	Supports medical education activities in the School of Medicine.	NA	NA
Lung Health Diagnostics Pty Ltd#	Biotech development company.	60	60
National Institute of Labour Studies Inc (NILS Inc)	Undertakes independent research and consultancy services in labour studies.	100	100
National Institute of Labour Studies Foundation Inc (100 percent owned by NILS Inc)	Supports the activities of NILS Inc.	100	100

\* In 2005 the University substantively transferred the operations, assets and liabilities of Airborne Research Australia Pty Ltd into the University, effective from 24 August 2005. The corporate structure of ARA is in the process of being voluntarily liquidated however the distribution in specie had not occurred as at 31 December 2005.

\*\* The University does not control the Trust but it is consolidated since the University is the sole beneficiary.

# These three subsidiaries have balance dates of 30 June. All other subsidiaries balance dates coincide with that of the University.

**45. Investments in Associates**

<i>Name of Entity</i>	<i>Principal Activity</i>	Ownership Interest		Consolidated Carrying Amount		Parent Entity Carrying Amount	
		2005 Percent	2004 Percent	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Unisure Pty Ltd	Provision of workers compensation services and investment of funds set aside for workers compensation	33.3	33.3	-	-	-	-
SABRENet Ltd	Delivers high capacity broadband network services to the education and research sector	20	-	1 117	-	1 117	-

Each of the above associates is incorporated in Australia.

<i>(a) Movements in Carrying Amounts:</i>	Consolidated	
	2005 \$'000	2004 \$'000
Carrying amount at the beginning of the financial year	-	-
External share of initial funding	1 220	-
Share of profit (loss) before income tax	(103)	-
<b>Carrying Amount at the End of the Financial Year</b>	<b>1 117</b>	-
<i>(b) Share of Associate's Operating Result</i>		
Net operating result before income tax	(103)	-
<b>Net Operating Result after Income Tax</b>	<b>(103)</b>	-

*(c) Summarised Financial Information of Associates*

	Assets \$'000	Liabilities \$'000	Group's share of	
			Revenues \$'000	Profit (Loss) \$'000
<b>2005</b>				
SABRENet Ltd	1 117	-	-	(103)
	<u>1 117</u>	<u>-</u>	<u>-</u>	<u>(103)</u>
<b>2004</b>				
SABRENet Ltd	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

<i>(d) Share of Associates' Expenditure Commitments, Other than for the Supply of Inventories</i>	Consolidated	
	2005 \$'000	2004 \$'000
Capital commitments	1 296	-
Lease commitments	-	-

*(e) Contingent Liabilities of Associates*  
There are no material contingent liabilities.

The University has recorded an impairment loss of \$103 000 in respect to its investment in an associated entity, SABRENet Ltd, a not for profit company limited by guarantee. The loss is recorded in Other Expenses in the Income Statement. SABRENet Ltd has been funded to develop and operate a high capacity broadband network services to the education and research sector. The impairment loss represents the University's share of initial expenses that have not been capitalised as part of the development of the broadband network. The recoverable amount has been estimated on a value in use basis and represents the University's share of funds remaining for the development of the broadband project.

**Unisure Pty Ltd**

The University is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*, and is a shareholder along with the University of Adelaide and the University of South Australia in Unisure Pty Ltd, which manages workers compensation claims on behalf of the three institutions. Unisure Pty Ltd is the trustee of the Unisure Unit Trust, which holds the University's workers compensation liability and the associated investment funds.

All transactions for the period flow through the Unit Trust and the University's share is included in the University financial results. Consequently the investment in the Associate has not been accounted for using the equity method as per AASB 128 *Investment in Associates*. As at 31 December 2005 the Unisure Unit Trust held net assets of \$4.061 million on behalf of the University (\$2.829 million).

**Unisure Pty Ltd (continued)**

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

	University	
	2005	2004
	\$'000	\$'000
Current Assets:		
Cash	90	95
Non-Current Assets:		
Unisure managed funds	6 014	5 209
<b>Total Assets</b>	<b>6 104</b>	<b>5 304</b>
Current Liabilities:		
Workers Compensation	735	990
Non-Current Liabilities:		
Workers Compensation	1 308	1 485
<b>Total Liabilities</b>	<b>2 043</b>	<b>2 475</b>
<b>Net Assets</b>	<b>4 061</b>	<b>2 829</b>

**46. Interests in Joint Ventures**

**(a) Joint Venture Operations**

Name of Entity	Principal Activity	Output Interest	
		2005 Percent	2004 Percent
Centre for Remote Health	Provision of health education and research to remote areas.	50	50
Greater Green Triangle University Department of Rural Health	Creation of a network of excellence in health professional education, population health, research and clinical service, the Greater Green Triangle region.	50	50

The Economic entity's interest in assets employed in the above joint venture operations is detailed below. The amounts are included in the University financial reports and consolidated financial reports under their respective asset categories:

**Centre for Remote Health**

	Consolidated		University	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Current Assets:				
Receivables	490	624	490	624
Prepayments	340	-	340	-
<b>Total Current Assets</b>	<b>830</b>	<b>624</b>	<b>830</b>	<b>624</b>
Non-Current Assets:				
Property, plant and equipment	1 700	1 520	1 700	1 520
<b>Total Assets</b>	<b>2 530</b>	<b>2 144</b>	<b>2 530</b>	<b>2 144</b>
Current Liabilities:				
Payables	-	(1)	-	(1)
Annual leave	(5)	(13)	(5)	(13)
Long service leave	(2)	-	(2)	-
<b>Total Current Liabilities</b>	<b>(7)</b>	<b>(14)</b>	<b>(7)</b>	<b>(14)</b>
Non-Current Liabilities:				
Annual leave	(10)	-	(10)	-
Long service leave	(45)	(25)	(45)	(25)
<b>Total Non-Current Liabilities</b>	<b>(55)</b>	<b>(25)</b>	<b>(55)</b>	<b>(25)</b>
<b>Total Liabilities</b>	<b>(62)</b>	<b>(39)</b>	<b>(62)</b>	<b>(39)</b>
<b>Share of Assets Employed in Joint Venture</b>	<b>2 468</b>	<b>2 105</b>	<b>2 468</b>	<b>2 105</b>

**Greater Green Triangle**

Current Assets:				
Receivables	415	634	415	634
Non-Current Assets:				
Property, plant and equipment	85	93	85	93
<b>Total Assets</b>	<b>500</b>	<b>727</b>	<b>500</b>	<b>727</b>
Current Liabilities:				
Payables	-	-	-	-
Annual leave	(9)	(4)	(9)	(4)
<b>Total Current Liabilities</b>	<b>(9)</b>	<b>(4)</b>	<b>(9)</b>	<b>(4)</b>
Non-Current Liabilities:				
Annual Leave	(3)	-	(3)	-
Long service leave	(19)	(6)	(19)	(6)
<b>Total Non-Current Liabilities</b>	<b>(22)</b>	<b>(6)</b>	<b>(22)</b>	<b>(6)</b>
<b>Total Liabilities</b>	<b>(31)</b>	<b>(10)</b>	<b>(31)</b>	<b>(10)</b>
<b>Share of Assets</b>	<b>469</b>	<b>717</b>	<b>469</b>	<b>717</b>

**Joint Venture Operations (continued)**

The University's joint venture operations have no contingent liabilities as at 31 December 2005 (\$nil).

The University has collaborative arrangements in place with a number of overseas institutions for joint teaching of students. Revenue is shared between the University and collaborating institutions. The University's share of revenue and expense is included in the Income Statement.

**(b) Joint Venture Entities**

The University participates in a number of joint venture entities, however as the University's interest is not considered to be material, they have not been taken up in the accounts on an equity basis as per AASB 131 *Interest in Joint Ventures*.

Relevant disclosures are as follows:

Name of Entity	Reporting Date	Principal Activity	Ownership Interest		
			2005 Percent	2004 Percent	
<b>Co-operative Research Centres (CRC)</b>					
Co-operative Research Centre for Aboriginal Health (CRAH)	(U)	30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	16	23
Co-operative Research Centre for Bioproducts (CRC Bioproducts)	(U)	30 June	To develop commercial applications of new bioproducts and bioprocesses.	11	11
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	(U)	30 June	To provide research and postgraduate education in signal and information processing for sensors.	7	8
Co-operative Research Centre for Sustainable Aquaculture of Finfish (Aquafin CRC)	(U)	30 June	To provide research and education for the sustainable aquaculture of finfish in Australia.	6	6
<b>Other Joint Venture Entities</b>					
Australian Housing and Urban Research Institute (AHURI) – Southern Research Centre	(U)	30 June	Is a cooperative venture between five universities to carry out research into housing and related issues with emphasis on economic, social and policy aspects.	8	7
Centre for Groundwater Studies (CGS)	(U)	31 December	Is a cooperative research and education venture focused on processes affecting recharge, discharge, contamination and remediation of groundwater.	15	9
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	30 June	Offers award courses for people seeking professional careers in the arts.	-*	-*
South Australian Centre for Economic Studies (SACES)	(U)	31 December	To conduct research on economic issues for government and private sector bodies with particular application to South Australia.	50	50
South Australian Consortium for Information Technology and Telecommunications (SACITT)	(I)	31 December	To explore collaborative ITandT research and development issues.	33	33
South Australian Partnership for Advanced Computing (SAPAC)	(U)	31 December	To support and promote the use of advanced and high-performance computing and communications in South Australia.	33	33
South Australian Tertiary Admissions Centre (SATAC)	(U)	30 June	Agent for tertiary institutions in Adelaide for receiving and processing applications for admission to tertiary level courses.	25	25
The Centre for Innovation Inc (TCII)	(I)	30 June	To promote, encourage and facilitate continuing economic development	33	-
The Ethics Centre of South Australia (ECSA)	(U)	31 December	To facilitate ethics research and teaching in South Australia	33	-

(I) Incorporated  
(U) Unincorporated

\* Partner but no right to residual assets

**(b) Joint Venture Entities (continued)**

Ownership (or voting rights) interest as determined by agreement or proportion of cash and in kind contributions.

Name of Entity	Share Accumulated Funds		Expenditure Commitments <sup>1</sup>	
	2005 \$'000	2004 \$'000	2006 \$'000	2005 \$'000
Co-operative Research Centre for Aboriginal Health (CRAH)	755	712	50	50
Co-operative Research Centre for Bioproducts	23	-	-	50
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	43	113	10	20
Co-operative Research Centre for Sustainable Aquaculture Finfish (Aquafin CRC)	48	17	50	50
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	193	169	50	50
Centre for Groundwater Studies (CGS)	4	12	10	-
Helpmann Academy for the Visual and Performing Arts Inc	-	-	35	35
South Australian Centre for Economic Studies (SACES)	89	34	-	-
South Australian Consortium for Information Technology and Telecommunications (SACITT)	282	1 975	-	-
South Australian Partnership for Advanced Computing (SAPAC)	240	279	100	100
South Australian Tertiary Admissions Centre (SATAC)	334	336	228	223
The Centre for Innovation Inc (TCII)	-	-	-	-
The Ethics Centre of South Australia (ECSA)	23	-	25	-
	<b>2 034</b>	<b>3 647</b>	<b>558</b>	<b>578</b>

**(c) Other Information**

(1) *Capital Expenditure Commitments*  
No material capital expenditure commitments.

(2) *Contingent Liabilities*  
No material contingent liabilities.

(3) *After Balance Date Events*  
No material after balance date events.

**Other Business Undertakings**

Investments in business undertakings that are carried in the Financial Statements at fair value.

University Name of Entity	Principal Activities	Ownership Interest		Investment at Fair Value	
		2005 Percent	2004 Percent	2005 \$'000	2004 \$'000
AARNet Pty Ltd	Delivers high capacity internet based network services to the education and research sector.	2.6	2.6	1	1
AITEC Pty Ltd	Provides educational programmes and project management services.	9.9	9.9	22	38
Australian Orthopaedic Innovations Pty Ltd	Commercialisation of orthopaedic inventions	2.0	2.5	-	-
Australian Vice-Chancellors' Committee	Advances higher education through voluntary, cooperative and coordinated action.	2.6	2.6	-	-
GroPep Ltd	Biotechnology.	<0.1	<0.1	34	24
IDP Education Australia Ltd	Promotes Australian Universities to international students.	2.6	2.6	-	10
International Education Network Pty Ltd	Provision of Education in China.	10.0	10.0	63	62
International Education Network Consulting (Hong Kong) Ltd	Provision of Education in China.	10.0	10.0	-	-

1 Expenditure Commitments by Flinders University to Entities.

**Other Business Undertakings (continued)**

Name of Entity	Principal Activities	Ownership Interest		Investment at Fair Value	
		2005 Percent	2004 Percent	2005 \$'000	2004 \$'000
m.Net Corporation Ltd	Provision of wireless and mobile internet technology.	0.01	0.6	-	-
Monoquant Pty Ltd	Biotechnology.	7.5	7.5	-	-
Spire Innovations Pty Ltd	Handles commercialisation of CSSIP Intellectual Property.	14.3	14.3	-	-
TGR Biosciences Pty Ltd	Biotechnology development company.	7.4	7.9	-	-
WaterEd Australia Pty Ltd	Provision of international resource centre for water management	19.9	-	70	-
				<b>190</b>	<b>135</b>

The University's investment in AARNet is at cost. This shareholding is not tradeable and no dividends are paid.

**Consolidated, Other than University**

Name of Entity	Principal Activities	Ownership Interest		Investment at Fair Value	
		2005 Percent	2004 Percent	2005 \$'000	2004 \$'000
YourAmigo Pty Ltd	An enterprise search and Internet infrastructure company	14	14	2 628	2 611

**47. Economic Dependency**

The Economic entity is to a significant extent dependant on monies received pursuant to the Commonwealth Department of Education, Science and Training (DEST) operating and research grants and the Higher Education Contribution Scheme (HECS). In 2005, funding from both DEST and HECS totalled \$124.9 million (\$110.1 million) and represented 54 percent (55 percent) of revenue.

**48. Discontinuing Operations**

Neither the University nor the Economic entity had discontinuing operations.

**49. Events Occurring after the Balance Sheet Date**

There were no events that took place after reporting date that have a material impact on the financial statements of the University or the Economic entity.

However, to match increased levels of demand for teaching and research, the University is planning to expand its infrastructure by the development of an additional two major buildings. The buildings are expected to be constructed over 2006-2008. It is estimated that the building program will require an investment of around \$43 million.

**50. Reconciliation of Operating Result to Net Cash Inflow from Operating Activities**

	Note	Consolidated		University	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating result for the year		11 975	(32 586)	12 513	(31 941)
Non-Cash Items:					
Depreciation	11	10 816	11 044	10 587	10 686
Equity accounted for investment	21	-	-	(1 117)	-
Gain on transfer of subsidiary		-	-	(883)	-
Change in useful lives - library	15	-	36 077	-	36 077
Write-off capitalised research costs	28	-	270	-	-
Revaluation decrement	14	15	684	-	151
Net (gain) loss on sale of assets	9	(18)	(256)	(52)	252
Contribution of assets	8	(956)	(860)	(956)	(860)
Capitalised investment revenue		(45)	(734)	(15)	(591)
Unrealised investment gains	5	(1 803)	(1 724)	(1 392)	(1 631)
Other		(84)	34	(84)	37
<b>Total of Non-Cash Items</b>		<b>7 925</b>	<b>44 535</b>	<b>6 088</b>	<b>44 121</b>
Change in Assets and Liabilities:					
(Increase) Decrease in receivables		(4 815)	660	(4 619)	983
(Increase) Decrease in inventories		(58)	75	(61)	78
(Increase) Decrease in other assets		(2 114)	(1 426)	(993)	(1 048)
Increase (Decrease) in payables		6 156	588	5 283	266
Increase (Decrease) in provisions		2 626	4 546	2 605	4 457
Increase (Decrease) in other liabilities		2 950	2 173	2 352	574
<b>Net Cash Inflows (Outflows) from Operating Activities</b>		<b>24 645</b>	<b>18 565</b>	<b>23 168</b>	<b>17 490</b>

**50. Reconciliation of Operating Result to Net Cash Inflow from Operating Activities (continued)**

The cash and cash equivalents figures in Note 16 are reconciled to cash and cash equivalents at the end of the year in the Cash Flow Statement as follows:

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and on hand	2 297	540	1 859	132
Cash deposits at call within three days:	20 757	20 321	20 757	20 321
Term deposits maturing within 90 days	42 159	32 343	40 057	30 000
Cash and cash equivalents balance per Balance Sheet	65 213	53 204	62 673	50 453
Bank overdraft (recognised as other liability in Note 32)	-	(178)	-	(178)
<b>Balance per Cash Flow Statement</b>	<b>65 213</b>	<b>53 026</b>	<b>62 673</b>	<b>50 275</b>

**Financing Facilities**

Flinders University has the following arrangements with the ANZ Bank:

Overdraft facility <sup>(1)</sup>	500	500	500	500
Amount used <sup>(2)</sup>	-	-	-	-
<b>Unused Overdraft Facility</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>
Visa credit cards facility <sup>(3)</sup>	2 323	2 666	2 273	2 616
Amount used	(316)	(251)	(313)	(248)
<b>Unused Credit Cards Facility</b>	<b>2 007</b>	<b>2 415</b>	<b>1 960</b>	<b>2 368</b>

- (1) Facility is secured by a Charge over Term Deposit \$500 000.
- (2) Whilst the University shows a bank overdraft in Note 32 for 2004, actual funds held in the bank account were positive. The difference was due to unrepresented cheques. There is no bank overdraft in 2005.
- (3) The Credit Cards facility is unsecured.

**Cash Balances not Available for Use**

All cash balances are available for use (2004: all available).

**Tax Status**

The activities of the University are exempt from income tax as are all but one of its wholly owned controlled entities. Flinders Reproductive Medicine, operating through the Flinders ART Clinic Trust is subject to income tax but fully distributes all net earnings, so no tax is payable.

**51. Non-Cash Financing and Investing Activities**

During the reporting period the University acquired works of art and library materials with an aggregate fair value of \$956 000 (\$860 000) by means of donations. These acquisitions are not reflected in the Cash Flow Statement.

**52. Assets and Liabilities of Trusts for which the University is Trustee**

The University is the trustee of the following trusts:

Trust Name	Purpose
ADS Students	Payment of stipends to AUSAid students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

**ADS Students Trust Assets and Liabilities**

	Consolidated		University	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current Assets:				
Cash at bank	521	178	521	178
<b>Total Current Assets</b>	<b>521</b>	<b>178</b>	<b>521</b>	<b>178</b>
Non-Current Assets:				
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>521</b>	<b>178</b>	<b>521</b>	<b>178</b>
Current Liabilities:				
Payables	412	67	412	67
<b>Total Current Liabilities</b>	<b>412</b>	<b>67</b>	<b>412</b>	<b>67</b>
Non-Current Liabilities:				
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>412</b>	<b>67</b>	<b>412</b>	<b>67</b>
<b>Net Assets</b>	<b>109</b>	<b>111</b>	<b>109</b>	<b>111</b>

The funds held in trust for AUSAid are not included in the University's Income Statement and Balance Sheet.

**Sir Ewen Waterman Trust**

The amount held in trust for Sir Ewen Waterman is immaterial.

**Flinders ART Clinic Trust**

A subsidiary of the University, Flinders Reproductive Medicine Pty Ltd is the trustee of the Flinders ART Clinic Trust. The assets and liabilities of the trust are brought to account in the Economic entity's Income Statement and Balance Sheet.

**53. Explanation of Transition to Australian Equivalents to IFRS**

**(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)**

(a) At the date of transition to AIFRS: 1 January 2004

	Consolidated			University		
	Effect of			Effect of		
	transition	AIFRS	Previous	transition	AIFRS	
	to AIFRS	Adjusted	AGAAP	to AIFRS	Adjusted	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS:</b>						
Current Assets:						
Cash and cash equivalents	37 157	40 589	3 432	33 891	36 988	
Receivables	-	11 592	11 592	-	10 945	
Inventories	-	375	375	-	375	
Held-to-maturity investments	-	-	-	-	-	
Other financial assets at fair value through profit or loss	11 408	11 408	-	10 505	10 505	
Other financial assets	(37 157)	-	37 157	(33 891)	-	
Other non-financial assets	-	2 143	2 143	-	3 413	
<b>Total Current Assets</b>	<b>11 408</b>	<b>66 107</b>	<b>54 699</b>	<b>10 505</b>	<b>62 226</b>	
Non-Current Assets:						
Receivables	-	23 114	23 114	-	23 114	
Available-for-sale financial assets	3 072	3 072	-	6 796	6 796	
Held-to-maturity investments	8 676	8 676	-	8 171	8 171	
Investment Property	5 115	5 115	-	5 115	5 115	
Other financial assets	(27 908)	350	28 258	(30 962)	376	
Property, plant and equipment	-	214 158	214 158	-	210 658	
Intangible assets	679	679	-	-	-	
Other non-financial assets	(1 420)	-	1 420	-	-	
<b>Total Non-Current Assets</b>	<b>(11 786)</b>	<b>255 164</b>	<b>266 950</b>	<b>(10 880)</b>	<b>254 230</b>	
<b>Total Assets</b>	<b>(378)</b>	<b>321 271</b>	<b>321 649</b>	<b>(375)</b>	<b>316 456</b>	
<b>LIABILITIES:</b>						
Current Liabilities:						
Payables	(81)	11 228	11 309	(81)	10 956	
Interest bearing liabilities	-	7 498	7 498	-	9 169	
Provisions	(1 164)	6 551	7 715	(1 164)	6 344	
Other	-	4 488	4 488	-	2 421	
<b>Total Current Liabilities</b>	<b>(1 245)</b>	<b>29 765</b>	<b>31 010</b>	<b>(1 245)</b>	<b>28 890</b>	
Non-Current Liabilities:						
Payables	256	1 497	1 241	256	1 489	
Interest bearing liabilities	-	597	597	-	597	
Provisions	885	36 992	36 107	885	36 923	
<b>Total Non-Current Liabilities</b>	<b>1 141</b>	<b>39 086</b>	<b>37 945</b>	<b>1 141</b>	<b>39 009</b>	
<b>Total Liabilities</b>	<b>(104)</b>	<b>68 851</b>	<b>68 955</b>	<b>(104)</b>	<b>67 899</b>	
<b>NET ASSETS</b>	<b>(274)</b>	<b>252 420</b>	<b>252 694</b>	<b>(271)</b>	<b>248 557</b>	
<b>EQUITY:</b>						
Parent entity interest:						
Statutory funds	(13 945)	9 559	23 504	(11 893)	11 611	
Reserves	13 132	34 216	21 084	10 166	36 550	
Retained surplus	539	208 623	208 084	1 456	200 396	
Parent entity interest	(274)	252 398	252 672	(271)	248 557	
Minority interest	-	22	22	-	-	
<b>TOTAL EQUITY</b>	<b>(274)</b>	<b>252 420</b>	<b>252 694</b>	<b>(271)</b>	<b>248 557</b>	

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004

	Consolidated			University		
	Effect of			Effect of		
	transition	AIFRS	Previous	transition	AIFRS	
	to AIFRS	Adjusted	AGAAP	to AIFRS	Adjusted	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS:</b>						
Current Assets:						
Cash and cash equivalents	52 665	53 204	539	50 322	50 453	
Receivables	-	9 794	9 794	1	8 825	
Inventories	-	300	300	-	297	
Held-to-maturity investments	3 984	3 984	-	3 984	3 984	
Other financial assets at fair value through profit or loss	13 956	13 956	-	12 289	12 289	
Other financial assets	(56 648)	-	56 648	(54 305)	-	
Other non-financial assets	-	3 198	3 198	-	3 268	
<b>Total Current Assets</b>	<b>13 957</b>	<b>84 436</b>	<b>70 479</b>	<b>12 291</b>	<b>79 116</b>	

(b) At the end of the last reporting period under previous AGAAP: 31 December 2004 (continued)

	Previous AGAAP \$'000	Consolidated Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	University Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
<b>Non-Current Assets:</b>						
Receivables	24 252	-	24 252	24 252	-	24 252
Held-to-maturity investments	-	4 920	4 920	-	4 920	4 920
Available-for-sale financial assets	-	3 248	3 248	-	8 733	8 733
Investment Property	-	5 400	5 400	-	5 400	5 400
Other financial assets	27 524	(26 967)	557	32 352	(31 795)	557
Property, plant and equipment	157 621	-	157 621	155 492	-	155 492
Intangible assets	-	796	796	-	-	-
Other non-financial assets	1 806	(1 806)	-	-	-	-
<b>Total Non-Current Assets</b>	<b>211 203</b>	<b>(14 409)</b>	<b>196 794</b>	<b>212 096</b>	<b>(12 742)</b>	<b>199 354</b>
<b>Total Assets</b>	<b>281 682</b>	<b>(452)</b>	<b>281 230</b>	<b>278 921</b>	<b>(451)</b>	<b>278 470</b>
<b>LIABILITIES:</b>						
<b>Current Liabilities:</b>						
Payables	11 109	(86)	11 023	10 521	(86)	10 435
Interest bearing liabilities	10 124	-	10 124	13 805	-	13 805
Provisions	8 928	(1 210)	7 718	8 662	(1 210)	7 452
Other	6 931	-	6 931	3 265	-	3 265
<b>Total Current Liabilities</b>	<b>37 092</b>	<b>(1 296)</b>	<b>35 976</b>	<b>36 253</b>	<b>(1 296)</b>	<b>34 957</b>
<b>Non-Current Liabilities:</b>						
Payables	2 029	275	2 304	2 015	275	2 290
Provisions	39 514	845	40 359	39 415	845	40 260
<b>Total Non-Current Liabilities</b>	<b>41 543</b>	<b>1 120</b>	<b>42 663</b>	<b>41 430</b>	<b>1 120</b>	<b>42 550</b>
<b>Total Liabilities</b>	<b>78 635</b>	<b>(176)</b>	<b>78 459</b>	<b>77 683</b>	<b>(176)</b>	<b>77 507</b>
<b>NET ASSETS</b>	<b>203 047</b>	<b>(276)</b>	<b>202 771</b>	<b>201 238</b>	<b>(275)</b>	<b>200 963</b>
<b>EQUITY:</b>						
Parent entity interest:						
Statutory funds	33 086	(30 007)	3 079	33 086	(30 007)	3 079
Reserves	17 280	27 496	44 776	24 182	26 390	50 572
Retained surplus	152 658	2 235	154 893	143 970	3 342	147 312
Parent entity interest	203 024	(276)	202 748	201 238	(275)	200 963
Minority interest	23	-	23	-	-	-
<b>TOTAL EQUITY</b>	<b>203 047</b>	<b>(276)</b>	<b>202 771</b>	<b>201 238</b>	<b>(275)</b>	<b>200 963</b>

**(2) Reconciliation of Profit for the year ended 31 December 2004**

	Previous AGAAP \$'000	Consolidated Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	University Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
<b>REVENUE FROM CONTINUING OPERATIONS:</b>						
Australian Government financial assistance:						
Australian Government grants	95 534	-	95 534	95 499	-	95 499
HECS-HELP - Australian Government payments	30 343	-	30 343	30 343	-	30 343
FEE-HELP	1 725	-	1 725	1 725	-	1 725
State and local Government financial assistance	8 014	-	8 014	8 014	-	8 014
HECS-HELP - Student Contributions	5 312	-	5 312	5 312	-	5 312
Superannuation - deferred government contributions	700	-	700	700	-	700
Fees and charges	28 534	-	28 534	27 532	-	27 532
Investment income	4 868	1 724	6 592	4 579	1 631	6 210
Royalties, trademarks and licences	2 322	-	2 322	2 447	-	2 447
Consultancy and contract research	8 051	-	8 051	3 935	-	3 935
Other revenue	15 680	(4 541)	11 139	11 976	(858)	11 118
Other income	-	256	256	-	-	-
<b>Total Revenue from Continuing Operations</b>	<b>201 083</b>	<b>(2 561)</b>	<b>198 522</b>	<b>192 062</b>	<b>773</b>	<b>192 835</b>

**(2) Reconciliation of Profit for the year ended 31 December 2004 (continued)**

	Previous AGAAP \$'000	Consolidated Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000	Previous AGAAP \$'000	University Effect of transition to AIFRS \$'000	AIFRS Adjusted \$'000
<b>EXPENSES FROM CONTINUING OPERATIONS</b>						
Employee benefits and on-costs	127 385	(772)	126 613	124 603	(773)	123 830
Depreciation and amortisation	47 122	-	47 122	46 764	-	46 764
Repairs and maintenance	8 776	-	8 776	8 699	-	8 699
Bad and doubtful debts	(424)	-	(424)	(295)	-	(295)
Superannuation - deferred government contributions	-	700	700	-	700	700
Other expenses	52 323	(4 002)	48 321	45 936	(859)	45 077
<b>Total Expenses from Continuing Operations</b>	<b>235 182</b>	<b>(4 074)</b>	<b>231 108</b>	<b>225 707</b>	<b>(932)</b>	<b>224 775</b>
Operating result from continuing operations	(34 099)	1 513	(32 586)	(33 645)	1 705	(31 940)
Operating result from discontinued operations	-	-	-	-	-	-
<b>Net Operating Result for the Year</b>	<b>(34 099)</b>	<b>1 513</b>	<b>(32 586)</b>	<b>(33 645)</b>	<b>1 705</b>	<b>(31 940)</b>
<b>Net Operating Result attributable to Minority Interest</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result attributable to the University</b>	<b>(34 100)</b>	<b>1 513</b>	<b>(32 587)</b>	<b>(33 645)</b>	<b>1 705</b>	<b>(31 940)</b>

**(3) Reconciliation of Cash Flow Statement for the Year ended 31 December 2004**

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement other than expanded definition of cash to include cash equivalents.

**(4) Notes to the Reconciliations**

(a) *Investment Property*

Investment property was revalued upwards by \$285 000 in 2004. This has been taken through the 2004 operating result. There was no revaluation of investment property in 2005.

(b) *Impairment*

There were no impairment adjustments that arose on the transition to AIFRS.

(c) *Retirement Benefit Obligations*

Superannuation Scheme No. 1 - in both 2004 and 2005 the movement in surplus is brought direct to equity in accordance with the revised AASB 119 *Employee Benefits* which is applicable from 1 January 2006 but the University has elected to early adopt. Under AGAAP the scheme surplus was not reflected in the financial statements.

(d) *Financial Instruments*

The only impact has been to reclassify into new categories as required under AASB 139 *Financial Instruments: Recognition and Measurement*. In particular, assets now recognised as 'available-for-sale' or as 'financial assets at fair value through profit and loss' were previously classified as 'other financial assets'. The financial instruments remain at fair value.

(e) *Correction of Error made under Previous AGAAP*

Nil

(f) *Retained Earnings*

The effect on retained earnings of the changes set out above are as follows:

	1 January 2004		31 December 2004	
	Consoli- dated \$'000	University \$'000	Consoli- dated \$'000	University \$'000
Annual Leave discounted	105	105	177	177
Superannuation Scheme No. 1 surplus	376	376	557	557
Project costs carried forward - Research costs	(741)	-	(1 010)	-
Investments at fair value through the profit or loss	8 661	8 660	3 500	4 202
	<b>8 401</b>	<b>9 141</b>	<b>3 224</b>	<b>4 936</b>

**54. Entity Information**

Flinders University is a body corporate established by an Act of the South Australian Parliament, *The Flinders University of South Australia Act 1966*. It is domiciled in Australia and its address is Sturt Road, Bedford Park, South Australia, 5042. The University's Australian Business Number (ABN) is 65 542 596 200.

**55. Acquittal of Australian Government Financial Assistance**

**55.1 DEST - CGS and Other DEST Grants**

		University Only			
		Commonwealth Grants Scheme <sup>1</sup>		Indigenous Support Fund	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)	Note	<b>59 918</b>	45 498	<b>376</b>	350
Net accrual adjustments		<b>41</b>	(440)	-	-
Revenue for the period	2(a)	<b>59 959</b>	45 058	<b>376</b>	350
Surplus (Deficit) from the previous year		<b>190</b>	4 271	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>60 149</b>	49 329	<b>376</b>	350
Less: Expenses including accrued expenses		<b>(60 149)</b>	(49 139)	<b>(376)</b>	(350)
<b>Surplus (Deficit) for Reporting Period</b>		-	190	-	-

		University Only			
		Equity Programmes <sup>2</sup>		Workplace Reform Programme	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>332</b>	122	<b>811</b>	1 552
Net accrual adjustments		-	-	-	-
Revenue for the period	2(a)	<b>332</b>	122	<b>811</b>	1 552
Surplus (Deficit) from the previous year		-	-	<b>2 398</b>	2 228
<b>Total Revenue Including Accrued Revenue</b>		<b>332</b>	122	<b>3 209</b>	3 780
Less: Expenses including accrued expenses		<b>(319)</b>	(122)	<b>(3 209)</b>	(1 382)
<b>Surplus (Deficit) for Reporting Period</b>		<b>13</b>	-	-	2 398

		University Only			
		Capital Development Pool		Superannuation Programme	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>825</b>	1 955	<b>946</b>	974
Net accrual adjustments		-	-	<b>(71)</b>	266
Revenue for the period	2(a)	<b>825</b>	1 955	<b>875</b>	1 240
Surplus (Deficit) from the previous year		<b>3 639</b>	1 820	-	142
<b>Total Revenue Including Accrued Revenue</b>		<b>4 464</b>	3 775	<b>875</b>	1 382
Less: Expenses including accrued expenses		<b>(1 370)</b>	(136)	<b>(875)</b>	(1 382)
<b>Surplus (Deficit) for Reporting Period</b>		<b>3 094</b>	3 639	-	-

		University Only Total	
		2005	2004
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>63 208</b>	50 452
Net accrual adjustments		<b>(30)</b>	(175)
Revenue for the period	2(a)	<b>63 178</b>	50 277
Surplus (Deficit) from the previous year		<b>6 227</b>	8 461
<b>Total Revenue Including Accrued Revenue</b>		<b>69 405</b>	58 738
Less: Expenses including accrued expenses		<b>(66 298)</b>	(52 511)
<b>Surplus (Deficit) for Reporting Period</b>		<b>3 107</b>	6 227

**55.2 Higher Education Loan Programmes**

		University Only			
		HECS-HELP Australian Government Payments Only)		FEE-HELP <sup>3</sup>	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>31 697</b>	30 218	<b>2 084</b>	1 902
Net accrual adjustments		<b>(1 294)</b>	125	<b>214</b>	(177)
Revenue for the period	2(b)	<b>30 403</b>	30 343	<b>2 298</b>	1 725
Surplus (Deficit) from the previous year		-	2 611	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>30 403</b>	32 954	<b>2 298</b>	1 725
Less: Expenses including accrued expenses		<b>(30 403)</b>	(32 954)	<b>(2 298)</b>	(1 725)
<b>Surplus (Deficit) for Reporting Period</b>		-	-	-	-

1 Includes the basic CGS grant amount, CGS-Regional Loading, CGS-Enabling Loading and Teaching Hospitals.

2 Includes Higher Education Equity Programme and Students with Disabilities Programme.

3 For 2004 FEE-HELP figures will equal PELS and BOTPLS amounts.

**55.2 Higher Education Loan Programmes (continued)**

		University Only Total	
		2005	2004
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)	Note	<b>33 781</b>	32 120
Net accrual adjustments		<b>(1 080)</b>	(52)
Revenue for the period	2(b)	<b>32 701</b>	32 068
Surplus (Deficit) from the previous year		-	2 611
<b>Total Revenue Including Accrued Revenue</b>		<b>32 701</b>	34 679
Less: Expenses including accrued expenses		<b>(32 701)</b>	(34 679)
<b>Surplus (Deficit) for Reporting Period</b>		-	-

**55.3 Scholarships**

		University Only			
		Australian Postgraduate Awards		International Postgraduate Research Scholarships	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>1 714</b>	1 820	<b>228</b>	327
Net accrual adjustments		-	-	<b>63</b>	(19)
Revenue for the period	2(c)	<b>1 714</b>	1 820	<b>291</b>	308
Surplus (Deficit) from the previous year		<b>133</b>	140	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>1 847</b>	1 960	<b>291</b>	308
Less: Expenses including accrued expenses		<b>(1 814)</b>	(1 827)	<b>(291)</b>	(308)
<b>Surplus (Deficit) for Reporting Period</b>		<b>33</b>	133	-	-

		University Only			
		Commonwealth Education Cost Scholarships		Commonwealth Accommodation Scholarships	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>281</b>	88	<b>530</b>	232
Net accrual adjustments		-	-	-	-
Revenue for the period	2(c)	<b>281</b>	88	<b>530</b>	232
Surplus (Deficit) from the previous year		<b>4</b>	-	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>285</b>	88	<b>530</b>	232
Less: Expenses including accrued expenses		<b>(255)</b>	(84)	<b>(455)</b>	(232)
<b>Surplus (Deficit) for Reporting Period</b>		<b>30</b>	4	<b>75</b>	-

		University Only Total	
		2005	2004
		\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>2 753</b>	2 467
Net accrual adjustments		<b>63</b>	(19)
Revenue for the period	2(c)	<b>2 816</b>	2 448
Surplus (Deficit) from the previous year		<b>137</b>	140
<b>Total Revenue Including Accrued Revenue</b>		<b>2 953</b>	2 588
Less: Expenses including accrued expenses		<b>(2 815)</b>	(2 451)
<b>Surplus (Deficit) for Reporting Period</b>		<b>138</b>	137

**55.4 DEST Research**

		University Only			
		Institutional Grants Scheme		Research Training Scheme	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		<b>6 574</b>	6 236	<b>11 093</b>	10 377
Net accrual adjustments		-	-	-	208
Revenue taken up as a liability		-	-	-	-
Revenue for the period	2(d)	<b>6 574</b>	6 236	<b>11 093</b>	10 585
Surplus (Deficit) from the previous year		<b>1 571</b>	1 317	-	902
Plus: Funds held as a liability		-	-	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>8 145</b>	7 553	<b>11 093</b>	11 487
Less: Expenses including accrued expenses		<b>(7 155)</b>	(5 982)	<b>(10 940)</b>	(11 487)
<b>Surplus (Deficit) for Reporting Period</b>		<b>990</b>	1 571	<b>153</b>	-

**55.4 DEST Research (continued)**

		University Only			
		Systematic Infrastructure Initiative		Research Infrastructure Block Grants	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)	Note	750	-	3 064	3 203
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability <sup>1</sup>		(750)	-	-	-
Revenue for the period	2(d)	-	-	3 064	3 203
Surplus (Deficit) from the previous year		3 800	3 800	1 012	1 231
Plus: Funds held as a liability		750	-	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>4 550</b>	<b>3 800</b>	<b>4 076</b>	<b>4 434</b>
Less: Expenses including accrued expenses		(465)	-	(3 070)	(3 422)
<b>Surplus (Deficit) for Reporting Period</b>		<b>4 085</b>	<b>3 800</b>	<b>1 006</b>	<b>1 012</b>

		University Only Total			
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		21 481	19 816	-	208
Net accrual adjustments		-	-	-	-
Revenue taken up as a liability		(750)	-	-	-
Revenue for the period	2(d)	20 731	20 024	-	-
Surplus (Deficit) from the previous year		6 383	7 250	-	-
Plus: Funds held as a liability		750	-	-	-
<b>Total Revenue Including Accrued Revenue</b>		<b>27 864</b>	<b>27 274</b>	<b>(21 630)</b>	<b>(20 891)</b>
Less: Expenses including accrued expenses		(21 630)	(20 891)	-	-
<b>Surplus (Deficit) for Reporting Period</b>		<b>6 234</b>	<b>6 383</b>	<b>-</b>	<b>-</b>

**55.5 Australian Research Council Grants***(a) Discovery*

		University Only			
		Projects		Fellowships	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		2 069	1 903	-	8
Net accrual adjustments		-	-	-	-
Revenue for the period	2(e)(i)	2 069	1 903	-	8
Surplus (Deficit) from the previous year		744	548	-	4
<b>Total Revenue Including Accrued Revenue</b>		<b>2 813</b>	<b>2 451</b>	<b>-</b>	<b>12</b>
Less: Expenses including accrued expenses		(2 188)	(1 707)	-	(12)
<b>Surplus (Deficit) for Reporting Period</b>		<b>625</b>	<b>744</b>	<b>-</b>	<b>-</b>

		University Only			
		Indigenous Researchers Development		Total	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		63	31	2 132	1 942
Net accrual adjustments		-	-	-	-
Revenue for the period	2(e)(i)	63	31	2 132	1 942
Surplus (Deficit) from the previous year		10	29	754	581
<b>Total Revenue Including Accrued Revenue</b>		<b>73</b>	<b>60</b>	<b>2 886</b>	<b>2 523</b>
Less: Expenses including accrued expenses		(28)	(50)	(2 216)	(1 769)
<b>Surplus (Deficit) for Reporting Period</b>		<b>45</b>	<b>10</b>	<b>670</b>	<b>754</b>

*(b) Linkages*

		University Only			
		Special Research Initiatives		Infrastructure	
		2005	2004	2005	2004
		\$'000	\$'000	\$'000	\$'000
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		-	80	1 196	157
Net accrual adjustments		25	-	-	-
Revenue for the period	2(e)(ii)	25	80	1 196	157
Surplus (Deficit) from the previous year		39	-	103	122
<b>Total Revenue Including Accrued Revenue</b>		<b>64</b>	<b>80</b>	<b>1 299</b>	<b>279</b>
Less: Expenses including accrued expenses		(11)	(41)	(907)	(176)
<b>Surplus (Deficit) for Reporting Period</b>		<b>53</b>	<b>39</b>	<b>392</b>	<b>103</b>

<sup>1</sup> Funds received from DEST were held by the University on behalf of others. As a result they are not revenue under Australian Accounting Standards. As they need to be acquitted under DEST funding requirements, they are shown as funds available for expenditure.

(b) Linkages (continued)

	Note	University Only			
		International	2004	2005	Projects
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net accrual adjustments		26	35	944	766
Revenue for the period	2(e)(ii)	-	-	-	-
Surplus (Deficit) from the previous year		4	4	563	595
<b>Total Revenue Including Accrued Revenue</b>		<b>30</b>	<b>39</b>	<b>1 507</b>	<b>1 361</b>
Less: Expenses including accrued expenses		(13)	(35)	(949)	(798)
<b>Surplus (Deficit) for Reporting Period</b>		<b>17</b>	<b>4</b>	<b>558</b>	<b>563</b>

	Note	University Only	
		2005	2004
Financial assistance received in CASH during the reporting period (total cash received from the Australian Government for the programmes)		2005 \$'000	2004 \$'000
Net accrual adjustments		2 166	1 038
Revenue for the period	2(e)(ii)	25	-
Surplus (Deficit) from the previous year		2 191	1 038
<b>Total Revenue Including Accrued Revenue</b>		<b>709</b>	<b>721</b>
Less: Expenses including accrued expenses		(1 880)	(1 050)
<b>Surplus (Deficit) for Reporting Period</b>		<b>1 020</b>	<b>709</b>

# DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department is established as an Administrative Unit pursuant to the *Public Sector Management Act 1995*.

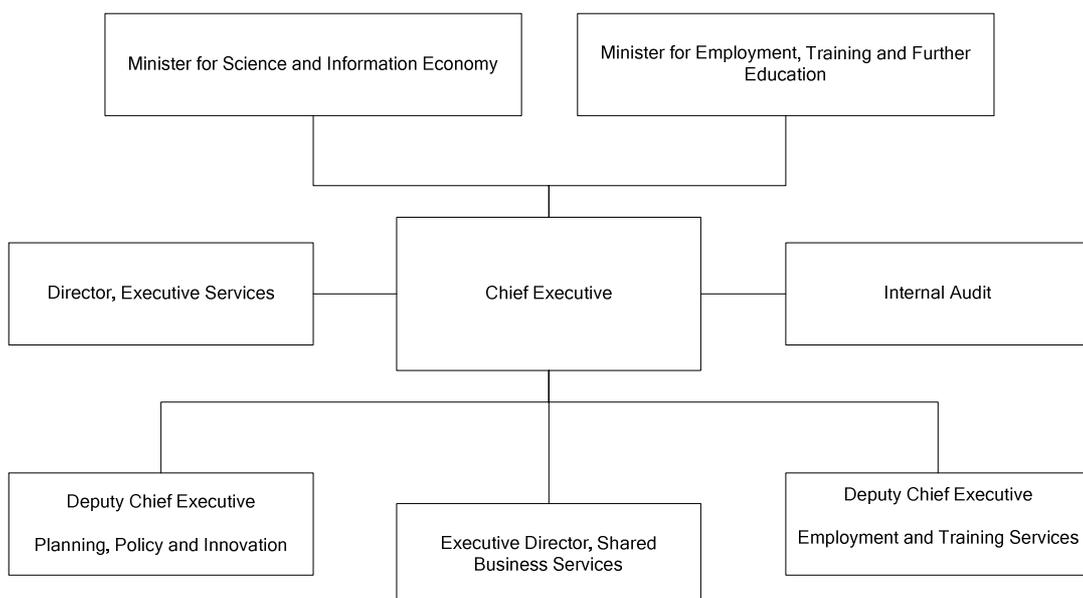
### Functions

The functions of the Department include:

- providing vocational education and training by TAFE institutes and other providers outside the schooling sector, including publicly funded adult community education (ACE);
- providing employment development programs to assist individuals into employment, particularly those who are disadvantaged;
- providing regulatory services through the provision of registration, accreditation and approval for registered training organisations, and the regulation of apprenticeships and traineeships;
- managing the State's interface with industry and commerce on training matters;
- providing advice to the Government on policy and planning in higher education;
- developing the State's research capacity and infrastructure involving both higher education and industry;
- providing the Government's principal focus for science, technology and innovation policy development and program delivery in South Australia that links the Government, business, industry and education sectors.

### Structure

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



## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

#### ***Audit of the Financial Report***

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department of Further Education, Employment, Science and Technology 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 of Further Education, Employment, Science and Technology 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 2005-06, specific areas of audit attention included:

- risk management;
- financial management reporting;
- financial management framework;
- expenditure, including accounts payable and payroll;
- revenue, including bank reconciliations;
- general ledger;
- non-current assets;
- liabilities, including provisions.

Audit emphasis was directed to the audit of Central Office and certain operations of the TAFE SA Regional Institute.

A review was also undertaken of the Employment Program 'Regions at Work'.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the *Public Finance and Audit Act 1987*, applicable Accounting Standards, and other mandatory professional reporting requirements in Australia, the financial position of the Department of Further Education, Employment, Science and Technology as at 30 June 2006, the results of its operations and cash flows for the year then ended.

#### ***Assessment of Controls***

In my opinion, the controls exercised by the Department of Further Education, Employment, Science and Technology 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: financial management reporting, Financial Management Framework, risk management, bank reconciliation, payroll and capital works as outlined under 'Audit Communications with Management', are sufficient to provide reasonable assurance that the financial transactions of the Department of Further Education, Employment, Science and Technology have been conducted properly and in accordance with law.

### **Audit Communications with Management**

Matters arising during the course of the audit were detailed in management letters to the Chief Executive. Responses to the management letters were considered to be satisfactory. Major matters raised with the Department and the related responses, where applicable, are considered herein.

### **Employment Program – 'Regions at Work'**

'Regions at Work' assists regional organisations and networks to identify their training and employment needs and to address them in ways appropriate to each region. It assists people to acquire skills and move into jobs.

During 2005-06, funding of \$7.6 million has been provided to 17 regions to benefit approximately 200 projects.

A review of the program was undertaken with specific focus on the assessment of applications, the allocation of funds and the evaluation, by the Department, of projects to determine whether objectives have been achieved. A number of issues, arising from the review, were brought to the attention of the Department, namely:

- Audit recommended that a review be undertaken to establish whether the funding allocation process provides the maximum value for the funds expended;
- the first grant payment of 70 percent of the total grant is made to the regions within 14 days of the Funding Deed being signed. The Deeds are normally signed in August, but the majority of projects do not commence until October. Audit suggested that it may be more appropriate to withhold funds until projects are committed;
- the need to ensure that program audits are conducted at the end of each financial year.

The response from the Department advised that:

- following the findings of the evaluation which is assessing the effectiveness, efficiency and appropriateness of the program in achieving outcomes for the target groups, an assessment will be made on the appropriateness of the funding allocation process;
- all regions will be supported to commence projects as soon as possible following Ministerial approval of their plans and the signing of Funding Deeds;
- program audits will continue to be conducted at the end of each financial year.

### **Financial Management Reporting**

Although a financial management report is prepared each month for executive review, Audit noted that the report is prepared on a cash basis and therefore excludes accrual adjustments which may be important in determining whether internal financial performance targets have been achieved. In addition, comments in the report in relation to variations are brief in some instances and lack sufficient explanation for the variation.

The Department has advised that significant changes have been made regarding financial management reporting. Monthly reporting now operates on an accrual basis and further improvements are planned for 2006-07.

### **Financial Management Framework**

The Department had instigated a process to develop policies and procedures that would ensure compliance with the Financial Management Framework. A number of policies and procedures had been completed and promulgated but a number of others had not been completed eg revenue, expenditure and assets and liabilities.

The Department has advised that policies had been made developed and promulgated for expenditure and the outstanding issues will be completed in early 2006-07.

### **Risk Management**

A Risk Management Framework has been completed but at the time of the audit it was being reviewed and updated to reflect the Department's recently released Strategic Plan. It was noted that some risk assessments had been undertaken and a risk register had been completed but the process was not yet complete.

The Department has advised that it has completed an extensive review of its Risk Management Framework. As a result, it is intended to establish an Audit and Risk Management Committee to advise the Chief Executive on a range of internal controls and risk processes. A software package for the identification, monitoring and reporting of Departmental risk is being developed and risk management training sessions will commence in the early part of 2006-07.

### **Bank Reconciliation**

At the date of the audit review, the bank reconciliation for the Central Office Operating Account had not been completed, the main issue being the determination of the value of unrepresented cheques.

Audit has verified the reconciliation as part of the process of verifying the financial statements as at 30 June 2006.

### **Payroll**

In relation to Central Office functions, the audit revealed that a register had not been maintained for the management and control of bona fide certificates. Furthermore, bona fide certificates with notations requiring amendments to be made were not being returned to Payroll Services for action. Audit also advised that some important data on the certificate was not required to be certified by managers.

In relation to the Regional Institute, Audit noted that bona fide certificates had not been distributed during the year to work group managers.

The Department does not have in place an adequate control to ensure that all leave taken is recorded.

The response from the Department stated that a bona fide register has been developed and implemented. Action has been taken to ensure that bona fide certificates will be distributed, those requiring corrective action will be forwarded to Payroll Services and all data on the certificate will be certified.

All managers will have access to leave reports to certify that all leave taken has been recorded.

### **Capital Works**

Audit noted several projects where the level of expenditure was in excess of the Chief Executive's financial delegation and required the approval of the Minister. That approval had not been obtained.

In relation to one project, the contract was signed by the Minister after the contracted party had provided a range of services and had been paid for that service. In this case, it was Audit's view that the Department was potentially exposed to the risk of uncertainty as to the parties individual rights and obligations in the event of a dispute between the parties.

The Department acknowledged that the Minister's financial approval should have been obtained in both instances. In respect to one ongoing project, the Minister's financial approval will be obtained.

In relation to the late signing of the contract by the Minister, the Department advised that the contracted party was a panel member of approved suppliers for government contracts and the late signing by the Minister was seen as a low risk. Payments made prior to the signing of the contract were only made for goods and services provided by the contractor. In Audit's view, the position taken by the Department in this case, exposed the Department to a greater risk than was necessary.

## **INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

### **Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
State Government funds	<b>248</b>	240	3
Commonwealth Government grants	<b>101</b>	91	11
Student and other fees and charges	<b>70</b>	73	(4)
Other revenue	<b>18</b>	17	6
<b>Total Income</b>	<b>437</b>	421	4
<b>EXPENSES</b>			
Employee benefits	<b>255</b>	232	10
Supplies and services	<b>134</b>	140	(4)
Other expenses	<b>76</b>	62	23
<b>Total Expenses</b>	<b>465</b>	434	7
<b>Net Result</b>	<b>(28)</b>	(13)	n/a

	<b>2006</b> \$'million	2005 \$'million	Percentage Change
<b>Net Cash Flows from Operations</b>	<b>6</b>	(1)	n/a
<b>ASSETS</b>			
Current assets	<b>64</b>	72	(11)
Non-current assets	<b>450</b>	452	-
<b>Total Assets</b>	<b>514</b>	524	(2)
<b>LIABILITIES</b>			
Current liabilities	<b>53</b>	37	43
Non-current liabilities	<b>49</b>	47	4
<b>Total Liabilities</b>	<b>102</b>	84	21
<b>EQUITY</b>	<b>412</b>	440	(6)

### Income Statement

#### Income

Income was \$437.4 million (\$420.9 million). The principal source of funding for the Department is State Government appropriation which totalled \$247.7 million. Other income included Commonwealth grants of \$100.8 million and \$69.7 million from student and other fees and charges.

#### Expenses

Employee benefits of \$254.7 million constituted 54.8 percent of the total expenses of \$464.9 million. Other major expenses included \$20.7 million for funding to non-TAFE providers for Vocational Education and Training, \$19.6 million for information technology infrastructure and communication and \$17 million and \$12.2 million for employment programs and science and technology programs respectively.

#### Operating Result

The deficit for the year was \$27.8 million compared to a deficit of \$12.9 million in 2004-05.

The increase of \$14.9 million in the deficit can be attributable mainly to increases in:

- employee benefits of \$23 million;
- expenditure of \$11.7 million on grants and subsidies.

The additional expenditure was partly offset by the following:

- A reduction in expenditure of \$8.6 million on minor works, maintenance and equipment.
- A reduction in income of \$3.4 million from student enrolment fees and charges.
- An increase in Commonwealth grants of \$9.7 million.
- An increase in revenues from the South Australian Government of \$8 million.

### Balance Sheet

The Balance Sheet shows that the material items controlled by the Department are:

	<b>2006</b> \$'million	2005 \$'million	Percentage Change
<b>ASSETS</b>			
Cash on hand	<b>47</b>	53	(11)
Value of land and buildings	<b>396</b>	400	(1)
<b>LIABILITIES</b>			
Employee benefits	<b>56</b>	50	12

### Cash Flow Statement

The following table summarises the net cash flows for the two years to 2006.

	<b>2006</b>	2005
	<b>\$'million</b>	\$'million
<b>Net Cash Flows</b>		
Operating	<b>5.6</b>	(0.8)
Investing	<b>(10.9)</b>	(1.3)
Change in Cash	<b>(5.3)</b>	<b>(2.1)</b>
Cash at 30 June	<b>47.4</b>	<b>52.7</b>

## Income Statement for the year ended 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>EXPENSES:</b>			
Employee benefits	6	<b>254 679</b>	231 714
Supplies and services	7	<b>133 865</b>	140 271
Grants and subsidies	8	<b>58 354</b>	46 700
Depreciation	9	<b>14 324</b>	13 865
Net loss from disposal of assets	16	-	127
Other	10,11	<b>85</b>	1 011
<b>Total Expenses</b>		<b>461 307</b>	433 688
<b>INCOME:</b>			
Commonwealth grants	12	<b>100 772</b>	91 026
Student and other fees and charges	13	<b>69 711</b>	73 076
Other grants and contributions	14	<b>9 516</b>	7 455
Interest	15	<b>2 976</b>	3 271
Net gain from the disposal of assets	16	<b>479</b>	-
Other	17	<b>6 276</b>	6 288
<b>Total Income</b>		<b>189 730</b>	181 116
<b>NET COST OF PROVIDING SERVICES</b>		<b>271 577</b>	252 572
<b>REVENUES FROM (PAYMENTS TO) SA GOVERNMENT:</b>			
Revenues from SA Government	18	<b>247 709</b>	239 748
Payments to SA Government	18	<b>3 589</b>	55
<b>Total Government Revenues</b>		<b>244 120</b>	239 693
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>(27 457)</b>	(12 879)
<b>NET EXPENSES FROM RESTRUCTURING</b>	28	<b>(335)</b>	-
<b>NET RESULT AFTER RESTRUCTURING</b>		<b>(27 792)</b>	(12 879)
 <b>THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			

## Balance Sheet as at 30 June 2006

	Note	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS:</b>			
Cash	19	47 382	52 734
Receivables	20	15 034	17 415
Inventories	23	1 952	1 439
<b>Total Current Assets</b>		<b>64 368</b>	71 588
<b>NON-CURRENT ASSETS:</b>			
Receivables	20	222	274
Investments	21	1 442	1 019
Property, plant and equipment	22	448 400	450 721
<b>Total Non-Current Assets</b>		<b>450 064</b>	452 014
<b>Total Assets</b>		<b>514 432</b>	523 602
<b>CURRENT LIABILITIES:</b>			
Payables	24	28 442	20 325
Employee benefits	25	17 068	13 227
Provisions	26	2 455	1 220
Other	27	5 761	2 611
<b>Total Current Liabilities</b>		<b>53 726</b>	37 383
<b>NON-CURRENT LIABILITIES:</b>			
Payables	24	3 348	3 729
Employee benefits	25	38 457	36 306
Provisions	26	6 557	6 048
Other	27	499	499
<b>Total Non-Current Liabilities</b>		<b>48 861</b>	46 582
<b>Total Liabilities</b>		<b>102 587</b>	83 965
<b>NET ASSETS</b>		<b>411 845</b>	439 637
<b>EQUITY:</b>			
Retained earnings		388 161	415 953
Asset revaluation reserve		23 684	23 684
<b>TOTAL EQUITY</b>		<b>411 845</b>	439 637
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
Commitments	29		
Contingent Assets and Liabilities	30		

### Statement of Changes in Equity for the year ended 30 June 2006

	Asset		Total \$'000
	Revaluation Reserve \$'000	Retained Earnings \$'000	
<b>Balance at 30 June 2004</b>	12 480	428 833	441 313
Gain on revaluation of property during 2004-05	11 204	-	11 204
Net result for 2004-05	-	(11 977)	(11 977)
<b>Balance at 30 June 2005</b>	23 684	416 856	440 540
Error correction	-	(903)	(903)
<b>Restated balance at 30 June 2005</b>	23 684	415 953	439 637
Net result after restructure for 2005-06	-	(27 792)	(27 792)
<b>Balance at 30 June 2006</b>	<b>23 684</b>	<b>388 161</b>	<b>411 845</b>

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

## Cash Flow Statement for the year ended 30 June 2006

	2006	2005
	<b>Inflows</b>	Inflows
	<b>(Outflows)</b>	(Outflows)
	<b>\$'000</b>	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:	Note	
Employee benefits	<b>(245 781)</b>	(229 505)
Supplies and services	<b>(131 868)</b>	(147 523)
Grants and subsidies	<b>(58 354)</b>	(46 700)
Other	-	(7 038)
<b>Cash used in Operating Activities</b>	<b>(436 003)</b>	(430 766)
CASH INFLOWS:		
Commonwealth grants	<b>100 772</b>	91 026
Student and other fees and charges	<b>68 312</b>	71 979
Other grants and contributions	<b>4 189</b>	7 454
Interest received	<b>3 033</b>	3 354
GST receipts from taxation authority	<b>7 624</b>	4 347
Other	<b>8 185</b>	12 087
<b>Cash generated from Operating Activities</b>	<b>192 115</b>	190 247
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	<b>247 709</b>	239 748
Payments to SA Government	<b>(3 589)</b>	(55)
Funds from other Government entities	<b>5 327</b>	-
<b>Cash generated from SA Government</b>	<b>249 447</b>	239 693
<b>Net Cash provided by (used in) Operating Activities</b>	31 <b>5 559</b>	(826)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of non-current assets	<b>(12 924)</b>	(2 951)
CASH INFLOWS:		
Sales of non-current assets	<b>2 013</b>	1 635
<b>Net Cash used in Investing Activities</b>	<b>(10 911)</b>	(1 316)
<b>NET DECREASE IN CASH HELD</b>	<b>(5 352)</b>	(2 142)
<b>CASH AT 1 JULY</b>	<b>52 734</b>	54 876
<b>CASH AT 30 JUNE</b>	18 <b>47 382</b>	52 734

## Program Schedule - Expenses and Income for the year ended 30 June 2006

	Employment and Skills Formation				Science,	Youth		2006 Total \$'000
	VET	Higher Education	Regulatory Services	Employment Development	Technology and Innovation	Youth	Policy	
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
Employee benefits	238 978	504	5 094	6 599	3 132	213	159	<b>254 679</b>
Supplies and services	128 464	143	876	2 366	1 750	211	55	<b>133 865</b>
Grants and subsidies	19 520	-	9	17 446	20 407	955	17	<b>58 354</b>
Depreciation	14 324	-	-	-	-	-	-	<b>14 324</b>
Other	81	-	1	2	1	-	-	<b>85</b>
<b>Total Expenses</b>	<b>401 367</b>	<b>647</b>	<b>5 980</b>	<b>26 413</b>	<b>25 290</b>	<b>1 379</b>	<b>231</b>	<b>461 307</b>
<b>INCOME:</b>								
Commonwealth grants	99 295	-	18	1 186	273	-	-	<b>100 772</b>
Student and other fees and charges	69 511	-	200	-	-	-	-	<b>69 711</b>
Other grants and contributions	6 026	-	-	703	2 772	15	-	<b>9 516</b>
Interest income	2 976	-	-	-	-	-	-	<b>2 976</b>
Gain on disposal of assets	479	-	-	-	-	-	-	<b>479</b>
Other	5 948	-	168	37	26	97	-	<b>6 276</b>
<b>Total Income</b>	<b>184 235</b>	<b>-</b>	<b>386</b>	<b>1 926</b>	<b>3 071</b>	<b>112</b>	<b>-</b>	<b>189 730</b>
<b>Net Cost of Providing Services</b>								<b>271 577</b>
<b>GOVERNMENT:</b>								
Revenues from SA Government	194 753	677	5 567	25 313	21 354	27	18	<b>247 709</b>
Payments to SA Government	(3 589)	-	-	-	-	-	-	<b>(3 589)</b>
Net expense from restructure	-	-	-	-	-	(289)	(46)	<b>(335)</b>
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(25 968)</b>	<b>30</b>	<b>(27)</b>	<b>826</b>	<b>(865)</b>	<b>(1 529)</b>	<b>(259)</b>	<b>(27 792)</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Agency Objectives and Funding

#### (a) Objective

The Department of Further Education, Employment, Science and Technology serves the Government and people of South Australia by creating an environment in which all South Australians prosper as a result of having an equal opportunity to share in more and better jobs and learning opportunities by developing the scientific, research and innovative capacity of the State and developing the State's workforce and communities.

The Department undertakes a range of functions in order to meet its objective:

- provision of strategic policy advice for developing the State's workforce;
- ensuring high-quality vocational education and training delivered by TAFE Institutes, private registered training organisations and adult community education providers;
- regulation of vocational education and registered training organisations, non-university higher education providers, and providers of English language intensive courses for overseas students;
- regulation, administration and funding of apprenticeships and traineeships;
- managing state-funded employment and community development programs;
- support the government's strategic direction in the higher education sector;
- provision of strategic advice for science, technology, information economy and innovation policy development that links government with business, industry and education sectors; and
- provide programs, grants and initiatives, advocate and facilitate policies and strategies that create opportunities for positive outcomes for all young people in South Australia.

#### (b) Funding

The Department is predominantly funded by State Government appropriations supplemented by Commonwealth grants. In addition revenues are generated on a sales or fee for service basis. These include:

- student fees and charges;
- training for various organisations;
- sale of curriculum material;
- hire of facilities and equipment.

The financial activities of the Department are primarily conducted through a Special Deposit Account with the Department of Treasury and Finance pursuant to Section 8 of the *Public Finance and Audit Act 1987* and to comply with the *Skilling Australia Workforce Act 2005*. The Special Deposit Account is used for funds provided by State Government appropriation, Commonwealth grants and revenues from fees and charges.

#### (c) Administered Funds

The Department is responsible for the administration of the Minister for Employment, Training and Further Education's salary and allowances funded by Special Acts Appropriation. These appropriations are not controlled by the Department and hence do not form part of the financial statements. Salary and allowances paid to the Minister totalled \$214 000.

On 1 April 2006, the Department also became responsible for administering the Duke of Edinburgh Awards which is an international youth development program available to all young people aged between fourteen and twenty-five. No asset or liabilities were transferred to the Department. Since the transfer date the Duke of Edinburgh Awards recognised income of \$139 000 and expenses of \$13 000. Prior to the transfer date the Duke of Edinburgh Awards had recognised income of \$99 000 and expenses of \$156 000.

### 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 applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements in Australia.

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

**(a) Basis of Accounting (continued)**

The financial statements have been prepared on the accrual basis of accounting and in accordance with the historical cost convention, except as otherwise stated.

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

In relation to liquidity/funding risk, 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 programs.

**(b) Reporting Entity**

The financial statements reflect the use of assets, liabilities, revenues and expenses controlled or incurred by the Department in its own right.

**(c) Transferred Function**

On 1 April 2006, the Office for Youth was transferred from the Department for Families and Communities to the Department of Further Education, Employment, Science and Technology (see Note 28).

**(d) Comparative Figures**

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1.

**(e) Income and Expenses**

Income and expenses are recognised in the Income Statement when the flow or consumption or loss of economic benefits has occurred and can be reliably measured.

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework*.

Income from fees and charges is derived from the provision of goods and services to other SA government agencies and to other clients.

Income 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 income and expenses in the Income Statement at their fair value.

Grants are amounts provided by the Department to entities for general assistance or for a particular purpose. Grants may be for capital, specific 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.

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

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

Payments include the return of surplus cash pursuant to the cash alignment policy paid to the Department of Treasury and Finance Consolidated Account.

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

**(h) Cash**

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

**(i) Employee Benefits and Employment Related Expenses**

Liabilities have been established for various employee benefits arising from services rendered by employees to balance date. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days.

**(i) Employee Benefits and Employment Related Expenses (continued)**

Non-attendance days are accrued annually for employees engaged under the *Technical and Further Education Act 1976* but are non-cumulative. Employment related expenses include on-costs such as employer superannuation and payroll tax on employee entitlements together with the workers' compensation insurance premium. These are reported under Payables as on-costs on employee benefits (refer Note 24).

**(i) Salaries, Wages, Annual Leave and Non-attendance Days**

Liabilities for salaries, wages, annual leave, non-attendance days and leave loading are measured and recognised at their nominal amount in respect of employees' services up to the reporting date.

**(ii) Long Service Leave**

Long service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date. In calculating long service leave entitlements the Department 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. This benchmark is the number of years of service that produces a value equal to the actuarially calculated net present value.

Long service leave liability entitlements have been calculated using an Education specific benchmark of nine years, advised by the Department of Treasury and Finance, based on current salaries and wages.

**(iii) Sick Leave**

Sick leave is not provided for in the financial report, as it is non-vesting. However, entitlements are accumulated and any sick leave is considered to be taken from the employees' current entitlement.

**(iv) Fringe Benefits Tax**

The Commonwealth Government levies a tax on certain non-cash salary related benefits afforded to employees. Any fringe benefits tax which is unpaid at period end is shown as a liability in the Balance Sheet.

**(v) Superannuation**

The Department makes contributions to several superannuation schemes operated by the State Government. These contributions are treated as an expense when they are incurred. There is no liability for payments to beneficiaries as they have been assumed by the Superannuation Funds. The liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes.

**(vi) Payroll Tax**

Payroll tax is a State tax levied on total gross salary paid plus (non-cash) benefits and employer superannuation contributions. The estimated amount of payroll tax payable in respect of employee benefits liabilities is also shown as a liability in the Balance Sheet. Any increase or decrease in the level of required payroll tax provision is charged as an increase or decrease in the payroll tax expense in the Income Statement. The payroll tax liability is only payable when the employee benefits are paid.

**(j) Provisions**

A liability has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment performed by the Public Sector Workforce Relations Branch of the Department for Administrative and Information Services.

**(k) Receivables**

Receivables are shown at their recoverable value and reflect fees and charges which are due for settlement within 30 days of the reporting date. At the end of each reporting period the receivable balances are reviewed and an allowance is raised in respect of any balance where recovery is considered doubtful.

The allowance for doubtful debts is established based on a review of outstanding amounts at year-end. Bad debts are written off when they are identified as irrecoverable.

**(l) Inventory**

Inventories held for distribution are measured at the lower of cost (as determined by the latest purchase price) and replacement cost. Inventories held for sale are measured at the lower of cost or their net realisable value.

**(m) Leases**

The Department has entered into a number of operating lease agreements, as lessee, for buildings and other facilities where the lessors effectively retain all risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Income Statement over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

Details of commitments of current non-cancellable operating leases are disclosed at Note 29.

**(n) Property, Plant and Equipment**

The Balance Sheet includes all property, plant and equipment controlled by the Department.

All classes of physical non-current assets with fair values at the time of acquisition equal to or greater than \$1 million and estimated useful lives equal to or greater than five years are revalued at intervals not exceeding three years. The relevant classes are shown at revalued amounts in the Balance Sheet.

In accordance with Accounting Policy Framework III *Asset Accounting Framework* issued by the Department of Treasury and Finance, the Department has elected to measure each class of non-current asset on the fair value basis.

Property, plant and equipment donated, gifted or bequeathed is recorded as an asset at its fair value at the time control passes to the Department. Assets received in this way are disclosed as revenue in the Income Statement.

*Land*

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 30 June 2006.

*Buildings and Improvements*

Information was obtained from the Strategic Asset Management Information System (SAMIS), maintained by the Department for Administrative and Information Services. Buildings and improvements are valued at current replacement cost less accumulated depreciation. Replacement costs have been established by reference to Quantity Surveyors estimates. The valuations for buildings and paved areas are current as at 31 March 2004. The building data provided in the statements relates specifically to buildings and paved areas.

Buildings under construction are recorded as work in progress and are valued at cost.

*Library Collection*

The library collection is recorded at valuation. The most recent valuation was carried out as at 30 June 2005 by VALCORP Aust Pty Ltd, on the basis of written down current cost.

*Plant and Equipment*

Items of plant and equipment are recorded at fair value less accumulated depreciation. Only individual items costing \$10 000 or more are capitalised and recorded in the Balance Sheet. Items under \$10 000 are recorded in the Income Statement as an expense in the accounting period in which they are acquired.

**(o) Impairment**

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

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

**(p) Depreciation of Non-Current Assets**

Non-current assets with an acquisition cost individually equal to or greater than \$10 000 are systematically depreciated using the straight-line method of depreciation over their useful lives. This method is considered to reflect the consumption of their service potential. The Department reviews depreciation rates annually.

Major depreciation periods are:

Improvements:

Buildings:

Transportables

Fixed construction

Paved areas

Computing and communication equipment

Other plant and equipment

Years

30 - 50

40 - 106

15 - 45

3 - 7

7 - 40

**(q) Payables**

These amounts represent liabilities for goods and services provided to the Department prior to the end of the financial year, which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(r) Investments**

Investments are carried in the Balance Sheet at the lower of cost or recoverable amount.

**(s) Financial Instruments**

*Financial Assets*

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance rates based on the applicable 90 day bank bill rate.

Trade accounts receivable are generally settled within 30 days and are carried at amounts due. Credit terms are net 30 days. 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.

*Financial Liabilities*

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

All assets and liabilities are unsecured.

**(t) Accounting for Taxation**

The Department is liable for payroll tax, fringe benefits tax, goods and services tax and the emergency services levy.

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.

**(u) Rounding**

All amounts are rounded to the nearest thousand dollars (\$'000).

**3. Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and receivables) and liabilities (payables) and interest bearing assets. The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, 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 programs.

**4. Changes in Accounting Policies**

***Explanation of Transition to AIFRS***

In accordance with the requirements of AASB 1, an assessment of the impact of adopting AIFRS has been completed by the Department and an adjustment has been included in the Statement of Changes in Equity to recognise a correction to the long service leave provision in 2005.

***Other***

A number of Australian Accounting Standards have been issued or amended and are applicable to the Department but are not yet effective. The Department has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Department.

**5. Programs and Sub-programs**

The programs and sub-programs presented in this report are:

***Employment and Skills Formation Program***

Description/Objective: To strengthen the economic prosperity and social well-being of South Australia through strategic employment, skills formation and further education activities.

*Sub-program - Vocational Education and Training*

Provision of vocational education and training by TAFE institutes and other providers outside the school sector (including publicly funded Adult Community Education), including contestable and non-contestable sources of funding; policy advice and support for post-secondary education.

*Sub-program - Higher Education*

Provision of advice to the Minister on higher education policy and planning.

*Sub-program - Regulatory Services*

Provision of registration, accreditation and approval services for registered training organisations, and the regulation, administration and funding of apprenticeships and traineeships.

*Sub-program - Employment Development*

Addressing disadvantage by providing opportunities to participate in employment, training, skills development, adult community education and assisting industry to meet current and future skills needs.

**Science, Technology and Innovation Program**

Description/Objective: Provides the Government's principal strategic focus for science, technology, information economy and innovation policy development and program delivery in South Australia that links the government, business, industry and education sectors.

**Youth Program***Description/Objective:*

The Office of Youth initiates, advocates and facilitates policies and strategies that create opportunities for positive outcomes for young people in South Australia.

*Sub-program - Youth Programs*

Development of innovative policies and proactive strategies to further promote youth development and youth engagement within the community.

*Sub-program - Policy and Resource Management*

Implementation of efficient and effective client service and resource management practices which optimise positive outcomes for young people.

**6. Employee Benefits**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Salaries and wages (including annual leave)	<b>204 165</b>	184 299
Superannuation	<b>22 003</b>	20 576
Payroll tax	<b>12 792</b>	11 636
Long service leave	<b>6 455</b>	11 499
Workers compensation	<b>4 475</b>	2 846
Targeted voluntary separation payments	<b>3 496</b>	34
Other employee related costs	<b>1 293</b>	824
	<b>254 679</b>	231 714

**Targeted Voluntary Separation Packages (TVSPs)**

Amount paid to these employees:

TVSPs	<b>3 496</b>	34
Annual leave and long service leave accrued over the period	<b>1 031</b>	-
	<b>4 527</b>	34
Recovery from the Department of Treasury and Finance	<b>3 496</b>	-

The number of employees paid TVSPs during the reporting period totalled 33 (nil).

**Remuneration of Employees**

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

	<b>2006</b>	2005
	<b>Number of Employees</b>	Number of Employees
\$100 000 - \$109 999	<b>58</b>	56
\$110 000 - \$119 999	<b>13</b>	22
\$120 000 - \$129 999	<b>4</b>	9
\$130 000 - \$139 999	<b>7</b>	11
\$140 000 - \$149 999	<b>7</b>	6
\$150 000 - \$159 999	<b>6</b>	3
\$160 000 - \$169 999	<b>4</b>	1
\$170 000 - \$179 999	<b>-</b>	1
\$190 000 - \$199 999	<b>1</b>	-
\$200 000 - \$209 999	<b>1</b>	1
\$210 000 - \$219 999	<b>2</b>	2
\$220 000 - \$229 999	<b>1</b>	-
\$230 000 - \$239 999	<b>2</b>	-
\$250 000 - \$259 999	<b>-</b>	1
\$260 000 - \$269 999	<b>1</b>	-
\$290 000 - \$299 999	<b>1</b>	-
	<b>108</b>	113

The total remuneration received or receivable by employees whose remuneration exceeded \$100 000 was \$13.7 million (\$13.5 million). The remuneration includes salaries, employer superannuation costs, salary sacrifice amounts, and associated fringe benefits tax. It also includes eligible termination payments where the employees normal remuneration exceeded \$100 000. For 2006, the above figures include 8 (7) employees who resigned or retired during the year.

<b>7. Supplies and Services</b>	<b>2006</b>	2005
Supplies and Services provided to entities within the SA Government:	<b>\$'000</b>	\$'000
Printing and consumables	-	153
Minor works, maintenance and equipment	<b>11 766</b>	21 246
Information technology infrastructure and communication	<b>10 642</b>	7 121
Fees - contracted services (including consultants)	<b>3 677</b>	2 314
Trainee reimbursements	-	2 637
Utilities	<b>787</b>	1 683
Cleaning	<b>7 484</b>	6 349
Vehicle and travelling expenses	<b>2 905</b>	2 495
Rentals and leases	<b>2 890</b>	2 335
Other	<b>557</b>	565
<b>Total Supplies and Services - SA Government Entities</b>	<b>40 708</b>	46 898
Supplies and Services provided to entities external to the SA Government:		
Funding to non-TAFE providers for Vocational Education and Training	<b>20 745</b>	18 867
Printing and consumables	<b>15 083</b>	13 045
Minor works, maintenance and equipment	<b>4 896</b>	4 004
Information technology infrastructure and communication	<b>8 944</b>	17 681
Fees - contracted services (including consultants)	<b>13 925</b>	11 806
Trainee reimbursements	<b>992</b>	2 556
Utilities	<b>5 819</b>	4 625
Cleaning	<b>1 208</b>	1 014
Vehicle and travelling expenses	<b>4 670</b>	3 533
Rentals and leases	<b>1 158</b>	1 744
Other	<b>15 719</b>	14 498
<b>Total Supplies and Services - Non-SA Government Entities <sup>(1)</sup></b>	<b>93 157</b>	93 373
<b>Total Supplies and Services</b>	<b>133 865</b>	140 271

(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.

<b>Consultancy</b>	<b>2006</b>		2005	
The number and dollar amount of consultancies paid/payable (included in Supplies and Services) that fell within the following bands:	<b>Number of Consultancies</b>	<b>\$'000</b>	Number of Consultancies	\$'000
\$0 - \$10 000	<b>4</b>	<b>21</b>	1	9
\$10 000 - \$50 000	<b>7</b>	<b>156</b>	9	198
Above \$50 000	<b>3</b>	<b>491</b>	3	242
	<b>14</b>	<b>668</b>	13	449

<b>8. Grants and Subsidies</b>	<b>2006</b>	2005
Grants and Subsidies paid/payable to entities within the SA Government:	<b>\$'000</b>	\$'000
Employment programs	<b>3 734</b>	487
Vocational education and training programs	<b>150</b>	2 211
Science and technology programs	<b>854</b>	8 911
Tertiary student transport concessions	<b>6 737</b>	6 147
Skill Centre programs	<b>180</b>	-
Other specific grants	<b>9 533</b>	70
<b>Total Grants and Subsidies - SA Government Entities</b>	<b>21 188</b>	17 826
Grants and Subsidies paid/payable to entities external to the SA Government:		
Employment programs	<b>13 284</b>	12 160
Vocational education and training programs	<b>9 755</b>	7 101
Science and technology programs	<b>11 340</b>	6 994
Skill Centre programs	<b>1 942</b>	829
Other specific grants	<b>845</b>	1 790
<b>Total Grants and Subsidies - Non-SA Government Entities <sup>(1)</sup></b>	<b>37 166</b>	28 874
<b>Total Grants and Subsidies</b>	<b>58 354</b>	46 700

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

<b>9. Depreciation</b>		
Depreciation expense for the reporting period was charged in respect of:		
Buildings and improvements	<b>12 147</b>	12 161
Plant and equipment	<b>2 177</b>	1 704
<b>Total Depreciation</b>	<b>14 324</b>	13 865

<b>10. Other Expenses Paid/Payable to Entities external to the SA Government</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Reduction in the value of investments	-	36
Allowance for doubtful debts and debt write-offs	<b>(204)</b>	666
Settlement of personal injury claims	<b>42</b>	-
<b>Total Other Expenses</b>	<b>(162)</b>	702
<b>11. Auditor's Remuneration</b>		
Audit fees paid/payable to the Auditor-General's Department	<b>232</b>	248
Audit fees paid/payable to entities external to the SA Government	<b>15</b>	61
<b>Total Auditor's Remuneration</b>	<b>247</b>	309
<b>Other Services</b>		
No other services were provided by the Auditors.		
<b>12. Commonwealth Grants</b>		
Recurrent Grants:		
<i>VET Funding Act</i>	<b>75 935</b>	71 417
Specific purpose	<b>8 236</b>	5 612
	<b>84 171</b>	77 029
Capital Grants:		
<i>VET Funding Act</i>	<b>13 600</b>	13 600
Specific purpose	<b>3 001</b>	397
	<b>16 601</b>	13 997
<b>Total Commonwealth Grants</b>	<b>100 772</b>	91 026
<b>13. Student and Other Fees and Charges</b>		
Fees and Charges received/receivable from entities within the SA Government:		
Sales/fee-for-service revenue	<b>1 479</b>	1 755
Student enrolment fees and charges	<b>551</b>	640
Other user fees and charges	<b>144</b>	60
<b>Total Fees and Charges - SA Government Entities</b>	<b>2 174</b>	2 455
Fees and Charges received/receivable from entities external to the SA Government:		
Sales/fee-for-service revenue	<b>37 924</b>	36 038
Student enrolment fees and charges	<b>27 215</b>	31 875
Other user fees and charges	<b>2 398</b>	2 708
<b>Total Fees and Charges - Non-SA Government Entities</b>	<b>67 537</b>	70 621
<b>Total Student and Other Fees and Charges <sup>(1)</sup></b>	<b>69 711</b>	73 076
(1) The total includes user charges received or due from SA Government entities where the amount received or due from the SA Government entity was less than \$100 000.		
<b>14. Other Grants and Contributions</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Grants and subsidies revenue	<b>3 807</b>	4 523
Miscellaneous contributions	<b>166</b>	376
Donations	<b>216</b>	68
Grants from entities within the SA Government	<b>5 327</b>	2 488
<b>Total Other Grants and Contributions</b>	<b>9 516</b>	7 455
<b>15. Interest</b>		
Interest from entities within the SA Government	<b>2 958</b>	3 253
Interest from entities external to the SA Government	<b>18</b>	18
<b>Total Interest</b>	<b>2 976</b>	3 271
<b>16. Net Gain (Loss) on Disposal of Non-Current Assets</b>		
Land and Buildings:		
Proceeds from disposals	<b>2 000</b>	1 635
Less: Written down value	<b>1 249</b>	1 714
<b>Gain (Loss) on Disposals</b>	<b>751</b>	(79)
Plant and Equipment:		
Proceeds from disposals	<b>13</b>	20
Less: Written down value	<b>285</b>	68
<b>Loss on Disposals</b>	<b>(272)</b>	(48)
Total Assets:		
Proceeds from disposals	<b>2 013</b>	1 655
Less: Written down value	<b>1 534</b>	1 782
<b>Total Net Gain (Loss) on Disposals</b>	<b>479</b>	(127)

<b>17. Other Income</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Targeted Voluntary Separation Package recoveries	<b>3 496</b>	-
Assets recognised for the first time	-	99
Share of net gains from investments	<b>21</b>	-
Sundry income	<b>2 759</b>	6 189
<b>Total Other Income</b>	<b>6 276</b>	6 288
<b>18. Revenues from/Payments to SA Government</b>		
Revenues from the SA Government:		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	<b>247 709</b>	239 748
<b>Total Revenues from SA Government</b>	<b>247 709</b>	239 748
Payments to the SA Government:		
Return of surplus cash pursuant to cash alignment policy	<b>3 589</b>	55
<b>Total Payments to SA Government</b>	<b>3 589</b>	55
<b>19. Cash on Hand, at Bank and on Deposit</b>		
Deposits with the Treasurer	<b>36 936</b>	26 231
Special Deposit Account with the Department of Treasury and Finance	<b>9 780</b>	25 854
Imprest account/cash on hand	<b>666</b>	649
	<b>47 382</b>	52 734
<b>Deposits with the Treasurer</b>		
Includes funds held in the Accrual Appropriation Excess Funds Account and Surplus Cash Working Account balances. The balance of these funds are not available for general use (ie funds can only be used in accordance with The Treasurer's/Under Treasurer's approval).		
<b>20. Receivables</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Fees and charges receivable	<b>13 715</b>	13 633
Less: Provision for doubtful debts	<b>474</b>	841
	<b>13 241</b>	12 792
Prepayments	<b>775</b>	488
GST recoverable from the ATO	<b>876</b>	3 759
Other receivables	<b>142</b>	376
<b>Total Current Receivables</b>	<b>15 034</b>	17 415
Expected to be recovered more than 12 months after reporting date:		
Workers Compensation receivable	<b>222</b>	274
	<b>222</b>	274
<b>Total Receivables</b>	<b>15 256</b>	17 689
Government/Non-Government Receivables:		
Receivables from SA Government entities:		
Receivables	<b>2 429</b>	794
Workers compensation receivable	<b>222</b>	274
Other	<b>100</b>	241
<b>Total Receivables from SA Government Entities</b>	<b>2 751</b>	1 309
Receivables from Non-SA Government entities:		
Receivables	<b>10 812</b>	11 998
Prepayments	<b>775</b>	488
GST recoverable from the ATO	<b>876</b>	3 759
Other	<b>42</b>	135
<b>Total Receivables from Non-SA Government Entities <sup>(1)</sup></b>	<b>12 505</b>	16 380
<b>Total Receivables</b>	<b>15 256</b>	17 689
(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.		
<b>21. Investments</b>		
Non-Current:		
Shares in associated company (refer below)	<b>1 442</b>	1 018
Shares	-	1
	<b>1 442</b>	1 019

**21. Investments (continued)**

Associated Company:	Austraining International Pty Ltd	
	2006 \$'000	2005 \$'000
Interest in associated company	400	400
Share of retained profit	1 042	618
<b>Equity Accounted Amount of Investment in Associated Company</b>	<b>1 442</b>	<b>1 018</b>
Retained profits attributable to associated company:		
Balance at 1 July	*611	706
Share of operating profit (loss) after income tax	431	(88)
<b>Balance at 30 June</b>	<b>1 042</b>	<b>*618</b>

**Austraining International Pty Ltd**

Austraining International Pty Ltd, which has a reporting date of 30 June, is controlled by the Minister for Employment, Training and Further Education. Its principal activity is to secure international contracts for work in vocational education and training.

The current investment value is based on unaudited financial statements as at 30 June 2006. The figures are not consolidated as they were considered to be immaterial and unaudited at the time of preparing these statements.

\* The comparative closing balance as at 30 June 2005 was unaudited and, when subsequently audited, was revised to \$611 000.

**22. Property, Plant and Equipment**

	2006 \$'000	2005 \$'000
Land and Buildings:		
Land at fair value*	49 734	50 534
Buildings and improvements at fair value*/cost	621 109	625 622
Accumulated depreciation	(284 872)	(276 787)
Construction work in progress	10 307	1 118
<b>Total Land and Buildings</b>	<b>396 278</b>	<b>400 487</b>
Plant and Equipment:		
Plant and equipment at cost (deemed fair value)	31 795	28 822
Accumulated depreciation	(16 044)	(14 959)
<b>Total Plant and Equipment</b>	<b>15 751</b>	<b>13 863</b>
Libraries:		
Libraries at valuation*	36 371	36 371
<b>Total Libraries</b>	<b>36 371</b>	<b>36 371</b>
<b>Total Property, Plant and Equipment</b>	<b>448 400</b>	<b>450 721</b>

\* Valuations of land were performed at 30 June 2005 by the Valuer-General, buildings and improvements at 31 March 2004 respectively by the Department for Administrative and Information Services and libraries at 30 June 2005 by VALCORP Aust Pty Ltd.

**Impairment**

There were no indications of impairment of property plant and equipment, infrastructure and intangible assets at 30 June 2006.

**Reconciliations**

Reconciliations of the carrying amount of each class of non-current assets at the beginning and end of the current financial year are set out below:

	Carrying Amount 30.06.05 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation Increment (Decrement) \$'000	Other Movements \$'000	Deprec- iation \$'000	Carrying Amount 30.06.06 \$'000
Land at fair value	50 534	-	800	-	-	-	49 734
Land at cost	-	-	-	-	-	-	-
Buildings and improvements at fair value	282 919	-	449	-	(2)	10 961	271 507
Buildings and improvements at cost	65 916	-	-	-	-	1 186	64 730
Computing, communication equipment and furniture and equipment at cost	13 863	4 350	285	-	-	2 177	15 751
Construction work in progress	1 118	9 189	-	-	-	-	10 307
Libraries at valuation	36 371	-	-	-	-	-	36 371
<b>Total</b>	<b>450 721</b>	<b>13 539</b>	<b>1 534</b>	<b>-</b>	<b>(2)</b>	<b>14 324</b>	<b>448 400</b>

**22. Property, Plant and Equipment (continued)**  
**Reconciliations (continued)**

	Carrying Amount 30.06.04 \$'000	Additions \$'000	Disposals \$'000	Net Revaluation Increment (Decrement) \$'000	Other Movements \$'000	Depreciation \$'000	Carrying Amount 30.06.05 \$'000
Land at valuation	49 012	-	1 575	87	3 010	-	50 534
Land at cost	3 010	-	-	-	(3 010)	-	-
Buildings and improvements at valuation	294 053	-	139	-	-	10 995	282 919
Buildings and improvements at cost	66 669	413	-	-	-	1 166	65 916
Computing, communication equipment and furniture and equipment at cost	13 812	1 823	68	-	-	1 704	13 863
Construction work in progress	285	833	-	-	-	-	1 118
Libraries at valuation	25 254	-	-	11 117	-	-	36 371
<b>Total</b>	<b>452 095</b>	<b>3 069</b>	<b>1 782</b>	<b>11 204</b>	<b>-</b>	<b>13 865</b>	<b>450 721</b>

**23. Inventories**

	2006 \$'000	2005 \$'000
Current:		
Inventories held for sale	1 377	1 439
Inventories held for distribution	575	-
<b>Total Current Inventories</b>	<b>1 952</b>	<b>1 439</b>

**24. Payables**

Current:		
Creditors	22 409	17 050
Accrued expenses	3 563	1 070
Employment on-costs	2 312	2 025
Other	158	180
<b>Total Current Payables</b>	<b>28 442</b>	<b>20 325</b>
Non-Current:		
Employment on-costs	3 348	3 729
<b>Total Non-Current Payables</b>	<b>3 348</b>	<b>3 729</b>
<b>Total Payables</b>	<b>31 790</b>	<b>24 054</b>

## Government/Non-Government Payables:

## Payables to SA Government entities:

Creditors	2 922	4 430
Accrued expenses	-	488
Employment on-costs	5 662	5 754
<b>Total Payables to SA Government Entities</b>	<b>8 584</b>	<b>10 672</b>

## Payables to non-SA Government entities:

Creditors	19 487	12 620
Accrued expenses	3 563	582
Other	156	180
<b>Total Payables to Non-SA Government Entities <sup>(1)</sup></b>	<b>23 206</b>	<b>13 382</b>
<b>Total Payables</b>	<b>31 790</b>	<b>24 054</b>

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

**25. Employee Benefits**

Current:		
Annual leave	7 738	6 674
Short-term long service leave	3 829	3 325
Accrued salaries and wages	1 520	630
Non-attendance days	3 981	2 598
	<b>17 068</b>	<b>13 227</b>
Non-Current:		
Long service leave	38 457	36 306
<b>Total Employee Benefits</b>	<b>55 525</b>	<b>49 533</b>

The total current and non-current employee expense (ie aggregate employee benefit plus related on-costs) for 2005-06 is \$19.4 million and \$41.8 million respectively.

**26. Provisions**

	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Workers compensation	<b>2 455</b>	1 220
<b>Total Current Provisions</b>	<b>2 455</b>	1 220
Non-Current:		
Workers compensation	<b>6 557</b>	6 048
<b>Total Non-Current Provisions</b>	<b>6 557</b>	6 048
<b>Total Provisions</b>	<b>9 012</b>	7 268
Carrying amount at 1 July	<b>7 268</b>	7 053
Additional provisions recognised	<b>1 744</b>	215
<b>Carrying Amount at 30 June</b>	<b>9 012</b>	7 268

**27. Other Liabilities**

Current:		
Deposits	<b>1 547</b>	487
Unearned revenue	<b>4 134</b>	2 082
Unpaid personal injury claims	<b>42</b>	-
Other liabilities	<b>38</b>	42
	<b>5 761</b>	2 611
Non-Current:		
Advances	<b>499</b>	499
	<b>499</b>	499

**28. Net Revenues/Expenses from Restructuring**

During the 2005-06 financial year, the Department assumed responsibility for the Office of Youth from the Department for Families and Communities effective 1 April 2006. The following assets and liabilities were transferred resulting in a net expense from restructuring of \$335 000.

	<b>2006</b>	2005
Assets:	<b>\$'000</b>	\$'000
Property, plant and equipment	<b>19</b>	-
Liabilities		
Employee benefits	<b>354</b>	-
<b>Net Expense from Restructuring</b>	<b>335</b>	-

The following amounts were recorded for the Office of Youth:

	<b>Transferor Entity</b>	<b>Transferee Entity</b>	<b>2006 Total</b>
Income	<b>41</b>	<b>18</b>	<b>59</b>
Expense	<b>2 400</b>	<b>1 552</b>	<b>3 952</b>
<b>Net Result</b>	<b>(2 359)</b>	<b>(1 534)</b>	<b>(3 893)</b>

**29. Commitments****Remuneration Commitments**

At the end of the reporting period the Department had the following remuneration commitments:	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Payable not later than one year	<b>2 528</b>	1 554
Payable later than one year and not later than five years	<b>7 214</b>	4 351
<b>Total (including GST)</b>	<b>9 742</b>	5 905

Amounts disclosed include commitments arising from executives and other service contracts. The Department does not offer remuneration contracts greater than 5 years.

**Capital Expenditure Commitments**

At the end of the reporting period the Department had entered into the following capital commitments.

These amounts are due for payment:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>10 478</b>	785
<b>Total (including GST)</b>	<b>10 478</b>	785
GST included in capital expenditure commitments	<b>953</b>	71

**Operating Leases Commitments**

At the reporting date, the Department had the following obligations as lessee under non-cancellable operating leases. These are not recognised as liabilities in the Balance Sheet.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Payable no later than one year	<b>3 109</b>	3 243
Payable later than one year and not later than five years	<b>1 185</b>	2 720
Payable later than five years	<b>93</b>	142
<b>Total (including GST)</b>	<b>4 387</b>	6 105
GST included in operating lease commitments	<b>399</b>	555

**30. Contingent Assets and Liabilities**

The Department has no items which meet the definition of contingent assets. There are, however, a number of outstanding personal injury claims not settled as at 30 June 2006 with an estimated settlement value of \$287 000. In addition, the Minister for Employment, Training and Further Education has provided a \$3 million guarantee to Austraining International Pty Ltd which has not been invoked as at 30 June 2006.

**31. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Providing Services**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Net Cash Provided by Operating Activities	<b>5 559</b>	(826)
Depreciation	<b>(14 324)</b>	(13 865)
Bad and doubtful debts	<b>204</b>	(666)
Net assets recognised for first time	<b>-</b>	99
Gain (Loss) on sale of assets	<b>479</b>	(127)
Increase in employee benefits	<b>(7 422)</b>	(1 440)
Decrease in receivables	<b>(2 214)</b>	(1 645)
Increase (Decrease) in inventories	<b>513</b>	(1 004)
Increase in payables	<b>(7 101)</b>	(135)
(Increase) Decrease in other liabilities	<b>(3 150)</b>	6 730
Revenues from Government	<b>(244 120)</b>	(239 693)
<b>Net Cost of Providing Services</b>	<b>(271 576)</b>	(252 572)

**32. Financial Instruments**

**(a) Credit Risk Exposures**

The Department does not have any significant credit risk exposure to any single creditor. The carrying amount of financial assets recorded in the Balance Sheet, net of provision for doubtful debts, represents the Department's maximum exposure to credit risk.

**(b) Interest Rate Risk Exposures**

The Department'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	Floating Interest Rate	Non- Interest Bearing	<b>2006</b>	2005
	Percent	\$'000	\$'000	<b>Total</b>	Total
				<b>\$'000</b>	\$'000
Financial Assets:					
Accrual appropriation excess funds	5.71	36 936	-	<b>36 936</b>	26 231
Cash	5.37	9 780	666	<b>10 446</b>	26 503
Receivables		-	15 256	<b>15 256</b>	17 689
Investments		-	1 442	<b>1 442</b>	1 019
		46 716	17 364	<b>64 080</b>	71 442
Financial Liabilities:					
Trade and other creditors		-	26 130	<b>26 130</b>	18 300
Other liabilities		-	2 084	<b>2 084</b>	1 028
		-	28 214	<b>28 214</b>	19 328
<b>Net Financial Assets (Liabilities)</b>		46 716	(10 850)	<b>35 866</b>	52 114

**(c) Net Fair Value of Financial Assets and Financial Liabilities**

The net fair value of financial assets and financial liabilities of the Department approximates their fair value.

**(d) Credit Standby Arrangements**

The Department has a \$2.8 million (\$4.4 million) credit card facility with the ANZ Bank. The unused portion of this facility as at 30 June 2006 was \$2.3 million (\$4 million).

# DEPARTMENT OF HEALTH

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Department of Health (DH) is an Administrative Unit established pursuant to the *Public Sector Management Act 1995*.

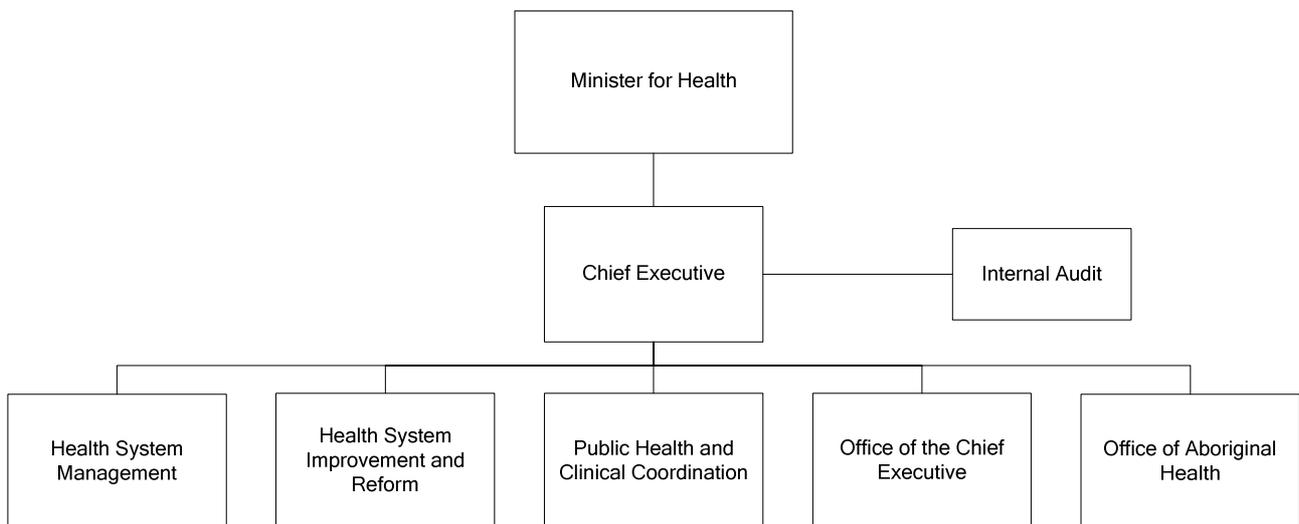
### Functions

The Department is charged with broad ranging policy and administrative responsibilities associated with health. One of the functions delegated to the Chief Executive of the Department under the *South Australian Health Commission Act 1976* is to ensure that there is proper allocation and use of resources between Hospitals, Health Centres and Health Services incorporated under the Act.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services.

### Structure

The structure of the Department of Health is illustrated in the following organisation chart.



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### ***Audit of the Financial Report***

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

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services is provided in the section of this Report titled 'Commentary on Health Services Activities' following presentation of the Department's financial statements.

#### ***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 of Health 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 2005-06, specific areas of audit attention included:

- Risk Management
- Insurance Services
- Payroll
- Accounts Payable
- Accounts Receivable
- Funding to Health Services
- Interstate Patient Transfers
- Non-current Assets
- Revenue received from the Commonwealth
- Grants to Non-government Organisations
- Shared Services arrangements

The work done by internal audit was considered in planning the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of DH's internal controls.

### **AUDIT FINDINGS AND COMMENTS**

#### **Audit Opinions**

##### ***Audit of the Financial Report***

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 Australian Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Health as at 30 June 2006, 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 of Health 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 Funding to Non-government Organisations, Interstate Patient Transfers, Payroll, Accounts Payable and Computer Information Systems Environments as outlined under Audit Communications to Management and Other Matters, are sufficient to provide reasonable assurance that the financial transactions of the Department of Health have been conducted properly and in accordance with law.

##### ***Audit Committee and Internal Audit***

The Department's Audit Committee has continued in operation throughout the 2005-06 financial year. As a result of the split of the former Department of Human Services (DHS), internal audit and risk management services are provided to the Department by Department for Families and Communities (DFC) under a shared service arrangement.

Internal Audit continued to conduct audits within the Department. In addition to using DFC staff, assignments have been undertaken by private sector firms as contractors. Work undertaken by Internal Audit for the Department included review of:

- Casemix model
- IT General Controls
- Signing of Health Service Agreements
- Non-government Organisation (NGO) Performance Management.

##### ***Budget and Financial Management Consultancy***

In December 2003, Cabinet approved the engagement of accounting consultants to examine the budget and financial management practices of the former DHS. The review included evaluation of reporting arrangements and examination of performance against the formal budget allocation and how variations were managed by the Department.

The final report of the consultants titled 'Department of Human Services Review of Financial Management Stage One Final Report' was tabled in Parliament in July 2005. The key findings of the review were that it was apparent that the DHS budget had experienced unfavourable budget variances for an extended period, yet any attempt to conduct detailed analysis of this budget variance had been hindered by DHS budget information being unreliable.

The consultants acknowledge that the Department of Health has acted to address many of the key findings but considered that further work was required to place the financial management of the Department on a sound foundation. In order to implement the recommendations of the consultants the Department has established a steering committee which has embarked on the 'Financial Management Improvement Project' (the project). A number of the recommendations have been implemented and others are in the process of implementation. The project is also responsible for managing the Cabinet approved 'Improved Consolidated Financial Reporting' initiative across the health portfolio.

### **Audit Communications to Management and Other Matters**

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. The following is a summary of the headings in this section that contain audit commentary relating to the operations of the Department:

- Risk Management
- Recurrent Funding to Health Services
- Capital Funding to Health Services
- Funding to Non-government Organisations
- Interstate Patient Transfers
- Commonwealth Government Grants
- Payroll
- Accounts Payable
- Accounts Receivable
- Shared Services Arrangements
- Information and Communication Technology Management and Control
- Complete Human Resources Information System (CHRIS)
- DH Communications Network HSNNet
- Regionalisation of Metropolitan Health Services
- Changes to Country Health Services

### **Risk Management**

Good governance constitutes a number of generally accepted and practised elements, including corporate and operational policy and planning; development and operation of risk and control systems and practices; and the development and operation of internal and external reporting processes.

Effective governance at whatever level it is applied, will facilitate and support the achievement of strategic and operational goals/objectives, whether they be at the whole of government, agency or project levels. One of the important elements of effective governance relates to risk management.

Since 1997, Treasurer's Instructions and/or the Financial Management Framework (FMF) have placed requirements on agencies and their Chief Executives in relation to the elements of good governance, including risk management practice.

In my report for the year ended 30 June 2005 I commented that the effectiveness of governance and risk management practices also require that there be timely response to changing circumstances. For example, the split of the former Department of Human Services into the Department of Health and the Department for Families and Communities, and the dissolution of a number of health service organisations as separate legal entities, and the establishment in their place of three new metropolitan health service legal entities has given rise to important governance and risk management issues. These changes have, in my opinion, necessitated a comprehensive review of the government and risk management practices that were formerly in operation in these agencies.

During 2005-06, Audit reviewed the progress made by the Department in establishing effective risk management practices. As a result of this review, the following observations were made:

### *Strategic Directions*

As a result of the split of the former Department of Human Services, the Department needed to develop and implement new planning and control processes. To this end the Department developed 'Strategic Directions 2004-06' which 'provides a framework for planning and prioritising actions across the State health system towards achieving the outcomes expected by the Government and the community'.

The Department's 'Strategic Direction 2004-06' document was linked to South Australia's Strategic Plan and also outlined that on an annual basis the Department would develop a companion document detailing the Department's priorities for action.

Audit considers the preparation of a Strategic Directions document, which outlines the Department's strategic goals and objectives, to be integral to effective risk management.

### *Risk Management and Audit Committee*

The Department has a Risk Management and Audit Committee (the Committee). The terms of reference of the Committee state that the 'Committee is responsible for overseeing risk management, internal controls, auditing and monitoring compliance with laws' policies and relevant codes of conduct, and reports to the Chief Executive'.

Further, the terms of reference states that Government policy in South Australia requires the Chief Executive to develop risk management standards and practices to protect and enhance their resources and enable the achievement of corporate objectives. The purpose of the Committee is to assist the Chief Executive in the identification of risks, determining priorities for action, developing and implementing strategies for effective risk management and in ensuring accountabilities are met.

The Department's 'Risk Management Policy and Framework' (RMPF) states that the 'Department is committed to protecting itself from situations or events that would prevent it from achieving its strategic goals and objectives'. and that 'Risk Management is regarded as an integral part of good management practice and the adoption of an agency-wide approach to risk management is a key strategy towards the achievement of the Department's corporate objectives'.

An important element of the RMPF is the identification, analysis, evaluation, treatment and monitoring of risks on a consistent basis across the Department. To facilitate this process the Risk Management and Internal Audit Division have been involved in providing workshops to assist Divisions across the Department in preparing their risk registers and treatment plans.

At the Committee's April 2006 meeting the Committee was advised that a number of risk registers and treatment plans were outstanding.

Audit considers that the timely return of risk registers and treatment plans is essential to ensure that appropriate mechanisms are implemented to mitigate risk. An important element of the monitoring and review of identified risks is the development of a risk based Internal Audit Plan. This process is protracted by the incomplete return of risk registers and treatment plans. Audit sought advice from the Department concerning the action the Department proposes to take to progress the completion of risk registers and treatment plans.

### *Departmental Response*

In response, the Department advised that the strategic directions and objectives of the Department of Health have been under review for some time and remain under review pending Government's consideration of its long term strategy for the provision of health services within the State in future. Notwithstanding, a relevant pragmatic risk management practice is continuing to be followed within the Department. In addition, each division within the Department has now completed a risk register and treatment plan.

Audit will review the Department's progress during 2006-07.

### ***Recurrent Funding to Health Services***

Recurrent funding to Health Services comprises Departmental expenditure which amounted to \$2.1 billion in 2005-06. The arrangements implemented by the Department to support this function are significant in the context of the monetary amounts involved as well as the impact on the achievement of Departmental and Government objectives.

The current funding model has, as its foundation, Health Service Agreements between the Health Units and the Minister which reflect a focus on the Department as a funder purchasing outputs from the Health Units as service providers.

The Health Service Agreements between the Minister of Health and Health Services represents a key element of the control framework relied upon by the Department to secure accountability over funds allocated to Health Services. This framework is premised on the basis that the roles, rights and responsibilities are clearly understood and agreed upon by each party. It is Audit's view that executed agreements are a significant component of the control framework over the funding allocation process.

#### *Health Service Agreements - Reporting of Key Deliverables*

As a result of the 2004-05 audit, Audit sought advice from the Department as to whether the Department had established a framework for the reporting of Health Service key deliverables specified within the Health Service Agreements. In response the Department indicated that it was in the process of establishing a framework for the reporting of key deliverables.

Audit review of progress during 2005-06 revealed that the Department has contributed considerable time revamping the content and structure of the Performance Agreements for 2005-06. In particular, Audit noted that the Department has:

- adopted a uniform format for the Health Service Performance Agreements and the related Companion Document for both Metropolitan and Country Health Services;
- adopted a consistent approach across the health sector regarding the indicators to be reported on by each Health Service.

In addition, Audit acknowledges that the Department has invested considerable time and effort in the development of a performance framework for the monitoring and reporting of compliance with Health Service Performance Agreements. For example, in early 2005-06 the Department established a Health System Performance Indicator Committee comprising representatives from the Department and Health Services. Audit has been advised that the objectives of the Committee are to:

- Develop, implement and review a suite of performance indicators that assist the Department of Health and Health Services to monitor and improve health system performance and accountability;
- Assist in the presentation and dissemination of related performance reports.

Audit acknowledges that the development of a performance framework is a lengthy process and is still evolving. Audit commends the Department on the progress that has been made to date.

#### **Funding to Non-Government Organisations**

The level of funding to Non-Government Organisations (NGOs) for 2005-06 was \$53 million.

The 2003-04 Audit review of controls over grant funding provided by the Department to non-government service providers identified a number of control deficiencies relating to the administration and management of grant funding. Control deficiencies identified by Audit included:

- No evidence to support formal analysis by the Department that linked funding for specific programs to the Department's strategic objectives;
- The lack of a central Contracts Register;
- Variations in practice across Divisions;
- Lack of formal evaluation of service providers to assess the effectiveness and accountability of funded programs;
- Lack of documentation to support performance monitoring;
- Funding agreements were not appropriately executed; and
- Lack of documented policies and procedures for a number of key areas of operation.

## *Health*

During 2004-05 Internal Audit engaged a contractor to undertake a review of NGO Performance Management. Given that the scope of the internal audit review covered areas which would have been tested by Audit, these findings were relied upon by Audit in forming an opinion over the controls in place in relation to grant funding to NGOs.

The results of the internal audit review concluded that the performance management of NGOs was unsatisfactory. The review found that there was inconsistency in the application of procedures to manage funding provided to NGOs and a lack of active monitoring and management of the performance of NGOs.

Accordingly, the Department's Controls Opinion for 2004-05 was qualified in relation to grant funding to NGOs.

Audit wrote to the Department in July 2006 seeking their advice on the progress regarding action taken in response to the 2003-04 audit of Funding to NGOs and the action proposed in response to the findings of the Internal Audit review.

In response the Department indicated that it had established a working group to discuss the issues identified by Internal Audit and establish a set of recommendations to the internal audit review.

### *NGO Performance Management Reform Project*

As a result of the issues raised by the Auditor-General and Internal Audit, the Department commenced a 'NGO Performance Management Reform Project' (the Project). The Project outline states that the objective of the Project is to 'reform the Department of Health's performance management procedures in relation to non-government organisations'. An external consultant was engaged by the Department and a Project management group was established to oversee the Project.

Audit has monitored the progress of the Project during the year.

Audit review of the final report by the consultant revealed that the Department has developed a number of processes to address the recommendations made by Internal Audit. In addition it was noted that a number of draft policies have been developed and are in the process of being approved.

Audit acknowledges that the Department has undertaken significant work to improve the controls over grant funding to NGOs. Due to the size of the Project Audit understands that many of these processes have only been recently implemented or are in the process of implementation.

Audit will follow-up the implementation of these processes during 2006-07.

### ***Interstate Patient Transfers***

The Department enters into a number of Agreements with other States and Territories which sets out the basis of reimbursements between the States and Territories where residents of a State and/or Territory receive admitted patient services in the jurisdiction of another State or Territory.

The Interstate Patient Transfer activities affect a number of balances including Revenue and Expenditure. In the 2005-06 year the balance for Interstate Patient Transfer Revenue was \$28.6 million while for expenditure the balance was \$18.7 million representing a material balance in the financial statements.

Following the 2004-05 financial statement audit a number of issues were communicated to the Department in relation to the Interstate Patient Transfer balances. These issues included:

- the need to review the administrative practices and accounting treatment of Interstate Patient Transfers;
- the development of appropriate policies and procedures to ensure consistency.

A positive response was received from the Department.

During 2005-06 Audit undertook a review of the current processes to determine whether they were operating effectively. These processes included:

- execution of Agreements
- monitoring of payments made/received
- the journals processed to reflect the total revenue and expenditure.

The results of the review revealed that there are currently no controls in place for the majority of the key processes.

In summary the control weaknesses noted included:

- Inadequate documented policies and procedures for key processes including establishing agreements, monitoring of payments and the gross up journal process;
- Failure to receive payments in a timely manner and in accordance with the Agreements;
- Agreements and related Schedules being outdated and not reflecting current conditions;
- Lack of Monitoring over the payments made/received.

In response the Department indicated that it agreed with the recommendations made by Audit and had progressed the implementation of improved processes. Audit will review progress during 2006-07.

### **Commonwealth Government Grants**

Commonwealth Government grants represent a major source of revenue for the Department. In 2005-06 the Department received \$843 million in Commonwealth Government grants.

The results of the audit review during 2004-05 revealed that there are a number of areas where the controls relating to the Grant Revenue environment could be improved. In particular, Audit considered there to be a strong need for the Department to consider centralising the grant revenue management, monitoring and reporting practices across the Department and to establish and implement policies which explicitly detail the controls and responsibilities over this area of departmental operations. During the 2005-06 audit, Audit noted that a significant amount of work has been put into centralising these processes. Notwithstanding, Audit observed that there are still areas for improvement, including increasing the level of communication between the key divisions and the specialist areas for the major agreements.

Whilst Audit recognises that a significant amount of progress has been made with regards to the existing controls and to centralising the process, the following control weaknesses were noted:

- Absence of formal policies for all key activities including the receipt, management, monitoring and acquittal of Commonwealth funds;
- Absence of a verification process of the amount to be funded under the Australian Health Care Agreement to ensure the State receives all funding entitlements.

In response the Department concurred with the findings and recommendations made by Audit and indicated the progress that has been made to date with respect to the issues raised by Audit. Audit will monitor progress during 2006-07.

### **Payroll**

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department amounting to \$58.2 million in 2005-06. Audit review included assessing system controls over transactions processed by the CHRIS payroll system.

Audit coverage also included a follow up of the Department's progress in addressing issues raised as a result of the 2004-05 audit.

Audit has previously identified and reported on a number of control weaknesses relating to payroll control environment which has ultimately lead to the controls opinion issued by the Auditor-General to be qualified.

In summary the control weaknesses noted in past audits have included:

- inadequate documented policies and procedures for key payroll processes;
- ineffective bona fide certification process;
- poor return rate of bona fide reports;
- unreliable leave recording and management processes; and
- breakdowns in performance of key reconciliations and effective maintenance of clearing accounts.

## *Health*

A Service Level Agreement (SLA) was entered into by the Department for the 2005-06 year with the Southern Adelaide Health Service (SAHS) whereby a number of the payroll functions are now performed by SAHS. In undertaking the 2005-06 audit for Payroll, the control environment of SAHS was also considered to ascertain whether reliance can be placed on the controls relating to the processing and recording of payroll. Although the SLA has resulted in SAHS being responsible for a number of key payroll processes, other key controls are still the responsibility of the Department, one such being the bona fide review process which is considered a key control in the Department's payroll environment.

The results of the 2005-06 audit revealed while that some progress has been made on addressing the abovementioned control weaknesses, in particular development of documented policies and procedures, there remains significant control weaknesses in the payroll processing environment.

In summary the control weaknesses noted during the 2005-06 audit included:

- absence of return of all bona fide certificates from Departmental managers;
- failure to update current Departmental policies to reflect the new payroll environment (ie incorporating the use of SAHS into the policies);
- absence of a formalised Departmental policy over all key control areas;
- absence of review over the reconciliations performed to ensure the Payroll System (CHRIS) is completely and accurately updating to the General Ledger (GL).

As a consequence of these control weaknesses, the Department's controls opinion has continued to be qualified in relation to the payroll control environment.

### **Bona Fide Certificates**

The issue of bona fide certificates has been raised with the Department over the last few years. The bona fide certification process represents a key element of the Department's internal control environment and is relied on to provide the Department with assurance that payroll payments are made to bona fide employees, for work actually performed and at the correct classification.

Audit review revealed that a significant number of bona fide certificates relating to the Department were not returned to the payroll area within the required time frame or, in a number of instances, not returned at all. As previously mentioned the lack of return of bona fide certificates by the relevant managers exposes the Department to the following risks:

- invalid people being paid by the Department;
- employees being paid at incorrect rate, for hours not worked or for overtime not entitled to;
- employees leave details not being accurately and completely captured and recorded in the payroll system.

It is Audit's view that for this highly important control to be effective, the Payroll Services division as well as each Departmental cost centre must work together to achieve, as close as possible, full compliance on an ongoing and timely basis with the bona fide Policy. Commitment from every accountable officer is required to effectively address the control weakness.

As a result of the control weaknesses noted Audit made a number of recommendations to the Department. In response the Department indicated that it agreed with the recommendations of Audit and outlined actions underway to improve processes. Audit will monitor progress during 2006-07.

### **Accounts Payable**

The scope of the audit included consideration of the control arrangements relating to both the Masterpiece Online Purchasing and the Accounts Payable systems. Specific areas of focus included:

- use of the online purchase order system to authorise expenditure;
- use of the online purchase order system to validate goods and services received;
- use of payment vouchers to authorise expenditure;
- arrangements for the disbursement of funds;
- management and maintenance of the vendor masterfile;
- update of accounts payable information to the general ledger;
- review over credit card processes; and
- progress of issues raised in prior years audits.

The Department has not only responsibility for processing their own accounts payable transactions but also for the Department for Families and Communities (DFC) under a Shared Service Arrangement. In addition, DFC provide services to the Department in relation to the online purchase order system.

Audit has previously identified and reported on a number of control weaknesses relating to the Accounts Payable control environment which ultimately led to the controls opinion issued by the Auditor-General to be qualified in the 2004-05 year. In prior years, the control weaknesses mainly related to the delegations resulting in Audit being unable to place any reliance over the delegations in place.

The results of the 2005-06 audit revealed a number of the previously highlighted control weaknesses still exist including those in relation to the delegations which has again resulted in the controls opinion being qualified.

In summary the control weaknesses noted during the 2005-06 audit included:

- the absence of a regular review of the online purchase order system delegations to the approved delegations as documented on the Department's intranet;
- instances where requisitions had been approved based on the line amount rather than the total value of the requisition;
- instances where non-exempt expenditure was processed using Manual Payment vouchers rather than the online purchasing system; and
- Lack of documented policies for key controls and processes.

As reported in previous reports, Audit considers the online purchase order system incorporates sound controls. It is Audit's view that the use of the system provides stronger controls than are available with the use of manual payment vouchers. Review of the Department's processes for raising purchase orders, processing supplier invoices and disbursements found that the system is not being used in all applicable instances, as is required by the Department's Online Purchasing Policy.

In some instances reliance is placed upon the approval of a manual payment voucher to ensure expenditure has been authorised and that the goods/services have been received. Due to the size and the decentralised operations of the Department, Audit considers that the reliance on an authorising officer's signature to process a payment voucher or invoice does not represent a strong control.

A positive response was received from the Department.

#### *Invoice Processing - BasWare*

In January 2006 the Department implemented a new system for invoice processing called BasWare that requires the electronic approval of invoices based on system delegations. This will provide a system control in a similar way to the online purchase order system.

Audit is aware that the implementation of BasWare has encountered some problems. The Department has indicated that 'BasWare implementation issues have led to some delays in the payment of accounts. These issues include some technical problems, procedural issues, difficulties experienced by staff in adapting to the system and some mistakes in the implementation strategy'. The BasWare system will be reviewed by Audit during 2006-07.

#### *Delegations of Authority*

Delegations of Authority are an important matter in ensuring that proper controls are operating within an agency regarding expenditure approvals and are specifically mandated by the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

Treasurer's Instruction 8.21 allows a responsible Minister to grant annually to a Chief Executive of a Government Department a standing authority to incur expenditure for the financial year. Where such an authority has been granted, the Chief Executive can in turn sub-delegate to officers of that public authority.

As part of the audit of the Department of Health for the year ending 30 June 2006, Audit requested a copy of the delegation of authority to incur expenditure from the Minister of Health to the Chief Executive. Despite exhaustive checks, the Departmental officers could not locate any such delegation for the year ending 30 June 2006. The last delegation on file was signed on 31 July 2004 and based upon this delegation, the Department had established a series of sub-delegations which underpinned its operations throughout the 2005-06 financial year.

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It should be noted that the Treasurer's Instructions expressly provides for the annual refreshment of a delegation of authority as an important control mechanism in ensuring the continuing appropriateness of existing delegations of authority.

In the absence of a delegation from the Minister, all expenditure, with the exception of employee benefits, reflected in the Department's financial report for the year ending 30 June 2006 was not appropriately authorised in accordance with the Treasurer's Instructions.

Whilst the obligations of Government to external parties acting in good faith, will not, per se, be affected by an unauthorised approval within Government, nevertheless, the failure to ensure that proper delegations are in place and properly managed is a serious control deficiency.

### **Accounts Receivable**

The results of the audit of Accounts Receivable revealed that there is a number of control weaknesses relating to the accounts receivable processing environment. Audit noted the following control weaknesses:

- *Cash handling Controls* — failure to review the monthly deposit reconciliation;
- *Approval of Invoice Requests* — absence of appropriate approval over invoice request forms in accordance with the Department's Financial Services Customer Service Manual;
- *Review over invoices raised* — absence of Departmental policy concerning operational controls for the review of invoices raised;
- *Debtor Follow up Procedures* — failure to adhere to Departmental policy.

In its response the Department indicated action would be taken to address the recommendations made by Audit.

### **Shared Services Arrangements**

As a result of the restructure of the former Department of Human Services, certain business services were retained by DH and DFC respectively. As a result, shared services arrangements were entered into for the 2004-05 and 2005-06 years to facilitate the delivery of certain business services to both agencies. Under these arrangements, the services provided to DFC by DH include Financial Services; and Legal Services. Services provided to DH by DFC include Risk Management and Internal Audit Services; Purchasing; Information and Communication Technology for Telecommunications Services and Masterpiece Services; and Fleet Management.

Audit review of the 2005-06 Shared Services arrangements between DH and DFC revealed that the Shared Services Agreements were not executed on a timely basis. The agreements for the provision of services by the Department of Health and vice versa were executed in late June 2006.

Audit considers that the Shared Service Agreements between the Department of Health and DFC represent an important element of the control framework as they document expectations of both agencies regarding the roles, rights and responsibilities that have been agreed upon by each party. Audit considers it important that the agreements are executed on a timely basis.

This matter was raised in late August 2006 with the Department and at the date of finalisation of this Report, a response had not been received.

### **Commentary on Computer Information Systems (CIS) Environments**

During the year, Audit continued to review various aspects of information technology associated with the Department's responsibilities and operations. The audits, where applicable, included follow up of issues identified in previous reviews.

### **Information and Communication Technology Management and Control**

During the year, Audit conducted a review and consideration of matters of an Information and Communications Technology (ICT) strategic planning and management control nature relating to the Department of Health (DH). The review noted that:

- DH was progressing the formalisation of ICT governance structure and arrangements and that, importantly, regions and health units were represented on the ICT Steering Committee and the individual ICT Governance Boards;

- DH has a comprehensive ICT strategic plan;
- DH has up to date Information Security Standards. There are still some areas in need of management attention as commented below; and
- Disaster recovery planning for the majority of DH ICT systems was deficient and would be addressed as new whole of health enterprise systems were implemented, albeit over an extended period of time.

Regarding information security, a security management systems certification audit by an external consultancy identified some action items to be addressed.

With respect to disaster recovery planning, it is the intention of ICT management to initiate a dedicated project early in the new financial year to examine the issues associated with disaster recovery planning for mission critical applications across health, and the quality and extent of business continuity plans that are in place at the health unit levels.

These matters relating to information security and disaster recovery planning will be the subject of further review in 2006-07.

### **Complete Human Resource Information System (CHRIS)**

The 2004-05 Report included commentary in regard to a review that was undertaken in 2005 of the Department of Health (DH) Complete Human Resource Information System (CHRIS). The DH CHRIS Human Resource Management System (HRMS) is processed at a bureau service managed by an external service provider. The review also addressed compliance by both parties to the Bureau Service Agreement (BSA) between the Minister for Health and the external service provider. DH is responsible for managing the contract of the CHRIS HRMS application on behalf of DH and all health units.

The 2005 Audit review also included follow up of action taken on matters raised in a 2003 external consultancy security review of the bureau service commissioned jointly by DH and the Department for Administrative and Information Services (DAIS).

The observations arising from the 2005 Audit review principally related to variations to the Bureau Service Agreement, outstanding issues from the 2003 external consultancy security review, applicability of DH security patch management policy and procedures to the external service provider, testing of the external service provider Disaster Recovery and Business Resumption Plan, the establishment and testing of a business continuity plan for the now Department for Families and Communities (DFC) Workforce Services, and establishment of service level agreements between DH Central Support Unit and individual business units and health units. Further, Audit observed that regular security assessments have not been conducted subsequent to 2003 by DH and DAIS to examine the external service provider CHRIS operational environments to confirm that hardware, software and general computer controls meet compliance with the Government's Information Security Management Framework.

Last year's report also advised that the Department had identified a range of measures to be taken in relation to the matters raised by Audit.

During the year, a follow up review was undertaken to obtain a current update status of resolution of action items from the 2005 review. The review revealed that certain areas have been satisfactorily addressed. Notwithstanding, there still remains matters to be fully actioned by the Department. The Department advised that it:

- was consulting with DAIS to complete a security review of the external service provider in the 2006 calendar year;
- would progress the assessment of the DH security patch management policy and procedures for applicability to the external service provider;
- intended to undertake a physical test of the external service provider Disaster Recovery and Business Resumption Plan within the 2006-07 financial year;
- had instituted an administrative review process to review the status of individual site's disaster recovery plans on at least a quarterly basis;
- would progress the finalisation of a Service Level Agreement between DH and DFC.

The resolution status of these matters will be reviewed in 2006-07.

### **DH Communications Network HSNet**

The HSNet communications network provides wide area network connectivity to a number of agencies within the Department of Health (DH) and agencies within the Department for Families and Communities throughout the Adelaide CBD, metropolitan area and major regional areas of the State. HSNet supports users principally working in the health and housing sectors. HSNet is also connected to the State Government communications network, StateNet.

In late 2004, Audit completed reviews of the DH HSNet and The Queen Elizabeth Hospital (TQEH) Communications Networks. Since completion of the 2004 reviews, the governance and management of the networks have changed with DH assuming complete control over health communication networks (ie HSNet as well as health unit networks).

The observations from the 2004 reviews principally related to:

- establishment of clear responsibilities for security over electronic personal and health related information;
- review of information assets related to whole of health application systems and electronic health information to ensure completeness in information asset inventories;
- development of policy and procedures over the management of the connectivity between the networks of the individual health service delivery units and HSNet;
- finalisation and approval of procedures with regard to change management of network devices and monitoring of router access control lists;
- monitoring of network traffic for the purpose of managing network performance over HSNet and the TQEH networks;
- strengthening of anti-virus measures over remote access to HSNet and restricting access to the TQEH network via external sources;
- consideration for implementing an Intrusion Detection System between HSNet and StateNet and a firewall between TQEH network and HSNet.

Last year's report also advised that the Department would consider or action various aspects of the report.

In August 2006, Audit advised the DH of the outcomes of a follow up review of matters identified in the 2004 review and action taken in respect of those matters. The follow up review confirmed that DH had implemented certain controls relating to the management of HSNet and key security arrangements over the network in response to the findings of the 2004 reviews. Notwithstanding these measures, there were areas yet to be addressed, including:

- The information asset inventory did not include all whole of health application systems or TQEH hardware, operating systems and databases.
- There were no policies and procedures for the management of the connectivity between the networks of the individual health service delivery units and HSNet.
- Regular review of router access control lists had not been conducted.
- A risk assessment over the TQEH IT Infrastructure had not been undertaken.
- Additional anti virus measures for remote access had not been implemented.
- An appropriate intrusion detection system between HSNet and StateNet was still under investigation.

In addition, the follow up review confirmed that DH, with HSNet, was not in compliance with the StateNet Condition of Connections policy which required agencies to annually verify that electronic networks meet criteria for initial and continued connection of networks and systems to StateNet, the State Government communications network.

At the time of preparation of this Report, DH was in the process of providing a response to the above mentioned issues raised in the August 2006 communication to the Department.

## Regionalisation of Metropolitan Health Services

Last years report included comment regarding the matter of donations received by Healthy Services. The Report indicated that this matter had been referred to the Department for revisit and consideration as a result of the regionalisation of metropolitan health services. Regionalisation involved changes in the legal status of Health Service entities and the functional roles and responsibilities of the entities. This necessitates, where applicable, the revisit and consideration of past administrative/financial practices to ensure effective practices going forward, including aspects of legal compliance and accountability.

Regarding donations, certain of the Health Services that were dissolved under regionalisation were obligated under the *Public Charities Funds Act 1935* to remit donations received to the Commissioners of Charitable Funds. As a consequence of the dissolution of certain Health Services, it was considered that the legal relationships and obligations of the newly created Health Services in relation to the *Public Charities Funds Act 1935* were in need of clarification. The Department advised last year that this matter was being reviewed and considered in conjunction with the Commissioners of Charitable Funds, and may involve possible amendments to the *Public Charities Funds Act 1935*. This matter is still under review and consideration.

## Changes to Country Health Services

A new incorporated health centre 'Country Health SA Incorporated' (Country Health SA) was established on 18 May 2006 by proclamation pursuant to section 48 of the *South Australian Health Commission Act 1976*. Country Health SA replaces a number of existing country health services:

- Eyre Regional Health Service
- Hills Mallee Southern Regional Health Service
- Mid North Regional Health Service
- Northern and Far Western Regional Health Service
- Riverland Health Authority
- South East Regional Health Service
- Wakefield Regional Health Service

The governing bodies of the existing health services, whose functions were replaced by the newly created Country Health SA, were dissolved effective 1 July 2006. On the dissolution of the existing health services the real and personal property and rights and liabilities were transferred to Country Health SA. This reform has given Country Health SA responsibility and accountability for the health of the population in a defined geographic area.

## INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

### Highlights of Financial Report

	2006 \$'million	2005 \$'million	Percentage Change
<b>INCOME</b>			
Rent, fees and charges	78	96	(19)
South Australian Government appropriations	1 439	1 415	2
Grants from SA Government agencies	66	131	n/a
Commonwealth Government grants	843	793	6
Other	19	12	58
<b>Total Income</b>	<b>2 445</b>	2 447	n/a
<b>EXPENSES</b>			
Employee benefits	58	68	(15)
Supplies, services and other expenses	149	147	n/a
Grants, subsidies and client payments	2 271	2 215	3
<b>Total Expenses</b>	<b>2 478</b>	2 430	2
<b>Net Result before Restructure</b>	<b>(33)</b>	17	n/a
<b>Net Revenue (Expenses) from Restructure</b>	-	(72)	n/a
<b>Net Result after Restructure</b>	<b>(33)</b>	(55)	40

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>ASSETS</b>			
Current assets	<b>118</b>	84	40
Non-current assets	<b>74</b>	78	(5)
<b>Total Assets</b>	<b>192</b>	162	19
<b>LIABILITIES</b>			
Current liabilities	<b>56</b>	45	24
Non-current liabilities	<b>139</b>	144	3
<b>Total Liabilities</b>	<b>195</b>	189	3
<b>EQUITY</b>	<b>(3)</b>	(27)	88

### Income Statement

Income for 2005-06 amounted to \$2.4 billion (\$2.4 billion), and principally comprise South Australian Government Appropriations of \$1.4 billion (\$1.4 billion) and Commonwealth Government Grants of \$843 million (\$793 million).

Expenses were \$2.5 billion (\$2.4 billion), principally Grants, Subsidies and Client Payments of \$2.3 billion (\$2.2 billion). Grants, Subsidies and Client Payments include funding to Incorporated Health Services of \$2.2 billion (\$2.1 billion) and funding to Non-Government Organisations of \$53 million (\$93 million).

### Balance Sheet

As at 30 June 2006, the Department has a net asset deficiency of \$2.7 million compared to a deficiency in 2004-05 of \$26.7 million. While the Department recorded a deficit (Net Result) for the year ending 30 June 2006 of \$33 million, this was offset by an equity contribution by the South Australian Government of \$58 million in late June 2006. This contribution has significantly improved the net asset deficiency of the Department.

Despite that deficiency the total current assets of the Department exceeds the current liabilities by \$62 million.

### Current Assets

A significant proportion of the Department's current assets comprise cash and cash equivalents that increased from \$30 million to \$56 million as at 30 June 2006 principally as a result of the equity contribution by the South Australian Government in late June 2006 referred to above.

In relation to cash and cash equivalents, the Department has:

- Unexpended Funding Commitments involving programs sourced from monies provided by the State and Commonwealth Governments (refer Note 18);
- Transferred, in accordance with the cash alignment policy, in August 2006 \$25.2 million to the surplus cash working account maintained by the Department of Treasury and Finance.

### Cash Flow Statement

In 2006 the Department recorded a net cash inflow of \$26 million compared with a net cash outflow of \$33 million during 2004-05. The \$59 million improvement in cash flows is directly attributable to the \$58 million equity contribution by the South Australian Government referred to previously.

**Income Statement  
for the year ended 30 June 2006**

		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
<b>EXPENSES:</b>			
Employee benefits costs	6	<b>58 202</b>	68 467
Supplies and services	7	<b>145 267</b>	141 921
Depreciation and amortisation	8	<b>1 351</b>	889
Grants, subsidies and client payments	9	<b>2 271 469</b>	2 215 103
Borrowing costs	10	<b>2 947</b>	3 000
Other expenses	11	<b>95</b>	1 663
<b>Total Expenses</b>		<b>2 479 331</b>	2 431 043
<b>INCOME:</b>			
Revenue from rent, fees and charges	12	<b>78 308</b>	96 652
Commonwealth Government grants	13	<b>843 099</b>	792 879
Interest revenue	14	<b>4 545</b>	4 848
Net loss from the disposal of assets	15	<b>(16)</b>	(42)
Other income	16	<b>14 707</b>	7 583
<b>Total Income</b>		<b>940 643</b>	901 920
<b>NET COST OF PROVIDING SERVICES</b>		<b>(1 538 688)</b>	(1 529 123)
<b>REVENUES FROM SA GOVERNMENT:</b>			
Revenues from SA Government	17.1	<b>1 439 135</b>	1 415 310
Grants from South Australian Government agencies	17.2	<b>66 047</b>	131 087
<b>NET RESULT BEFORE RESTRUCTURE</b>		<b>(33 506)</b>	17 274
Net revenue (expenses) from administrative restructures	33	<b>160</b>	(72 199)
<b>NET RESULT AFTER RESTRUCTURE</b>		<b>(33 346)</b>	(54 925)
<b>THE NET RESULT AFTER RESTRUCTURE IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
		<b>(33 346)</b>	(54 925)

## Balance Sheet as at 30 June 2006

	Note	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	19	56 273	30 299
Receivables	20	51 261	43 146
Inventories	21	2 180	3 985
Other assets	24	8 712	7 050
<b>Total Current Assets</b>		<b>118 426</b>	84 480
<b>NON-CURRENT ASSETS:</b>			
Receivables	20	35 232	40 117
Property, plant and equipment	22	35 582	36 374
Capital Works in Progress	22.2	2 800	1 102
Other assets	24	433	485
<b>Total Non-Current Assets</b>		<b>74 047</b>	78 078
<b>Total Assets</b>		<b>192 473</b>	162 558
<b>CURRENT LIABILITIES:</b>			
Payables	25	24 488	23 332
Short-term employee benefits	26	6 817	7 116
Short-term borrowings	27	842	566
Short-term provisions	28	13 204	11 795
Other current liabilities	29	10 746	2 329
<b>Total Current Liabilities</b>		<b>56 097</b>	45 138
<b>NON-CURRENT LIABILITIES:</b>			
Payables	25	20 078	20 216
Long-term employee benefits	26	9 819	10 504
Long-term borrowings	27	28 384	29 451
Long-term provisions	28	80 440	83 512
Other non-current liabilities	29	397	467
<b>Total Non-Current Liabilities</b>		<b>139 118</b>	144 150
<b>Total Liabilities</b>		<b>195 215</b>	189 288
<b>NET ASSETS</b>		<b>(2 742)</b>	(26 730)
<b>EQUITY:</b>			
Contributed capital	30	177 749	119 719
Asset revaluation reserve	30	19 301	19 997
Retained earnings	30	(199 792)	(166 446)
<b>TOTAL EQUITY</b>		<b>(2 742)</b>	(26 730)
<b>THE TOTAL EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>			
Commitments for Expenditure	32		
Contingent Assets and Liabilities	34		

## Statement of Changes in Equity for the year ended 30 June 2006

		Contributed Capital \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 30 June 2004	Note	114 340	63 480	(160 220)	17 600
Changes in accounting policy		-	-	-	-
Error correction		-	-	-	-
<b>Restated balance at 30 June 2004</b>		<b>114 340</b>	<b>63 480</b>	<b>(160 220)</b>	<b>17 600</b>
Gain on revaluation of property during 2004-05		-	5 177	-	5 177
Equity contribution from the Department of Treasury and Finance		5 379	-	-	5 379
Transfers from asset revaluation reserve		-	(48 660)	48 660	-
<b>Net income/expense recognised directly in equity for 2004-05</b>		<b>5 379</b>	<b>(43 483)</b>	<b>48 660</b>	<b>10 556</b>
Prior period adjustment		-	-	39	39
Net result after restructure for 2004-05		-	-	(54 925)	(54 925)
<b>Total Recognised Income and Expense for 2004-05</b>		<b>-</b>	<b>-</b>	<b>(54 886)</b>	<b>(54 886)</b>
<b>Balance at 30 June 2005</b>	30	<b>119 719</b>	<b>19 997</b>	<b>(166 446)</b>	<b>(26 730)</b>
Gain on revaluation of property during 2005-06		-	3 010	-	3 010
Loss on revaluation of property during 2005-06		-	(3 706)	-	(3 706)
Equity contribution from Department of Treasury and Finance		58 030	-	-	58 030
<b>Net income/expense recognised directly in equity for 2005-06</b>		<b>58 030</b>	<b>(696)</b>	<b>-</b>	<b>57 334</b>
Net result after restructure for 2005-06		-	-	(33 346)	(33 346)
<b>Total Recognised Income and Expense for 2005-06</b>		<b>-</b>	<b>-</b>	<b>(33 346)</b>	<b>(33 346)</b>
<b>Balance at 30 June 2006</b>	30	<b>177 749</b>	<b>19 301</b>	<b>(199 792)</b>	<b>(2 742)</b>

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

## Cash Flow Statement for the year ended 30 June 2006

	2006	2005
	Inflows (Outflows)	Inflows (Outflows)
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Employee payments	(59 442)	(65 285)
Supplies and services	(129 536)	(161 485)
Grants, subsidies and client payments	(2 282 137)	(2 212 555)
Interest paid	(2 911)	(3 330)
Borrowing costs	(20)	(20)
Goods and Services Tax payments on purchases	(26 591)	(35 181)
Goods and Services Tax remitted to ATO	(36 211)	(36 134)
Other payments	(8)	(1)
<b>Cash used in Operations</b>	<b>(2 536 856)</b>	<b>(2 513 991)</b>
CASH INFLOWS:		
Fees and charges	72 895	91 088
Receipts from Commonwealth	843 099	792 879
Interest received	3 568	4 775
Goods and Services Tax receipts on receivables	6 706	5 584
Goods and Services Tax refund from the ATO	62 347	58 381
Goods and Services Tax input tax credits	2 388	5 229
Other receipts	14 337	7 616
<b>Cash generated from Operations</b>	<b>1 005 340</b>	<b>965 552</b>
CASH FLOWS FROM SA GOVERNMENT:		
Receipts from SA Government	1 439 135	1 415 310
Receipts from South Australian Government agencies	66 047	131 087
<b>Total Cash Flows from SA Government</b>	<b>1 505 182</b>	<b>1 546 397</b>
<b>Net Cash used in Operating Activities</b>	<b>(26 334)</b>	<b>(2 042)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Purchase of Property, plant and equipment	(3 369)	(6 319)
Loans provided	(4 000)	(1 500)
<b>Cash used in Investing Activities</b>	<b>(7 369)</b>	<b>(7 819)</b>
CASH INFLOWS:		
Proceeds from sale of property, plant and equipment	3	1
Repayment of Loans	2 409	1 325
<b>Cash generated from Investing Activities</b>	<b>2 412</b>	<b>1 326</b>
<b>Net Cash used in Investing Activities</b>	<b>(4 957)</b>	<b>(6 493)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
CASH OUTFLOWS:		
Repayment of borrowings	(551)	(396)
Payments due to restructuring activities	(214)	(29 456)
<b>Cash used in Financing Activities</b>	<b>(765)</b>	<b>(29 852)</b>
CASH INFLOWS:		
Capital contributions from Government (not operations)	58 030	5 379
<b>Cash generated from Financing Activities</b>	<b>58 030</b>	<b>5 379</b>
<b>Net Cash provided by (used in) Financing Activities</b>	<b>57 265</b>	<b>(24 473)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>25 974</b>	<b>(33 008)</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>	<b>30 299</b>	<b>63 307</b>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>56 273</b>	<b>30 299</b>

**Program Schedule of Expenses and Income  
for the year ended 30 June 2006**

					<b>2006</b>
Programs (refer Note 5)	S1	S2	S3	S4	<b>Total</b>
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
Employee benefit costs	12 273	8 682	34 882	2 365	<b>58 202</b>
Supplies and services	18 258	4 242	121 994	773	<b>145 267</b>
Grants, subsidies and client payments	6 863	2 109	2 255 477	7 020	<b>2 271 469</b>
Depreciation and amortisation	66	9	1 274	2	<b>1 351</b>
Borrowing costs	-	-	2 947	-	<b>2 947</b>
Other expenses	-	-	95	-	<b>95</b>
<b>Total Expenses</b>	<b>37 460</b>	<b>15 042</b>	<b>2 416 669</b>	<b>10 160</b>	<b>2 479 331</b>
<b>INCOME:</b>					
Revenue from rent, fees and charges	779	917	76 451	161	<b>78 308</b>
Interest revenue	-	-	4 545	-	<b>4 545</b>
Commonwealth government grants	26 480	-	816 483	136	<b>843 099</b>
Net loss from disposal of assets	(4)	(3)	(9)	-	<b>(16)</b>
Other	301	2	14 362	42	<b>14 707</b>
<b>Total Income</b>	<b>27 556</b>	<b>916</b>	<b>911 832</b>	<b>339</b>	<b>940 643</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(9 904)</b>	<b>(14 126)</b>	<b>(1 504 837)</b>	<b>(9 821)</b>	<b>(1 538 688)</b>
<b>REVENUES FROM SA GOVERNMENT</b>					
Revenues from SA Government	-	-	1 439 135	-	<b>1 439 135</b>
Grants from SA Government Agencies	4	268	65 615	160	<b>66 047</b>
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(9 900)</b>	<b>(13 858)</b>	<b>(87)</b>	<b>(9 661)</b>	<b>(33 506)</b>
Net revenue from restructure	-	-	160	-	<b>160</b>
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(9 900)</b>	<b>(13 858)</b>	<b>73</b>	<b>(9 661)</b>	<b>(33 346)</b>

**Programs - Refer Note 5**

- S1. Public Health and Clinical Coordination
- S2. Health System Improvement and Reform
- S3. Health System Management
- S4. Aboriginal Health Services

**Program Schedule of Expenses and Income  
for the year ended 30 June 2005**

						2005
Programs (refer Note 5)	S1	S2	S3	S4	S5	Total
<b>EXPENSES:</b>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Employee benefit costs	17 004	9 893	3 108	2 732	35 730	68 467
Supplies and services	20 339	25 783	2 212	924	92 663	141 921
Grants, subsidies and client payments	10 221	1 717 315	368 962	7 208	111 397	2 215 103
Depreciation and amortisation	591	9	10	2	277	889
Borrowing costs	-	2 980	-	-	20	3 000
Other expenses	1	402	1 155	-	105	1 663
<b>Total Expenses</b>	<b>48 156</b>	<b>1 756 382</b>	<b>375 447</b>	<b>10 866</b>	<b>240 192</b>	<b>2 431 043</b>
<b>INCOME:</b>						
Rent, fees and charges	1 281	37 512	640	111	57 108	96 652
Interest	-	-	-	-	4 848	4 848
Commonwealth Government grants	27 373	622 505	141 889	125	987	792 879
Net loss from disposal of non-current assets	(3)	(4)	-	-	(35)	(42)
Other	548	190	-	-	6 845	7 583
<b>Total Income</b>	<b>29 199</b>	<b>660 203</b>	<b>142 529</b>	<b>236</b>	<b>69 753</b>	<b>901 920</b>
<b>NET COST OF PROVIDING SERVICES</b>	<b>(18 957)</b>	<b>(1 096 179)</b>	<b>(232 918)</b>	<b>(10 630)</b>	<b>(170 439)</b>	<b>(1 529 123)</b>
<b>REVENUES FROM SA GOVERNMENT:</b>						
Revenues from SA Government	17 463	964 933	200 105	9 683	223 126	1 415 310
Grants from SA Government agencies	838	96 736	23 743	509	9 261	131 087
<b>NET RESULT BEFORE RESTRUCTURE</b>	<b>(656)</b>	<b>(34 510)</b>	<b>(9 070)</b>	<b>(438)</b>	<b>61 948</b>	<b>17 274</b>
Net expenses from restructure	(136)	-	-	-	(72 063)	(72 199)
<b>NET RESULT AFTER RESTRUCTURE</b>	<b>(792)</b>	<b>(34 510)</b>	<b>(9 070)</b>	<b>(438)</b>	<b>(10 115)</b>	<b>(54 925)</b>

**Programs - Refer Note 5**

- S1. Population Health & Well-being
- S2. Metropolitan Health Services
- S3. Country Health Services
- S4. Aboriginal Health Services
- S5. Shared Services - Health

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the Department of Health

The vision of the Department of Health (the Department) is to build a health care system that is there when the public needs it, that is fair and trustworthy, that supports the public, families and the community to achieve full health potential; and that encourages individuals to have a say, listens to individuals and makes sure that their views are taken into account. To achieve this vision the Department is:

- Establishing and leading an agenda for health system development, innovation and reform
- Leading the development of state-wide policies, plans and targets
- Influencing and advocating on South Australian health issues with the State and Federal Government Departments
- Coordinating relations between Regions, Minister, other Government Departments and the Department of Health
- Funding services on behalf of State Government and overseeing the health system budget process
- Providing public and environmental health services
- Facilitating and being a focal point for system innovation and new state-wide initiatives

The Department is committed to ensuring the sound health and well being of all South Australians. It is responsible for setting directions, developing policies, funding and monitoring the performance of the South Australian public health, hospital and community based health care services. The Department has a strong commitment to reconciliation and improved health outcomes for Aboriginal people and communities. In order to fulfil these commitments the Department is focusing on improving performance, organisational culture, systems and governance. The Department has responsibility for delivery of specific programs to the public with respect to activities assigned to the Department and the powers and functions performed under the *South Australian Health Commission Act 1976* (the Act), and other legislation as delegated by the Minister for Health, Minister Assisting the Premier for Social Inclusion (the Minister) to the Chief Executive of the Department.

#### 1.1 Departmental Functions

One of the functions delegated to the Chief Executive of the Department under the Act is to ensure that there is proper allocation and use of resources between Health Regions, Health Centres and Health Services incorporated under the Act.

The financial affairs of incorporated health services do not form part of the Department's financial report. Under the Act these bodies are required to maintain separate accounts of their respective financial affairs and to have them separately audited by the Auditor-General or an auditor approved by the Auditor-General.

#### 1.2 Administered Items

The Department administered certain revenues, expenses, assets and liabilities on behalf of other government agencies and non-government entities. They are not controlled by the Department and are consequently not recognised in the Department's financial statements. They are regarded as insignificant and disclosed in Note 37.

#### 1.3 Administrative Restructures

Effective 1 July 2005, the assets and liabilities of Breastscreen SA were transferred to the Central Northern Adelaide Health Service (CNAHS).

Effective 1 July 2005, the assets and liabilities of the Drugs Policy and Programs unit were transferred to the Southern Adelaide Health Service (SAHS).

A major restructure resulted in the former Department of Human Services (DHS) being retitled the Department of Health from 1 July 2004 and certain assets and liabilities were transferred from DHS to the new Department for Families and Communities (DFC). On 5 March 2004, the Governor established DFC and declared that for financial accounting and reporting purposes the establishment of DFC would be taken to occur on 1 July 2004. Certain assets and liabilities were transferred from DHS to DFC effective from 1 July 2004. On 10 June 2004, the Governor proclaimed that the title of DHS would be altered to the Department of Health. The proclamation came into effect on 1 July 2004.

Effective 1 July 2004, the assets and liabilities of the Guardianship Board and the Office of the Public Advocate were transferred to the Department of the Premier and Cabinet.

#### 1.4 Funding for the Department

Funding for the Department comes from two main sources:

- Appropriation funding from State and Commonwealth Government sources. These funds are applied to both controlled and administered activities.
- Payment and recoveries from portfolio agencies for Business Service functions performed on behalf of the agencies, with fees for these services being determined on a cost recovery basis.

In addition to the main funding sources, the Department receives amounts from other sources including interest on cash deposits.

## 2. Summary of Significant Accounting Policies

### 2.1 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 Frameworks (APF) promulgated under the provision of the *Public Finance and Audit Act 1987*
- Applicable Australian Accounting Standards
- Other mandatory professional reporting requirements in Australia

These Financial Statements are the first statements to be prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AIFRS). AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous Financial Statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

The financial report has been prepared in accordance with historic 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 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 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.

### 2.3 Comparative Figures

The presentation and classification of items in the Financial Statements are consistent with prior periods except where a specific Accounting Policy Statement or applicable Australian Accounting Standard have required change.

### 2.4 Rounding

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

### 2.5 Taxation

The Department is not subject to income tax. The Department is liable for payroll tax, fringe benefits tax, goods and services tax (GST) and emergency services levy. Income, expenses and assets are recognised net of the amount of GST except 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 is part of an item of expenses;
- where appropriate, receivables and payables are stated with the amount of GST included.

### 2.6 Income and Expenses

Income and Expenses are recognised in the Department's Income Statement when and only when the flow or consumption or loss of future economic benefits has occurred and can be reliably measured.

Income and Expenses have been classified according to their nature in accordance with APF II *General Purpose Financial Reporting Framework* and have not been offset unless required or permitted by another accounting standard.

Revenue from fees and charges is derived from the provision of services to other SA Government agencies and to the public.

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

Resources received/provided free of charge are recorded as income/expenditure in the Income Statement at their fair value. Goods and Services received free of charge are recorded as such with 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 that are received from other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Commonwealth Government or Non-Government Organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

**2.6 Income and Expenses (continued)**

Grants that are paid to other entities by the Department for general assistance or a particular purpose may be for capital, current or recurrent purposes and the name of the category reflects the use of the grant. These entities may be other SA Government agencies, Non-Government Organisations or the public. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

**2.7 Revenues from SA Government**

Appropriations from program funding are recognised as revenues when the Department obtains control over the assets. Control over the 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 the contribution is recorded as contributed equity.

**2.8 Dividends**

The Department did not receive any dividends.

**2.9 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.

**2.10 Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash at bank and deposits at call that are readily converted into cash and are used in the management function on a day-to-day basis. The definition of cash and cash equivalents in relation to the Balance Sheet differs slightly as it does not take into account bank overdrafts. Cash is measured at nominal value.

In October 2003 the Government introduced a policy with respect to aligning agency cash balances with the appropriation and expenditure authority. During the financial year the Department was not required to transfer any of its cash balance to the Consolidated Account.

**2.11 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. Health Service deficits are recognised in the Department's financial statements as a receivable from Health Services. At each balance date the likelihood that the Health Services may not be able to repay the amounts is assessed by the Department. As a consequence, significant provisions for doubtful debts have been recognised in the Department's financial statements against the Health Services' receivable balances, which reflects an assessment that there is no reasonable expectation that Health Services will be able to repay the monies owed with respect to budget overruns.

Receivables are recognised and carried at the original invoiced amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The Department determines the provision for doubtful debts based on a review of the balances within receivables that are unlikely to be collected.

Bad debts are written off only after all reasonable effort has been made to collect the debt.

**2.12 Inventories**

The Department deems inventory to be held for distribution and to be measured at lower of cost and current replacement cost (where current replacement cost is the cost the entity would incur to acquire the asset on the reporting date). Inventories held for use by the Department are measured at cost, with cost being allocated in accordance with the first-in, first-out method. Cost is the aggregation of the costs of purchase (eg purchase price, import duties, transportation and handling costs) net of trade discounts and rebates, the costs of conversion into finished products (eg labour and production overhead costs) and other costs in bringing the inventories to their present location and condition excluding the cost of abnormal wastage, storage, administration and selling.

**2.13 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 Balance Sheet. Where assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

Where the payment for an asset is deferred, and when material, the Department measures the asset at the present value of the future outflows, discounted using the interest rate of a similar interest rate borrowing.

**2.13 Non-Current Asset Acquisition and Recognition (continued)**

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with APF III *Asset Accounting Framework*.

The Department's non-current assets include property, plant and equipment controlled by the Department.

Works in progress are projects physically incomplete as at reporting date.

**2.14 Revaluation of Non-Current Assets**

In accordance with APF III *Asset Accounting Framework*:

- All non-current physical assets are valued at written down current cost (a proxy for the fair value)
- Revaluation of non-current assets or group of assets is 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 and buildings. However, if at any time management considers that the carrying amount of the asset materially differs from the 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.

Asset classes that satisfied the criteria and are revalued include:

- Vacant Land
- Site Land
- Vacant Buildings
- Building and Improvements

The Department's land and buildings were revalued using the fair value methodology, as at 30 June 2006, based on independent valuations performed by:

- Andrew Lucas - M.B.A., B.App.Sc.(Val.), Dip. Acc., Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), Valcorp Aust Pty Limited.

During the 2004-05 financial year, management decided to review whether there had been a material appreciation in land values. A desktop valuation was undertaken on the Department's metropolitan land with a value of \$800 000 or greater. As a result of the desktop valuation, an index of 27.3 percent was determined and applied to metropolitan land assets only. The desktop valuation was carried out by Rob Taylor Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited.

*Assets Deemed to be at Fair Value*

For those classes of non-current assets where an independent revaluation has not been undertaken, as the criteria within APF III *Asset Accounting Framework* have not been met, these classes of non-current assets are deemed to be at fair value as determined by APF III *Asset Accounting Framework* as issued by the Department of Treasury and Finance.

Asset classes that did not satisfy the criteria and are therefore deemed to be at fair value include:

- Leasehold Improvements
- Buildings and Improvements in Progress
- Computing Equipment
- Other Plant and Equipment
- Plant and Equipment in Progress

**2.15 Depreciation and Amortisation of Non-Current Assets**

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets, 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/amortisation for non-current assets is determined as follows:

<i>Class of Asset</i>	<i>Depreciation Method</i>	<i>Useful Life (Years)</i>
Buildings and improvements	Straight Line	25-50
Leasehold improvements	Straight Line	Life of lease
Computer equipment	Straight Line	3
Other plant and equipment	Straight Line	3-15

**2.16 Intangibles**

The acquisition or internal development of software is capitalised when the expenditure meets the definition and recognition criteria of an asset and when the amount of the expenditure is greater than or equal to \$5 000, in accordance with Departmental Policies.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years.

**2.17 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 normal operations of the Department.

Accrued expenses represents 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 the 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.

**2.18 Employee Benefits**

These benefits accrue for employees as a result of services provided up to the reporting date, that remain unpaid.

*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 is estimated to be less than the annual entitlement of sick leave.

*Annual Leave*

The liability for annual leave reflects the value of total annual leave entitlements of all employees as at 30 June 2006 and is measured at the nominal amount.

*Long Service Leave*

The liability for long service leave was determined through an actuarial assessment undertaken by Mercer Human Resource Consulting Pty Ltd, in accordance with AASB 119 *Employee Benefits*. The following assumptions were made by the actuary when performing the assessment:

- Salary increases of 4 percent per annum based on the current enterprise bargaining agreement and short-term forecasts
- Discounting of 5.78 percent per annum based on the pre-tax yield on the 10 year Commonwealth Government bonds at the valuation date.

*Accrued Salaries and Wages*

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

**2.19 Provisions***Insurance*

The Department is a participant in the State Government's Insurance Program. The Department pays a premium to SA Government Captive Insurance Corporation (SAICORP) for professional indemnity insurance and general public liability insurance, and is responsible for the payment of claim amounts up to an agreed amount (the deductible). SAICORP provides the balance of funding for claims in excess of the deductible. For Professional Indemnity claims after 1 July 1994 and General Public Liability and Property claims after 1 July 1999 the deductible per claim is \$1 000 000. For claims incurred prior to these dates the deductible per claim is \$50 000.

The determination of professional indemnity insurance provision was carried out through an actuarial assessment in accordance with AASB 1023 *General Insurance Contracts* conducted by Brett & Watson Pty Ltd. Current and non-current liabilities of the Department are determined by taking into account prudential margins, inflation, taxes, claims incurred but not reported and claims incurred but not enough reported.

The provision for claims for general public liability insurance and property is a management assessment.

#### *Workers Compensation*

The Department is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Department and participating exempt Health Services are responsible for the management of workers rehabilitation and compensation.

The workers compensation liability recognised for the employees of the Department is based on an apportionment of an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May data. Taylor Fry Consulting Actuaries extrapolate this data to 30 June. For the 2005-06 financial year the Department has reflected a workers compensation provision of \$1.43 million (\$1.4 million) (Refer Note 28).

The actuarial assessment conducted by Taylor Fry Consulting Actuaries is based on the Payment Per Claim Incurred (PPCI) valuation method. The assessment has been conducted in accordance with AASB 1023 and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments reflecting the fact that all the claims do not have to be paid out in the immediate future.

Health Services participating in the scheme continue to be directly responsible for the cost of workers compensation claims and the implementation and funding of preventative programs. The Department has agreed to specifically fund safety net funded Health Services workers compensation expenditure and lump sum settlements and redemption payments. The Department also specifically funds non-safety net funded Health Services workers compensation lump sum settlements and redemption payments. Accordingly, the Department recognises a payable to Health Services equivalent to the liability for these specifically funded items which Health Services recognise as a provision in their financial statements. The workers compensation liability to Health Services as at 30 June 2006 is \$26.85 million (\$25.99 million) (Refer Note 25).

#### **2.20 Leases**

The Department has entered into finance leases that are immaterial and are classified as plant and equipment, and has also entered into operating leases.

##### *Operating Leases*

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

#### **2.21 SA Government/Non-SA Government Disclosures**

The Department has adopted the requirements of APF II *General Purpose Financial Reporting Framework* where Department must disclose by way of note whether transactions are with entities that are within or external to the South Australian Government. These transactions are classified by their nature and relate to revenues, expenses, financial assets and financial liabilities.

#### **2.22 Continuity of Operations**

As at 30 June 2006, the Department had a net asset deficiency of \$2.7 million (\$26.7 million). The Government is committed to the ongoing funding of the Department to enable it to perform its functions.

### **3. Financial Risk Management**

The Department has significant non-interest bearing assets (cash on hand and on call and receivables) and liabilities (payables) and interest bearing assets (held to maturity investments) and liabilities (borrowings from the SA Government). The Department's exposure to market risk and cash flow interest risk is minimal.

The Department has no significant concentration of credit risk. The Department has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

In relation to liquidity/funding risk, 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 programs.

### **4. Change in Accounting Policy**

#### **4.1 Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

The Department of Health has adopted the Australian Equivalents to International Financial Reporting Standards (AIFRS) for the first time for the year ended 30 June 2006. The adoption of AIFRS has not resulted in any material adjustment to the Income Statement, Balance Sheet or Cash Flow Statement.

The estimates applied by the Department under AIFRS such as depreciation rates, estimates used in determining the amount of provisions and certain assets are consistent with the estimates applied under previous Australian Generally Accepted Accounting Principles.

#### **4.2 New Australian Accounting Standards Issued but Not Effective**

A number of Australian Accounting Standards have been issued or amended and are applicable to the Department but are not yet effective. The Department has assessed the impact of the new and amended standards and there will be no impact on the accounting policies of the Department.

## 5. Programs of the Department

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

2005-06 Programs Reported:

**Program S1: Public Health and Clinical Coordination**

Development and implementation of policy and programs in relation to health protection and promotion and illness prevention as well as provision of high level clinical advice to enhance department decision making.

**Program S2: Health System Improvement and Reform**

Provision of health intelligence, innovation, leadership, health reform, policy and planning for the health system.

**Program S3: Health System Management**

Management of the health system including funding, service level agreements, ongoing performance management and monitoring, state-wide service planning and coordination and the provision of support services.

**Program S4: Aboriginal Health Services**

Aboriginal Health Services is responsible for policy advice, programs and services, community development, funding, monitoring and workforce development, support and advice on Aboriginal health related matters to the Department, Minister and the Aboriginal community.

2004-05 Programs Reported:

**Program S1: Population Health and Well-being**

Disease prevention and management, environmental health management and education and promotion of health and well-being.

**Program S2: Metropolitan Health Services**

Provision and management of grants for the delivery of health and related services for persons living within metropolitan Adelaide and persons from rural areas that need specialist treatment in metropolitan Adelaide.

**Program S3: Country Health Services**

Provision and management of grants for the delivery of health and related services across country South Australia.

**Program S4: Aboriginal Health Services**

Policy advice, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal health related matters.

**Program S5: Shared Services - Health**

Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

## 6. Employee Benefits Costs

	2006 \$'000	2005 \$'000
Salaries and wages	44 542	48 702
TVSP (refer Note 6.1)	466	-
Long service leave	368	2 516
Annual leave	3 410	4 270
Employment on-costs (superannuation)	4 750	6 587
Workers compensation	636	1 988
Other	4 030	4 404
<b>Total Employee Benefits Costs *</b>	<b>58 202</b>	<b>68 467</b>

\* The reduction in expense is due to the transfer of Breastscreen SA and Drug Policy programs from the Department (Refer to Note 1.3).

### 6.1 Targeted Voluntary Separation Packages (TVSPs):

Amount paid to these employees:

TVSPs	466	-
Annual leave and long service leave accrued over the period	242	-
Recovery from the Department of Treasury and Finance	466	-

	2006 Number of Employees	2005 Number of Employees
Number of employees that were paid TVSPs during the reporting period	7	-

**Remuneration of Employees and TVSP Disclosure**

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

	<b>2006</b>	2005
	<b>Number of</b>	Number of
	<b>Employees</b>	Employees
\$100 000 - \$109 999	<b>17</b>	8
\$110 000 - \$119 999	<b>2</b>	6
\$120 000 - \$129 999	<b>3</b>	9
\$130 000 - \$139 999	<b>5</b>	6
\$140 000 - \$149 999	<b>5</b>	1
\$150 000 - \$159 999	<b>3</b>	3
\$160 000 - \$169 999	<b>4</b>	4
\$170 000 - \$179 999	<b>5</b>	5
\$180 000 - \$189 999	<b>1</b>	3
\$190 000 - \$199 999	<b>4</b>	-
\$200 000 - \$209 999	<b>2</b>	3
\$210 000 - \$219 999	<b>5</b>	-
\$220 000 - \$229 999	-	-
\$230 000 - \$239 999	-	1
\$240 000 - \$249 999	-	2
\$250 000 - \$259 999	-	1
\$260 000 - \$269 999	-	1
\$270 000 - \$279 999	-	-
\$280 000 - \$289 999	<b>1</b>	-
\$290 000 - \$299 999	<b>2</b>	1
\$300 000 - \$309 999	<b>1</b>	-
\$310 000 - \$319 999	-	-
\$320 000 - \$329 999	<b>1</b>	-
<b>Total Number of Employees</b>	<b>61</b>	<b>54</b>

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 benefit tax and other salary sacrifice benefits. The total remuneration received by these employees for the year was \$9.8 million (\$8.3 million).

For the purpose of this Note remuneration does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

**7. Supplies and Services**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Supplies and Services provided by entities within the SA Government:		
Accommodation and property related	<b>7 073</b>	4 865
Advertising and promotions	<b>49</b>	4
Bad and doubtful debts	<b>3 858</b>	2 602
Client related expenses	-	1
Communication and computing	<b>20 259</b>	26 902
Contractors and agency staff	<b>3 731</b>	6 876
Consultants	<b>4</b>	371
Drugs and medical supplies	<b>66</b>	215
Internal Audit	<b>501</b>	488
Insurance	<b>18 935</b>	17 611
Managed payments	-	290
Minor equipment	<b>12</b>	525
Motor vehicles	<b>698</b>	818
Printing, stationery, postage and periodicals	<b>296</b>	-
Seminars, courses and training	<b>535</b>	487
Travel and accommodation	<b>23</b>	(56)
Other administration	<b>2 768</b>	1 703
<b>Total Supplies and Services - SA Government Entities</b>	<b>58 808</b>	<b>63 702</b>
Audit fees paid/payable to the Auditor-General's Department	<b>255</b>	173
<b>Total Audit Fees - SA Government Entities</b>	<b>255</b>	173

**Other Services**

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

<b>7. Supplies and Services (continued)</b>	<b>2006</b>	2005
Supplies and Services provided by entities external to the SA Government:	<b>\$'000</b>	\$'000
Accommodation and property related	<b>883</b>	3 939
Advertising and promotions	<b>871</b>	912
Client related expenses	<b>2</b>	-
Communication and computing	<b>22 599</b>	19 922
Contractors and agency staff	<b>12 193</b>	12 585
Consultants	<b>954</b>	940
Drugs and medical supplies	<b>14 919</b>	14 773
Insurance	<b>4 203</b>	(2 611)
Interpreter and translator fees	<b>33</b>	29
Interstate patient transfers	<b>19 027</b>	15 295
Managed payments	<b>8</b>	(176)
Minor equipment	<b>929</b>	529
Motor vehicles	<b>113</b>	105
Printing, stationery, postage and periodicals	<b>1 547</b>	2 520
Seminars, courses and training	<b>1 823</b>	1 525
Travel and accommodation	<b>1 413</b>	1 815
Other administration	<b>4 687</b>	5 944
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>86 204</b>	78 046
<b>Total Supplies and Services</b>	<b>145 267</b>	141 921

The number and dollar amount of consultancies paid/payable that fell within the following band:

	<b>2006</b>	<b>2006</b>	2005	2005
	<b>Number</b>	<b>\$'000</b>	Number	\$'000
Below \$10 000	<b>20</b>	<b>81</b>	20	91
Between \$10 000 and \$50 000	<b>20</b>	<b>452</b>	17	319
Above \$50 000	<b>5</b>	<b>425</b>	7	901
<b>Total Paid/Payable to the Consultants Engaged</b>	<b>45</b>	<b>958</b>	44	1 311

<b>8. Depreciation and Amortisation</b>		<b>2006</b>	2005
Depreciation:	Note	<b>\$'000</b>	\$'000
Buildings and improvements		<b>134</b>	150
Medical, surgical, dental and biomedical equipment		<b>-</b>	325
Other plant and equipment		<b>113</b>	145
Computing equipment		<b>1 031</b>	31
<b>Total Depreciation</b>		<b>1 278</b>	651
Amortisation:			
Leasehold improvements		<b>73</b>	238
<b>Total Amortisation</b>		<b>73</b>	238
<b>Total Depreciation and Amortisation</b>		<b>1 351</b>	889

<b>9. Grants, Subsidies and Client Payments</b>		<b>2006</b>	2005
Grants and subsidies and client payments paid/payable to entities within the SA Government:			
Recurrent funding to Incorporated Health Services*	9.1	<b>2 096 367</b>	1 977 970
Capital funding to Incorporated Health Services	9.2	<b>76 042</b>	105 823
Other		<b>7 447</b>	5 054
<b>Total Grant, Subsidies and Client Payments to SA Government Entities</b>		<b>2 179 856</b>	2 088 847
Grants and subsidies and client payments paid/payable to entities external to the SA Government:			
Funding to non-government organisations*	9.3	<b>53 124</b>	92 707
Patient assisted transport scheme		<b>6 197</b>	5 732
National Blood Authority		<b>18 615</b>	14 884
Concessions		<b>492</b>	1 136
Other		<b>13 185</b>	11 797
<b>Total Grant, Subsidies and Client Payments to entities External to SA Government</b>		<b>91 613</b>	126 256
<b>Total Grant, Subsidies and Client Payments</b>		<b>2 271 469</b>	2 215 103

\* In 2005-06 HACC Funding was provided to Health Services through the Department for Families and Communities. In 2004-05 this funding was provided by the Department to Health Services.

<b>9.1 Recurrent Funding to Incorporated Health Services</b>	<b>2006</b>	<b>2005</b>
	<b>\$'000</b>	<b>\$'000</b>
Central Northern Adelaide Health Service	<b>1 003 035</b>	919 953
Southern Adelaide Health Service	<b>361 404</b>	320 983
Children's Youth and Women's Health Service	<b>229 762</b>	212 913
Repatriation General Hospital	<b>97 787</b>	97 125
Northern And Far Western Regional Health Service	<b>69 587</b>	68 846
Hills Mallee Southern Regional Health Services	<b>60 076</b>	62 633
South East Regional Health Service	<b>58 305</b>	57 449
Wakefield Regional Health Service	<b>54 677</b>	54 820
Mid North Regional Health Service	<b>38 032</b>	37 988
Eyre Regional Health Service	<b>34 172</b>	33 905
Institute Of Medical And Veterinary Science	<b>33 858</b>	30 312
Riverland Health Authority	<b>30 910</b>	32 141
Metropolitan Domiciliary Care *	<b>22 639</b>	45 861
Other	<b>2 123</b>	3 041
<b>Total Recurrent Funding to Incorporated Health Services</b>	<b>2 096 367</b>	1 977 970

\* In 2005-06 HACC Funding was provided to Health Services through the Department for Families and Communities. In 2004-05 this funding was provided by the Department to Health Services.

<b>9.2 Capital Funding to Incorporated Health Services</b>		
Central Northern Adelaide Health Service	<b>24 689</b>	55 399
Southern Adelaide Health Service	<b>17 708</b>	11 139
Children's Youth and Women's Health Service	<b>6 037</b>	8 876
Northern and Far Western Regional Health Service	<b>1 653</b>	1 655
South East Regional Health Service	<b>3 104</b>	6 547
Hills Mallee Southern Regional Health Services	<b>6 861</b>	7 172
Mid North Regional Health Service	<b>1 136</b>	1 552
Wakefield Regional Health Service	<b>1 466</b>	3 890
Riverland Health Authority	<b>1 170</b>	2 508
Repatriation General Hospital	<b>8 160</b>	4 674
Institute Of Medical And Veterinary Science	<b>972</b>	750
Eyre Regional Health Service	<b>2 704</b>	1 181
Other	<b>382</b>	480
<b>Total Capital Funding to Incorporated Health Services</b>	<b>76 042</b>	105 823

<b>9.3 Funding to Non-Government Organisations</b>		
Australian Red Cross	<b>1 574</b>	86
Royal District Nursing Service of SA Inc.*	<b>8 862</b>	23 510
Anglicare SA	-	503
Uniting Care Wesley	<b>2 124</b>	4 714
Centacare	<b>771</b>	198
Neami Limited	<b>900</b>	3 710
SHINE SA	<b>3 928</b>	4 539
Life Without Barriers	<b>743</b>	3 770
The Richmond Fellowship of Victoria	<b>682</b>	3 165
Aboriginal Health Council	<b>1 881</b>	1 706
SA Amputee Service	<b>2 221</b>	2 190
South Australian Division of General Practice Inc	<b>394</b>	2 750
Southern Cross Care (SA) Inc	<b>855</b>	1 570
SA Rural and Remote Medical Support Agency (now Rural Doctors Workforce Agency)	<b>3 689</b>	1 535
Relationships Australia	<b>1 086</b>	1 708
Nganampa Health Council	<b>1 652</b>	1 495
Southern District War Memorial Hospital	<b>1 242</b>	1 206
Helping Hand Aged Care Inc	-	1 100
Mental Illness Fellowship of SA	<b>468</b>	1 633
Catholic Family Services	-	1 855
Beyond Blue	-	1 000
Calvary Hospital	<b>250</b>	952
Aged Care and Housing Group Inc	<b>4 172</b>	909
The Flinders University	<b>1 076</b>	993
Royal Flying Doctor Service	<b>2 292</b>	1 360
The Aids Council of SA	<b>1 228</b>	613
Other	<b>11 034</b>	23 937
<b>Total Funding to Non-Government Organisations</b>	<b>53 124</b>	92 707

\* In 2005-06 HACC Funding was provided to Health Services through the Department for Families and Communities. In 2004-05 this funding was provided by the Department to Health Services.

<b>10. Borrowing Costs</b>	<b>2006</b>	2005
Borrowing costs paid/payable to entities within the SA Government:	<b>\$'000</b>	\$'000
Interest on borrowings	<b>2 921</b>	2 980
Other	<b>26</b>	20
<b>Total Borrowing Costs - SA Government Entities</b>	<b>2 947</b>	3 000
<b>Total Borrowing Costs</b>	<b>2 947</b>	3 000
<b>11. Other Expenses</b>		
Other expenses paid/payable to entities within the SA Government:		
Assets donated free of charge	<b>87</b>	1 557
Prior period adjustments not assignable	<b>8</b>	81
<b>Total Other Expenses - SA Government Entities</b>	<b>95</b>	1 638
Other expenses paid/payable to entities external to the SA Government:		
Assets donated free of charge	-	13
Prior period adjustments not assignable	-	12
<b>Total Other Expenses - Non-SA Government Entities</b>	<b>-</b>	25
<b>Total Other Expenses</b>	<b>95</b>	1 663
<b>12. Rent, Fees and Charges</b>		
Rent, fees and charges received/receivable from entities within the SA Government:		
Insurance recoveries from health services	<b>24 474</b>	24 306
Recoveries	<b>17 211</b>	15 685
Business services	<b>2 561</b>	13 458
Fees, fines and penalties	<b>15</b>	299
<b>Total Rent, Fees and Charges - SA Government</b>	<b>44 261</b>	53 748
Rent, fees and charges received/receivable from entities external to the SA Government:		
Interstate patient transfers	<b>28 894</b>	36 158
Insurance recoveries from health services	<b>1 286</b>	779
Recoveries	<b>2 947</b>	5 389
Business services	<b>46</b>	139
Fees, fines and penalties	<b>839</b>	460
Rent	<b>35</b>	(21)
<b>Total Rent, Fees and Charges - Non-SA Government</b>	<b>34 047</b>	42 904
<b>Total Rent, Fees and Charges</b>	<b>78 308</b>	96 652
<b>13. Commonwealth Government Grants</b>		
Australian Health Care Agreement - Base Funding Arrangement	<b>691 958</b>	664 400
Housing Assistance	<b>350</b>	29
Department of Veteran Affairs	<b>77 259</b>	67 887
Highly Specialised Drugs	<b>34 823</b>	25 904
Public Health Outcome Funding Agreement	<b>12 260</b>	11 996
Meningococcal C Vaccine	<b>673</b>	4 500
Essential Vaccines	<b>8 307</b>	10 318
Police Diversion	<b>3 500</b>	3 000
Woomera Hospital	<b>1 144</b>	1 123
General	-	87
Other	<b>12 825</b>	3 635
<b>Total Commonwealth Government Grants</b>	<b>843 099</b>	792 879
<b>14. Interest Revenue</b>		
Interest from entities within SA Government:		
Interest on funds held	<b>1 343</b>	1 632
Interest on loans	<b>3 202</b>	3 216
<b>Total Interest Revenue</b>	<b>4 545</b>	4 848
<b>15. Net Loss from Disposal of Non-Current Assets</b>		
Land and Buildings:		
Proceeds from disposal	-	-
Less: Other costs of disposal	-	10
<b>Net Loss from Disposal of Land and Buildings</b>	<b>-</b>	(10)
General Plant and Equipment:		
Proceeds from disposal	<b>3</b>	1
Less: Net book value of assets disposed	<b>19</b>	33
<b>Net Loss from Disposal of General Plant and Equipment</b>	<b>(16)</b>	(32)

<b>15. Net Loss from Disposal of Non-Current Assets</b>	<b>2006</b>	2005
Total Assets:	<b>\$'000</b>	\$'000
Total proceeds from disposal	<b>3</b>	1
Less: Total value of assets disposed	<b>19</b>	33
Less: Total other costs of disposal	<b>-</b>	10
<b>Total Net Loss from Disposal of Non-Current Assets</b>	<b>(16)</b>	(42)
<b>16. Other Income</b>		
Capital contributions	<b>13 099</b>	6 461
Assets received for nil consideration (refer Note 16.1)	<b>404</b>	-
Prior period adjustments not assignable	<b>51</b>	39
Other	<b>1 153</b>	1 083
<b>Total Other Income</b>	<b>14 707</b>	7 583
<b>16.1 Assets Received for Nil Consideration</b>		
During the reporting period the Department received the following assets free of charge or for nominal consideration:		
Other	<b>404</b>	-
<b>Total Assets Received for Nil Consideration</b>	<b>404</b>	-
<b>17. Revenue from SA Government</b>		
<b>17.1 Revenues from SA Government</b>		
Appropriations from Consolidated Account pursuant to the Appropriation Act:		
General appropriation	<b>1 439 135</b>	1 415 310
<b>Total South Australian Government Appropriations</b>	<b>1 439 135</b>	1 415 310
<b>17.2 Grants from SA Government Agencies</b>		
Community Development Fund	<b>6 500</b>	6 500
Department of Treasury and Finance - Contingency Funds	<b>53 279</b>	58 607
TVSP recoveries	<b>466</b>	-
Department for Families and Communities - Home and Community Care*	<b>-</b>	54 177
Other	<b>5 802</b>	11 803
<b>Total Grants from SA Government Agencies</b>	<b>66 047</b>	131 087
<b>Total Revenue from SA Government</b>	<b>1 505 182</b>	1 546 397
* Funding now provided directly to the Department for Families and Communities. In 2005-06 Home and Community Care (HACC) Funding was provided to Health Services through the Department for Families and Communities. In 2004-05 this funding was provided by the Department to Health Services.		
<b>18. Unexpended Funding Commitments</b>		
The Department is engaged in a variety of funding programs involving State and Commonwealth sources who provide monies to the Department on the premise that these funds are expended in a manner consistent with the terms of the program. As at 30 June 2006 the Department had outstanding funding commitments to the following programs:		
	<b>2006</b>	
	<b>\$'000</b>	
Public Health Outcome Funding Agreement	<b>6 337</b>	
Quality Development Funding	<b>1 200</b>	
Police Drug Diversion	<b>700</b>	
Meningococcal C - State Delivery	<b>488</b>	
Quality Outcomes (COPO) - Mental Health Funding	<b>276</b>	
Infection Control (Surveillance)	<b>209</b>	
Rehab & Geriatric Evaluation Management (GEM)	<b>190</b>	
Overseas Trained Specialist Upskilling Program	<b>189</b>	
Program of Experience in the Palliative Approach (PEPA)	<b>150</b>	
Other	<b>666</b>	
	<b>10 405</b>	
<b>19. Cash and Cash Equivalents</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Special Deposit Account with the Treasurer*	<b>55 502</b>	29 528
Advance Account	<b>771</b>	771
<b>Total Cash and Cash Equivalents</b>	<b>56 273</b>	30 299

\* There has been no reduction in the level of cash held by the Department as a result of the cash alignment policy.

<b>20. Receivables</b>		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
Current:			
Debtors		<b>19 131</b>	20 012
Less: Provision for doubtful debts		<b>1 362</b>	377
Health service budget over-runs		<b>11 481</b>	4 815
Interstate patient transfers		<b>19 247</b>	10 264
Loans	20.1	<b>7 430</b>	1 041
Less: Provision for doubtful debts		<b>6 016</b>	-
Interest		<b>1 175</b>	489
Overpaid salaries		<b>53</b>	25
Sundry		<b>122</b>	5
Goods and services tax receivable		<b>-</b>	6 872
<b>Total Current Receivables</b>		<b>51 261</b>	43 146
Non-Current:			
Health service budget over-runs		<b>48 442</b>	52 735
Less: Provision for doubtful debts health service budget over-runs		<b>48 442</b>	51 615
Loans	20.1	<b>35 211</b>	38 976
Sundry		<b>21</b>	21
<b>Total Non-Current Receivables</b>		<b>35 232</b>	40 117
<b>Total Receivables</b>		<b>86 493</b>	83 263

**Government/Non-Government Receivables**

Receivables from SA Government Entities:			
Debtors		<b>15 112</b>	14 296
Less: Provision for doubtful debts		<b>1 004</b>	19
Health service budget over-runs		<b>59 923</b>	57 550
Less: Provision for doubtful debts health service budget over-runs		<b>48 442</b>	51 615
Loans		<b>42 641</b>	40 017
Less: Provision for doubtful debts loans		<b>6 016</b>	-
Interest		<b>1 175</b>	489
<b>Total Receivable from SA Government Entities</b>		<b>63 389</b>	60 718

## Receivables from Non-SA Government Entities:

Debtors		<b>4 019</b>	5 716
Less: Provision for doubtful debts		<b>358</b>	358
Interstate patient transfers		<b>19 247</b>	10 264
Overpaid salaries		<b>53</b>	25
Sundry		<b>143</b>	26
Goods and services tax receivable		<b>-</b>	6 872
<b>Total Receivable from Non-SA Government Entities</b>		<b>23 104</b>	22 545
<b>Total Receivables</b>		<b>86 493</b>	83 263

**20.1 Reconciliation of Inter-Health Loans**

As at 30 June 2006 the balance of loans to Health Services and related movements is as follows:

Balance at 1 July		<b>40 017</b>	39 513
Add: Advances to health services		<b>4 000</b>	1 500
Capitalised interest charges		<b>291</b>	329
Transfers		<b>742</b>	-
<b>Total Repayable</b>		<b>45 050</b>	41 342
Less: Principal repayments received		<b>2 399</b>	1 325
Interest rebated		<b>10</b>	-
<b>Balance at 30 June</b>		<b>42 641</b>	40 017

The Department to 30 June 2006 has financed the Health Services with loans amounting to \$12.67 million (\$10.28 million) from Department funds and \$29.23 million (\$29.73 million) from back to back loan arrangements with the Department of Treasury and Finance.

The movements and status of the back to back loan arrangements are as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Balance at 1 July	<b>29 732</b>	29 954
Add: Capitalised interest charges	<b>45</b>	174
<b>Total Repayable</b>	<b>29 777</b>	30 128
Less: Principal Repayments	<b>551</b>	396
<b>Balance at 30 June</b>	<b>29 226</b>	29 732

	2006 \$'000	2005 \$'000
<b>21. Inventories</b>		
Drug supplies	2 180	3 985
<b>Total Inventories</b>	<b>2 180</b>	<b>3 985</b>
<b>22. Property, Plant and Equipment</b>		
<b>22.1 Property, Plant and Equipment</b>		
Land and Buildings:		
Vacant land at fair value	22 422	23 962
Site land at fair value	5 051	4 246
Vacant buildings at fair value	735	1 825
Buildings and improvements at fair value	4 512	5 142
Less: Accumulated depreciation - Buildings and improvements at fair value	-	3 178
<b>Total Land and Buildings</b>	<b>32 720</b>	<b>31 997</b>
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	1 560	3 781
Less: Accumulated amortisation	1 298	3 274
<b>Total Leasehold Improvements</b>	<b>262</b>	<b>507</b>
<b>Total Property and Leasehold Improvements</b>	<b>32 982</b>	<b>32 504</b>
Plant and Equipment:		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	-	3 618
Less: Accumulated depreciation - Medical, surgical and biomedical equipment	-	3 180
Computing equipment at cost (deemed fair value)	3 753	3 697
Less: Accumulated depreciation - Computing equipment at cost	1 712	1 063
Other plant and equipment at cost (deemed fair value)	982	1 552
Less: Accumulated depreciation - Other plant and equipment	423	754
<b>Total Plant and Equipment</b>	<b>2 600</b>	<b>3 870</b>
<b>Total Property, Plant and Equipment</b>	<b>35 582</b>	<b>36 374</b>
<b>22.2 Capital Works in Progress</b>		
Buildings and improvements in progress at cost (deemed fair value)	2 800	1 102
<b>Total Capital Works in Progress</b>	<b>2 800</b>	<b>1 102</b>

#### Reconciliation of Property and Leasehold Improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2005-06:

	Vacant Land \$'000	Site Land \$'000	Vacant Buildings \$'000	Buildings & Improvmts \$'000	Leasehold Improvmts \$'000	<b>Total Property &amp; Leasehold Improvmts \$'000</b>
Carrying amount at 1 July	23 962	4 246	1 825	1 964	507	<b>32 504</b>
Revaluation Increment (Decrement)	(2 346)	490	175	985	-	<b>(696)</b>
Depreciation and amortisation	-	-	-	(134)	(73)	<b>(207)</b>
Acquisition (Disposal) through administrative restructure	-	-	-	-	(172)	<b>(172)</b>
Acquisition (Disposal) from transfers from other classes	806	315	(1 265)	144	-	-
Transfers from work in progress	-	-	-	1 553	-	<b>1 553</b>
<b>Carrying Amount at 30 June</b>	<b>22 422</b>	<b>5 051</b>	<b>735</b>	<b>4 512</b>	<b>262</b>	<b>32 982</b>

#### Reconciliation of Plant and Equipment

The following table shows the movement of plant and equipment during 2005-06:

	Medical Surgical, Dental and Biomedical Equipment \$'000	Computing Equipment \$'000	Other Plant and Equipment \$'000	<b>2006 Total Plant and Equipment \$'000</b>
Carrying amount at 1 July	438	2 634	798	<b>3 870</b>
Purchases	-	438	91	<b>529</b>
Assets donated free of charge	-	-	(87)	<b>(87)</b>
Disposals	-	-	(19)	<b>(19)</b>
Write-off non-current assets	-	-	(8)	<b>(8)</b>
Depreciation and amortisation	-	(1 031)	(113)	<b>(1 144)</b>
Acquisition (Disposal) through administrative restructure	(438)	-	(103)	<b>(541)</b>
<b>Carrying Amount at 30 June</b>	<b>-</b>	<b>2 041</b>	<b>559</b>	<b>2 600</b>

<b>23. Intangible Assets</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Computer software	<b>1 612</b>	1 612
Less: Accumulated amortisation	<b>1 612</b>	1 612
<b>Total Intangible Assets</b>	<b>-</b>	-
<b>24. Other Assets</b>		
Current:		
Prepayments	<b>8 712</b>	7 050
<b>Total Current Other Assets</b>	<b>8 712</b>	7 050
Non-Current:		
Prepayments	<b>433</b>	485
<b>Total Non-Current Other Assets</b>	<b>433</b>	485
<b>Total Other Assets</b>	<b>9 145</b>	7 535
<b>SA Government/Non-SA Government Other Assets</b>		
Prepayments to SA Government entities:		
Prepayments	<b>6 000</b>	-
<b>Total Prepayments to SA Government Entities</b>	<b>6 000</b>	-
Prepayments to Non-SA Government entities:		
Prepayments	<b>3 145</b>	7 535
<b>Total Prepayments to Non-SA Government Entities</b>	<b>3 145</b>	7 535
<b>Total Other Assets</b>	<b>9 145</b>	7 535
<b>25. Payables</b>		
Current:		
Creditors	<b>12 640</b>	9 849
Health service workers compensation	<b>7 887</b>	7 636
Health service budget under-runs	<b>865</b>	3 429
Goods and Services Tax payable	<b>1 767</b>	-
Grants to non-government organisations	<b>79</b>	685
Interest	<b>230</b>	259
Other accrued expenses	<b>-</b>	149
Employee benefit on-costs	<b>1 020</b>	1 325
<b>Total Current Payables</b>	<b>24 488</b>	23 332
Non-Current:		
Health service workers compensation	<b>18 967</b>	18 355
Grants to non-government organisations	<b>193</b>	181
Employee benefit on-costs	<b>918</b>	1 680
<b>Total Non-Current Payables</b>	<b>20 078</b>	20 216
<b>Total Payables</b>	<b>44 566</b>	43 548
<b>SA Government/Non-SA Government Payables</b>		
Payables to SA Government entities:		
Creditors	<b>6 730</b>	5 734
Health service workers compensation	<b>26 854</b>	25 991
Health service budget under-runs	<b>865</b>	3 429
Interest	<b>230</b>	259
Employee benefit on-costs	<b>1 938</b>	3 005
<b>Total Payables to Other SA Government Entities</b>	<b>36 617</b>	38 418
Payables to Non-SA Government entities:		
Creditors	<b>5 910</b>	4 115
Goods and Services Tax payable	<b>1 767</b>	-
Grants to non-Government organisations	<b>272</b>	866
Other accrued expenses	<b>-</b>	149
<b>Total Payable to Non-SA Government Entities</b>	<b>7 949</b>	5 130
<b>Total Payables</b>	<b>44 566</b>	43 548

**Interest Rate and Credit Risk**

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

<b>26. Employee Benefits</b>		<b>2006</b>	2005
Current:	Note	<b>\$'000</b>	\$'000
Annual leave		<b>3 920</b>	4 134
Long service leave		<b>1 918</b>	2 212
Accrued salaries and wages		<b>981</b>	786
Other		<b>(2)</b>	(16)
<b>Total Current Employee Benefits</b>		<b>6 817</b>	7 116
Non-Current:			
Long service leave		<b>9 819</b>	10 504
<b>Total Non-Current Employee Benefits</b>		<b>9 819</b>	10 504
<b>Total Employee Benefits</b>		<b>16 636</b>	17 620

The total current and non-current employee benefit (ie aggregate employee benefit plus related on-costs) is \$7.8 million (\$8.4 million) and \$10.7 million (\$12.2 million) respectively.

<b>27. Borrowings</b>			
<b>SA Government/Non-SA Government Entities</b>			
<i>Borrowings from SA Government Entities</i>			
Current:			
Department of Treasury and Finance - Loans		<b>842</b>	566
<b>Total Current Borrowings</b>		<b>842</b>	566
Non-Current:			
Department of Treasury and Finance - Loans		<b>28 384</b>	29 166
Advance - Treasury Imprest Account		<b>-</b>	285
<b>Total Non-Current Borrowings</b>		<b>28 384</b>	29 451
<b>Total Borrowings from SA Government Entities</b>		<b>29 226</b>	30 017
<b>Total Borrowings</b>		<b>29 226</b>	30 017
Repayable:			
Not later than one year		<b>842</b>	566
Later than one year but not later than five years		<b>6 087</b>	5 993
Later than five years		<b>22 297</b>	23 458
		<b>29 226</b>	30 017

<b>28. Provisions</b>			
Current:			
Insurance	28.1	<b>12 558</b>	11 165
Workers compensation	28.2	<b>434</b>	425
Other		<b>212</b>	205
<b>Total Current Provisions</b>		<b>13 204</b>	11 795
Non-Current:			
Insurance	28.1	<b>79 441</b>	82 540
Workers compensation	28.2	<b>999</b>	972
<b>Total Non-Current Provisions</b>		<b>80 440</b>	83 512
<b>Total Provisions</b>		<b>93 644</b>	95 307

#### 28.1 Reconciliation of Insurance

The following table shows the movement of insurance during 2005-06:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	<b>2006 Total \$'000</b>
Carrying amount at 1 July	89 528	2 823	1 354	<b>93 705</b>
Increase to provision due to new claims	2 660	571	695	<b>3 926</b>
Reduction due to payments	(5 531)	(968)	(745)	<b>(7 244)</b>
Net revision of estimates	2 313	(134)	(567)	<b>1 612</b>
<b>Carrying Amount at 30 June</b>	<b>88 970</b>	<b>2 292</b>	<b>737</b>	<b>91 999</b>

The following table shows the movement of insurance during 2004-05:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	2005 Total \$'000
Carrying amount at 1 July	99 647	1 524	1 359	102 530
Transfer out to DFC at 1 July	-	(169)	(16)	(185)
	99 647	1 355	1 343	102 345
Increase to provision due to new claims	13 513	1 704	1 300	16 517
Reduction due to payments	(3 871)	(842)	(1 004)	(5 717)
Net revision of estimates	(19 761)	606	(285)	(19 440)
<b>Carrying Amount at 30 June</b>	<b>89 528</b>	<b>2 823</b>	<b>1 354</b>	<b>93 705</b>

<b>28.2 Reconciliation of Workers Compensation</b>	<b>2006</b>	2005
The following table shows the movement of workers compensation during 2005-06:	<b>\$'000</b>	\$'000
Carrying amount at 1 July	<b>1 397</b>	10 176
Transfers to DFC	-	(8 826)
Increase to provision due to revision of estimates	<b>615</b>	1 988
Reduction due to payments	<b>(579)</b>	(1 941)
<b>Carrying Amount at 30 June</b>	<b>1 433</b>	1 397

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. These claims are expected to be settled within the next financial year.

<b>29. Other Liabilities</b>	<b>2006</b>	2005
Current:	<b>\$'000</b>	\$'000
Unclaimed monies	<b>1 012</b>	978
Interstate patient transfers	<b>9 077</b>	484
Unearned revenue	<b>566</b>	776
Other	<b>91</b>	91
<b>Total Current Other Liabilities</b>	<b>10 746</b>	2 329
Non-Current:		
Unearned revenue	<b>397</b>	467
<b>Total Non-Current Other Liabilities</b>	<b>397</b>	467
<b>Total Other Liabilities</b>	<b>11 143</b>	2 796
<b>30. Equity</b>		
Contributed capital	<b>177 749</b>	119 719
Retained earnings	<b>(199 792)</b>	(166 446)
Asset revaluation reserve	<b>19 301</b>	19 997
<b>Total Equity</b>	<b>(2 742)</b>	(26 730)

### 31. Financial Instruments

#### 31.1 Terms, Conditions and Accounting Policies

##### Financial Assets

Cash deposits are recognised at their nominal amounts and interest is credited to revenue as it accrues. The Department invests surplus funds with the Treasurer at call. Interest is earned on the average monthly balance at rates based on the Department of Treasury and Finance 90 day bank bill rate and interest is paid at the end of each quarter.

Trade account receivables are generally settled within 30 days, are carried at amounts due and credit terms are net 30 days. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date and bad debts are written off in the period in which they are identified.

Loans are recognised at the nominal amounts lent and collectability of amounts outstanding is reviewed at balance date. A provision is made for bad and doubtful loans where collection of the loan or part thereof is judged to be less likely rather than more likely. Loan repayments may be waived. Interest is credited to revenue as it accrues. Principal is repaid in accordance with the repayment schedule. Interest rates are fixed and interest payments are due on the day of the scheduled agreed terms of payment.

##### Financial Liabilities

Trade accounts payable, including accruals not yet billed, are recognised when the Department becomes obliged to make future payments as a result of a purchase of assets or goods and services at their nominal amounts. Trade accounts payable are generally settled within 30 days.

Borrowings are recognised when issued at the amount of the net proceeds due and carried at cost until settled. Interest is recognised as an expense on an effective yield basis.

#### 31.2 Interest Rate Risk

Trade receivables, prepayments and accrued revenues are non-interest bearing. The carrying amount of receivables approximates fair value due to being receivable on demand.

All payables are non-interest bearing. The carrying amount of payables approximates net fair value due to the amounts being payable on demand.

#### 31.3 Foreign Exchange Risk

In accordance with Treasurer's Instruction 23 *Management of Foreign Currency Exposures* the Department was required to enter into six forward exchange contracts through the South Australian Government Financing Authority, to cover the anticipated acquisition of hospital equipment in the 2004-05 and 2005-06 financial years. The objective of these hedging contracts is to manage the likelihood of any foreign currency exposures that could arise during the period between approval for the acquisition and payment for delivery. The Department is not exposed to any movements in foreign exchange.

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

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

**32. Commitments****32.1 Capital Commitments**

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

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>6 256</b>	10 810
Later than one year but not later than five years	<b>7 517</b>	3 281
Later than five years	-	-
<b>Total Capital Commitments (including GST)</b>	<b>13 773</b>	14 091

Included in Capital expenditure commitments above is \$1.3 million (\$1.3 million) which is the GST component of the Capital expenditure commitments.

**32.2 Other Commitments**

Capital expenditure contracted for by the Department on behalf of Health Units, at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>70 447</b>	54 029
Later than one year but not later than five years	<b>111 345</b>	139 860
Later than five years	-	-
<b>Total Other Commitments (including GST)</b>	<b>181 792</b>	193 889

Included in the Other expenditure commitments above is \$16.5 million (\$19.4 million) which is the GST component of the Other expenditure commitments. The Department also has commitments to provide funding to various non-government organisations in accordance with negotiated service agreements. The value of these commitments as at 30 June 2006 has not been quantified.

**32.3 Operating Lease Commitments**

Commitments under non-cancellable operating leases at the reporting date not recognised as liabilities in the financial report, are payable as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Not later than one year	<b>5 418</b>	6 558
Later than one year but not later than five years	<b>21 259</b>	21 536
Later than five years	-	4 984
<b>Total Operating Lease Commitments (including GST)</b>	<b>26 677</b>	33 078

Included in the operating lease commitments above is \$2.6 million (\$3 million) which is the GST component of the operating lease payments.

The Department has a number of lease agreements. These leases are for administrative purposes and vary in length. Lease payments are monthly and predominately paid in advance. Each lease agreement has renewal options for a determined period, exercisable by both the lessor and lessee. Contingent rental payments are determined using a set rate. In most cases this is either CPI or current market rate.

**33. Net Revenue (Expenses) from Administrative Restructures**

The net revenues (expenses) relating to the restructure of administrative arrangements recognised in the Income Statement are the following:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
BreastScreen SA	<b>44</b>	-
Drugs policy and programs	<b>51</b>	-
Department for Families and Communities	<b>65</b>	(72 506)
Office of the Public Advocate	-	171
Guardianship Board	-	136
	<b>160</b>	(72 199)

**Transfers from the Department during 2005-06**

As at the 1 July 2005 the functions of BreastScreen SA were transferred to Central Northern Adelaide Health Service (CNAHS). The Drug Policy and Programs unit of the Department was transferred to Southern Adelaide Health Service (SAHS). In addition some residual assets and liabilities were transferred to DFC (see transfers from the Department in 2004-05).

**Transfers from the Department during 2005-06 (continued)**

All the assets and liabilities transferred from the Department have been so in accordance with Australian Accounting Standard AAS 29 *Financial Reporting by Government*, APF II *General Purpose Financial Reporting Framework*, section 5 *Entity Restructuring* and other relevant professional pronouncements.

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2005-06:

	Breastscreen \$'000	DAASA \$'000	DFC \$'000	2006 Total \$'000
Assets:				
Current assets	-	-	220	220
Non-current assets	703	11	-	714
<b>Total Assets</b>	<b>703</b>	<b>11</b>	<b>220</b>	<b>934</b>
Liabilities:				
Current liabilities	367	27	285	679
Non-current liabilities	380	35	-	415
<b>Total Liabilities</b>	<b>747</b>	<b>62</b>	<b>285</b>	<b>1 094</b>
<b>NET ASSETS</b>	<b>(44)</b>	<b>(51)</b>	<b>(65)</b>	<b>(160)</b>

**Transfers from the Department during 2004-05**

On 5 March 2004, the Governor established the Department for Families and Communities (DFC) and declared that for financial accounting and reporting purposes the establishment of DFC would occur on 1 July 2004. The assets and liabilities were transferred from the Department to DFC effective 1 July 2004. In addition, effective 1 July 2004, the assets and liabilities of the Guardianship Board (GB) and the Office of the Public Advocate (OPA) were transferred to the Department for Premier and Cabinet (refer Note 1.3).

In respect of the activities relinquished, the following assets and liabilities were transferred out of the Department in 2004-05.

	GB \$'000	OPA \$'000	DFC \$'000	2005 Total \$'000
Assets:				
Current assets	3	-	37 230	37 233
Non-current assets	13	-	97 765	97 778
<b>Total Assets</b>	<b>16</b>	<b>-</b>	<b>134 995</b>	<b>135 011</b>
Liabilities:				
Current liabilities	72	79	26 381	26 532
Non-current liabilities	80	92	36 108	36 280
<b>Total Liabilities</b>	<b>152</b>	<b>171</b>	<b>62 489</b>	<b>62 812</b>
<b>NET ASSETS</b>	<b>(136)</b>	<b>(171)</b>	<b>72 506</b>	<b>72 199</b>

**34. Contingent Assets and Liabilities**

The Department does not have any contingent assets or liabilities.

**35. Cash Flow Reconciliations**

Reconciliation of Cash - At year end as per:

	2006 \$'000	2005 \$'000
Cash Flow Statement	56 273	30 299
Balance Sheet	56 273	30 299

**Reconciliation of Net Cash used in Operating Activities to Net Cost of Providing Services**

Net cash used in operating activities	(26 334)	(2 042)
South Australian Government Appropriations	(1 439 135)	(1 415 310)
Grants from South Australian Government agencies	(66 047)	(131 087)
Outflow in Cash before Appropriations	(1 531 516)	(1 548 439)
Add/Less: Non-Cash Items:		
Depreciation and amortisation	(1 351)	(889)
Assets received for nil consideration	404	-
Bad and doubtful debts	(3 858)	(2 602)
Asset donated free of charge	(87)	(1 570)
Prior period adjustment unassignable	30	(42)
Gain on sale of assets	(16)	(42)
Capitalised interest on borrowings	(45)	(174)
Capitalised interest on loans	291	329
Changes in Assets and Liabilities:		
Increase (Decrease) in receivables	5 176	5 412
Increase (Decrease) in other assets	(195)	6 434
Decrease (Increase) in payables	(1 018)	(953)
Decrease (Increase) in employee benefits	181	(2 012)
Decrease (Increase) in other liabilities	(8 347)	6 608
Decrease (Increase) in provisions	1 663	8 817
<b>Net Cost of Providing Services</b>	<b>(1 538 688)</b>	<b>(1 529 123)</b>

**36. Events After Balance Date**

In accordance with the Department of Treasury and Finance (DTF) cash alignment policy, the Department transferred \$25.232 million to the surplus cash working account maintained by DTF, subsequent to balance date.

**37. Schedules of Administered Funds**

The following Income, Expenditures, Assets and Liabilities were administered but not controlled by the Department and have not been included in the financial statements. In accordance with the Department of Treasury and Finance Model Financial Statements, these items are regarded as insignificant to the Department's overall performance and are disclosed in the following schedules.

**Schedule of Administered Income and Expenses for the year ended 30 June 2006**

	2006				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
<b>Administered Expenses:</b>					
Employee benefits	-	355	215	-	570
Supplies and services	-	319	-	-	319
Grants, subsidies and client payments	50 475	26 874	-	-	77 349
Depreciation and amortisation	-	3	-	-	3
Borrowing costs	-	-	-	-	-
Other expenses	-	-	-	-	-
<b>Total Administered Expenses</b>	<b>50 475</b>	<b>27 551</b>	<b>215</b>	<b>-</b>	<b>78 241</b>
<b>Administered Income:</b>					
Revenues from SA Government	46 075	1 194	-	278	47 547
Commonwealth grants	-	7 209	-	-	7 209
Grants and contributions	4 400	-	213	-	4 613
User charges and fees	-	10 362	-	-	10 362
Interest	-	1 146	-	-	1 146
Other revenues	-	-	-	-	-
Investment income	-	-	-	-	-
<b>Total Administered Income</b>	<b>50 475</b>	<b>19 911</b>	<b>213</b>	<b>278</b>	<b>70 877</b>
<b>Administered Income Less Expenses</b>	<b>-</b>	<b>(7 640)</b>	<b>(2)</b>	<b>278</b>	<b>(7 364)</b>

	2005				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
<b>Administered Expenses:</b>					
Employee benefits	-	345	207	982	1 534
Supplies and services	-	343	-	2 364	2 707
Grants, subsidies and client payments	43 617	15 099	-	1 116	59 832
Depreciation and amortisation	-	2	-	1	3
<b>Total Administered Expenses</b>	<b>43 617</b>	<b>15 789</b>	<b>207</b>	<b>4 463</b>	<b>64 076</b>
<b>Administered Income:</b>					
Revenues from SA Government	-	1 271	-	-	1 271
Commonwealth grants	-	9 190	-	-	9 190
Grants and contributions	43 617	-	205	4 050	47 872
User charges and fees	-	12 208	-	66	12 274
Interest	-	1 004	-	-	1 004
Other revenues	-	80	-	-	80
<b>Total Administered Income</b>	<b>43 617</b>	<b>23 753</b>	<b>205</b>	<b>4 116</b>	<b>71 691</b>
<b>Administered Income Less Expenses</b>	<b>-</b>	<b>7 964</b>	<b>(2)</b>	<b>(347)</b>	<b>7 615</b>

**Schedule of Administered Assets and Liabilities for the year ended 30 June 2006**

	2006				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
<b>Administered Current Assets:</b>					
Cash	-	8 843	-	-	<b>8 843</b>
Receivables	-	-	18	-	<b>18</b>
<b>Total Administered Current Assets</b>	-	<b>8 843</b>	<b>18</b>	-	<b>8 861</b>
<b>Administered Non-Current Assets:</b>					
Receivables	-	-	-	-	-
Land and Improvements	-	-	-	-	-
Plant and equipment	-	15	-	-	<b>15</b>
<b>Total Administered Non-Current Assets</b>	-	<b>15</b>	-	-	<b>15</b>
<b>Total Administered Assets</b>	-	<b>8 858</b>	<b>18</b>	-	<b>8 876</b>
<b>Administered Current Liabilities:</b>					
Payables	-	208	-	-	<b>208</b>
Borrowings	-	-	18	-	<b>18</b>
Employee benefits	-	153	9	-	<b>162</b>
Other current provisions	-	14	-	-	<b>14</b>
<b>Total Administered Current Liabilities</b>	-	<b>375</b>	<b>27</b>	-	<b>402</b>
<b>Administered Non-Current Liabilities:</b>					
Other non-current liabilities	-	-	-	-	-
<b>Total Administered Non-Current Liabilities</b>	-	-	-	-	-
<b>Total Administered Liabilities</b>	-	<b>375</b>	<b>27</b>	-	<b>402</b>
<b>NET ADMINISTERED ASSETS</b>	-	<b>8 483</b>	<b>(9)</b>	-	<b>8 474</b>

	2005				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
<b>Administered Current Assets:</b>					
Cash	-	22 109	-	-	22 109
Receivables	-	-	205	-	205
<b>Total Administered Current Assets</b>	-	<b>22 109</b>	<b>205</b>	-	<b>22 314</b>
<b>Administered Non-Current Assets:</b>					
Plant and equipment	-	17	-	11	28
<b>Total Administered Non-Current Assets</b>	-	<b>17</b>	-	<b>11</b>	<b>28</b>
<b>Total Administered Assets</b>	-	<b>22 126</b>	<b>205</b>	<b>11</b>	<b>22 342</b>
<b>Administered Current Liabilities:</b>					
Payables	-	5 889	7	57	5 953
Borrowings	-	-	205	278	483
Employee benefits	-	107	-	-	107
Other provisions	-	7	-	-	7
<b>Total Administered Current Liabilities</b>	-	<b>6 003</b>	<b>212</b>	<b>335</b>	<b>6 550</b>
<b>Administered Non-Current Liabilities:</b>					
Other non-current liabilities	-	-	-	-	-
<b>Total Administered Non-Current Liabilities</b>	-	-	-	-	-
<b>Total Administered Liabilities</b>	-	<b>6 003</b>	<b>212</b>	<b>335</b>	<b>6 550</b>
<b>NET ADMINISTERED ASSETS</b>	-	<b>16 123</b>	<b>(7)</b>	<b>(324)</b>	<b>15 792</b>

**Schedule of Administered Changes in Equity for the year ended 30 June 2006**

	2006				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
Balance at beginning of reporting period	-	16 123	(7)	(324)	<b>15 792</b>
Other restructure	-	-	-	46	<b>46</b>
<b>Net Income/Expense Recognised Directly to Equity</b>	-	<b>16 123</b>	<b>(7)</b>	<b>(278)</b>	<b>15 838</b>
Net operating result/deficit	-	(7 640)	(2)	278	<b>(7 364)</b>
<b>Total Recognised Income and Expense for the Period</b>	-	<b>(7 640)</b>	<b>(2)</b>	<b>278</b>	<b>(7 364)</b>
<b>Balance at the end of the Reporting Period</b>	-	<b>8 483</b>	<b>(9)</b>	-	<b>8 474</b>

	2005				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
Balance at beginning of reporting period	-	8 159	(5)	23	8 177
<b>Net Income/Expense Recognised Directly to Equity</b>	-	<b>8 159</b>	<b>(5)</b>	<b>23</b>	<b>8 177</b>
Net operating result/deficit	-	7 964	(2)	(347)	7 615
<b>Total Recognised Income and Expense for the Period</b>	-	<b>7 964</b>	<b>(2)</b>	<b>(347)</b>	<b>7 615</b>
<b>Balance at the end of the Reporting Period</b>	-	<b>16 123</b>	<b>(7)</b>	<b>(324)</b>	<b>15 792</b>

**Schedule of Administered Cash Flows for the year ended 30 June 2006**

	2006				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
<b>Cash Flows from Operating Activities</b>					
<b>Cash Inflows:</b>					
Receipts from SA Government	51 429	8 403	400	278	<b>60 510</b>
Interest revenue	-	1 146	-	-	<b>1 146</b>
Other revenue	-	10 440	-	-	<b>10 440</b>
<b>Total Cash Inflows</b>	<b>51 429</b>	<b>19 989</b>	<b>400</b>	<b>278</b>	<b>72 096</b>
<b>Cash Outflows:</b>					
Employee payments	-	305	213	-	<b>518</b>
Grants and subsidies	51 429	32 560	-	-	<b>83 989</b>
Goods and services	-	390	-	-	<b>390</b>
Other	-	-	-	-	<b>-</b>
<b>Total Cash Outflows</b>	<b>51 429</b>	<b>33 255</b>	<b>213</b>	<b>-</b>	<b>84 897</b>
<b>Net Cash Inflows/Cash Outflows-Operating Activities</b>	<b>-</b>	<b>(13 266)</b>	<b>187</b>	<b>278</b>	<b>(12 801)</b>
<b>Cash Flows from Financing Activities</b>					
<b>Cash Inflows:</b>					
Cash overdraft	-	-	(187)	(278)	<b>(465)</b>
<b>Total Cash Inflows</b>	<b>-</b>	<b>-</b>	<b>(187)</b>	<b>(278)</b>	<b>(465)</b>
<b>Net Cash Inflows/Cash Outflows Financing Activities</b>	<b>-</b>	<b>-</b>	<b>(187)</b>	<b>(278)</b>	<b>(465)</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>-</b>	<b>(13 266)</b>	<b>-</b>	<b>-</b>	<b>(13 266)</b>
Cash at the beginning of the reporting period	-	22 109	-	-	<b>22 109</b>
<b>Cash at the end of the Reporting Period</b>	<b>-</b>	<b>8 843</b>	<b>-</b>	<b>-</b>	<b>8 843</b>

	2005				Total \$'000
	SA Ambulance Service \$'000	HCDSMC \$'000	Minister's Salary \$'000	Other \$'000	
<b>Cash Flows from Operating Activities</b>					
<b>Cash Inflows:</b>					
Receipts from SA Government	43 617	1 271	17	4 050	48 955
Taxes, fees and charges	-	-	-	66	66
Grants and contributions	-	9 190	-	-	9 190
Interest revenue	-	1 004	-	-	1 004
Other revenue	-	12 289	-	-	12 289
<b>Total Cash Inflows</b>	<b>43 617</b>	<b>23 754</b>	<b>17</b>	<b>4 116</b>	<b>71 504</b>
<b>Cash Outflows:</b>					
Employee payments	-	345	205	970	1 520
Grants and subsidies	43 617	9 382	-	1 116	54 115
Goods and services	-	359	-	2 364	2 723
Other	-	-	-	1	1
<b>Total Cash Outflows</b>	<b>43 617</b>	<b>10 086</b>	<b>205</b>	<b>4 451</b>	<b>58 359</b>
<b>Net Cash Inflows/Cash Outflows-Operating Activities</b>	<b>-</b>	<b>13 668</b>	<b>(188)</b>	<b>(335)</b>	<b>13 145</b>
<b>Cash Flows from Investing Activities</b>					
<b>Cash Outflows:</b>					
Payments for plant, equipment and investments	-	14	-	12	26
<b>Total Cash Outflows</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>12</b>	<b>26</b>
<b>Net Cash Inflows/ Cash Outflows - Investing Activities</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>(12)</b>	<b>(26)</b>
<b>Cash Flows from Financing Activities</b>					
<b>Cash Inflows</b>					
Cash Overdraft	-	-	188	278	466
<b>Total Cash Inflows</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>278</b>	<b>466</b>
<b>Net Cash Inflows/Cash Outflows - Investing and Financing Activities</b>	<b>-</b>	<b>-</b>	<b>188</b>	<b>278</b>	<b>466</b>
<b>Net Increase/(Decrease) in Cash Held</b>	<b>-</b>	<b>13 654</b>	<b>-</b>	<b>(69)</b>	<b>13 585</b>
Cash at the beginning of the reporting period	-	8 455	-	69	8 524
<b>Cash at the end of the Reporting Period</b>	<b>-</b>	<b>22 109</b>	<b>-</b>	<b>-</b>	<b>22 109</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.

*Administered Income and Administered Cash Inflows*

The Department collects various revenues and grants 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 income and administered cash inflows.

*Administered Contingent Assets and Liabilities*

The Department has no administered contingent assets and liabilities.

**COMMENTARY ON HEALTH SERVICES ACTIVITIES****Health Sector Staffing Statistics**

The following table details the staffing levels, as at 30 June, in the health sector, excluding staff of the Department of Health/Department of Human Services, over the past three years.

<b>Health Sector FTE Mix (unaudited)</b>			
	<b>2006</b>	2005	2004
Staff Categories:	<b>Number</b>	Number	Number
Nurses	<b>9 092</b>	8 793	8 452
Medical Staff	<b>1 668</b>	1 650	1 599
Scientific and Technical	<b>1 057</b>	1 015	1 030
Administrative and Clerical	<b>4 270</b>	4 087	3 931
Allied Health, Hotel, and other staff	<b>5 621</b>	5 330	5 271
<b>Total Staff</b>	<b>21 708</b>	20 875	20 283
<b>Increase (Decrease)</b>	<b>833</b>	593	n/a
<b>Percentage Increase (Decrease)</b>	<b>4</b>	3	n/a

**Department of Health Staffing Statistics**

The following table details the staffing levels, as at 30 June, of the Department of Health/Department of Human Services, over the past three years.

<b>Department of Health FTE (unaudited)</b>			
	<b>2006</b>	2005	2004
	<b>Number</b>	Number	Number
<b>Total Staff</b>	<b>786</b>	813	3 319

The decrease in staff between 2003-04 and 2004-05 is the result of the restructure of the former Department of Human Services which involved the creation of the Department for Families and Communities and the renaming of the Department of Human Services to the Department of Health.

The decrease in staffing levels between 2004-05 and 2005-06 is principally due to the transfer of Breastscreen SA to the Central Northern Adelaide Health Service.

**Hospital Activity Statistics**

The tables below indicate the trends over past years in respect of inpatient activity (unweighted), length of hospital stay, and casualty and outpatient activity (unweighted). The data in the tables below has been sourced from the reporting systems of the Department of Health and has not been audited.

<b>Inpatient Activity (unaudited)</b>			
	<b>2006</b>	2005	2004
	<b>Number</b>	Number	Number
Metropolitan Hospitals:			
Overnight stay	<b>140 800</b>	137 187	134 855
Same day	<b>146 549</b>	135 489	135 845
<b>Total</b>	<b>287 349</b>	272 676	270 700
Country Hospitals:			
Overnight stay	<b>59 282</b>	52 475	53 599
Same day	<b>37 428</b>	37 272	37 193
<b>Total</b>	<b>90 410</b>	89 747	90 792

**Average Length of Overnight Hospital Stay (unaudited)**

	<b>2006</b>	2005	2004
	<b>Days</b>	Days	Days
Metropolitan Hospitals	<b>7.4</b>	7.2	7.3
Country Hospitals	<b>6.5</b>	6.6	6.7

**Outpatient Activity (unaudited)**

	<b>2006</b>	2005	2004
	<b>Number</b>	Number	Number
Metropolitan Hospitals:			
Emergency Department attendances	<b>328 572</b>	310 661	302 940
Outpatient occasions of service	<b>1 385 351</b>	1 371 592	1 332 535
Country Hospitals:			
Emergency Department attendances	<b>167 275</b>	163 020	158 390
Outpatient occasions of service	<b>148 110</b>	144 233	136 357

**Audit Mandate and Coverage - Health Services**

Sections 34 and 55 of the *South Australian Health Commission Act 1976* require incorporated hospitals and health centres to maintain proper accounts of their respective financial affairs and require those accounts to be audited in respect of each financial year. The accounts of the major metropolitan hospitals and some health centres are subject to audit by the Auditor-General. Other hospitals and health centres are audited by auditors approved by the Auditor-General.

In general, the audit of Health Units would include coverage of the following areas:

- patient billing and receipts
- cash holdings
- salaries and wages
- trade accounts
- general ledger
- inventory
- pharmacy
- asset register
- building services
- non-Commission funds
- specific purpose funds
- financial statements.

Issues arising from the reviews are referred to Health Service management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Services, audits are generally in progress, at the time of finalising this Report to Parliament.

# HISTORY TRUST OF SOUTH AUSTRALIA

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The History Trust of South Australia (the Trust) was established pursuant to the *History Trust of South Australia Act 1981*.

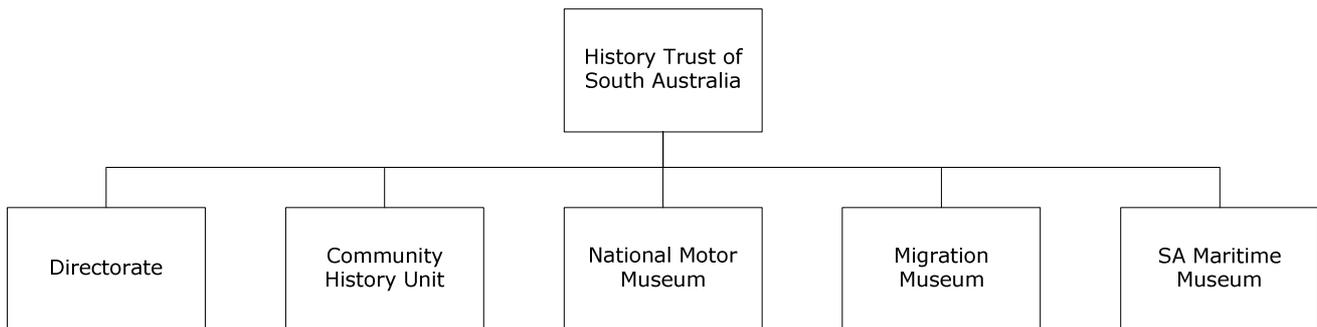
### Functions

The functions of the History Trust of South Australia are to:

- accumulate, conserve and exhibit objects of historical or cultural interest;
- undertake the management of museums and other premises vested or placed under its care, control and management;
- advise the Minister on the conservation of objects that are of historical significance to the State;
- disseminate, or encourage the dissemination of, information relevant to the history of the State.

### Structure

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



## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### ***Audit of the Financial Report***

Subsection 19(2) of the *History Trust of South Australia Act 1981* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the 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 History Trust of South Australia 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 2005-06, specific areas of audit attention included:

- revenue, including cash receipting and banking, and retail operations;
- expenditure, including accounts payable and salaries and wages;
- property, plant and equipment including the adequacy of asset registers;
- collection management.

## AUDIT FINDINGS AND COMMENTS

### Audit Opinions

#### *Audit of the Financial Report*

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*, Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the History Trust of South Australia as at 30 June 2006, 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 History Trust 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 matter raised in relation to receipting and banking as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the History Trust 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 Chief Executive. The response to the management letter was considered to be satisfactory. The major matter raised with the Trust and the related response are considered herein.

#### *Receipting and Banking*

Audit review revealed the need for all monies received from customers and visitors at the Museums, to be collected and receipted in the presence of two officers, in order to ensure accurate and complete receipting, banking and recording. The Trust indicated that this recommendation will be adopted wherever possible, however limited staff resources at the Museums may prevent this from occurring at all times.

## INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT

### Highlights of the Consolidated Financial Report

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>OPERATING REVENUE</b>			
Government grants	<b>3.8</b>	3.8	-
Other	<b>2.6</b>	2.3	13
<b>Total Operating Revenue</b>	<b>6.4</b>	6.1	5
<b>OPERATING EXPENDITURE</b>			
Employee costs	<b>2.8</b>	2.7	4
Supplies and services	<b>2.8</b>	2.5	12
Other expenses	<b>1.0</b>	0.9	11
<b>Total Operating Expenses</b>	<b>6.6</b>	6.1	8
<b>Deficit</b>	<b>(0.2)</b>	-	
<b>Net Cash Flows from Operations</b>	<b>0.4</b>	0.5	(20)

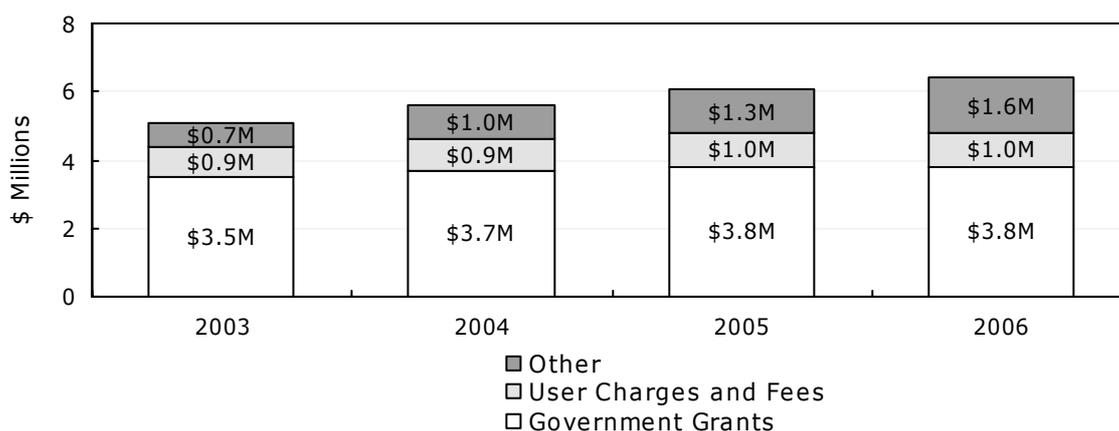
	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>ASSETS</b>			
Current assets	<b>2.1</b>	1.8	17
Non-current assets	<b>29.7</b>	30.2	(2)
<b>Total Assets</b>	<b>31.8</b>	32.0	(1)
<b>LIABILITIES</b>			
Current liabilities	<b>0.5</b>	0.4	25
Non-current liabilities	<b>0.4</b>	0.4	-
<b>Total Liabilities</b>	<b>0.9</b>	0.8	13
<b>EQUITY</b>	<b>31.0</b>	31.2	(1)

### Income Statement

#### Operating Revenues

The Government Grant for the current year was \$3.8 million, the same as for 2004-05. Other revenues were \$2.6 million (\$2.3 million) with the increase due mainly to additional revenue of \$228 000 from sponsorships. Overall operating revenues increased by \$386 000.

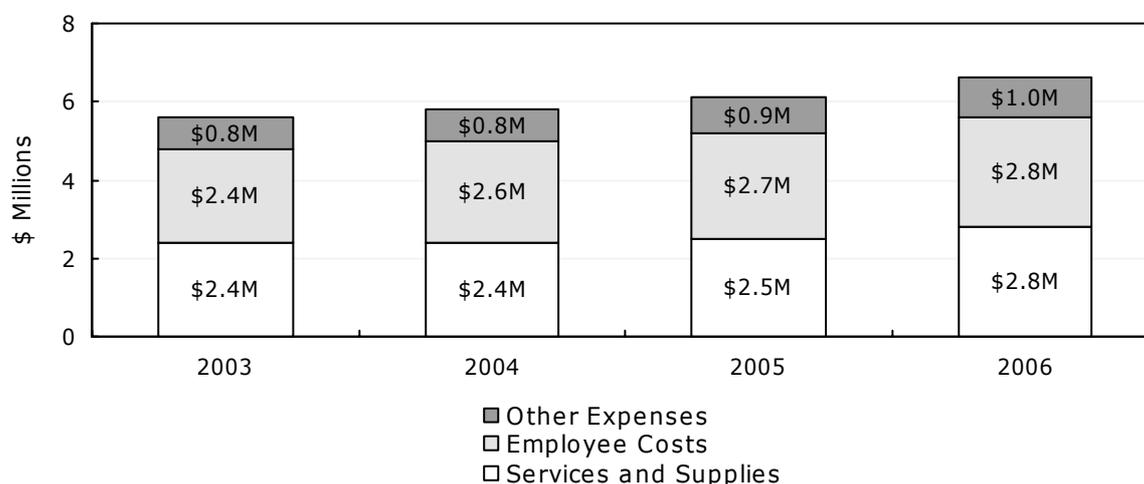
A structural analysis of operating revenues for the Trust for the four years to 2006 is presented in the following chart. The analysis highlights the Trust's ongoing dependence on government funding and the continuing increase in other revenue, due mainly to increased sponsorship and grant revenue.



#### Operating Expenses

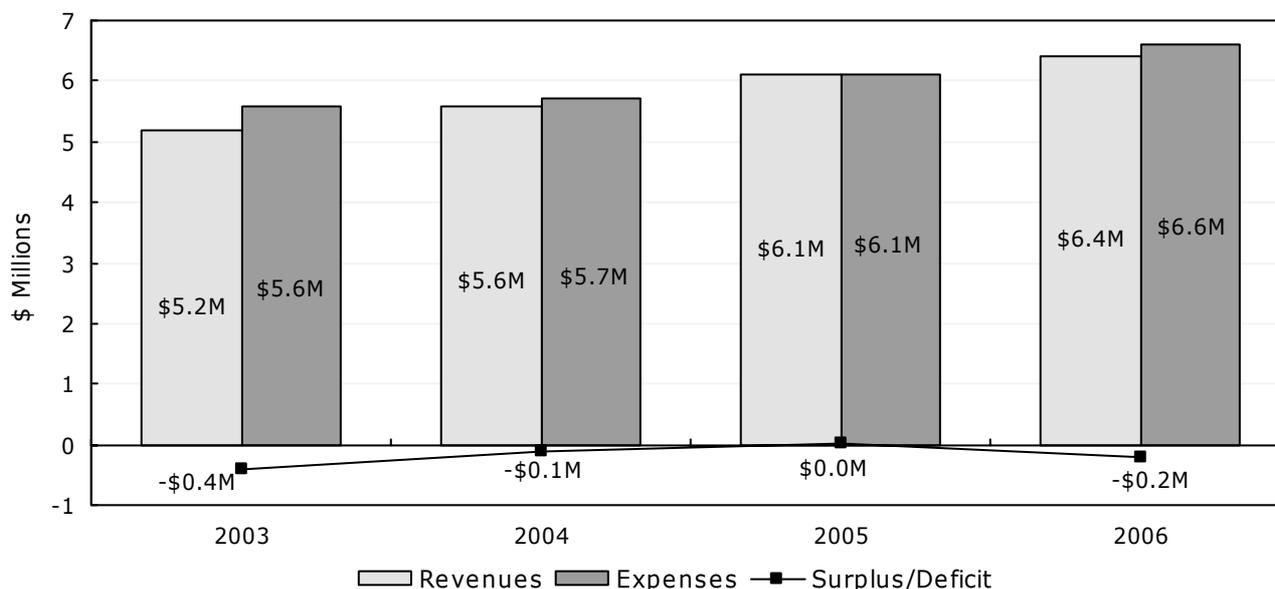
Total operating expenses rose by \$516 000 to \$6.6 million. Employee costs rose by 4 percent to \$2.8 million due mainly to increases in salary and wage rates.

A structural analysis for the four years to 2006 of the main operating expense items for the Trust is shown in the following chart.



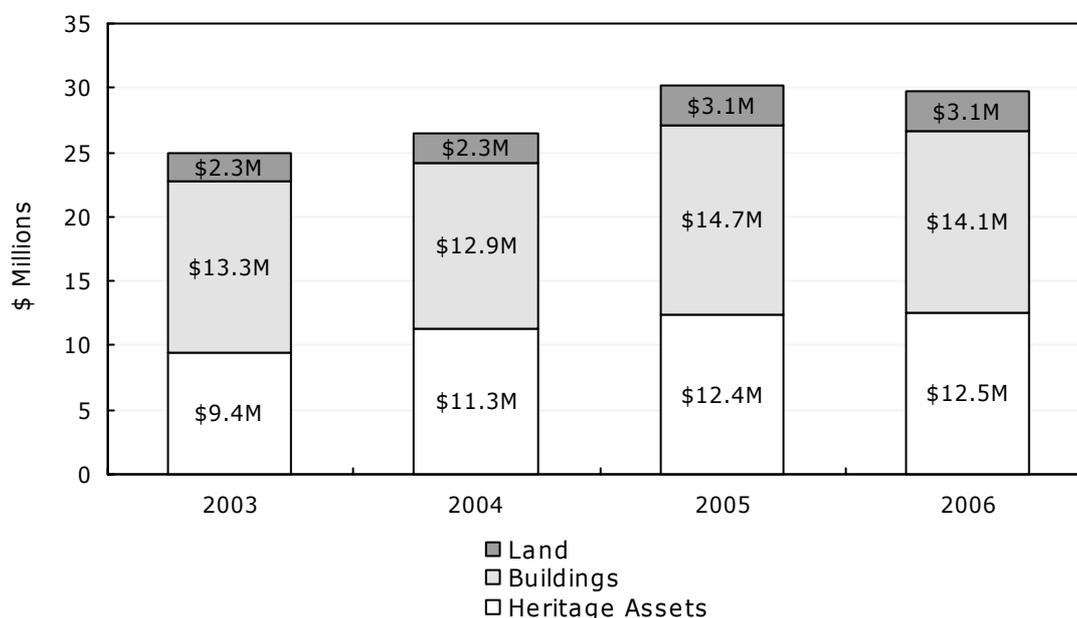
## Operating Result

The Trust has recorded small deficits from 2003 to 2006. The following chart shows the operating revenues, operating expenses and surpluses/deficits for the current and preceding three years.



## Balance Sheet

For the four years to 2006, a structural analysis of the main non-current assets is shown in the following chart.



The written down value of property, plant and equipment was \$17.2 million, a decrease of \$0.6 million from the previous year, which is primarily due to current year depreciation. The value of the Trust's heritage collections increased by \$54 000 to \$12.5 million due mainly to revaluation increments and donations during the year.

As shown in the chart, the primary assets of the Trust are heritage assets and the buildings that house them including the National Motor Museum, South Australian Maritime Museum and Migration Museum. The total equity of the Trust is essentially represented by these assets.

**Cash Flow Statement**

The following table summarises the net cash flows for the four years to 2006.

	<b>2006</b>	2005	2004	2003
	<b>\$'000</b>	\$'000	\$'000	\$'000
<b>Net Cash Flows</b>				
Operations	<b>400</b>	535	142	68
Investing	<b>(23)</b>	(33)	(128)	-
Change in Cash	<b>377</b>	502	14	68
Cash at 30 June	<b>1 629</b>	1 252	750	736

The table shows that although the cash flows from operations have fluctuated over the four years, there has been an increase in the overall cash holding of the Trust. The Trust operating deficits over this same period reflect the impact of depreciation expense. The Trust has sufficient cash to cover its current liabilities.

Cash flows used in investing activities reflects the Trust's purchase of property, plant and equipment and heritage collection items in 2004, 2005 and 2006.

**FURTHER COMMENTARY ON OPERATIONS****Admissions Receipts and Attendances**

Results for the individual museums are shown hereunder:

	Admissions Receipts			Attendances		
	<b>2006</b>	2005	2004	<b>2006</b>	2005	2004
	<b>\$'000</b>	\$'000	\$'000	<b>\$'000</b>	\$'000	\$'000
National Motor Museum	<b>323</b>	330	258	<b>65</b>	67	61
South Australian Maritime Museum	<b>211</b>	219	227	<b>72</b>	71	69
Migration Museum	<b>48</b>	33	36	<b>155</b>	152	170

The increase in Migration Museum attendances in 2006 reflects the program of exhibitions held this year as part of a number of festivals including the Adelaide Festival of Arts.

## Income Statement for the year ended 30 June 2006

	Note	Consolidated		HTSA	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>EXPENSES:</b>					
Employee benefits costs	6	<b>2 825</b>	2 712	<b>2 825</b>	2 712
Supplies and services	7	<b>2 781</b>	2 487	<b>2 695</b>	2 469
Depreciation	8	<b>586</b>	559	<b>586</b>	559
Grant payments	9	<b>174</b>	188	<b>174</b>	188
Net loss from the disposal of assets	13	<b>247</b>	151	<b>247</b>	151
<b>Total Expenses</b>		<b>6 613</b>	6 097	<b>6 527</b>	6 079
<b>INCOME:</b>					
Revenue from fees and charges	10	<b>979</b>	950	<b>933</b>	900
Interest revenues	11	<b>122</b>	76	<b>99</b>	55
Resources received free of charge	17	<b>264</b>	258	<b>264</b>	258
Other income	12	<b>1 263</b>	958	<b>1 208</b>	958
<b>Total Income</b>		<b>2 628</b>	2 242	<b>2 504</b>	2 171
<b>NET COST OF PROVIDING SERVICES</b>		<b>(3 985)</b>	(3 855)	<b>(4 023)</b>	(3 908)
<b>REVENUES FROM/PAYMENTS TO SA GOVERNMENT:</b>					
Revenue from SA Government - Recurrent operating grant		<b>3 759</b>	3 839	<b>3 759</b>	3 839
<b>Total Revenues from SA Government</b>		<b>3 759</b>	3 839	<b>3 759</b>	3 839
<b>NET RESULT</b>		<b>(226)</b>	(16)	<b>(264)</b>	(69)

The Net Result is attributable to the SA Government as owner

## Balance Sheet as at 30 June 2006

	Note	Consolidated		HTSA	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	24	1 629	1 252	1 610	1 224
Receivables	15	48	21	48	21
Inventories		81	82	81	82
Investments	16	390	343	-	-
Other current assets		-	55	-	55
<b>Total Current Assets</b>		<b>2 148</b>	1 753	<b>1 739</b>	1 382
<b>NON-CURRENT ASSETS:</b>					
Property, plant and equipment	17	17 251	17 814	17 251	17 814
Heritage collections	17	12 482	12 428	12 482	12 428
<b>Total Non-Current Assets</b>		<b>29 733</b>	30 242	<b>29 733</b>	30 242
<b>Total Assets</b>		<b>31 881</b>	31 995	<b>31 472</b>	31 624
<b>CURRENT LIABILITIES:</b>					
Payables	18	140	116	140	116
Short-term and long-term employee benefits	19	299	244	299	244
Short-term provisions	20	13	12	13	12
<b>Total Current Liabilities</b>		<b>452</b>	372	<b>452</b>	372
<b>NON-CURRENT LIABILITIES:</b>					
Payables	18	32	38	32	38
Long-term employee benefits	19	338	340	338	340
Long-term provisions	20	35	32	35	32
<b>Total Non-Current Liabilities</b>		<b>405</b>	410	<b>405</b>	410
<b>Total Liabilities</b>		<b>857</b>	782	<b>857</b>	782
<b>NET ASSETS</b>		<b>31 024</b>	31 213	<b>30 615</b>	30 842
<b>EQUITY:</b>					
Retained earnings		21 360	21 586	20 951	20 215
Asset revaluation reserve		9 664	9 627	9 664	9 627
<b>TOTAL EQUITY</b>		<b>31 024</b>	31 213	<b>30 615</b>	30 842
<b>EQUITY IS ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>					
Commitments for expenditure	22				
Contingent assets and liabilities	23				

## Statement of Changes in Equity for the year ended 30 June 2006

	Consolidated			HTSA		
	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000	Asset Revaluation Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>BALANCE AT 30 JUNE 2004</b>	6 421	20 602	27 023	6 421	20 284	26 705
Recognition of Port Adelaide Lighthouse as at 1 July 2004	-	1 000	1 000	-	1 000	1 000
Gain on revaluation of property during 2004-05	3 139	-	3 139	3 139	-	3 139
Gain on revaluation of heritage collections during 2004-05	67	-	67	67	-	67
<b>Net Income/Expense Recognised Directly in Equity for 2004-05</b>	3 206	1 000	4 206	3 206	1 000	4 206
<b>Net Result for 2004-05</b>	-	(16)	(16)	-	(69)	(69)
<b>Total Recognised Income and Expense for 2004-05</b>	3 206	984	4 190	3 206	931	4 137
<b>BALANCE AT 30 JUNE 2005</b>	9 627	21 586	31 213	9 627	21 215	30 842
Gain on revaluation of heritage collections during 2005-06	37	-	37	37	-	37
Net Income/Expense recognised directly in equity for 2005-06	37	-	37	37	-	37
Net Result for 2005-06	-	(226)	(226)	-	(264)	(264)
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR 2005-06</b>	37	(226)	(189)	37	(264)	(227)
<b>BALANCE AT 30 JUNE 2006</b>	<b>9 664</b>	<b>21 360</b>	<b>31 024</b>	<b>9 664</b>	<b>20 951</b>	<b>30 615</b>

All changes in equity are attributable to SA Government as owner

## Cash Flow Statement for the year ended 30 June 2006

		Consolidated		HTSA	
		2006	2005	2006	2005
		<b>Inflows</b> <b>(Outflows)</b>	Inflows (Outflows)	<b>Inflows</b> <b>(Outflows)</b>	Inflows (Outflows)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH OUTFLOWS:	Note	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Employee benefits payments		<b>(2 765)</b>	(2 638)	<b>(2 765)</b>	(2 638)
Supplies and services		<b>(2 710)</b>	(2 524)	<b>(2 624)</b>	(2 506)
Grant payments		<b>(174)</b>	(188)	<b>(174)</b>	(188)
<b>Cash used in Operations</b>		<b>(5 649)</b>	(5 350)	<b>(5 563)</b>	(5 332)
CASH INFLOWS:					
Receipts from fees and charges		<b>902</b>	937	<b>907</b>	933
Interest received		<b>125</b>	75	<b>97</b>	54
Other receipts		<b>1 263</b>	963	<b>1 209</b>	963
<b>Cash generated from Operations</b>		<b>2 290</b>	1 975	<b>2 213</b>	1 950
<b>CASH FLOWS FROM SA GOVERNMENT:</b>					
Receipts from SA Government - Recurrent operating grant		<b>3 759</b>	3 910	<b>3 759</b>	3 910
<b>Cash generated from SA Government</b>		<b>3 759</b>	3 910	<b>3 759</b>	3 910
<b>Net Cash provided by Operating Activities</b>	24	<b>400</b>	535	<b>409</b>	528
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
CASH OUTFLOWS:					
Purchase of property, plant and equipment		<b>(23)</b>	(15)	<b>(23)</b>	(15)
Purchase of heritage collections		-	(18)	-	(18)
<b>Cash used in Investing Activities</b>		<b>(23)</b>	(33)	<b>(23)</b>	(33)
<b>Net Cash used in Investing Activities</b>		<b>(23)</b>	(33)	<b>(23)</b>	(33)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>377</b>	502	<b>386</b>	495
<b>CASH AND CASH EQUIVALENTS AT 1 JULY</b>		<b>1 252</b>	750	<b>1 224</b>	729
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	24	<b>1 629</b>	1 252	<b>1 610</b>	1 224

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Objectives of the History Trust of South Australia (the Trust)

The Trust's objectives are to:

- raise the level of community and schools-based participation in the study and enjoyment of South Australian history and the preservation of its evidence;
- mount popular exhibitions, events and other public programs on South Australian history and actively involve the community in their research and preparation;
- preserve the State's collection of movable items;
- provide advice and assistance to museums, historical societies and authors.

The Trust is charged with the management of the History Trust of South Australia, as prescribed under the *History Trust of South Australia Act 1981*.

The Trust's principal source of funds consists of grants from the State Government.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA).

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are at Note 4.

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

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

#### (b) The Reporting Entity

The consolidated financial statements have been prepared by combining the financial statements of all entities that comprise the consolidated entity being the Trust and the Migration Museum Foundation Incorporated, in accordance with AASB 127 *Consolidated and Separate Financial Statements*. A list of controlled entities is at Note 26. Consistent accounting policies have been applied and all inter-entity balances and transactions arising within the consolidated entity have been eliminated in full.

#### (c) Comparative Information

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard has required a change.

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1. The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 4 provides a detailed analysis of comparative amounts that have been reclassified as a result of adoption of AIFRS.

#### (d) Rounding

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

#### (e) Income and Expenses

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

Income and expenses have been classified according to their nature in accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APS 3.5.

#### *Transactions with SA Government*

In accordance with Accounting Policy Framework II *General Purpose Financial Reporting Framework* APSs 4.1 and 4.2 the financial report's Notes disclose income, expenses, financial assets and financial liabilities where the counter party/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature.

Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

*Income*

Income 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. Income from the rendering of a service is recognized upon the delivery of the service to the customers. Government Grants are recognised as revenues in the period in which the Trust obtains control over the grants. Control over these revenues is normally obtained upon receipt and they are accounted for in accordance with Treasurer's Instruction 3 *Appropriation*.

*Resources Received Free of Charge*

Resources received free of charge are recorded as revenue in the Income Statement at their fair value in accordance with Accounting Policy Framework III *Asset Accounting Framework* APS 2.12.

**(f) Non-Current Assets 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 Balance Sheet. If however, the assets are acquired at no or nominal value as part of a restructuring of administrative arrangements then the assets are recorded at the value recorded by the transferor prior to transfer.

**(g) Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash at bank and on hand and short term deposits at call.

Cash is measured at nominal value.

**(h) Receivables**

Receivables include amounts receivable from trade and other accruals.

Trade receivables arise in the normal course of selling goods and services to the public and agencies. Trade receivables are generally receivable 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 entities and to the public.

The 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.

**(i) Inventories**

Inventories (other than those held for distribution at no or nominal consideration) are measured at the lower of cost or their net realisable value.

**(j) Current and Non-Current Items**

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

**(k) Other Financial Assets**

In accordance with the Accounting Policy Statements contained in the Accounting Policy Framework IV *Financial Asset and Liability Framework*, the Authority measures financial assets and debt at historical cost.

**(l) Revaluation of Non-Current Assets**

*Land and Buildings*

Land and buildings have been valued at written down current cost (a proxy for fair value). Valuations of land and buildings were determined as at 30 June 2005 by Tim Nankivell, Australian Valuation Office. Land and buildings are independently valued every three years.

*Plant and Equipment*

Plant and equipment have been valued at historical cost.

*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 unique representation of South Australia's social history.

The heritage collections have been revalued as follows:

- National Motor Museum collections as at 30 June 2004;
- Migration Museum collections as at 30 June 2004;
- South Australian Maritime Museum collections as at 30 June 2003 and 2006.

*Heritage Collections (continued)*

The Trust adopted the following methodology for valuing heritage assets. Items under \$10 000 were valued by the appropriate internal curator and items over \$10 000 were valued by external valuers listed below. Heritage Collections have been valued at fair value.

The external valuations were carried out by the following recognised industry experts:

<b>Collection</b>	<b>Industry Expert</b>
National Motor Museum	Antony Davies
South Australian Maritime Museum	Christine Courtney, SeaWitch
South Australian Maritime Museum	Sandy Winding, Quin's Yacht Brokerage Pty Ltd
South Australian Maritime Museum	Allan R Rice, Allan Rice Marine Surveys
Migration Museum	Lee Blair-Jenke, Regimentals Antiques
Migration Museum	Michael Treloar, Antiquarian Books
Migration Museum	Anthony Hurl, Tusmore Antiques

**(m) 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:

<i>Class of Asset</i>	<i>Useful Life (Years)</i>
Buildings and Improvements	20 to 100
Plant and Equipment	3 to 25

Heritage Collections have unlimited useful lives. Their future economic benefits have not been consumed during the financial year. Therefore no depreciation is recognised in respect of these assets.

**(n) 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 payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or date the invoice is first received in accordance with Treasurer's Instruction 11 *Payment of Creditors' Accounts*.

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

**(o) Employee Benefits**

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

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.

**(a) Liabilities for Salaries, Wages and Annual Leave**

Liability for salaries and wages are measured as the amount unpaid at the reporting date at remuneration rates current at reporting date. The annual leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

**(b) Long Service Leave**

An actuarial assessment of long service leave undertaken by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector determined that the liability measured using the short hand method was not materially different from the liability measured using the present value of expected future payments. This calculation is consistent with the Trust's experience of employee retention and leave taken.

**(c) Superannuation**

Contributions are made by the Trust to several superannuation schemes operated by the State Government and the 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.

**(p) 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.

**(q) Leases**

*Operating Leases*

The Trust has entered into a number of operating lease agreements for accommodation 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 Income Statement in the periods in which they are incurred.

**(r) Accounting for the Goods and Services Tax (GST)**

The amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognized 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 recognized as a receivable/payable in the Balance Sheet as the Trust 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 Cash Flow Statement.

**(s) Insurance**

The Trust has arranged, through the SA Government Captive Insurance Corporation (SAICORP), to insure all major risks of the Trust. The excess payable under this arrangement varies depending on each class of insurance held.

**(t) Principles of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of entities controlled by the Trust as at 30 June 2006, 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.

**3. Financial Risk Management**

The Trust is exposed to a minimal financial risks, credit risk and liquidity risk.

Risk management is carried out internally using the DPC risk management framework which is in accordance with Australian Risk Management Standards.

The Trust has non-interest bearing assets (cash on hand and on call and receivables), liabilities (payables) and interest bearing assets (held to maturity investments).

The Trust's exposure to foreign exchange risk and cash flow interest risk is minimal.

The Trust has no significant concentration of credit risk. The Trust has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

**4. Changes in Accounting Policies**

*Explanation of Transition to AIFRS for the Consolidated Entity.*

The Trust has adopted the AIFRS for the first time for the year ended 30 June 2006.

	At 1 July 2004			At 30 June 2005		
	Previous GAAP \$'000	Adjustments \$'000	AIFRS \$'000	Previous GAAP \$'000	Adjustments \$'000	AIFRS \$'000
Current assets	1 310	-	1 310	1 753	-	1 753
Non-current assets	26 476	1 000	27 476	29 242	1 000	30 242
Current liabilities	378	-	378	372	-	372
Non-current liabilities	385	-	385	410	-	410
Retained earnings	20 602	1 000	21 602	20 586	1 000	21 586
Assets Revaluation Reserve	6 421	-	6 421	9 627	-	9 627
Total Equity	27 023	-	28 023	30 213	-	31 213
Net Result	(142)	-	(142)	(16)	-	(16)
Total Cash Flows	14	-	14	502	-	502

*Explanation of Transition to AIFRS for the Consolidated Entity (continued)*

The adoption of AIFRS has not resulted in any material adjustments to the Income Statement or Cash Flow Statement. However, the following impact has been noted in respect to the Balance Sheet:

*The Port Adelaide Lighthouse has been owned and operated by the South Australian Maritime Museum (a business unit of the Trust) since 1985. However, it has been recognised in the Financial Statements as a Heritage Collection asset for the first time in 2005-06. In accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, the Lighthouse has been recognised as a prior period error and hence reflected by restating prior period information.*

**5. Service/Program Information**

Service/Program information has not been separately disclosed as the Trust has one identifiable major activity, being the maintenance and preservation of the State's historical collections and raising community awareness of the State's history.

**6. Employee Benefits Costs**

	Consolidated		HTSA	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Salaries and wages	2 334	2 207	2 334	2 207
Superannuation	247	236	247	236
Payroll tax	125	109	125	109
Annual leave	28	40	28	40
Long service leave	57	80	57	80
Other employee related expenses	34	40	34	40
<b>Total Employee Benefits Costs</b>	<b>2 825</b>	<b>2 712</b>	<b>2 825</b>	<b>2 712</b>

**Remuneration of Employees**

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

\$100 000 - \$109 999

\$120 000 - \$129 999

\$130 000 - \$139 999

**Total Number of Employees**

	2006 Number of Employees	2005 Number of Employees
	1	-
	-	1
	1	-
<b>Total Number of Employees</b>	<b>2</b>	<b>1</b>

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 these employees for the year was \$237 320 (\$129 750).

**Targeted Voluntary Separation Packages (TVSPs)**

There were no TVSPs paid in either 2005-06 or 2004-05.

**Average Number of Employees during the Reporting Period**

On average, the number of full time equivalents employed throughout the reporting period was 46.66 (43.45).

**Remuneration of Board Members**

The number of Board Members who received income from the Trust fell within the following band:

\$0 - \$9 999

**Total Number of Board Members**

	2006 Number of Members	2005 Number of Members
	9	9
<b>Total Number of Board Members</b>	<b>9</b>	<b>9</b>

The total income received by these Board Members for the year was \$3 900 (\$7 000).

**Related Party Disclosures**

During the financial year the following persons held a position on the Trust:

Ms F Adler (until December 2005)	Prof. S Magarey (appointed August 2005)
Dr M Allen	Mr B Moulds
Mr P Broderick (chair)	Ms M Nasser-Eddine
Mr J A Fotheringham (until July 2005)	Mr P Satchell (appointed June 2006)
Dr A Mackinnon	

The Members of the Trust, 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.

7. <b>Supplies and Services</b>	Consolidated		HTSA	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Supplies and Services provided by entities external to the SA Government:				
Accommodation	154	156	154	156
Building maintenance	177	140	132	135
Communication and stationery	114	135	110	134
Cost of goods sold	110	116	110	116
Exhibitions and collections	319	229	319	229
Information technology	68	35	68	35
Insurance	-	3	-	3
Marketing and promotion	237	209	236	199
Minor equipment	62	75	62	75
Operating leases	179	13	179	13
Professional fees	2	-	2	-
Projects	131	46	103	46
Travel	42	19	42	19
Other	167	83	159	81
<b>Total Supplies and Services - Non-SA Government Entities</b>	<b>1 762</b>	<b>1 259</b>	<b>1 676</b>	<b>1 241</b>
Supplies and Services provided by entities within the SA Government:				
Accommodation	91	174	91	174
Building maintenance	189	184	189	184
Business services charges	112	112	112	112
Communication and stationery	41	37	41	37
Conservation	234	220	234	220
Exhibitions and collections	80	107	80	107
Information technology	9	2	9	2
Insurance and risk management	102	103	102	103
Marketing and promotion	1	8	1	8
Minor equipment	2	1	2	1
Operating leases	104	136	104	136
Professional fees	31	29	31	29
Projects	-	1	-	1
Travel	1	48	1	48
Other	22	66	22	66
<b>Total Supplies and Services - SA Government Entities</b>	<b>1 019</b>	<b>1 228</b>	<b>1 019</b>	<b>1 228</b>
<b>Total Supplies and Services</b>	<b>2 781</b>	<b>2 487</b>	<b>2 695</b>	<b>2 469</b>
<b>Payments to Consultants</b>			<b>2006</b>	<b>2005</b>
The number of Consultants who were paid by the Trust fell within the following band:			<b>Number of Consultants</b>	<b>Number of Consultants</b>
\$0 - \$9 999			<b>1</b>	<b>-</b>
<b>Total Number of Consultants</b>			<b>1</b>	<b>-</b>
The total paid by the Trust for the year was \$3 000 (\$nil).				
8. <b>Depreciation</b>	Consolidated		HTSA	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Buildings and improvements	579	551	579	551
Plant and equipment	7	8	7	8
<b>Total Depreciation</b>	<b>586</b>	<b>559</b>	<b>586</b>	<b>559</b>
9. <b>Grant Payments</b>				
Community History	27	40	27	40
Museum Accreditation and Grant Program	147	148	147	148
<b>Total Grant Payments</b>	<b>174</b>	<b>188</b>	<b>174</b>	<b>188</b>
10. <b>Revenue from Fees and Charges</b>				
Revenue from fees and charges received/receivable from entities external to the SA Government:				
Admissions and tours	589	582	543	582
Facilities and rent	62	66	62	66
Sales of goods	191	191	191	191
Other sales	86	111	86	61
<b>Total Revenue from Fees and Charges</b>	<b>928</b>	<b>950</b>	<b>882</b>	<b>900</b>

10.	<b>Revenue from Fees and Charges (continued)</b>	Consolidated		HTSA	
		2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
	Revenue from fees and charges received/receivable from entities within the SA Government:				
	Admissions and tours	39	-	39	-
	Facilities and rent	2	-	2	-
	Sales of goods	1	-	1	-
	Other sales	9	-	9	-
	<b>Total Revenue from Fees and Charges Received/Receivable from Entities within the SA Government</b>	<b>51</b>	<b>-</b>	<b>51</b>	<b>-</b>
	<b>Total Revenue from Fees</b>	<b>979</b>	<b>950</b>	<b>933</b>	<b>900</b>
11.	<b>Interest Revenues</b>				
	Interest on deposit with Treasurer	99	55	99	55
	Other	23	21	-	-
	<b>Total Interest Revenues</b>	<b>122</b>	<b>76</b>	<b>99</b>	<b>55</b>
12.	<b>Other Income</b>				
	Other income received/receivable from entities external to the SA Government:				
	Sponsorship	392	292	337	292
	Grants	96	58	96	58
	Other receipts	38	68	38	68
	<b>Total Other Income - Non-SA Government Entities</b>	<b>526</b>	<b>418</b>	<b>471</b>	<b>418</b>
	Other incomes received/receivable from entities within the SA Government:				
	Sponsorship	128	-	128	-
	Grants	415	188	415	188
	Artlab conversation	179	220	179	220
	Other receipts	15	132	15	132
	<b>Total Other Income - SA Government Entities</b>	<b>737</b>	<b>540</b>	<b>737</b>	<b>540</b>
	<b>Total Other Income</b>	<b>1 263</b>	<b>958</b>	<b>1 208</b>	<b>958</b>
13.	<b>Net Loss from Disposal of Assets</b>				
	Heritage collection:				
	Net book value of assets disposed of	247	151	247	151
	<b>Net Loss from Disposal of Heritage Collection</b>	<b>247</b>	<b>151</b>	<b>247</b>	<b>151</b>
14.	<b>Auditor's Remuneration</b>			2006	2005
	Audit Fees paid/payable to the Auditor-General's Department			\$'000	\$'000
	<b>Total Audit Fees - SA Government Entities</b>			<b>30</b>	<b>29</b>
	<b>Other Services</b>				
	No other services were provided by the Auditor-General's Department to the Trust.				
15.	<b>Receivables</b>				
	Receivables from entities external to the SA Government:				
	Debtors	33	2	33	2
	<b>Total Receivables - Non-SA Government Entities</b>	<b>33</b>	<b>2</b>	<b>33</b>	<b>2</b>
	Receivables from entities within the SA Government:				
	Debtors	7	14	7	14
	Accrued revenue	8	5	8	5
	<b>Total Receivables - SA Government Entities</b>	<b>15</b>	<b>19</b>	<b>15</b>	<b>19</b>
	<b>Total Receivables</b>	<b>48</b>	<b>21</b>	<b>48</b>	<b>21</b>
16.	<b>Investments</b>				
	Investments with entities other than SAFA:				
	Current:				
	Short term deposit - Savings and Loans Credit Union (SA) Ltd	390	343	-	-
	<b>Total Current Investments</b>	<b>390</b>	<b>343</b>	<b>-</b>	<b>-</b>
	<b>Total Investments</b>	<b>390</b>	<b>343</b>	<b>-</b>	<b>-</b>

17. Property, Plant and Equipment and Heritage Collections	Consolidated		HTSA	
	2006	2005	2006	2005
Land, Buildings and Improvements:	\$'000	\$'000	\$'000	\$'000
Land at valuation	3 120	3 120	3 120	3 120
Buildings and improvements at valuation	34 735	34 737	34 735	34 737
Works in progress	132	132	132	132
Accumulated depreciation	(20 765)	(20 186)	(20 765)	(20 186)
<b>Total Land, Buildings and Improvements</b>	<b>17 222</b>	<b>17 803</b>	<b>17 222</b>	<b>17 803</b>
Plant and Equipment:				
Plant and equipment at cost (deemed fair value)	224	289	224	289
Accumulated depreciation	(195)	(278)	(195)	(278)
<b>Total Plant and Equipment</b>	<b>29</b>	<b>11</b>	<b>29</b>	<b>11</b>
<b>Total Heritage Collections</b>	<b>12 482</b>	<b>12 428</b>	<b>12 482</b>	<b>12 428</b>
<b>Total Property, Plant and Equipment and Heritage Collections</b>	<b>29 733</b>	<b>30 242</b>	<b>29 733</b>	<b>30 242</b>

**Valuation of Land, Buildings and Improvements**

A valuation of land, buildings and improvements was performed by an independent valuer from the Australian Valuation Office as at 30 June 2005. The valuation applied the fair value methodology.

Reconciliation of Property, Plant and Equipment	Bldgs and		Works in Progress	Plant and Equipment	2006 Total
	Land	Imprv'mts			
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July	3 120	14 551	132	11	17 814
Depreciation expense	-	(579)	-	(6)	(585)
Additions	-	-	-	22	22
<b>Carrying Amount at 30 June</b>	<b>3 120</b>	<b>13 972</b>	<b>132</b>	<b>27</b>	<b>17 251</b>

**Reconciliation of Heritage Collections**

Carrying amount at 1 July	2006 \$'000	2005 \$'000
Resources received free of charge	12 428	12 257
Additions	264	258
Disposal	-	18
Correction of prior year error	(247)	(151)
Revaluation increments	-	(21)
	37	67
<b>Carrying Amount at 30 June</b>	<b>12 482</b>	<b>12 428</b>

18. Payables	Consolidated		HTSA	
	2006	2005	2006	2005
Current:	\$'000	\$'000	\$'000	\$'000
Creditors and accruals	92	78	92	78
Employee on-costs	48	38	48	38
<b>Total Current Payables</b>	<b>140</b>	<b>116</b>	<b>140</b>	<b>116</b>
Non-current:				
Employee on-costs	32	38	32	38
<b>Total Non-Current Payables</b>	<b>32</b>	<b>38</b>	<b>32</b>	<b>38</b>
<b>Total Payables</b>	<b>172</b>	<b>154</b>	<b>172</b>	<b>154</b>
Payables to non-SA Government entities:				
Creditors and accruals	101	34	101	34
<b>Total Payables - Non-SA Government Entities</b>	<b>101</b>	<b>34</b>	<b>101</b>	<b>34</b>
Payables to SA Government entities:				
Creditors and accruals	33	44	33	44
Employee on-costs	38	76	38	76
<b>Total Payables - SA Government Entities</b>	<b>71</b>	<b>120</b>	<b>71</b>	<b>120</b>
<b>Total Payables</b>	<b>172</b>	<b>154</b>	<b>172</b>	<b>154</b>

19. Employee Benefits	Consolidated		HTSA	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Current:				
Annual leave	189	179	189	179
Short-term long service leave	62	30	62	30
Accrued salaries and wages	48	35	48	35
<b>Total Current Employee Benefits</b>	<b>299</b>	<b>244</b>	<b>299</b>	<b>244</b>
Non-current:				
Long-term long service leave	338	340	338	340
<b>Total Non-Current Employee Benefits</b>	<b>338</b>	<b>340</b>	<b>338</b>	<b>340</b>
<b>Total Employee Benefits</b>	<b>637</b>	<b>584</b>	<b>637</b>	<b>584</b>
<b>20. Provisions</b>				
Current:				
Provision for workers compensation	13	12	13	12
<b>Total Current Provisions</b>	<b>13</b>	<b>12</b>	<b>13</b>	<b>12</b>
Non-current:				
Provision for workers compensation	35	32	35	32
<b>Total Non-Current Provisions</b>	<b>35</b>	<b>32</b>	<b>35</b>	<b>32</b>
<b>Total Provisions</b>	<b>48</b>	<b>44</b>	<b>48</b>	<b>44</b>
Reconciliation of the Provision for Workers Compensation:				
Provision at 1 July	44	46	44	46
Increase (Decrease) in Provision during the year	4	(2)	4	(2)
<b>Provision for Workers Compensation at 30 June</b>	<b>48</b>	<b>44</b>	<b>48</b>	<b>44</b>

## 21. Financial Instruments

The following information is provided for the economic entity's financial instruments.

### (a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
<i>Financial Assets:</i>			
Cash and cash equivalents	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 Trust are within the section 21 Account titled <i>History Trust of South Australia</i> . The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which is currently 5.43 percent as at 30 June 2006.
Receivables	15	Receivables are recorded at amounts due to the Trust. They are recorded when services have been completed.	Receivables are due within 30 days.
Investments	16	Investments are brought to account at cost. Interest is credited to revenue as it accrues.	Short term deposit. Interest income is received biannually.
<i>Financial Liabilities:</i>			
Payables	18	Creditors 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	Interest Rate Percent	Consolidated 2006		Total \$'000
		Interest Bearing \$'000	Non- Interest Bearing \$'000	
<i>Financial Assets:</i>				
Cash and cash equivalents	5.43	1 593	36	1 629
Receivables	-	-	48	48
Investments	5.30	390	-	390
		<b>1 983</b>	<b>84</b>	<b>2 067</b>
<i>Financial Liabilities:</i>				
Payables	-	-	92	92
		-	<b>92</b>	<b>92</b>

**(b) Interest Rate Risk (continued)**

Financial Instrument	Interest Rate Percent	2005		Total \$'000
		Interest Bearing \$'000	Non-Interest Bearing \$'000	
Financial Assets:				
Cash assets	5.35	1 209	43	1 252
Receivables		-	21	21
Investments	5.50	343	-	343
		<u>1 552</u>	<u>64</u>	<u>1 616</u>
Financial Liabilities:				
Payables		-	78	78
		<u>-</u>	<u>78</u>	<u>78</u>

**(c) Net Fair Values of Financial Assets and Liabilities**

Financial Instrument	Note	Consolidated 2006		Consolidated 2005	
		Total Carrying Amount \$'000	Net Fair Value* \$'000	Total Carrying Amount \$'000	Net Fair Value* \$'000
Financial Assets:					
Cash assets	24	<b>1 629</b>	<b>1 629</b>	1 252	1 252
Receivables	15	<b>48</b>	<b>48</b>	21	21
Investments	16	<b>390</b>	<b>390</b>	343	343
		<u><b>2 067</b></u>	<u><b>2 067</b></u>	<u>1 616</u>	<u>1 616</u>
Financial Liabilities:					
Payables	18	<b>92</b>	<b>92</b>	78	78
		<u><b>92</b></u>	<u><b>92</b></u>	<u>78</u>	<u>78</u>

\* The net fair value is determined as the carrying value of all assets and liabilities.

**(d) Credit Risk Exposure**

The Trust'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 Balance Sheet. The Trust has no significant exposures to any concentrations of credit risk.

**22. Commitments**

<b>Operating Lease Commitments</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>
Commitments under non-cancellable operating leases at the reporting date and not recognised as liabilities in the financial report, are payable as follows:		
Not later than one year	<b>166</b>	101
Later than one year and not later than five years	<b>503</b>	370
Later than five years	<b>161</b>	212
<b>Total Operating Lease Commitments</b>	<u><b>830</b></u>	<u>683</u>

The operating lease commitments comprise:

- A non-cancellable photocopier lease, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no option to renew the lease at the end of its term.
- The property leases are non-cancellable 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. Options exist to renew the leases at the end of the term of the leases.

**Capital Commitments**

Capital expenditure contracted for at the reporting date is payable as follows:	Consolidated		HTSA	
	<b>2006 \$'000</b>	2005 \$'000	<b>2006 \$'000</b>	2005 \$'000
Not later than one year	-	86	-	86
<b>Total Capital Commitments</b>	<u>-</u>	<u>86</u>	<u>-</u>	<u>86</u>

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

**23. Contingent Assets and Liabilities**

There are no known contingent assets and liabilities as at 30 June 2006.

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

For the purposes of the Cash Flow Statement, cash includes cash on hand and at bank. Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the items in the Balance Sheet as follows:

	Consolidated		HTSA	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deposits with Treasurer	1 593	1 209	1 593	1 209
Cash on hand	36	43	17	15
<b>Cash as Recorded in the Balance Sheet</b>	<b>1 629</b>	1 252	<b>1 610</b>	1 224
Reconciliation of Net Cash provided by Operating Activities to Net Cost of providing Services:				
Net cash provided by (used in) operating activities	400	535	409	528
Less: Revenues from SA Government	(3 759)	(3 839)	(3 759)	(3 839)
Add (Less) Non-cash items:				
Depreciation of property, plant and equipment	(586)	(559)	(586)	(559)
Donations of Heritage Collections	264	258	264	258
Loss on disposal of assets	(247)	(151)	(247)	(151)
Correction of prior year error	-	(21)	-	(21)
Changes in Assets and Liabilities:				
Increase (Decrease) in receivables	27	(103)	27	(103)
Increase (Decrease) in inventories	(1)	(2)	(1)	(2)
Increase (Decrease) in investments	47	46	-	-
Increase (Decrease) in other assets	(55)	-	(55)	-
(Increase) Decrease in payables	(18)	43	(18)	43
(Increase) Decrease in employee benefits and provisions	(57)	(62)	(57)	(62)
<b>Net Cost of Providing Services for Operating Activities</b>	<b>(3 985)</b>	(3 855)	<b>(4 023)</b>	(3 908)

**25. Events After Balance Date**

There were no events occurring after balance date.

**26. Controlled Entity**

The consolidated financial statements at 30 June 2006 include the following controlled entity:

<b>Name of Controlled Entity</b>	<b>Place of Incorporation</b>
Migration Museum Foundation Incorporated	Australia

# HOMESTART FINANCE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

HomeStart Finance is a Statutory Corporation established pursuant to the *Housing and Urban Development (Administrative Arrangements) Act 1995*. The Act provides for the Governor to establish, by regulation, statutory corporations to undertake specified functions. It has a Board of Management appointed by the Minister for Housing and is subject to the control and direction of the Minister.

### Functions

The functions of HomeStart Finance as prescribed by regulation include the:

- lending of monies or provision of other financial assistance to facilitate home ownership to persons of low to moderate income;
- provision, marketing and management of home finance products;
- provision, management or facilitation of finance for housing schemes or housing associations and of mortgage relief schemes within South Australia;
- provision, management or facilitation of finance for the development, ownership or operation of aged care residential accommodation or facilities.

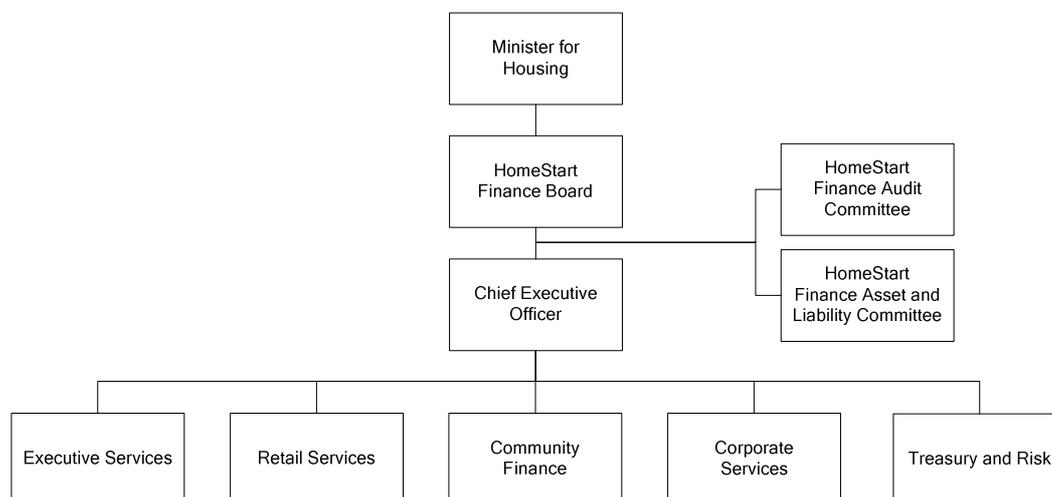
In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- Advantage loans to increase the borrowing capacity of applicants on very low income levels. The loan is interest free if repaid within five years.
- EquityStart loans (introduced April 2005) to increase the borrowing capacity of current tenants of properties owned by the South Australian Housing Trust, the South Australian Aboriginal Housing Authority and the South Australian Community Housing Authority. The loan incurs interest at a subsidised rate.

HomeStart Finance is required by regulation to conduct its business in accordance with established principles of financial management. It is also required to coordinate its activities with those of other public sector agencies and to ensure its activities are consistent with the planning of a desirable physical and social environment and with the enhancement of the Government's physical and social development objectives.

### Structure

The structure of HomeStart Finance is illustrated in the following organisation chart.



## **STATUS OF THE FINANCIAL REPORT**

HomeStart Finance implemented the Australian equivalents to International Financial Reporting Standards for the first time in 2005-06. Application of the Standard for accounting for loans and advances is significant for HomeStart Finance's financial report. The HomeStart Finance financial report had not been completed at the date of finalisation of this Report due to extended processes associated with the application of the Standard.

The audited financial report of HomeStart Finance for the year ended 30 June 2006 will be included in a Supplementary Audit Report to Parliament.

# JUDGES' PENSIONS SCHEME

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established pursuant to the *Judges' Pensions Act 1971* (the Act).

### Functions

The Treasurer is responsible for the payment of Government contributions for Scheme members and for the payment of superannuation benefits to members and members' families. The Scheme is non-contributory for members.

The Scheme is administered through a Special Deposit Account (the Account). The Account records as income contributions and revenue derived from the investment of those monies, and also records benefit payments and administration costs.

The investment management responsibility for the Account is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA).

The services of the Department of Treasury and Finance — Superannuation Office (Super SA) are utilised to administer the Scheme.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Judges' Pensions Scheme 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 over the Judges' Pensions Scheme 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 form an audit opinion on the financial report and internal controls.

During 2005-06, specific areas of audit attention included:

- contributions by employers
- pension payments
- liability for accrued benefits.

The audit did not include a review of the investment and management of the Scheme assets as these areas were reviewed as part of the audit of Funds SA.

## AUDIT FINDINGS AND COMMENTS

### Audit Opinions

#### *Audit of the Financial Report*

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 Judges' Pensions Scheme as at 30 June 2006, the results of its operations and its cash flows for the year then ended.

**Assessment of Controls**

In my opinion, the controls exercised over the Judges' Pensions Scheme 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 Judges' Pensions Scheme have been conducted properly and in accordance with law.

**Audit Communications to Management**

The audit of the Scheme indicated that the internal controls over its operations were satisfactory. No significant issues were raised as a result of the audit.

**INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT****Highlights of Financial Report**

	2006 \$'million	2005 \$'million	Percentage Change
<b>OPERATING REVENUE</b>			
Employer contributions	3.6	3.3	9
Net investment revenue	24.6	17.1	44
<b>Total Operating Revenue</b>	<b>28.2</b>	20.4	38
<b>OPERATING EXPENDITURE</b>			
Transfers to Consolidated Account	17	-	100
Benefits and other expenses	14	23.5	(40)
<b>Total Operating Expenses</b>	<b>31</b>	23.5	32
<b>Operating Result</b>	<b>(2.8)</b>	(3.1)	(10)
<b>Net Cash Flows from Operations</b>	<b>(19)</b>	(1.4)	n/a
<b>ASSETS</b>			
Investments	135.0	129.4	4
Other assets	0.1	0.1	0
<b>Total Assets</b>	<b>135.1</b>	129.5	4
<b>LIABILITIES</b>			
Liability for accrued benefits	133.7	125.3	7
Other liabilities	0.6	0.6	0
<b>Total Liabilities</b>	<b>134.3</b>	125.9	7
<b>EXCESS OF NET ASSETS OVER LIABILITIES</b>	<b>0.8</b>	3.6	(78)

**Operating Statement****Operating Revenues**

Investment activity for the year resulted in a positive return of \$25.5 million. Investment returns are further discussed in the commentary for Funds SA.

**Operating Expenses**

Benefits expense decreased by \$9.6 million to \$14 million for the year. This is predominantly due to the liability for accrued benefits increasing by only \$8.4 million in 2006 (\$18.8 million). The expected future benefit payments were determined using the pensioner mortality assumptions of the 2004 triennial actuarial review of the South Australian Superannuation Scheme. In 2005 there was a significant reduction in this assumption resulting in a substantial increase in the Liability for Accrued Benefits. Refer to Note 6 'Liability for Accrued Benefits' to the Financial Report for further explanation.

### **Transfers to Consolidated Account**

After an actuarial assessment of the employer estimated accrued liabilities, the Treasurer approved a transfer of \$17 million in 2005-06 to the Consolidated Account. No transfer occurred during 2004-05.

### **Operating Result**

The operating result for the year was a deficit of \$2.8 million (\$3.1 million). The year's result represents the excess of benefits expense and transfer to Consolidated Account of \$31.0 million over contributions and net investment revenue of \$28.2 million.

### **Statement of Financial Position**

As at 30 June 2006, there was an excess of net assets over liabilities of \$800 000 (\$3.6 million). The estimated liability for accrued benefits increased by \$8.4 million to \$133.7 million for which net assets of \$134.5 million (\$128.9 million) were available to pay benefits, therefore the Scheme is fully funded.

In comparison, vested benefits as at 30 June 2006 were \$98.2 million. Vested benefits represent benefits which members are entitled to receive had their membership been terminated at reporting date. Vested benefits are less than accrued benefits by \$35.5 million as members are only entitled to a pension if they have attained age 60 with more than 10 years service or have attained the age of retirement with more than 5 years of service.

## **FURTHER COMMENTARY ON OPERATIONS**

### **Pensioners**

The number of pensioners, and pensions paid for the past four years, was:

	<b>2006</b>	2005	2004	2003
Pensioners	<b>51</b>	46	43	41
Pensions paid (\$'000)	<b>5 523</b>	4 662	4 117	3 738

### **Contributions by Employers**

The number of members, and contributions received from employers for the past four years, was:

	<b>2006</b>	2005	2004	2003
Members	<b>45</b>	46	43	44
Contributions received (\$'000)	<b>3 569</b>	3 331	3 119	2 816

**Operating Statement  
for the year ended 30 June 2006**

		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
<b>REVENUE:</b>			
Investment revenue	4	<b>25 528</b>	17 114
Interest income		<b>4</b>	3
<b>CONTRIBUTION REVENUE:</b>			
Contributions by employers		<b>3 593</b>	3 372
Direct investment expense	4	<b>(899)</b>	-
Transfer to Consolidated Account	3	<b>(17 000)</b>	-
Administration expense	4	<b>(38)</b>	(37)
Consultancy expense	12	<b>(2)</b>	(2)
Audit expense	13	<b>(7)</b>	(14)
Benefits expense	6	<b>(13 952)</b>	(23 544)
<b>OPERATING RESULT FOR THE PERIOD</b>		<b>(2 773)</b>	(3 108)

**Statement of Financial Position  
as at 30 June 2006**

		<b>2006</b>	2005
	Note	<b>\$'000</b>	\$'000
<b>INVESTMENTS:</b>			
Inflation linked securities		<b>11 544</b>	13 130
Property		<b>12 756</b>	10 268
Australian equities		<b>45 128</b>	45 055
International equities		<b>45 194</b>	44 672
Fixed interest		<b>5 855</b>	7 413
Diversified strategies - Growth		<b>4 611</b>	2 330
Diversified strategies - Income		<b>4 968</b>	3 370
Cash		<b>4 903</b>	3 173
		<b>134 959</b>	129 411
<b>FIXED ASSETS</b>		<b>5</b>	8
<b>OTHER ASSETS:</b>			
Cash and deposits at Treasury	10	<b>23</b>	22
Cash and deposits at Treasury - Funds SA		<b>25</b>	8
Interest, dividends and rent due - Funds SA		<b>5</b>	13
Sundry debtors		<b>3</b>	1
Contributions receivable		<b>78</b>	54
		<b>134</b>	98
<b>Total Assets</b>		<b>135 098</b>	129 517
<b>CURRENT LIABILITIES:</b>			
Rent paid in advance - Funds SA		<b>15</b>	23
Benefits payable		<b>111</b>	82
Sundry creditors	11	<b>224</b>	187
		<b>350</b>	292
<b>NON-CURRENT LIABILITIES:</b>			
Loan and finance facilities - Funds SA		<b>250</b>	354
<b>Total Liabilities</b>		<b>600</b>	646
<b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>	5	<b>134 498</b>	128 871
<i>Less:</i> <b>LIABILITY FOR ACCRUED BENEFITS</b>	6	<b>133 700</b>	125 300
<b>EXCESS OF NET ASSETS OVER LIABILITIES</b>		<b>798</b>	3 571

## Statement of Cash Flows for the year ended 30 June 2006

		2006 Inflows (Outflows) \$'000	2005 Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	Note		
Contributions by employers		3 569	3 331
Bank interest received		4	3
GST recoup		1	3
Transfer to Consolidated Account		(17 000)	-
Benefit payments		(5 523)	(4 662)
Administration expense		(41)	(40)
Consultancy expense		(2)	(2)
Audit expense		(7)	(7)
<b>Net Cash used in Operating Activities</b>	9	<b>(18 999)</b>	<b>(1 374)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Receipts from Funds SA		22 530	4 310
Payments to Funds SA		(3 530)	(2 940)
<b>Net Cash provided by Investing Activities</b>		<b>19 000</b>	<b>1 370</b>
<b>NET INCREASE (DECREASE) IN CASH HELD</b>		<b>1</b>	<b>(4)</b>
<b>CASH AT 1 JULY</b>		<b>22</b>	<b>26</b>
<b>CASH AT 30 JUNE</b>	10	<b>23</b>	<b>22</b>

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

#### 1. Objectives and Funding

##### (a) *Judges' Pensions Scheme*

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme, which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than 10 years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

##### (b) *Superannuation Funds Management Corporation of South Australia*

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995*. Funds SA is responsible for the investment and management of the Scheme's funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pensions Scheme Account, reference should be made to the financial report of Funds SA. The investment assets, liabilities, income and expense contained in this financial report are related to the investment activities of Funds SA, an SA Government entity.

##### (c) *Funding Arrangements*

Under section 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the period payments were made from a Special Deposit Account.

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service liabilities and the scheme assets have broadly matched liabilities since 1997. The small size of the scheme, the nature of the way member benefits accrue and variations in investment performance mean that deficits and surpluses will arise from year to year.

Employer contributions at a rate of 30 percent of salary are paid to the Treasurer from SA Government entities to fund emerging superannuation liabilities. These contributions are deposited into the Scheme, with \$3 593 000 (\$3 372 000) being credited during the year ended 30 June 2006.

## 2. Summary of Significant Accounting Policies

### (a) Basis of Accounting

The financial report is a general purpose financial report prepared in accordance with applicable Australian Accounting Standards, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements, except as provided below.

This is the first financial report prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). AAS 25 *Financial Reporting by Superannuation Plans* is the principal standard applied in preparing this financial report. Other Accounting Standards are also applied where necessary except to the extent that they differ from AAS 25. There has been no material impact to the financial report in the transition to AIFRS. In addition, a number of Australian Accounting Standards have been issued or amended and may be applicable to the Scheme but not yet effective. The impact of the new and amended standards has been assessed and there will be no impact on the accounting policies.

The financial report of Funds SA, although not recording the administration activities of the public sector superannuation funds, is prepared in accordance with the principles of AAS 25 where relevant. The Directors of Funds SA believe that this policy best discloses the financial status of the funds under management and the performance of Funds SA in fulfilling its management and investment responsibilities. It also provides consistency with the financial reports of the relevant superannuation schemes associated with the public sector superannuation funds. Consequently, assets and liabilities are recorded at net market values in the Statement of Net Assets as at the balance date, and realised and unrealised gains or losses are brought to account in the Statement of Changes in Net Assets.

### (b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where applicable.

#### (i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*  
These investments, the returns of which are linked to movements in either the Consumer Price Index or Average Weekly Earnings, have been valued using the discounted cash flow method. The valuation as at balance date was performed by an independent valuer, Macquarie Bank Limited.
- *Externally Managed*  
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.

#### (ii) Property

The Property portfolio comprises three sub-sectors:

- *Directly Held Property*  
The value of Funds SA's directly held property has been determined having regard to the contractual arrangements in place over the property.
- *Listed Property Trusts*  
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at balance date.
- *Unlisted Property Vehicles*  
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this sub-sector have been valued in accordance with the valuations supplied by the managers.

#### (iii) Australian Equities

The Australian Equities portfolio comprises investments in listed Australian equities, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the valuations supplied by the managers.

#### (iv) International Equities

The International Equities portfolio comprises investments in equities listed on international share markets, and is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.

- (v) **Fixed Interest**  
The Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at balance date.
- (vi) **Diversified Strategies – Growth**  
The Diversified Strategies (Growth) portfolio comprises investments in domestic and overseas private equity funds and domestic and overseas pooled funds, which are invested and managed by external managers. Valuations of private equity funds are based on the most recently available valuations by the relevant managers. Both domestic and international funds valuations are generally in accordance with the International Private Equity Venture Capital Valuation Guidelines (November 2005). Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (vii) **Diversified Strategies – Income**  
The Diversified Strategies (Income) portfolio comprises investments in both domestic (Australian) and overseas pooled funds, and is invested and managed by external managers. Investments in the pooled funds have been valued in accordance with the valuations supplied by the managers. Currency conversions have been made at the spot market mid-rates applicable at balance date where applicable.
- (viii) **Cash**  
Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers. Deposits at call have been valued on the basis of principal plus accrued interest.
- (ix) **Fixed Assets**  
Fixed assets have been valued at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. It is considered that this provides a reasonable estimate of net market value.
- (x) **Other Assets and Liabilities**  
These items have been assessed and it is considered that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

**(c) Taxation**

The scheme is constitutionally protected under the Regulations to the *Income Tax Assessment Act 1936* and is exempt from income tax.

**(d) Goods and Services Tax**

GST incurred that is not recoverable from the ATO has been recognised as part of the cost of acquisition of the asset or as part of the expense to which it relates. Receivables and payables are stated with the amount of GST included in the value. The amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position. The sundry debtors includes a refund from the ATO for GST paid on administration expenses.

**(e) Revenue**

Superannuation contributions are brought to account on an accrual basis.

**3. Transfer to Consolidated Account**

After an actuarial assessment of the employer estimated accrued liabilities, the Treasurer approved a transfer of \$17 million to the Consolidated Account in 2005-06. No transfer occurred in 2004-05 as the actuarial assessment did not indicate a material surplus or deficiency.

**4. Administration and Investment Expenses**

Costs of administering the Scheme comprise those costs incurred by Funds SA (Investment Expense) and the Department of Treasury and Finance (Administration Expense).

Investment Expense has not been reported separately in prior financial years, but had been deducted from revenue ie investment revenue was reported net of direct investment expense. For the year ended 30 June 2006 these costs are now shown separately as Direct Investment Expense. The comparative has not been changed as the information was not readily available.

Administration Expense comprises the costs incurred by the Department of Treasury and Finance in administering the Scheme, which are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Scheme.

<b>5. Net Assets Available to Pay Benefits</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Funds held at 1 July	<b>128 871</b>	113 179
<i>Add:</i> Contributions by employers	<b>3 593</b>	3 372
Investment earnings	<b>25 528</b>	17 114
Interest income	<b>4</b>	3
	<b>29 125</b>	20 489
<i>Less:</i> Transfers to other schemes	<b>17 000</b>	-
Benefits paid	<b>5 552</b>	4 744
Direct investment expense	<b>899</b>	-
Administration expense	<b>38</b>	37
Consultancy expense	<b>2</b>	2
Audit expense	<b>7</b>	14
	<b>23 498</b>	4 797
<b>Funds Held at 30 June</b>	<b>134 498</b>	128 871

**6. Liability for Accrued Benefits**

The expected future benefit payments have been determined using the same pensioner mortality assumption as the 2004 triennial review of the South Australian Superannuation Scheme. The review salary promotion scale and economic assumptions have also been used, while general salary increases of 3.5 percent per annum above the Adelaide Consumer Price Index (CPI) have been allowed for. In accordance with AAS 25, the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate. A discount rate of 4.5 percent per annum above the CPI has been applied.

The accrued superannuation liability, as determined by the State Superannuation Office of the Department of Treasury and Finance, is estimated at \$133.7 million (\$125.3 million) as at 30 June 2006.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Liability for accrued benefits at 1 July	<b>125 300</b>	106 500
<i>Add:</i> Benefits expense <sup>(i)</sup>	<b>13 952</b>	23 544
<i>Less:</i> Benefits paid	<b>5 552</b>	4 744
<b>Liabilities for Accrued Benefits at 30 June</b>	<b>133 700</b>	125 300

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.

**7. Vested Benefits**

Vested benefits are benefits, which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Vested Benefits	<b>98 200</b>	86 900

**8. Guaranteed Benefits**

The entitlements of members are specified by the *Judges' Pensions Act 1971*.

**9. Reconciliation of Operating Result to Net Cash used in Operating Activities**

Operating result	<b>(2 773)</b>	(3 108)
Benefits expense	<b>13 952</b>	23 544
Benefits paid	<b>(5 552)</b>	(4 744)
(Increase) in sundry debtors	<b>(2)</b>	-
Increase in sundry creditors	<b>-</b>	7
(Increase) Decrease in contributions receivable	<b>(24)</b>	41
Investment revenue	<b>(25 528)</b>	(17 114)
Direct investment expense	<b>899</b>	-
Increase in benefits payable	<b>29</b>	-
<b>Net Cash used in Operating Activities</b>	<b>(18 999)</b>	(1 374)

**10. Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand deposits with the Department of Treasury and Finance. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related item in the Statement of Financial Position as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Cash and Deposits at Treasury	<b>23</b>	22

**11. Sundry Creditors**

Sundry creditors - Funds SA	<b>217</b>	180
Audit fees	<b>7</b>	7
	<b>224</b>	187

**12. Consultancy Expenses**

Consultancy expenses for the 2005-06 financial year have been deducted from the Scheme. These expenses relate to Superannuation Policy and Actuarial advice received.

**13. Audit Expense**

Amounts paid or due and payable to the Auditor-General's Department (an SA Government entity) for the audit of the Scheme for the reporting period totalled \$7 000 (\$7 000).

**14. Financial Instruments**

The specific disclosure requirements of Australian Accounting Standard AASB 132 *Financial Instruments: Presentation* are fully set out in the Notes to the Financial Report of Funds SA and have not been repeated in this financial report.

# LAND MANAGEMENT CORPORATION

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

### Establishment

The Land Management Corporation (the Corporation) is a subsidiary corporation of the Minister for Infrastructure established pursuant to the provisions of the *Public Corporations Act 1993* (the Act). Its governing body is a board whose members are appointed by the Minister.

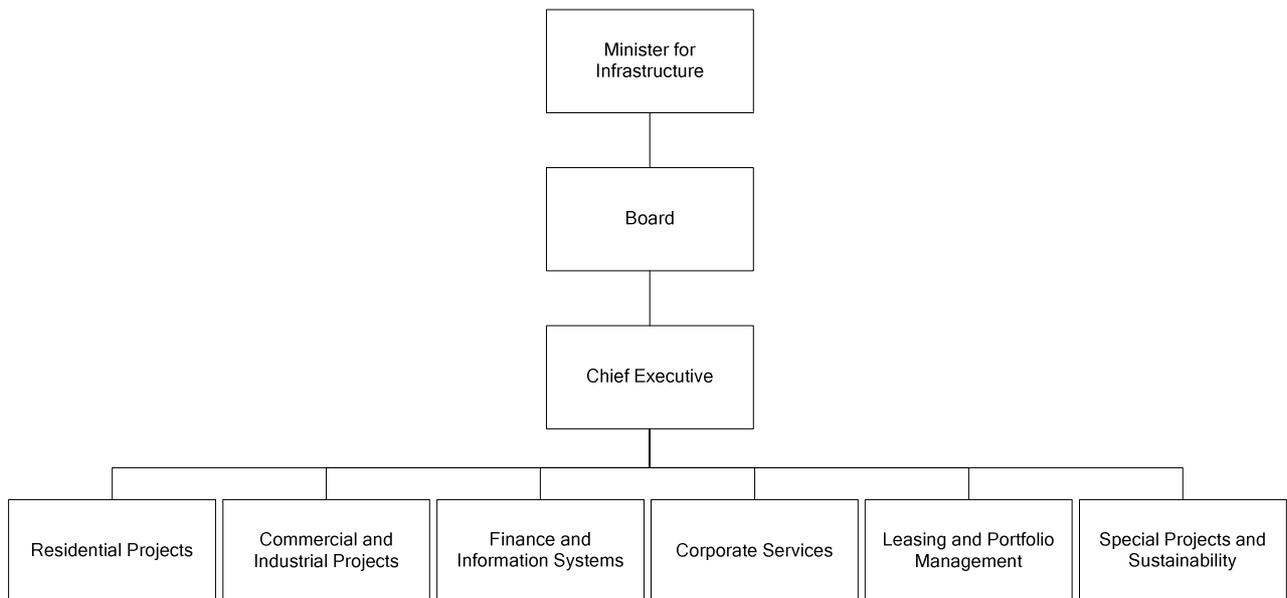
The Corporation was established on 24 December 1997 to undertake activities formerly controlled by the MFP Development Corporation, the MFP Projects Board and the then Minister for Government Enterprises.

### Functions

The regulations establishing the Corporation provide for it to manage land and property through the acquisition, leasing and disposal of surplus and other land for commercial, industrial, residential or other purposes. In performing those functions the Corporation is required to ensure the orderly development of land.

### Structure

The structure of the Land Management Corporation is illustrated in the following organisation chart.



### Audit Committee

The Corporation has an Audit Committee comprising three members of the Board. The Audit Committee meets on a quarterly basis and reports to the Board. The Audit Committee Charter requires the Committee to assess the quality of financial reporting, the effectiveness of internal controls and to maintain an effective and efficient audit. It is also required to advise the Board on procedures and ways of working within the Corporation to align them with the organisation's strategic direction. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

#### *Audit of the Financial Report*

Subsection 31 (1) (b) of the *Public Finance and Audit Act 1987* and clause 13(3) of the Schedule to the *Public Corporations Act 1993* requires the Auditor-General to audit the accounts and financial statements of the Corporation.

## **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 Land Management Corporation in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

### **Scope of Audit**

The audit program covered major financial systems 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 2005-06, specific areas of audit attention included:

- budgetary control
- expenditure
- inventory - land bank
- plant and equipment
- investment properties
- revenue, receipting and banking
- payroll
- cash at bank.

The work of the internal auditor was considered in planning the audit program. In particular, reliance was placed on the work of internal audit in assessing the effectiveness of the Corporation's internal control. Reliance was placed on the internal audit work relating to the review of the management and monitoring of certain property development projects.

## **AUDIT FINDINGS AND COMMENTS**

### **Audit Opinions**

#### ***Audit of the Financial Report***

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 Land Management Corporation as at 30 June 2006, 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 Land Management 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 Land Management Corporation have been conducted properly and in accordance with law.

### **Audit Communications with Management**

Matters arising during the course of the audit were detailed in a management letter to the Chief Executive. The response to the management letter was generally satisfactory. Major matters raised with the Corporation and the related responses are considered herein.

#### ***Key Reconciliations***

Audit identified that a number of key monthly reconciliations were at times not kept up-to-date during the year.

Audit recommended that staff provide the Chief Executive or his Chief Finance Officer with a monthly certificate advising that certain key reconciliations between the general ledger and its subsidiary systems have been performed and balances in certain key general ledger clearing accounts have been reviewed and actioned.

The Corporation advised that a monthly key reconciliation certificate will be presented to the Chief Financial Officer by the appropriate officers at the end of each month.

### **Procurement Policy Project Implementation Process**

The most significant procurement operations of the Corporation are related to 'prescribed construction projects' as defined in the State Procurement Regulations 2005. These projects are not subject to the requirements of the *State Procurement Act 2004*. Instead, they are subject to the requirements of the latest Department of Premier and Cabinet Circular PC028 *Construction Procurement Policy Project Implementation Process* (PIP).

Audit recommended that the Corporation assess whether its Project Management Framework (PMF) complies with the requirements of the latest Project Implementation Process Policy.

The Corporation advised that it is currently undertaking a significant review of the PMF which will address this matter.

### **INTERPRETATION AND ANALYSIS OF FINANCIAL REPORT**

Comparisons are only for two years as a result of the impact of adopting Australian equivalents to International Financial Reporting Standards (AIFRS). Any figures prior to 2004-05 were accounted for using the AGAAP method and are not readily comparable to the AIFRS figures.

#### **Highlights of Financial Report**

	<b>2006</b>	2005	Percentage
	<b>\$'million</b>	\$'million	Change
<b>INCOME</b>			
Sales less cost of sales	<b>31.7</b>	15.0	111
Revenues from Government	<b>12.6</b>	10.0	26
Property income	<b>14.6</b>	11.0	33
Other income	<b>22.8</b>	24.8	(8)
<b>Total Income</b>	<b>81.7</b>	60.8	34
<b>EXPENSES</b>			
Salaries and related payments	<b>6.7</b>	5.8	15
Borrowing costs	<b>5.7</b>	6.4	(11)
Contractors and consultants	<b>2.3</b>	6.6	(65)
Write down of land held for sale	<b>3.7</b>	4.6	(20)
Other expenses	<b>17.9</b>	17.2	4
<b>Total Expenses</b>	<b>36.3</b>	40.6	(11)
<b>Profit before Income Tax Equivalent</b>	<b>45.4</b>	20.2	125
Dividends Paid/Payable	<b>35.7</b>	2.2	n/a
<b>Net Cash Flows from Operations</b>	<b>30.5</b>	(1.8)	n/a
<b>ASSETS</b>			
Current assets	<b>27.8</b>	52.7	(47)
Non-current assets	<b>175.5</b>	161.7	9
<b>Total Assets</b>	<b>203.3</b>	214.4	(5)
<b>LIABILITIES</b>			
Current liabilities	<b>55.5</b>	39.1	42
Non-current liabilities	<b>48.3</b>	71.9	(33)
<b>Total Liabilities</b>	<b>103.8</b>	111.0	(6)
<b>EQUITY</b>	<b>99.5</b>	103.4	(4)

**Income Statement**

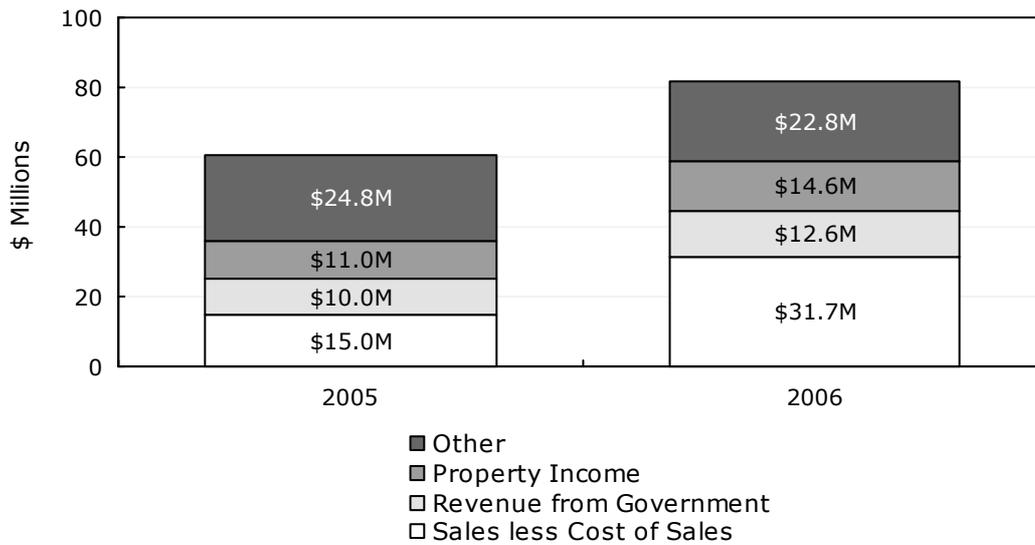
**Contributions to the Government**

In the three years to 30 June 2003 dividends paid by the Corporation to the Treasurer ranged from \$6.1 million in 2003 to \$1.8 million in 2001. In 2003-04 the Corporation paid a special dividend of \$50 million as part of total dividends for the year of \$51.5 million. In 2004-05 the Corporation paid \$2.2 million in dividends. In 2005-06 the Corporation paid a special dividend of \$8.4 million as part of total dividends for the year of \$35.7 million.

The Corporation also makes TER payments to the Treasurer which in 2005-06 was \$5.6 million and ranged from \$11.4 million in 2004 to \$4.1 million in 2001.

**Income**

The following chart shows the changing composition of the Corporation’s income over the past two years.



The chart shows that income from Sales less cost of sales increased significantly by \$16.7 million in 2005-06 (113 percent) compared to 2004-05 reflecting the impact of the Corporation’s total land sales.

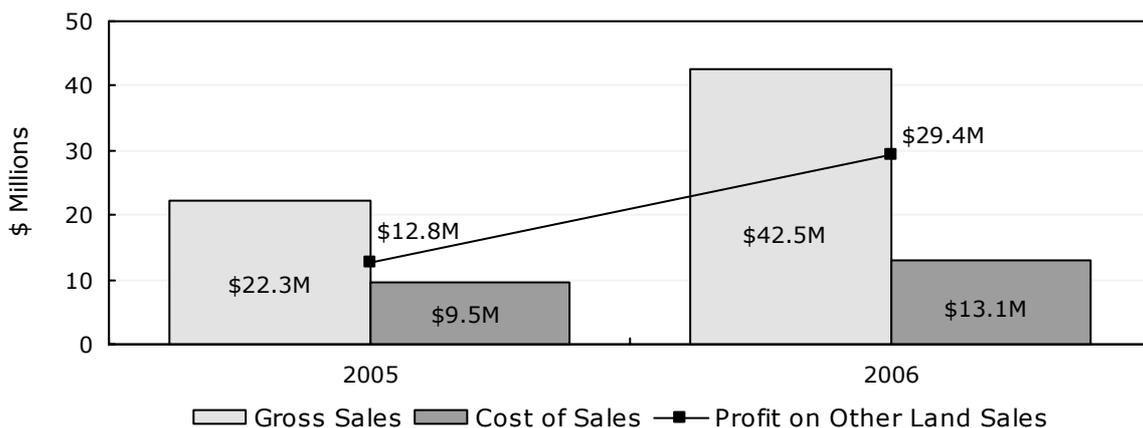
The Corporation’s total land sales resulting from the following three areas of operation are analysed below.

**Joint Venture Land Sales**

Gross Sales of land through Joint Venture entities, to which the Corporation is party, increased slightly by \$0.05 million to \$2.8 million in 2005-06, contributing to an increase in Profit on land sales of \$0.06 million to \$2.3 million.

**Other Land Sales**

The following chart shows the value of other land sales by the Corporation over the last two years.



Analysis of the composition of other land sales identified that the:

- material land sales in 2005-06 occurred in Darlington, Huntfield Heights, Port Waterfront, Penfield, Edinburgh Parks and Seaford and totalled \$41.8 million; while
- material land sales within 2004-05 occurred in Darlington, Huntfield Heights, Lonsdale and Seaford and totalled \$11.7 million.

The land released by the Corporation in 2005-06 was 45 percent industrial land and 55 percent broad hectare land for residential development. The majority of the land released in 2004-05 was industrial in nature.

*Industrial and Commercial Property Sales*

The Corporation is responsible for providing industry assistance through the construction of purpose built commercial and industrial facilities through the Industrial and Commercial Premises Scheme. Construction projects in progress are recorded as work in progress in the Balance Sheet. On completion the Corporation enters into Deferred Purchase Agreements with the client for the recovery of costs incurred in constructing the premises. Properties are secured by title held in the name of the Corporation until settlement.

The Corporation funds the cost of construction with back to back interest bearing loans with SAFA. Under the terms and conditions of the Agreement clients make interest and principal repayments resulting in the reduction of the SAFA loans.

In 2005-06 there was one new Deferred Purchase Agreement entered into with clients. During 2004-05 the Corporation entered into agreements recognising the sale of premises to clients totalling \$12.6 million, and the construction costs of \$12.7 million were recognised as cost of sales.

*Revenue from Government*

The Corporation’s revenue from Government increased by \$2.6 million to \$12.6 million. The increase is a result of the Corporation receiving an increase in capital grants of \$1.4 million and an increase to the Land Tax Subsidy of \$1.2 million.

*Property Income*

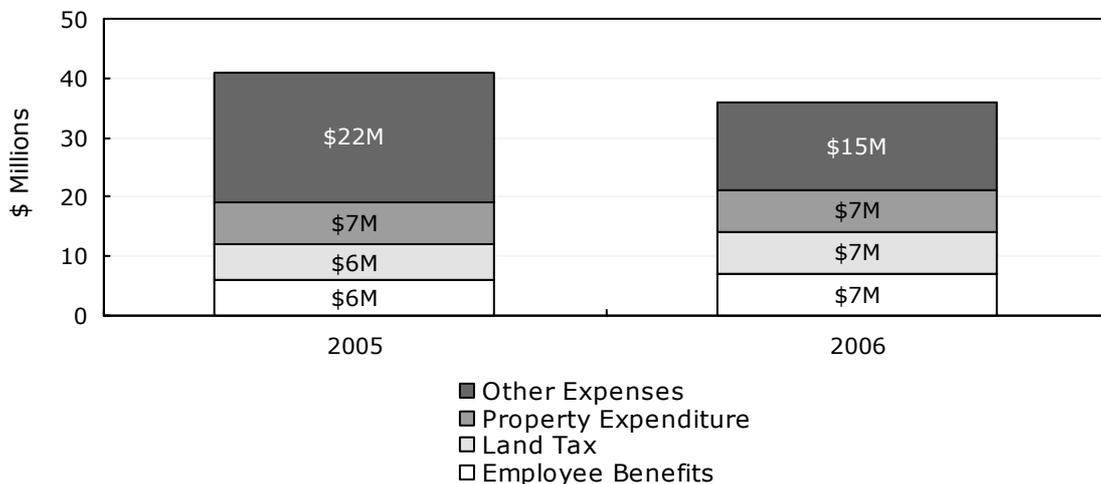
Property income increased during 2005-06 by \$3.6 million due mainly to the additional properties owned as landlord following the transfer of properties from the former Industrial and Commercial Premises Corporation.

*Other Income*

Other income includes the Corporation’s share of the net profits of joint venture entities and interest on cash balances held with Treasury. During 2005-06, other income has decreased by \$2 million, due mainly to the recognition of prior period errors in 2004-05 of \$3.8 million associated with the corporation depreciating investment properties.

**Expenses**

For the two years to 2006, a structural analysis of the main expense items for the Corporation is shown in the following chart.



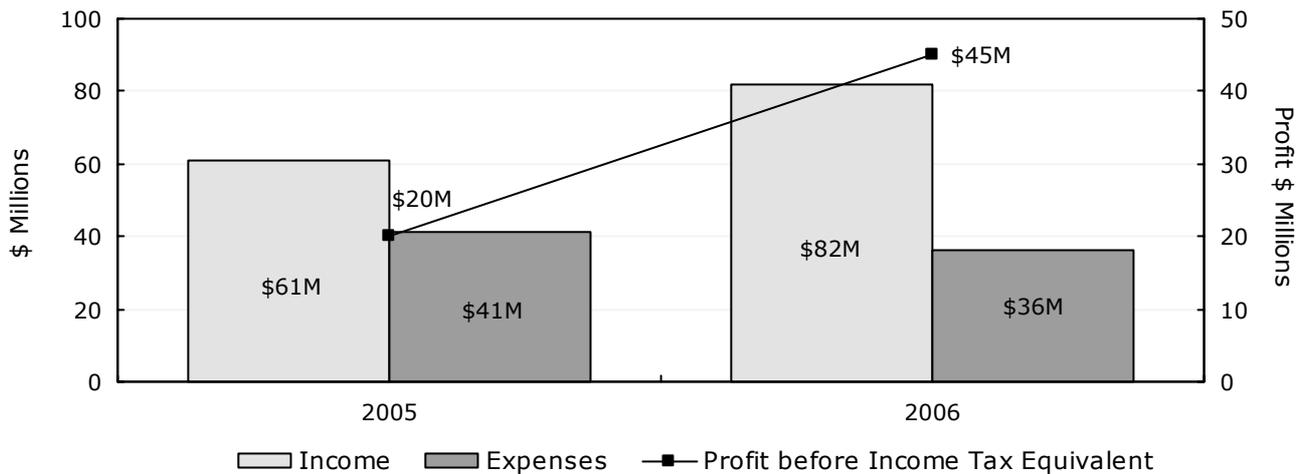
The decrease in expenses for 2005-06 of \$4.3 million compared with 2004-05 is associated mainly with:

- increased land tax - \$1.2 million;
- a decrease of \$4.2 million in payments to contractors and consultants;
- a decrease in write-down of \$0.9 million associated with industrial premises constructed through the Industrial and Commercial Premises Scheme as detailed in 'Further Commentary on Operations' under the heading of 'Industrial and Commercial Premises'.

**Profit**

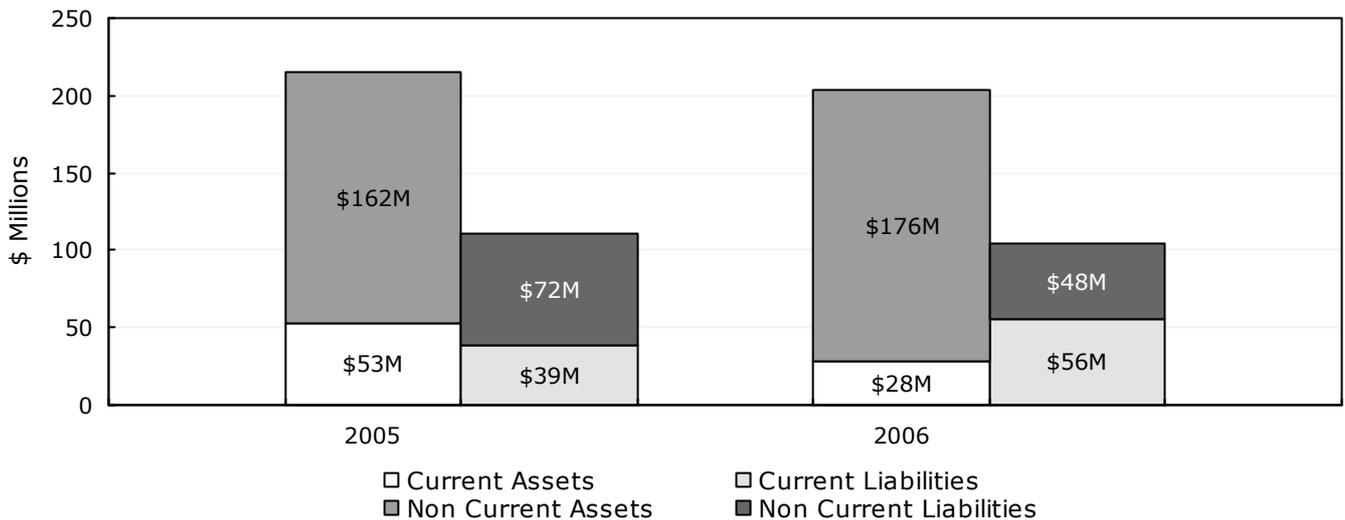
The increase in total income, as discussed earlier, of \$20.9 million in 2005-06, largely contributed to the increase in profit before income tax equivalent of \$45.4 million.

The following chart shows the incomes, expenses and profits for the two years to 2006.



**Balance Sheet**

A structural analysis of assets and liabilities for the two years to 2006 is shown in the following chart.



Over the period, the Corporation's net assets decreased by \$3.9 million to \$99.5 million.

**Assets**

The Corporation's total assets decreased by \$11.1 million to \$203.3 million reflecting:

- decrease in mortgage debtors of \$2.5 million;
- decrease in cash of \$17.1 million reflecting an increase in repayment of borrowings and dividends paid offset by an increase in receipts from land sales.

## Liabilities

The Corporation's total liabilities decreased by \$7.2 million to \$103.8 million reflecting:

- payables increased by \$2.8 million due mainly to the recognition of \$8.9 million payable for land purchase for Edinburgh Parks;
- tax liabilities increased by \$8.0 million in 2005-06 compared with 2004-05 due to the increase in profit;
- interest bearing liabilities decreased by \$18.1 million due to the repayment of borrowings to the South Australian Government Financing Authority during 2005-06.

## Asset Valuations

Land held for resale is recognised in the Balance Sheet at the lower of original cost or net realisable value in accordance with AASB 102 *Inventories*.

The land inventory value recorded by the Corporation with respect to land sold in 2005-06 in Darlington, Huntfield Heights, Port Waterfront, Penfield, Edinburgh Parks and Seaford was \$13.1 million compared with the achieved gross sale price of \$41.8 million.

In recognition that the market value is materially greater than the recorded book value, the Corporation have disclosed, by note to the financial statements (refer Note 2.7), the estimated market value of \$503.5 million with respect to land held for sale as at 30 June 2006.

In determining the estimated market value consideration was given to the planned sales strategy adopted by the Corporation which anticipates that land held for sale will be disposed over an extended period of time. The valuation assumes the Corporation's entire land holding is not taken to market in its entirety. In addition the valuation does not take into consideration the development costs to be incurred to prepare the land for sale or the future property market conditions.

## Cash Flow Statement

The following table summarises the net cash flows for the two years to 2006.

	2006 \$'million	2005 \$'million
<b>Net Cash Flows</b>		
Operations	<b>30.6</b>	(1.8)
Investing	<b>6.1</b>	6.3
Financing	<b>(53.8)</b>	(5.8)
Change in Cash	<b>(17.1)</b>	(1.3)
Cash at 30 June	<b>17.4</b>	34.5

The analysis of cash flows shows that the Corporation's cash reserves have decreased between 2005-06 and 2004-05. The reason for the significant cash outflow from financing activities is associated with the dividend payment of \$35.7 million in 2006 and the repayment of borrowings of \$18.1 million.

## FURTHER COMMENTARY ON OPERATIONS

### Mawson Lakes Government Infrastructure Project

As part of the joint venture arrangements for the Mawson Lakes Economic Development Project, the State Government committed to infrastructure works in July 1997 under a project commitment deed. The deed committed the State Government, through a number of government agencies (ie Department for Transport, Energy and Infrastructure, Planning SA, Department of Education and Children's Services and Land Management Corporation), to deliver specified infrastructure.

The Corporation's obligations, under the original project commitment deed, amounted to \$17.6 million (in 1996 dollars) over a nine year period. The Corporation's most recent forecast of its future commitments under the arrangements is \$1.3 million (in current dollars) to be spent in the next 12 months. It is anticipated the Corporation will have satisfied all its obligations under the commitment deed by the end of 2007-08.

To date the Corporation has spent a total of \$20.7 million meeting the Government's obligations on Mawson Lakes infrastructure.

### **Port Adelaide Waterfront Redevelopment**

The Port Adelaide Waterfront Redevelopment Project represents a major urban renewal project of waterfront land at Port Adelaide. A key phase of the project involves completing a detailed development proposal for the economic and urban revitalisation of the inner Port Adelaide region. To facilitate the completion of this development proposal, Cabinet approved the Corporation proceeding with a registration of interest process. In June 2001 the Corporation, commenced this process to select two parties to prepare comprehensive development proposals for the project.

In September 2001 the Corporation selected two consortia which were subsequently contracted by the Corporation to prepare development proposals. Development proposals were submitted by the two selected consortia in April 2002 and in June 2002 the Board endorsed the selection of the Newport Quays Consortium.

During 2002-03 a public consultation process was undertaken regarding the development proposal while the Corporation and the Newport Quays Consortium were involved in negotiations to finalise the Development Agreement.

During 2003-04 negotiations between the Corporation and Newport Quays Consortium continued. The Corporation and Newport Quays Consortium reached in-principle agreement of the terms and conditions of the Development Agreement.

In September 2004 the Board endorsed in-principle arrangements for the construction and sale of marina berths as a joint venture arrangement. In accordance with the Corporation's regulations, the Corporation submitted a Marina Development Joint Venture Agreement to the Treasurer for approval. In July 2005, Cabinet approval was obtained to proceed with the Joint Venture.

The Corporation and Newport Quays Consortium signed the Development Agreement in October 2004. Since the signing of the agreement, the Corporation lodged an application with the Development Assessment Commission for the first stage of the remediation program. Precinct 1 was remediated and sold to the consortium in March 2006. Remediation and civil works has commenced on Precinct 2. The remediation and civil works will be finalised by September 2006.

The Corporation's obligations under the Development Agreement amount to \$41.861 million (in 2004 dollars) over the life of the agreement. The Corporation's most recent forecast of spending in the next 12 months under the arrangement is estimated at \$8.5 million (in current dollars).

A Tripartite Commitment Deed between the Corporation, Newport Quays Consortium and the Port Adelaide Enfield Council was signed in December 2004 which establishes the Port Centre Coordination group who are responsible for, amongst other matters, aligning the capital works program of Newport Quays and the Council.

### **Industrial Commercial Premises**

The Corporation's financial statements record the write-downs in 2004-05 and 2005-06 in the value of industrial premises built for the Southern Foods Group Pty Ltd under the Industrial and Commercial Premises Scheme. The company was an existing client of the Scheme which entered arrangements for the development of new premises prior to the transfer of the Scheme to the Corporation in 2003-04.

The development of the new facilities for the company was endorsed by the Industries and Development Committee in 2001 and referred to the Public Works Committee in November 2001. The estimated cost of the development at that time was \$11.3 million and the company was required to pay a deposit of \$1 million. The Department of Trade and Economic Development provided \$500 000 to the company to assist it in paying this deposit.

The new premises were completed in May 2004. In April 2005 the company defaulted on its obligations to pay interest, costs arising from building recovery works and penalty interest and the Land Management Corporation commenced proceedings, as provided for in relevant contractual arrangements, with the company and other interested parties, to protect its interest in the premises.

In June 2005 the company initiated the appointment of a receiver and manager by its bank.

**Income Statement  
for the year ended 30 June 2006**

	Note	<b>2006</b>	2005
		<b>\$'000</b>	\$'000
<b>INCOME:</b>			
Sales	4	<b>45 291</b>	37 617
Less: Cost of sales		<b>13 600</b>	22 635
<b>Gross Profit</b>		<b>31 691</b>	14 982
Share of net profits of joint venture entities	5.1	<b>7 916</b>	7 986
Revenues from Government	6	<b>12 616</b>	10 043
Interest	3,4	<b>5 003</b>	5 029
Property income		<b>14 587</b>	10 984
Other income		<b>4 329</b>	5 750
Gain resulting from change in fair value of investment properties	2.10,14	<b>5 535</b>	6 056
<b>Total Income</b>		<b>81 677</b>	60 830
<b>EXPENSES:</b>			
Land tax		<b>6 959</b>	5 726
Property expenditure		<b>6 957</b>	7 287
Contractors and consultants		<b>2 322</b>	6 561
Salaries and related payments		<b>6 673</b>	5 826
Accommodation		<b>468</b>	417
Borrowing costs	3	<b>5 729</b>	6 418
Depreciation	3	<b>304</b>	184
Other expenditure		<b>3 187</b>	3 618
Write down of inventory held for resale	2.7	<b>3 698</b>	4 576
<b>Total Expenses</b>		<b>36 297</b>	40 613
<b>PROFIT BEFORE INCOME TAX EQUIVALENT</b>		<b>45 380</b>	20 217
Income tax equivalent expense	8	<b>13 614</b>	5 208
<b>NET PROFIT AFTER INCOME TAX EQUIVALENT ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>		<b>31 766</b>	15 009

## Balance Sheet as at 30 June 2006

	Note	2006 \$'000	2005 \$'000
<b>ASSETS:</b>			
CURRENT ASSETS:			
Cash assets	26	17 419	34 537
Mortgage debtor receivables	10	2 930	3 059
Other receivables	11	1 066	2 768
Inventories	12	6 391	12 247
Prepayments	13	41	45
<b>Total Current Assets</b>		<b>27 847</b>	52 656
NON-CURRENT ASSETS:			
Mortgage debtor receivables	10	18 769	21 147
Inventories	12	54 741	47 651
Investment property	14	78 411	73 610
Plant and equipment	15	1 493	368
Work in progress	2.9,16	200	-
Investment in joint venture entities	5.1	21 858	18 915
<b>Total Non-Current Assets</b>		<b>175 472</b>	161 691
<b>Total Assets</b>		<b>203 319</b>	214 347
<b>LIABILITIES:</b>			
CURRENT LIABILITIES:			
Payables	17	23 870	17 812
Tax liabilities	8,19	12 356	4 326
Interest bearing liabilities	18	18 930	16 665
Employee benefits	20.1	335	266
<b>Total Current Liabilities</b>		<b>55 491</b>	39 069
NON-CURRENT LIABILITIES:			
Payables	17	578	3 816
Interest bearing liabilities	18	47 071	67 460
Employee benefits	20.1	723	626
<b>Total Non-Current Liabilities</b>		<b>48 372</b>	71 902
<b>Total Liabilities</b>		<b>103 863</b>	110 971
<b>NET ASSETS</b>		<b>99 456</b>	103 376
<b>EQUITY:</b>			
Retained earnings	21	99 456	103 376
<b>TOTAL EQUITY ATTRIBUTABLE TO THE SA GOVERNMENT AS OWNER</b>		<b>99 456</b>	103 376
Operating Lease Commitments	22		
Capital Expenditure Commitments	23		
Contingent Liabilities	24		

## Statement of Changes in Equity for the year ended 30 June 2006

		2006	2005
	Note	\$'000	\$'000
<b>RETAINED EARNINGS:</b>			
<b>Balance at 1 July</b>	2.16(ii)	<b>103 376</b>	90 547
Dividend paid or payable to the Treasurer	9	<b>(35 686)</b>	(2 180)
<b>Net adjustments recognised directly in equity</b>		<b>(35 686)</b>	(2 180)
Profit for the year after income tax equivalent		<b>31 766</b>	15 009
<b>Balance at 30 June</b>	21	<b>99 456</b>	103 376

## Cash Flow Statement for the year ended 30 June 2006

		2006	2005
	Note	Inflows (Outflows) \$'000	Inflows (Outflows) \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Government grants and subsidies received	6	<b>12 616</b>	10 043
Land tax paid		<b>(1 740)</b>	(5 726)
Receipts from sales		<b>45 301</b>	24 749
Receipts from mortgage debtors		<b>4 934</b>	10 062
Receipts from tenants		<b>14 561</b>	11 546
Interest received		<b>2 632</b>	1 477
Deposits received under ICPS		-	95
Recoveries and sundry receipts		<b>14 917</b>	12 247
Payments for salaries and related costs		<b>(6 490)</b>	(5 902)
Payments to suppliers		<b>(22 686)</b>	(21 466)
Payments for land purchase and development		<b>(18 599)</b>	(19 089)
Payments for work in progress		<b>(200)</b>	(2 264)
Interest paid		<b>(6 022)</b>	(6 114)
GST receipts from taxation authority		<b>791</b>	307
GST payments to taxation authority		<b>(3 884)</b>	(1 719)
Income tax equivalent paid	8	<b>(5 584)</b>	(10 069)
<b>Net Cash provided by (used in) Operating Activities</b>	25	<b>30 547</b>	(1 823)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Capital contributions to joint venture entities	5.1	<b>(4 927)</b>	(6 900)
Capital repayments by joint venture entities		<b>4 750</b>	11 650
Distributions of profit by joint venture entities		<b>5 150</b>	1 675
Proceeds from sale of investment property, plant and equipment		<b>1 734</b>	3
Additions to investment property		<b>(336)</b>	-
Purchase of plant and equipment		<b>(226)</b>	(71)
<b>Net Cash provided by Investing Activities</b>		<b>6 145</b>	6 357
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		-	265
Repayment of borrowings		<b>(18 124)</b>	(3 896)
Dividends paid	9	<b>(35 686)</b>	(2 180)
<b>Net Cash used in Financing Activities</b>		<b>(53 810)</b>	(5 811)
<b>NET DECREASE IN CASH HELD</b>		<b>(17 118)</b>	(1 277)
<b>CASH AT 1 JULY</b>		<b>34 537</b>	35 814
<b>CASH AT 30 JUNE</b>	26	<b>17 419</b>	34 537

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Establishment of the Land Management Corporation

The Land Management Corporation (the Corporation) was established on 24 December 1997 as a subsidiary corporation of the Minister for Government Enterprises (the Minister) pursuant to the *Public Corporations Act 1993* (the Act). The Corporation is a body corporate, has perpetual succession and a common seal, and is capable of suing and being sued in its corporate name. It is governed by a Board of Directors consisting of seven members appointed by the Minister (refer Note 32).

Pursuant to a proclamation in the South Australian Government Gazette on 23 October 2003 and effective from 1 December 2003, the assets and liabilities of the Industrial and Commercial Premises Corporation were transferred to and vested in or attached to the Corporation, and the Public Corporations (Land Management Corporation) Regulations 1997 were amended to include the functions of the dissolved Industrial and Commercial Premises Corporation.

As at reporting date the Corporation's functions and performance were limited to the following by Regulations under the Act:

- (aa) To carry out the functions formerly carried out by the South Australian Urban Projects Authority and the Industrial and Commercial Premises Corporation under the Industrial Premises Development Scheme;
- (a) To acquire, hold, manage, lease and dispose of surplus land, improvements and other property previously held by the MFP Development Corporation or other agencies or instrumentalities of the Crown;
- (b) To acquire, hold, manage, lease and dispose of other land, improvements and property, particularly with a view to:
  - (i) managing the release of large areas of undeveloped (or under-developed) land; and
  - (ii) holding land and other property to be made available, as appropriate, for commercial, industrial, residential or other purposes; and
  - (iii) ensuring the orderly development of areas through the management and release of land, as appropriate;
- (c) To manage the Crown's interest in various joint ventures and land development projects as identified by the Minister;
- (d) To manage, develop, lease and, where appropriate, dispose of land and improvements at Science Park at Bedford Park;
- (e) To manage, develop, lease and, where appropriate, dispose of land and improvements at Technology Park at Mawson Lakes with specific emphasis on using the assets to facilitate economic development;
- (f) To manage the sale of surplus government land on behalf of other agencies or instrumentalities of the Crown;
- (g) To manage urban projects (on its own behalf or on behalf of other agencies or instrumentalities of the Crown) to achieve urban regeneration or other government policy outcomes;
- (h) To carry out other functions conferred on the Corporation by the Minister.

### 2. Statement of Significant Account Policies

#### 2.1 Basis of Accounting

The financial report is a general purpose financial report. The accounts have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987* (PFAA).

These financial statements are the first statements to be prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these statements. Previous financial statements were prepared in accordance with Australian Generally Accepted Accounting Principles.

Reconciliations explaining the transition to AIFRS as at 1 July 2004 and 30 June 2005 are at Note 2.16.

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

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

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

## 2.2 Comparative Figures and Rounding

The presentation and classification of items in the financial report are consistent with prior periods except where a specific Accounting Policy Statement or Australian Accounting Standard have required a change.

Comparative figures have been restated on an AIFRS basis except for financial instrument information as permitted by AASB 1. The comparatives have been restated to assist users' understanding of the current reporting period and do not replace the original financial report for the preceding period.

Note 2.16 provides a detailed analysis of comparative amounts that have been reclassified as a result of adoption of AIFRS.

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

## 2.3 Project Expenditure

Costs associated with projects are capitalised where it is expected that future economic benefits will be derived by the Corporation so as to recover those capitalised costs. Project costs are expensed where it is expected that the costs incurred will not be recovered.

## 2.4 Employee Benefits

The financial report includes accruals for employee benefits arising from services rendered by employees up to balance date. Related on-costs have been included in the determination of these liabilities. However, in accordance with the Treasurer's Accounting Policy Framework IV *Financial Asset and Liability Framework*, the related on-costs are included in payables. The aggregate of employee benefits is disclosed at Note 20.2.

### (i) Annual Leave

A liability has been recorded for the unused component of annual leave as at balance date. The liability has been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. A salary inflation of 3 percent (2 percent) has been applied and the liability is expected to be settled within 12 months.

### (ii) Sick Leave

As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised.

### (iii) Long Service Leave

A liability for long service leave has been accrued as at balance date in accordance with Australian Accounting Standard AASB 119 *Employee Benefits*. The short-hand method of determining the long service leave entitlements has been adopted and a liability has been recognised for all employees with seven or more years of service, being the benchmark number of years as determined by the Department of Treasury and Finance.

### (iv) Superannuation

Salaries and related payments include the following superannuation contributions paid by the Corporation:

(a) During the reporting period, the Corporation paid \$314 000 (\$256 000) to the Department of Treasury and Finance towards the accruing Government liability for superannuation in respect of the Corporation's employees. The Corporation does not record a liability for the value of superannuation payments to be made to employees at preservation age, as this liability is recorded by the SA Superannuation Board; and

(b) In relation to some officers employed by the Corporation, contractual arrangements provide superannuation benefits payable to externally managed funds. Payments by the Corporation in respect of these arrangements totalled \$435 000 (\$370 000) including amounts to cover the Commonwealth Government's Superannuation Guarantee legislation.

## 2.5 Revenue Recognition and Cost of Sales

### (i) Inventories - Land Held for Resale

Sales revenue in respect of land made available to the Mawson Lakes Joint Venture is brought to account when settlement occurs on individual allotments, on the basis of a percentage of gross sales revenue as specified in the Mawson Lakes Joint Venture Agreement.

With respect to all other land sales, recognition of sales revenue occurs when settlements are completed and legal title has transferred to purchasers.

Cost of sales comprises all direct costs of acquisition, planning, development and construction in respect of land sold during the reporting period.

(ii) *Work in Progress*

Sales revenue for construction projects is recognised when settlement occurs and legal title transfers to the purchaser.

For construction projects which are the subject of a deferred purchase agreement, sales revenue is recognised at the commencement of the agreement (which coincides with expiration of the 12 month building defects liability period), however title to the property does not transfer to the purchaser until the deferred purchase agreement has been paid out in full.

Construction projects held for resale are recognised at cost (refer Note 2.7(ii)).

**2.6 *Interests in Joint Venture Entities***

The Corporation's interest in joint ventures is measured by applying the equity method of accounting. The Corporation's share of the assets and liabilities of joint venture entities in which it has a participating interest is included in the Balance Sheet as Investment in Joint Venture Entities. The Corporation's share of net profit from joint venture entities is included as revenue in the Income Statement as Share of Net Profits of Joint Venture Entities. Details of the Corporation's interests in joint venture entities are shown in Note 5.

**2.7 *Inventories***

(i) *Land Held for Resale*

Land held for resale is carried at the lower of cost or net realisable value. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. Net realisable values are determined by independent valuers on the basis of discounting expected cash flows from holding and disposing of the land. All land inventory is classified as a non-current asset unless its value is anticipated to be realised through sale within 12 months.

At the establishment of the Corporation (refer Note 1) land inventories transferred to the Corporation were recognised at cost following prior revaluation by the transferring entities on the basis of discounted cash flows determined by independent valuers. Similar independent valuations obtained at subsequent balance dates have confirmed the appropriateness of the values for financial reporting purposes. For the year ended 30 June 2003 the Corporation obtained an independent valuation of its entire inventory of land which resulted in certain land holdings being written down.

During the current reporting period the Corporation again engaged a panel of independent qualified valuers to provide a valuation of its entire land inventory portfolio, and as a result of this valuation certain land holdings were revalued downwards to reflect a net market or realisable value which was lower than the carrying value for the particular asset (refer Note 12).

The valuation recognised that the Corporation has a planned sales strategy over an extended period of time and the valuation did not reflect any impact on value which may apply if the entire portfolio were taken to market. The valuation as at 30 June 2006 did not reflect the land development costs needed to prepare the land for sale or the market conditions which may apply at the actual time that a land parcel is sold.

The Corporation has recognised land inventory within the Balance Sheet in accordance with AASB 102 *Inventories*, however, the fair value of inventory held at the time of the 30 June 2006 valuation referred to above, was \$503.5 million.

(ii) *Construction Projects Held for Resale*

Construction projects held for resale are recognised at cost. Costs are assigned on the basis of specific identification and comprise all direct costs of acquisition, planning, development and construction. All construction project inventory is classified as a current asset as its value is generally anticipated to be realised through sale within 12 months. Developments which are the subject of a deferred purchase agreement are classified as inventory for the duration of the building defects liability period.

During the current reporting period the carrying value of construction projects held for resale was assessed by the Directors and where the carrying value differed materially from the Directors' assessment of fair value, an adjustment to the carrying value was recorded as appropriate. In determining fair value, the Directors considered general market conditions along with advice from an independent expert with knowledge of the market for the type of property under consideration.

**2.8 *Mortgage Debtor and Other Receivables***

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts (refer Notes 10 and 11). An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

**2.9 *Work in Progress***

(i) *Construction Projects in Progress*

Expenditure associated with the construction of projects held for resale is capitalised as work in progress as incurred, in accordance with Note 2.3 (refer Note 16). When a project of this nature reaches practical completion (which generally coincides with the commencement of the building defects liability period), the accumulated costs are transferred from work in progress to inventory.

*(ii) Deposits Received*

The Corporation acts as a project manager and financier for the construction of buildings for clients under the Industrial Premises Development Scheme. Prior to the commencement of construction the client in most cases is required to pay a deposit towards the overall cost of construction. The deposit held is offset against construction projects in progress.

**2.10 Investment Property**

The Corporation's investment properties consist of freehold land and buildings which are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Corporation's portfolio of investment properties is stated at fair value. Gains and losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale.

At each reporting date the carrying value of the portfolio of investment properties is assessed and where the carrying value differs materially from the assessment of fair value, an adjustment to the carrying value is recorded as appropriate. The assessment of fair value of each investment property is confirmed by annual independent valuations conducted on a rolling basis. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used.

**2.11 Plant and Equipment**

Plant and equipment is recognised at cost or fair value less, where applicable, any accumulated depreciation or amortisation (refer Note 15). The depreciable amounts of all plant and equipment assets are depreciated on a straight line basis over their estimated useful lives, commencing from the time the assets are held ready for use. Where necessary appropriate write downs are made to ensure that the carrying amount is not in excess of the recoverable amount for an individual class of asset. The depreciation rates used for each class of depreciable asset are:

	<i>Percent</i>
Plant and equipment	10-33

**2.12 Payables**

Trade and other creditors are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Corporation (refer Note 17).

**2.13 Borrowing Costs**

Borrowing costs are expensed in the reporting period in which they are incurred.

**2.14 Guarantees and Indemnities**

The Corporation constructs and owns specialised building premises which are leased or sold to private companies under the Industrial and Commercial Premises Scheme. The construction of these buildings is financed through the use of SAFA loans. In some instances the outstanding loan amount in respect of construction exceeds the market value of the building. In order to address these value shortfalls, the former Industrial and Commercial Premises Corporation obtained guarantees and indemnities from the Minister for Industry and Trade for some of the arrangements entered into. The Corporation is now the beneficiary of these guarantees and indemnities.

**2.15 Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis.

**2.16 Impact of Adopting Australian Equivalents to International Financial Reporting Standards**

This is the Corporation's first financial report to comply with AIFRS and the comparative financial information has been restated accordingly. AIFRS has been retrospectively applied.

In addition, a number of new or amended Australian Accounting Standards are applicable to the Corporation but are not yet effective. The Corporation has assessed the impact of these standards and determined there will be no impact on the accounting policies of the Corporation.

The 30 June 2005 financial report was prepared under the Australian Accounting Standards applicable to reporting periods beginning prior to 1 January 2005 (AGAAP). The following reconciliations between previously reported AGAAP amounts and AIFRS amounts are provided:

(i)	<i>Reconciliation of Profit After Tax Between AGAAP and AIFRS</i>	2005
		\$'000
	Profit after tax as previously reported under AGAAP	12 152
	Correction of accounting error <sup>(a)</sup>	(3 832)
	Revaluation of investment properties <sup>(d)</sup>	6 056
	Adjustment to share of net profit of joint venture entities <sup>(c)</sup>	633
	<b>Profit after Tax under AIFRS</b>	<b>15 009</b>

- (a) At commencement of the previous reporting period the Corporation recognised that rental properties held met the definition of investment properties as provided in AASB 1021 *Depreciation* and therefore should not have been depreciated in prior periods as the standard does not apply to investment properties. In prior reporting periods the Corporation had depreciated its various rental properties on a straight line basis over their estimated useful lives.

As a result, the Corporation's profit in the previous period included a correction to write back the total balance of accumulated depreciation held as at 30 June 2004 for rental properties and reduce the balance of the asset revaluation reserve to adjust for the total of accumulated depreciation previously written back on revaluation of rental properties.

These adjustments gave rise to a net revenue item in the previous reporting period, summarised as follows:

	2005
	\$'000
Accumulated depreciation write-back	922
Asset revaluation reserve adjustment	2 910
<b>Total Net Revenue Resulting from the Correction of an Error</b>	<b>3 832</b>

Under the transition to AIFRS this correction has been treated as an adjustment to retained earnings at transition date, being 1 July 2004. Refer below.

- (b) AASB 140 *Investment Property* requires revaluation increments/(decrements) to be recognised through the income statement. Under AGAAP revaluation movements were recognised in the asset revaluation reserve. Refer (d) below.
- (c) The adjustment arose from certain land subdivisions not meeting AIFRS revenue recognition criteria (substantial completion) even though the affected lots did settle before period end. Refer (e) below.

(ii)	<i>Reconciliation of total equity between AGAAP and AIFRS</i>	30.06.05	01.07.04
		\$'000	\$'000
	Total equity as previously reported under AGAAP	97 006	87 661
	Changes in retained earnings:		
	Opening adjustment to retained earnings at 1 July 2004-refer below	12 856	12 856
	Recognition of correction of accounting error at transition date - refer (a) above	-	3 832
	Recognition of gains on revaluation of investment properties <sup>(d)</sup>	6 056	-
	Reversal of adjustment to asset revaluation reserve <sup>(e)</sup>	(617)	(617)
	Adjustment to share of net profit of joint venture entities refer (c) above	633	-
	Changes in asset revaluation reserve:		
	Recognition of correction of accounting error at transition date refer (a) above	-	(2 910)
	Reclassification of balance of asset revaluation reserve <sup>(e)</sup>	(10 275)	(10 275)
	Reversal of revaluation increment <sup>(e)</sup>	(2 900)	-
	Reversal of adjustment to reserve <sup>(e)</sup>	617	-
	<b>Total Equity under AIFRS</b>	<b>103 376</b>	<b>90 547</b>

Opening adjustment to retained earnings at 1 July 2004 (transition date):	
Recognition of gains on revaluation of investment properties <sup>(d)</sup>	3 840
Reclassification of balance of asset revaluation reserve <sup>(e)</sup>	10 275
Adjustment relevant to investment in joint venture entities <sup>(f)</sup>	(1 259)
	<b>12 856</b>

(ii) *Reconciliation of total equity between AGAAP and AIFRS (continued)*

- (d) The Corporation owns and controls a number of properties, comprising land and buildings, from which rental income is derived on an ongoing basis. These properties are classified as investment property pursuant to AASB 140. In accordance with AASB 140, the Corporation has elected to measure investment properties under the fair value model. AASB 140 requires the fair value of an investment property to reflect market conditions at the reporting date, with changes in fair value to be recognised in the Income Statement for the period in which they arise. A large proportion of the Corporation's investment property portfolio had not been revalued since 30 June 2003, so in order to comply with the requirements of AASB 140 a panel of qualified independent valuers was engaged to provide updated valuations as at 30 June 2004, 2005 and 2006. This resulted in a revaluation increment of \$3 840 000 being recognised at transition date as an adjustment to retained earnings (in respect of the 30 June 2004 valuations), and a further gain of \$6 056 000 being recognised in the income statement for the period ended 30 June 2005.
- (e) Changes in the fair value of investment properties have previously been recognised through the asset revaluation reserve under AGAAP. Accordingly, the transition to AIFRS accounting treatment has resulted in the balance of the asset revaluation reserve being reversed against retained earnings (after unwinding adjustments made to the reserve in the previous reporting period under AGAAP) with no net impact on total equity. The balance of the reserve was \$12 558 000 as at 30 June 2005 (\$13 185 000 as at 1 July 2004).
- (f) Revenue from profit from the sale of inventory requires additional conditions to be satisfied under AIFRS before recognition can occur. Revenue recognition is primarily determined by assessing whether the significant risks of ownership of the asset have transferred and the nature of any continuing involvement with the asset. Revenue and profit under AGAAP were previously recognised on settlement or unconditional contract basis, irrespective of any continuing involvement with the asset. This change results in inventory that was sold under previous AGAAP being returned to deferred development expenditure with a corresponding adjustment to receivables, creditors and retained earnings or profit (at 30 June 2005) in the financial statements of the joint venture.

<b>3. Profit</b>	<b>2006</b>	2005
<b>(a)</b> Profit before income tax equivalent has been determined after:	<b>\$'000</b>	\$'000
<i>(i) Charging as Expenses</i>		
Borrowing costs consisting of:		
Interest expense	<b>5 570</b>	6 106
Guarantee fees	<b>74</b>	75
Loan break costs	<b>64</b>	22
Indemnity margin	<b>21</b>	215
Depreciation of:		
Plant and equipment	<b>304</b>	184
Bad and doubtful debts (refer Note 7)	<b>10</b>	643
Rental expense on operating leases	<b>575</b>	612
Transfer to (from) employee benefits	<b>169</b>	(2)
<i>(ii) Crediting as Income</i>		
Interest received or receivable on:		
Cash balances	<b>2 588</b>	1 463
Mortgage debtors	<b>2 415</b>	3 566
Net gain on disposal of plant and equipment	<b>662</b>	3
<b>(b)</b> Profit before income tax equivalent has been determined after charging as expenses the following supplies and services provided by entities within the SA Government		
Land tax	<b>6 959</b>	5 726
Property expenditure	<b>834</b>	1 247
Contractors and consultants	<b>222</b>	728
Accommodation	<b>255</b>	338
Borrowing costs	<b>5 729</b>	6 418
Other expenditure	<b>611</b>	806
<b>Total Supplies and Services provided by Entities within the SA Government</b>	<b>14 610</b>	15 263

**4. Revenue****(a) Sales Revenue**

Sales revenue comprises revenue earned from the sale of land for residential, commercial and community purposes, including land made available for joint venture developments at Mawson Lakes (refer Note 5).

Sales revenue for the reporting period is summarised as follows:	<b>2006</b>	2005
Land sales to:	<b>\$'000</b>	\$'000
Joint ventures	<b>2 782</b>	2 733
Entities within SA Government	<b>195</b>	-
Other	<b>42 314</b>	34 884
<b>Total Sales Revenue</b>	<b>45 291</b>	37 617

<b>(b) Other Revenue</b>	<b>2006</b>	2005
Other revenue comprises:	<b>\$'000</b>	\$'000
Revenue received/receivable from entities within the SA Government:		
Interest received	<b>2 577</b>	2 250
Rent and other property income received	<b>508</b>	336
Revenues from Government (refer Note 6)	<b>12 616</b>	10 043
Recoveries and sundry income	<b>428</b>	3 459
<b>Total Other Revenue from SA Government Entities</b>	<b>16 129</b>	16 088
Revenue received/receivable from entities external to the SA Government:		
Interest received	<b>2 426</b>	2 779
Rent and other property income received	<b>14 079</b>	10 648
Share of net profit of joint venture entities (refer Note 5)	<b>7 916</b>	7 986
Net gain on disposal of investment property, plant and equipment	<b>666</b>	3
Recoveries and sundry income	<b>3 235</b>	2 288
	<b>28 322</b>	23 704
Add: Gain resulting from change in fair value of investment properties	<b>5 535</b>	6 056
<b>Total Other Revenue from Entities external to the SA Government</b>	<b>33 857</b>	29 760
<b>Total Other Revenue</b>	<b>49 986</b>	45 848

## 5. Joint Venture Entities

### 5.1 Joint Venture Summary

Income from joint venture entities of \$7 916 000 for the reporting period comprises the Corporation's share of the profit from ordinary activities of joint venture entities in which the Corporation has a participating interest, summarised as follows:

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Revenues	<b>24 979</b>	22 633
Expenses	<b>17 063</b>	14 647
<b>Profit from Ordinary Activities</b>	<b>7 916</b>	7 986

Movements in the Corporation's investment in joint venture entities during the reporting period are summarised as follows:

Capital contributions and acquisition of additional interest:

Balance at 1 July	-	1 400
Contributions during the reporting period	<b>4 927</b>	6 900
Repayments during the reporting period	<b>(4 750)</b>	(8 300)
<b>Balance at 30 June</b>	<b>177</b>	-

Share of accumulated profits:

Balance at 1 July	<b>18 915</b>	13 192
Profit for the reporting period	<b>7 916</b>	7 986
Distribution of profit to the Corporation during the reporting period	<b>(5 150)</b>	(2 263)
<b>Balance at 30 June</b>	<b>21 681</b>	18 915
<b>Total Carrying Amount of Investment in Joint Venture Entities</b>	<b>21 858</b>	18 915

The Corporation's investment in joint venture entities is represented by its share of assets and liabilities as follows:

Current Assets:

Cash	<b>1 336</b>	137
Receivables	<b>1 679</b>	1 098
Inventories	<b>11 219</b>	11 113
Prepayments	<b>68</b>	9
	<b>14 302</b>	12 357

Non-Current Assets:

Inventories	<b>3 550</b>	3 645
Property, plant and equipment	<b>618</b>	480
Property held for sale	<b>7 095</b>	7 086
	<b>11 263</b>	11 211
<b>Total Assets</b>	<b>25 565</b>	23 568

Current Liabilities:

Creditors and borrowings	<b>3 303</b>	2 089
Provisions	<b>373</b>	903
Other	-	1 661
	<b>3 676</b>	4 653

Non-Current Liabilities

Provisions	<b>31</b>	-
<b>Total Liabilities</b>	<b>3 707</b>	4 653
<b>Net Assets</b>	<b>21 858</b>	18 915

**5.2 Golden Grove Joint Venture**

The Corporation had a 50 percent interest in the Golden Grove Development joint venture, involving the development of land at Golden Grove by the Corporation and Delfin Lend Lease Ltd (formerly Delfin Property Group Limited). The joint venture was established pursuant to the *Golden Grove (Indenture Ratification) Act 1984* and operated under the Indenture and associated joint venture and management agreements.

All land made available to the joint venture by the Corporation was sold prior to 30 June 2004. Settlement of the final land sale triggered termination of the joint venture under the Project Completion Arrangements Deed and the formal structure of the joint venture was wound up with effect from 30 June 2003. Pursuant to the terms of the finalisation deed, provision has been made for the Joint Venture partners to share equally any final winding up costs incurred subsequent to 30 June 2003, and for the year ended 30 June 2006 the Corporation's share of these costs totalled \$15 000.

**5.3 Mawson Lakes Economic Development Project**

On 10 July 1997 documentation was executed with Delfin Property Group Limited (now Delfin Mawson Lakes Pty Ltd), Lend Lease Corporation Limited (now Lend Lease Development Pty Ltd) and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at the Levels. This project comprises residential, retail and industrial accommodation to be developed over a 10 to 12 year timeframe. Other parties with commitments to the joint venture arrangements are the City of Salisbury, University of South Australia and the Government of South Australia.

The Corporation has a 50 percent interest in the joint venture. Under the terms of the agreements for the joint venture, the Corporation will make available to the joint venture land for development. In addition the State Government has obligations for various infrastructure works associated with the project.

**5.4 Empak Homes Joint Venture**

The Corporation has a 50 percent interest in a joint venture with Mt Gambier developer/builder, Empak Homes. This involves the development of land at Bates Lane at Naracoorte and the creation of 31 residential allotments with the aim of providing affordable housing in the area. The land was acquired by the Corporation in June 2005 and is being developed in two stages. Stage 1 was nearing completion as at 30 June 2006 and 3 display homes were planned for construction commencing in July 2006, to be funded by the joint venture. Stage 1 is currently being marketed and the project including Stage 2 sales are expected to be completed by April 2008.

<b>6. Revenues from Government</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Government appropriations received during the reporting period are as follows:		
Land tax appropriation	<b>6 559</b>	5 327
Recurrent appropriation	<b>2 926</b>	3 015
Capital appropriation	<b>3 131</b>	1 701
	<b>12 616</b>	10 043
<b>7. Bad and Doubtful Debts</b>		
Bad debts written off:		
Trade debtors	-	4
Transfer to provision for doubtful debts:		
Trade debtors	<b>10</b>	639
<b>Total Bad and Doubtful Debts Expense</b>	<b>10</b>	643

The previous period's provisioning included a balance of \$629 000 in respect of Southern Food Group Pty Ltd which was placed into administration on 30 June 2005.

**8. Tax Equivalents**

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 (presently 30 percent) be applied to the profit for the reporting period. The income tax equivalent paid or payable for the reporting period was \$13 614 000 (\$5 208 000 based on previously reported AGAAP profit).

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Income tax equivalent paid in respect of the profit for the reporting period	<b>1 258</b>	882
Provision for income tax equivalent in respect of profit for the reporting period (Refer Note 19)	<b>12 356</b>	4 326
<b>Total Income Tax Equivalent Expense per the Income Statement</b>	<b>13 614</b>	5 208

The total income tax equivalent paid during the reporting period was as follows:

Income tax equivalent paid in respect of the profit for the reporting period	<b>1 258</b>	882
Balance of income tax equivalent paid in respect of the previous reporting period	<b>4 326</b>	9 187
<b>Total Income Tax Equivalent paid per the Cash Flow Statement</b>	<b>5 584</b>	10 069

**9. Dividends**

Pursuant to Regulations under the *Public Corporations Act 1993*, the Corporation may be required to pay dividends to the Treasurer. Following recommendations by the Board, and after consultation with the Minister, the Treasurer determined that total dividends of \$35 686 000 (\$2 180 000) be paid in respect of the reporting period. The total dividend paid in respect of the current reporting period included a special dividend of \$8 364 000 as part repatriation of retained earnings to Government.

**10. Mortgage Debtor Receivables**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Current:		
Mortgage debtor receivables	<b>4 110</b>	3 700
Provision for doubtful debts	<b>(1 180)</b>	(641)
	<b>2 930</b>	3 059
Non-Current:		
Mortgage debtor receivables	<b>19 218</b>	22 147
Provision for doubtful debts	<b>(449)</b>	(1 000)
	<b>18 769</b>	21 147
<b>Total Mortgage Debtor Receivables</b>	<b>21 699</b>	24 206

**11. Other Receivables**

Current:		
Trade and other debtors <sup>(a)</sup>	<b>1 156</b>	2 836
Provision for doubtful debts	<b>(90)</b>	(68)
<b>Total Trade and Other Debtors</b>	<b>1 066</b>	2 768

(a) Included in this balance are receivables from SA Government entities totalling \$103 000 (\$2 188 000).

**12. Inventories**

Current:		
Cost of acquisition	<b>2 293</b>	4 510
Development cost capitalised	<b>4 098</b>	7 737
	<b>6 391</b>	12 247
Non-Current:		
Cost of acquisition	<b>35 816</b>	37 718
Development cost capitalised	<b>18 925</b>	9 933
	<b>54 741</b>	47 651
<b>Total Inventories</b> <sup>(a)</sup>	<b>61 132</b>	59 898

(a) This balance incorporates a write down of \$3 698 000 in the current reporting period (\$4 576 000) (refer Note 2.7(i)).

**13. Prepayments**

Current:		
Prepayments	<b>41</b>	45
<b>Total Prepayments</b>	<b>41</b>	45

**14. Investment Property**

Investment property at fair value:		
Freehold land at fair value:		
Independent valuation - 2005	-	21 130
Independent valuation - 2006	<b>23 511</b>	-
	<b>23 511</b>	21 130
Buildings at fair value:		
Independent valuation - 2005	-	52 480
Independent valuation - 2006	<b>54 900</b>	-
	<b>54 900</b>	52 480
<b>Total Investment Property</b>	<b>78 411</b>	73 610

**Movements in Carrying Amounts**

Freehold Land at fair value:		
Carrying amount at 1 July	<b>21 130</b>	17 285
Disposals	<b>(390)</b>	-
Gain on revaluation	<b>2 771</b>	3 845
<b>Carrying Amount at 30 June</b>	<b>23 511</b>	21 130
Buildings at fair value:		
Carrying amount at 1 July	<b>52 480</b>	50 269
Additions	<b>336</b>	-
Disposals	<b>(680)</b>	-
Gain on revaluation	<b>2 764</b>	2 211
<b>Carrying Amount at 30 June</b>	<b>54 900</b>	52 480
<b>Total Carrying Amount at 30 June</b>	<b>78 411</b>	73 610

**Movements in Carrying Amounts (continued)**

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Amounts recognised in profit and loss:		
Rental Income	<b>11 862</b>	8 043
Direct operating expenses from property that generated rental income	<b>(2 320)</b>	(2 439)
Direct operating expenses from property that did not generate rental income	<b>(12)</b>	(30)
<b>Total Amount recognised in the Profit and Loss</b>	<b>9 530</b>	5 574

**Valuation Basis**

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in arms length transactions, based on current prices in an active market for similar property. The valuations of investment properties have been performed by a panel of independent qualified valuers.

<b>15. Plant and Equipment</b>	<b>2006</b>	2005
Plant and Equipment:	<b>\$'000</b>	\$'000
At cost	<b>3 689</b>	2 275
Less: Accumulated depreciation	<b>2 196</b>	1 907
<b>Total Carrying Amount at 30 June</b>	<b>1 493</b>	368

**Movements in Carrying Amounts**

Plant and Equipment:		
Carrying amount at 1 July	<b>368</b>	481
Additions	<b>1 429</b>	71
Depreciation	<b>(304)</b>	(184)
<b>Total Carrying Amount at 30 June</b>	<b>1 493</b>	368

<b>16. Work in Progress</b>		
Consists of:		
Construction projects in progress	<b>200</b>	-
<b>Total Construction Projects in Progress</b>	<b>200</b>	-

<b>17. Payables</b>		
Current:		
Trade creditors	<b>4 002</b>	6 461
Sundry creditors and accrued expenses	<b>19 868</b>	11 351
	<b>23 870</b>	17 812
Non-Current:		
Non-interest bearing loan - Department of Trade and Economic Development	<b>500</b>	500
Sundry creditors and accrued expenses	<b>78</b>	3 316
	<b>578</b>	3 816
<b>Total Payables</b>	<b>24 448</b>	21 628

The Total includes liabilities payable to SA Government entities, comprising:

Current:		
Trade creditors	<b>415</b>	3 411
Sundry creditors and accrued expenses	<b>15 747</b>	7 519
	<b>16 162</b>	10 930
Non-Current:		
Non-interest bearing loan - Department of Trade and Economic Development	<b>500</b>	500
Sundry creditors and accrued expenses	<b>78</b>	3 316
	<b>578</b>	3 816
<b>Total Payables to SA Government Entities</b>	<b>16 740</b>	14 746

<b>18. Interest-Bearing Liabilities</b>		
Current:		
Loans - South Australian Government Financing Authority <sup>(a)</sup>	<b>18 930</b>	16 665
Non-Current:		
Loans - South Australian Government Financing Authority <sup>(a)</sup>	<b>37 242</b>	57 558
Loans - South Australian Government Financing Authority <sup>(b)</sup>	<b>9 829</b>	9 902
	<b>47 071</b>	67 460
<b>Total Interest-Bearing Liabilities</b>	<b>66 001</b>	84 125

(a) Comprises borrowings from the South Australian Government Financing Authority (SAFA) in respect of funding of industrial and commercial construction projects under the Industrial Premises Development Scheme.

(b) Comprises borrowings from SAFA in respect of other activities of the Land Management Corporation.

<b>19. Tax Liabilities</b>		<b>2006</b>	2005
Current:		<b>\$'000</b>	\$'000
Income tax equivalent		<b>12 356</b>	4 326
<b>Total Tax Liabilities</b>		<b>12 356</b>	4 326
<b>20. Employee Benefits</b>			
<b>20.1 Total Employee Benefits</b>			
Current:			
Annual leave		<b>295</b>	226
Long service leave		<b>40</b>	40
		<b>335</b>	266
Non-Current:			
Long service leave		<b>723</b>	626
<b>Total Employee Benefits</b>		<b>1058</b>	892
<b>20.2 Aggregate Employee Benefits and Related On-Costs</b>			
Accrued salaries and wages		<b>108</b>	77
Annual leave - Current:			
Liability for employee benefits		<b>295</b>	226
On-costs included in payables (refer Note 17)		<b>27</b>	23
		<b>322</b>	249
Long service leave - Current:			
Liability for employee benefits		<b>40</b>	40
On-costs included in payables (refer Note 17)		<b>4</b>	4
		<b>44</b>	44
Long service leave - Non-Current:			
Liability for employee benefits		<b>723</b>	626
On-costs included in payables (refer Note 17)		<b>74</b>	68
		<b>797</b>	694
<b>Aggregate Employee Benefits and Related On-Costs</b>		<b>1 271</b>	1 064
<b>21. Equity</b>			
Equity represents the residual interest in the Corporation's net assets. The South Australian Government holds the equity interest in the Corporation on behalf of the community. Equity comprises:			
<b>Retained Earnings</b>			
Balance at 1 July		<b>103 376</b>	90 547
Profit for the year after income tax equivalent		<b>31 766</b>	15 009
Dividend paid or payable to the Treasurer (refer Note 9)		<b>(35 686)</b>	(2 180)
<b>Balance at 30 June</b>		<b>99 456</b>	103 376
<b>22. Operating Lease Commitments</b>			
<b>Operating Lease Receivables</b>			
Future minimum rental revenues under non-cancellable operating property leases held at balance date but not provided in the accounts:			
Due not later than one year		<b>8 952</b>	10 709
Due later than one year but not later than five years		<b>12 479</b>	23 245
Due later than five years		<b>13 214</b>	16 865
<b>Total Operating Lease Receivables</b>		<b>34 645</b>	50 819
<b>Operating Lease Payables</b>			
Non-cancellable operating leases contracted for at balance date but not provided in the accounts, net of GST:			
Payable not later than one year		<b>480</b>	492
Payable later than one year but not later than five years		<b>1 190</b>	1 515
Payable later than five years		<b>20</b>	16
<b>Operating Lease Payables</b>		<b>1 690</b>	2 023
These amounts comprise a property lease and leases for computer equipment and motor vehicles. The property lease is a non-cancellable lease with a 10 year term, with rent payable monthly in advance. Motor vehicles and computer equipment are leased over varying terms up to 3 years.			
<b>23. Capital Expenditure Commitments</b>			
<b>Capital Expenditure Commitments arising from General Operations</b>			
At the reporting date the Corporation had capital expenditure commitments from general operations as follows:			
		<b>2006</b>	2005
		<b>\$'000</b>	\$'000
Payable not later than one year		<b>14 970</b>	2 023
Payable later than one year but not later than five years		<b>650</b>	-
		<b>15 620</b>	2 023

**Capital Expenditure Commitments arising from General Operations (continued)**

The increase in capital expenditure commitments is the result of the Corporation commencing construction of the Largs North marine precinct. Commitments relating to this project were estimated to be \$13 159 000 as at 30 June 2006. The balance of the commitments largely comprise the Corporation's remaining commitment for the State Government's component of the infrastructure works at Mawson Lakes (refer Note 5.3), estimated to be \$1 992 000 (\$1 302 000).

Additional commitments in respect of the Edinburgh Parks acquisition are detailed below and are not included in the above amounts.

**Capital Expenditure Commitments arising from Edinburgh Parks Acquisition**

On 10 May 2004 Cabinet approved the transfer of the management of the land known collectively as Edinburgh Parks to Land Management Corporation, from the Department of Trade and Economic Development (DTED), to be exercised in stages and effective from 1 July 2004. At balance date commitments for the purchase from the Department of Trade and Economic Development are summarised as follows:

**Stage 0 Land and Buildings**

The Corporation has an amount due and payable to the DTED of \$8 854 000 as part of ongoing contractual arrangements. This amount is included in the total of accrued expenses in the financial statements (refer Note 17). In addition, an amount may be payable to DTED, representing 25 percent of the net profit arising from completion of the development and sale of Stage 0. At balance date, this amount is estimated to be \$Nil (\$1 000 000).

**Stages 1, 2 & 3**

Assets included in Stages 1 and 3 have been acquired by the Corporation on a deferred payment basis. Payments are made to the Department of Defence based on the land area sold, with \$615 000 in future obligations remaining at balance date for Stage 1 (\$85 000 forecast for 2007, balance within five years), and \$1 226 000 for Stage 3 (\$178 000 forecast for 2007, balance within five years).

Net proceeds from Stage 1 will be remitted to the Department of Trade and Economic Development on receipt, and are expected to total \$497 000 in 2007 and a further \$3 351 000 within five years, subject to the sale of remaining allotments.

\$3 145 000 of Stage 3 costs will be reimbursed to the Department of Trade and Economic Development on completion of Stages 1 and 3. It is expected that this will occur within five years.

Stage 2 had previously been completed by the Department of Trade and Economic Development.

**Stages 4 Onwards**

On 1 June 2005, a further 505.6 hectares was acquired from the Commonwealth. Based on current sales forecasts this represents a future obligation of \$8 404 000 (\$4 900 000) payable to the Commonwealth Department of Defence.

**Other Expenditure Commitments**

Other expenditure commitments at balance date were \$1 305 000 payable within 12 months (\$635 000).

**24. Contingent Liabilities****Mawson Lakes Joint Venture (refer Note 5.3)**

Indemnity for letter of guarantee in favour of Local and State Government Authorities.

The maximum liability amounts to \$5 766 000 (\$5 882 000).

	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
The Corporation's contingent liability in respect of this amount is 50 percent	<b>2 883</b>	2 941

**Port Adelaide Waterfront Redevelopment Project**

Pursuant to the Port Adelaide Waterfront Redevelopment Project Development Agreement October 2004, the Corporation has provided an initial performance bond of \$5 million, issued by the South Australian Government Financing Authority in favour of Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Development Pty Ltd as the development consortium members. The guarantee was issued on 30 November 2004 with an expiry date of 28 February 2015, and is progressively reduced in \$1 million decrements over the development period proportionate to the remaining precincts to be developed.

The performance bond is part of mutual obligations as security for:

- (i) the performance by LMC and the development consortium of their respective obligations pursuant to the Agreement; and
- (ii) the liability of either party upon termination pursuant to the Agreement.

**Other**

The Corporation has other contingent liabilities arising from its contractual arrangements. These were not considered to be material at balance date.

<b>25. Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax Equivalent</b>	<b>2006</b>	2005
	<b>\$'000</b>	\$'000
Net Profit after Income Tax Equivalent	<b>31 766</b>	15 009
Non-cash flows in Net Profit after Income Tax Equivalent:		
Share of net profit of joint venture entities	<b>(7 916)</b>	(7 986)
Net gain on disposal of investment property, plant and equipment	<b>(666)</b>	(3)
Depreciation	<b>305</b>	184
Movement in income tax equivalent payable	<b>8 030</b>	(4 861)
Provision for long service leave	<b>97</b>	(29)
Provision for annual leave	<b>69</b>	27
Provision for employee entitlement - On-costs	<b>10</b>	(2)
Provision for doubtful debts	<b>10</b>	639
Assets acquired free of charge	<b>(1 203)</b>	-
Revaluation Increments	<b>(5 535)</b>	(6 056)
Write down of inventory held for resale	<b>3 698</b>	4 576
Changes in assets and liabilities:		
(Increase) Decrease in mortgage receivables	<b>2 835</b>	(6 047)
(Increase) Decrease in other receivables	<b>1 364</b>	(1 874)
(Increase) Decrease in prepayments	<b>4</b>	24
(Increase) Decrease in asset revaluation reserve	<b>-</b>	(617)
(Increase) Decrease in work in progress	<b>(200)</b>	22 879
(Increase) in inventories	<b>(4 932)</b>	(31 988)
Increase in payables	<b>2 811</b>	14 302
<b>Net Cash provided by (used in) Operating Activities</b>	<b>30 547</b>	(1 823)
<b>26. Cash Assets</b>		
Cash at Treasury	<b>17 070</b>	34 160
Cash in trust, at bank and on hand	<b>349</b>	377
<b>Cash shown in the Balance Sheet and Cash Flow Statement</b>	<b>17 419</b>	34 537
<b>27. Financial Instruments Disclosure</b>		
<b>27.1 Credit Risk</b>		
The credit risk on financial assets of the Corporation which have been recognised in the Balance Sheet, is generally the carrying amount, net of any provision for doubtful debts.		
<b>27.2 Interest Rate Risk Exposure</b>		
The Corporation's exposure to interest rate risk and the effective weighted average interest rates for classes of financial assets and liabilities is as follows:		

	2006				Total	2005
	Fixed Interest Rate Maturing					
	Floating Interest Rate	Up to 1 Year	More than 1 year up to 5 Years	More than 5 Years	\$'000	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets:						
Cash assets	17 419	-	-	-	17 419	34 537
Trade and other debtors	1 156	-	-	-	1 156	2 836
Mortgage debtors	-	4 110	9 785	9 433	23 328	25 847
	<b>18 575</b>	<b>4 110</b>	<b>9 785</b>	<b>9 433</b>	<b>41 903</b>	<b>63 220</b>
Weighted Average Interest Rate (percent)	<b>5.57</b>	<b>7.58</b>	<b>7.29</b>	<b>7.22</b>		
Financial Liabilities:						
Payables	24 448	-	-	-	24 448	21 628
Interest-bearing liabilities	19 379	5 531	10 082	31 009	66 001	84 125
	<b>43 827</b>	<b>5 531</b>	<b>10 082</b>	<b>31 009</b>	<b>90 449</b>	<b>105 753</b>
Weighted Average Interest Rate (percent)	<b>2.77</b>	<b>8.32</b>	<b>6.41</b>	<b>6.79</b>		
<b>Net Financial Liabilities</b>	<b>(25 252)</b>	<b>(1 421)</b>	<b>(297)</b>	<b>(21 576)</b>	<b>(48 546)</b>	<b>(42 533)</b>

**27.3 Net Fair Value of Financial Instruments**

The net fair value of cash, trade debtors and payables approximates their carrying amount.

The net fair value of receivables and payables excluding trade debtors and creditors has been calculated by discounting cash flows using a zero coupon curve derived from observable rates in the financial markets. The resultant net fair values represent the best estimate of replacement cost. Management consider the cost of realising fair values as immaterial. Furthermore, management consider that all financial instruments cannot be readily traded on organised markets in standardised form.

**27.3 Net Fair Value of Financial Instruments (continued)**

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2006		2005	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial Assets:	<b>\$'000</b>	<b>\$'000</b>	\$'000	\$'000
Cash assets	17 419	17 419	34 537	34 537
Trade and other debtors	1 156	1 156	2 836	2 836
Mortgage debtors	23 328	18 562	25 847	20 431
Provision for doubtful debts	(1 719)	(1 719)	(1 709)	(1 709)
<b>Total Financial Assets</b>	<b>40 184</b>	<b>35 418</b>	61 511	56 095
Financial Liabilities:				
Payables	24 448	24 448	21 628	21 628
SAFA loans	66 001	67 942	84 125	87 108
<b>Total Financial Liabilities</b>	<b>90 449</b>	<b>92 390</b>	105 753	108 736
<b>Net Financial (Liabilities)</b>	<b>(50 265)</b>	<b>(56 972)</b>	(44 242)	(52 641)

**28. Directors' Remuneration**

The number of Directors of the Board whose remuneration from the Corporation was within the following bands were:

	2006	2005
	Number of Directors	Number of Directors
\$Nil	3	3
\$10 001 - \$20 000	2	1
\$20 001 - \$30 000	2	3
\$30 001 - \$40 000	-	1
\$50 001 - \$60 000	1	-

Total income received or due and receivable by all Directors of the Corporation for the period they held office was \$131 000 (\$130 000), including fees received by one Director in relation to the appointment to the Mawson Lakes Joint Venture Committee.

The number of Directors who held office at 30 June 2006 was 7 (7).

**29. Employees' Remuneration**

Remuneration is inclusive of superannuation, motor vehicle and other employee benefits, together with associated fringe benefits tax.

The number of employees whose remuneration from the Corporation was within the following bands were:

	2006	2005
	Number of Employees	Number of Employees
\$100 001 - \$110 000	3	-
\$110 001 - \$120 000	3	4
\$120 001 - \$130 000	2	5
\$130 001 - \$140 000	3	-
\$140 001 - \$150 000	3	1
\$150 001 - \$160 000	1	-
\$160 001 - \$170 000	-	1
\$170 001 - \$180 000	1	1
\$190 001 - \$200 000	-	1
\$220 001 - \$230 000	1	-

Total income received or due and receivable by the above employees for the period they held office was \$2.31 million (\$1.74 million).

The number of employees at the reporting date was 73 (70.4).

**30. Auditors' Remuneration**

Amounts received or due and receivable by the principal auditors for auditing the accounts

	2006	2005
	\$'000	\$'000
	74	70
<b>Total Auditors' Remuneration</b>	<b>74</b>	70

**31. External Consultants**

Fees and expenses incurred during the reporting period as a result of engaging consultants were:

Recognised in the Income Statement	982	425
Capitalised in the Balance Sheet	1 890	880
<b>Total</b>	<b>2 872</b>	1 305

## 32. Related Party Disclosure

### **Directors**

The Directors of the Corporation appointed in accordance with the Regulations under the *Public Corporations Act 1993* were:

M J Terlet AO, Chairman	L Hart
B M Deed	R G Hook
B P Gardner (resigned 30 November 2005)	A Maddern
D W Gray (appointed 1 December 2005)	P J Martin

Details of Directors' remuneration are set out in Note 28.

During the period of their appointment to the Land Management Corporation the Directors disclosed the following:

Mr Terlet AO was Chairman of the International Wine Investment Fund, United Water International, the ACHA Health Group, the Water Industry Alliance, the National Institute of Labour Studies, the SDS Corporation Ltd, the International Centre of Excellence in Water Research Management and Governor's Leadership Foundation. He was Director and Chairman of Tidswell Financial Services Ltd. He was a Director of Louminco Pty Ltd and The University Senior College. He was a board member of Business SA and Operation Flinders. He was a member of the Engineering Employers Association Committee of Management.

Ms B M Deed was General Manager of retail business The Heart Shop, Vice-Chairman of the Australian Red Cross SA Divisional Board and Chairman of Healthage Pty Ltd.

Mr B P Gardner was Executive Director of the Housing Industry Association, Board Member of the Construction Industry Training Board, Board Member of GullyCorp Ltd, and a Board Member of HIA Group Apprentice Scheme.

Mr D W Gray was General Manager of Solar Cities Adelaide Inc, Director and Chair of TEAMSA Pty Ltd, Managing Director GKO Management Pty Ltd and Vice President of Legacy Club of Adelaide Inc.

Ms L Hart was Executive Director, Policy Analysis, Department of Treasury and Finance, a Director of Generation Lessor Corporation, Distribution Lessor Corporation, RESI Corporation, Transmission Lessor Corporation, Director and Chair of Transmission Leasing Pty Ltd, Director and Deputy Chairman of the South Australian Asset Management Corporation.

Mr R G Hook was Executive Director, Infrastructure Division and the Office of Major Projects and Infrastructure in the Department for Transport, Energy and Infrastructure and Chair of the State League Netball Management Committee.

Ms A Maddern was a full time employee of WMC (Olympic Dam Corporation) Pty Ltd, a wholly-owned subsidiary of WMC Resources Ltd. As from 3 June 2005, WMC Resources Limited became a member of the BHP Billiton group of companies. On 7 July 2005 she ceased to be an employee of WMC (Olympic Dam Corporation) Pty Ltd and became a full-time employee of BHP Billiton Limited.

Ms P J Martin was Director, Commercial Advice, Department of the Premier and Cabinet, a Board Member of the South Australian Film Corporation, AustralAsia Railway Corporation, Adelaide to Outback GP Training Program Inc., a member of the Walford Council of Governors and a Council Member of the University of Adelaide.

From time to time the Corporation may have dealings with the above entities. Any transactions entered into with these entities are carried out in the ordinary course of business and on normal commercial terms and conditions.

Apart from the above interests, no Directors have a pecuniary interest, either direct or indirect, in any firm, trust or company with which the Land Management Corporation had entered into a transaction during the year ended 30 June 2006.

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