

SOUTH AUSTRALIA

Report
of the
Auditor-General
for the
Year ended 30 June 2004

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2004

Report of the Auditor-General 2003-04

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REFERENCES TO MATTERS OF SIGNIFICANCE

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

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

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

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PORTFOLIO – FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

MINISTER FOR EMPLOYMENT, TRAINING AND FURTHER EDUCATION; MINISTER FOR SCIENCE AND INFORMATION ECONOMY

INTRODUCTION

The section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely the:

- Minister for Employment, Training and Further Education
- Minister for Science and Information Economy

The agencies included herein relating to the portfolio of Further Education, Employment, Science and Technology are:

- Construction Industry Training Board
- Flinders University of South Australia
- Further Education, Employment, Science and Technology – Department of
- University of Adelaide
- University of South Australia

CONSTRUCTION INDUSTRY TRAINING BOARD

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Construction Industry Training Board (the Board), is a body corporate established under the *Construction Industry Training Fund Act 1993*.

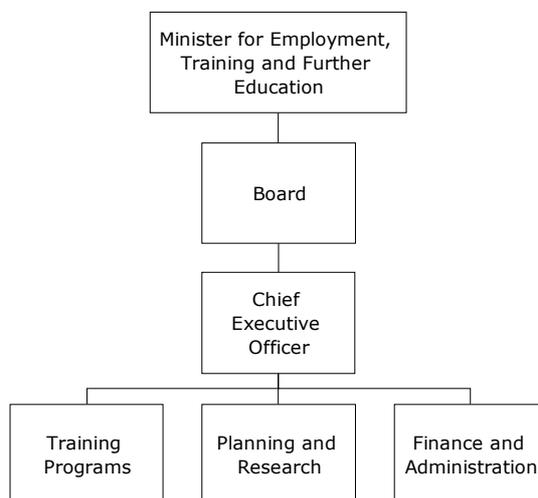
Functions

The Board's principal responsibility is to manage the Construction Industry Training Fund. This involves the imposition and collection of a levy on construction projects and the coordination of appropriate training plans and programs for the building and construction industry.

The Board also acts as a principal adviser to the relevant South Australian and Federal Ministers on any matter relating to training in the building and construction industry.

Structure

The Board's organisation structure is shown in the following diagram.



The Board has created a number of industry specific subcommittees and advisory groups to support the achievement of its objectives.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 16(2) of the *Construction Industry Training Fund Act 1993* provides for the Auditor-General to audit the accounts of the Board for each financial year.

Assessment of Controls

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

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- levy collection, including compliance with legislative requirements;
- expenditure, including accounts payable, and salaries and wages;
- training expenditure, including the sufficiency of the procedures associated with the acquittal of funds paid.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Construction Industry Training Board as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Construction Industry Training Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Construction Industry Training Board have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. Responses to the management letters were generally considered to be satisfactory. While the review of the specific areas of financial activity revealed a satisfactory standard of accounting, record keeping and control, a number of suggestions were made to strengthen the Board's acquittal procedures for training claims particularly under the User Selected Funding Mechanism.

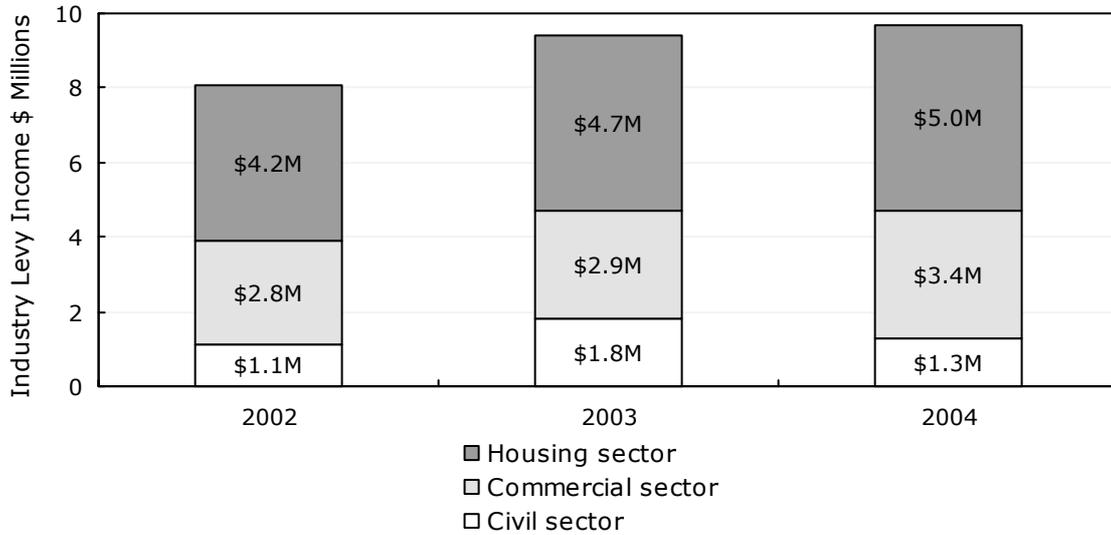
INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004	2003
	\$'000	\$'000
OPERATING REVENUE		
Industry levies	9 689	9 345
Other revenue	503	438
Total Operating Revenue	10 192	9 783
OPERATING EXPENDITURE		
Training claims	7 804	7 908
Other expenses	1 621	1 817
Total Operating Expenses	9 425	9 725
Surplus	767	58
Net Cash Flows provided by (used in) Operations	875	(574)
ASSETS		
Current assets	8 364	7 352
Non-current assets	225	399
Total Assets	8 589	7 751
LIABILITIES		
Current liabilities	791	713
Non-current liabilities	24	31
Total Liabilities	815	744
EQUITY	7 774	7 007

Analysis of Industry Levy Income

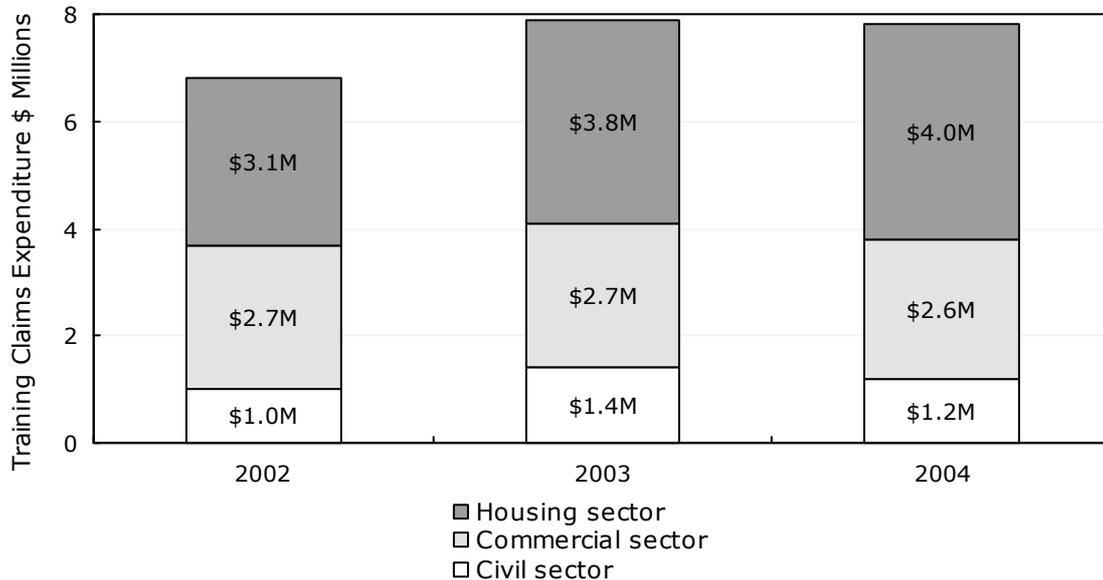
For the three years to 2004 a structural analysis of the Construction Industry Training Fund (CITF) levy income by industry sector for the Board is presented in the following chart.



In 2003-04, the CITF levy income was \$9.7 million. This represents an increase of 4 percent on the CITF levy income received for 2002-03. This increase was across the housing and commercial sectors, reflecting the general levels of activity within the industry.

Analysis of Training Claims Expenditure

For the three years to 2004 a structural analysis of training claims expenditure by industry sector for the Board is shown in the following chart.



In 2003-04, training claims expenditure was \$7.8 million. This represents a decrease of 1 percent on training claims expenditure for 2002-03. Whilst the level of training claims expenditure decreased in the Commercial and Civil sectors, it has increased in the Housing sector.

Statement of Financial Performance for the year ended 30 June 2004

		Housing Sector	Commercial Sector	Civil Sector	Other	2004 Total \$'000	2003 Total \$'000
REVENUES FROM ORDINARY ACTIVITIES:	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Industry levies		4 965	3 424	1 300	-	9 689	9 345
Interest on deposits		197	136	51	-	384	356
Grants	3(a)	-	-	-	30	30	39
Proceeds from disposal of assets	3(b)	21	15	6	-	42	16
Other revenue	4	24	17	6	-	47	27
Total Revenues		5 207	3 592	1 363	30	10 192	9 783
EXPENSES FROM ORDINARY ACTIVITIES:							
ADMINISTRATION EXPENSES:							
Salaries and related payments	5	245	157	74	-	476	474
Collection Agents fees		22	14	7	-	43	39
Depreciation	6	91	58	27	-	176	161
Occupancy		28	18	8	-	54	93
Other		173	111	53	-	337	414
Total Administration Expenses		559	358	169	-	1 086	1 181
TRAINING RESEARCH ACCESS AND EQUITY EXPENSES:							
Salaries and related payments	5	161	103	49	-	313	352
Promotion		31	20	9	-	60	130
Training claims		4 018	2 570	1 216	-	7 804	7 908
Occupancy		17	11	5	-	33	-
Other		34	21	10	-	65	61
Research		25	16	7	-	48	54
Access and equity		-	-	-	-	-	10
Total Training Research Access and Equity Expenses		4 286	2 741	1 296	-	8 323	8 515
GRANT EXPENSES:							
Salaries and related payments	5	-	-	-	9	9	23
Depreciation	6	-	-	-	-	-	3
Other		-	-	-	7	7	3
Total Grant Expenses		-	-	-	16	16	29
Total Expenses		4 845	3 099	1 465	16	9 425	9 725
NET OPERATING SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		362	493	(102)	14	767	58
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		362	493	(102)	14	767	58

**Statement of Financial Position
as at 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets		247	546
Receivables	7	530	616
Investments	8	7 564	6 176
Other	9	23	14
Total Current Assets		8 364	7 352
NON-CURRENT ASSETS:			
Plant and equipment	10	225	399
Total Non-Current Assets		225	399
Total Assets		8 589	7 751
CURRENT LIABILITIES:			
Training expenditure approved but not yet paid	11	311	450
Payables	12	430	218
Employee benefits	13	50	45
Total Current Liabilities		791	713
NON-CURRENT LIABILITIES:			
Payables	12	3	5
Employee benefits	13	21	26
Total Non-Current Liabilities		24	31
Total Liabilities		815	744
NET ASSETS		7 774	7 007
ACCUMULATED FUNDS:			
Reserve	14	2 960	1 614
Accumulated funds	14	4 814	5 393
TOTAL ACCUMULATED FUNDS		7 774	7 007
Commitments	15		
Contingent Liabilities	16		

Statement of Cash Flows for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note	\$'000	\$'000
Industry training levies		9 774	9 546
Interest received		28	29
GST receipts on sales		7	9
GST input tax credits		761	766
Other		25	66
Total Receipts		10 595	10 416
PAYMENTS:			
Payments to employees		(796)	(911)
Payments to suppliers		(274)	(834)
Training expenditure		(7 943)	(8 472)
GST payments on purchases		(700)	(770)
Other		(7)	(3)
Total Payments		(9 720)	(10 990)
Net Cash provided by (used in) Operating Activities	22(b)	875	(574)
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from term deposits		66 925	76 004
Proceeds from sale of plant and equipment		42	16
Total Receipts		66 967	76 020
PAYMENTS:			
Payment for term deposits		(67 970)	(75 103)
Payment for plant and equipment		(48)	(204)
Total Payments		(68 018)	(75 307)
Net Cash (used in) provided by Investing Activities		(1 051)	713
NET (DECREASE) INCREASE IN CASH HELD		(176)	139
CASH AT 1 JULY		423	284
CASH AT 30 JUNE	22(a)	247	423

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General

1.1 Objectives of the CITB

The Construction Industry Training Board is established under the *Construction Industry Training Fund Act 1993*.

The Board's responsibilities include:

- management and administration of the Construction Industry Training Fund and the South Australian Industry Training Advisory Body;
- to act as a principal adviser to the Minister for Employment, Training and Further Education and the Minister for Education, Science and Training for the Commonwealth on training related matters for the Building and Construction Industry in South Australia;
- preparation of training plans;
- co-ordination of training and review and evaluation of employment related training programs.

The Fund collects revenue by way of a levy of 0.25 percent of the value of building and construction work. This revenue is invested back into the industry in the form of expenditure on training.

2. Summary of Significant Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report. The statements have been prepared in accordance with Statements of Accounting Concepts, applicable Accounting Standards issued in Australia, Urgent Issues Group Consensus Views, the Treasurer's Instructions for Authorities and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*, and the requirements of the *Construction Industry Training Fund Act 1993*. The following is a summary of the significant accounting policies adopted by the Board in the preparation of the Accounts.

The accrual accounting basis has been used for the preparation of the financial statements whereby items are brought to account as they are earned or incurred and included in the statements for the accounting periods to which they relate.

The accounts are prepared on the basis of historical cost and are not adjusted to take account of either changing money values or current valuations of non-current assets unless otherwise disclosed in these notes.

2.2 Rounding

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

2.3 Taxation

The Board is exempt from Income Tax in terms of subsection 23(d) of the *Income Tax Assessment Act 1936*, as amended. The Board is liable for Payroll Tax, Fringe Benefits Tax and Goods and Services Tax.

In accordance with the requirements of UIG31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST except that:

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

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

Cash flows are reported on a gross basis in the Statement of Cash flows.

2.4 Revenue and Expenses

Revenue and expense are recognised in the Board's Statement of Financial Performance when and only when the flow or consumption or loss of economic benefit has accrued and can be reliably measured.

Industry levies are recognised as income when the Board obtains control of the levies. Control is normally obtained upon their receipt by the Board or its collection agents.

Interest revenue is recognised as it accrues.

Grant monies for specific projects are recognised as revenue in the financial year when the monies are received, in accordance with Department of Treasury and Finance Accounting Policy Statement APS 11 'Contributions'. However, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised in the Statement of Financial Position as a result of a present obligation arising to the grantor.

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

2.5 Depreciation of Non-Current Assets

Depreciation of non-current assets is calculated on a straight-line basis for each class of depreciable asset so as to write off the cost of the asset over its expected useful life.

The depreciation rates used for each class of depreciable asset are set out as follows:

- Furniture and fittings 20 percent
- Computer equipment 25 percent
- Office machines 20 percent
- Motor vehicles 15 percent

2.6 Sector Allocation of Income and Expenditure

The following revenue and expenditure items have been allocated between sectors based on the level of Industry Levy and Training Expenditures:

- interest on deposits
- other revenue
- salaries and related payments – administration expenses
- depreciation
- proceeds from disposal of assets
- promotion and occupancy costs
- other administration costs

Industry levy revenue, collection agents fees, sector administration fees and training, access and equity expenditures have been allocated between sectors based on actual amounts received/incurred for that sector.

2.7 Receivables

Receivables in respect of accrued levy revenue and debtors are due for settlement within thirty (30) days and are recorded at their recoverable amount. At the end of each reporting period the receivable balances are reviewed and a provision is raised in respect of any balance where recovery is considered doubtful.

2.8 Accrued Levy Income

Accrued levy income includes all amounts held by collection agents at balance date.

2.9 Investments

Investments represent investments in term deposits. Interest revenue is brought to account on an accrual basis.

2.10 Plant and Equipment

Assets are recorded at cost plus any incidental cost involved in the acquisition. The Board capitalises all non-current assets with a value of one thousand dollars (\$1 000) or more.

Non-current assets are written down to the recoverable amount where the carrying value of any non-current asset exceeds the recoverable amount.

2.11 Training Expenditure Approved But Not Yet Paid

Training expenses are recognised as an expense in the financial year that the expenditure was approved. The balance of unexpended training approval is included in the Statement of Financial Position as 'Training Expenditure Approved But Not Yet Paid'.

2.12 Payables

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

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period that are unpaid at the end of the reporting period.

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

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

2.13 Employee Benefits

Employee benefits comprise entitlements for salaries and wages, annual leave and long service leave. Provision has been made in the Financial Statements, where stated, for the Board's liability for employee benefits arising from services rendered by employees to balance date. Payroll tax, superannuation and workers' compensation insurance premiums are classified as payables.

Salaries and Wages

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

Annual Leave

Provision has been made for the unused component of annual leave at balance date. The provision has been calculated at nominal amounts based on projected salary rates. Related on-costs are reported as payables.

Sick Leave

No provision has been made in respect of sick leave. As sick leave taken by employees is considered to be taken from the current year's accrual, no liability is recognised. The Board has completed its negotiations of an Enterprise Bargaining Agreement to take effect from 1 July 2004. This agreement includes a clause that states employees who are party to the Agreement are entitled to accrue a maximum of twenty five percent (25 percent) of their Sick Leave Entitlement. The Board will raise a provision for this amount in the financial accounts at 30 June 2005.

Long Service Leave

In calculating long service leave entitlements the Board has used a benchmark of five (5) years as it more accurately reflects the long service leave liability. Related on-costs are reported as payables.

Superannuation

The Board has contributed nine (9) percent of the employees' base salary into a prescribed superannuation fund. This amount represents the Board's full liability for the year. The liability for superannuation is included in employment on -costs.

2.14 Leases

The Board leases premises for its administrative and operating activities. The lease is classified as non-cancellable operating lease and lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective lease term.

2.15 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

The Board is managing the process by keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS). Board officers are attending information forums organised by professional accounting bodies.

Expected Differences in Accounting Policies

The key differences in accounting policies applied to the Board's financial reports expected to result from the adoption of the Australian equivalents to the IFRS are outlined below:

- *Changes in Accounting Policies*
The pending accounting standard, AASB 1 'First Time Adoption Of Australian Equivalents to International Financial Reporting Pronouncements', will now require the retrospective application of changes in accounting policies. This requires the restatement of comparative information except for specific exemptions as listed in AASB 1. This is a major difference in accounting policy.
- *Employee Benefits*
The Board has identified that there will be a change in accounting policy that will apply to employee benefits. Employee benefits payable later than twelve (12) months from year-end will be measured at present value rather than nominal amounts.

3. Operating Revenues	2004	2003
(a) Grants	\$'000	\$'000
Industry Training Advisory Board functions	27	39
Other research projects	3	-
	30	39
(b) Net Loss from Disposal of Assets		
Proceeds from disposal of assets	42	16
Net book value of assets disposed	46	20
Net Loss from Disposal of Assets	(4)	(4)
4. Other Revenue		
Sale of publications	25	11
Sundry revenue	22	16
Total	47	27
5. Salaries and Related Payments		
Salaries and wages	668	728
Annual leave	46	50
Long service leave	7	1
Employment on-costs	77	70
Total	798	849
6. Depreciation		
The aggregate amounts of depreciation expensed during the reporting period for each class of depreciable asset are as follows:		
Furniture and fittings	2	2
Computer equipment	156	142
Office machines	7	6
Motor vehicles	11	14
Total	176	164

7. Current Receivables	2004	2004	2003		
The receivables due to the Board at balance date comprise:	\$'000	\$'000	\$'000		
Accrued levy revenue		375	469		
Accrued interest		16	4		
Trade debtors	61				
Less: Allowance for doubtful debts	1				
		60	10		
Sundry debtors		16	4		
GST receivables		63	129		
Total Current Receivables		530	616		
8. Current Investments		2004	2003		
The investments of the Board at balance date comprise:		\$'000	\$'000		
Westpac Term Deposits		43	42		
National Australia Bank Term Deposits		6 454	6 134		
Commonwealth Bank At Call Deposits		1 067	-		
Total Current Investments		7 564	6 176		
9. Other Current Assets					
Other current assets of the Board at balance date comprise:					
Prepayments		23	14		
Total Other Current Assets		23	14		
10. Plant Equipment	2004	2004	2003		
(a) Plant and Equipment:	\$'000	\$'000	\$'000		
Furniture and fittings at cost	35				
Less: Accumulated depreciation	(31)				
		4	6		
Computer equipment at cost	744				
Less: Accumulated depreciation	(575)				
		169	278		
Office machines at cost	42				
Less: Accumulated depreciation	(22)				
		20	27		
Motor vehicles at cost	41				
Less: Accumulated depreciation	(9)				
Less: Accumulated depreciation		32	88		
Total Plant and Equipment		225	399		
(b) Reconciliation of Plant and Equipment					
The following table shows the movement of plant and equipment during the reporting period.					
	Furniture and Fittings	Computer Equipment	Office Machines	Motor Vehicles	2004 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Gross value at 1 July 2003	35	697	41	104	877
Plus: Purchase of assets	-	47	1	-	48
Less: Disposal of assets	-	-	-	(63)	(63)
Gross value at 30 June 2004	35	744	42	41	862
Accumulated depreciation as at 1 July 2003	29	419	15	15	478
Disposals	-	-	-	(17)	(17)
Depreciation charge for the year	2	156	7	11	176
Accumulated depreciation as at 30 June 2004	31	575	22	9	637
Net Book Value as at 30 June 2004	4	169	20	32	225
Net Book Value as at 1 July 2003	6	278	27	88	399
11. Training Expenditure Approved but Not Yet Paid		2004	2003		
		\$'000	\$'000		
Housing sector		113	149		
Commercial sector		110	175		
Civil sector		88	126		
		311	450		

12. Payables	2004	2003
Current:	\$'000	\$'000
Accruals	420	89
Bank overdraft	-	123
GST collections	3	-
On-costs on employee benefits	7	6
	430	218
Non-Current:		
On-costs on employee benefits	3	5
The aggregate payable liability recognised and included in the financial statements is as follows:		
Current	430	218
Non-current	3	5
	433	223

13. Employee Benefits		
Current:		
Annual leave	23	24
Long service leave	5	7
Accrued salaries and wages	22	14
	50	45
Non-Current:		
Long service leave	21	26
The aggregate employee benefit and on-cost liability recognised and included in the financial statements is as follows:		
Current	57	51
Non-current	24	31
	81	82

14. Equity
During the 2004 financial year the Board adopted a Reserves policy designed to manage the allocation of the Board's reserves. The Board has determined to allocate reserves between a Prudential Reserve, which is constituted by Accumulated Funds, and a Strategic Reserve. The purpose of the Prudential Reserve is to enable the Board to meet its contractual forward commitments.

(a) Accumulated Funds	Housing Sector	Commercial Sector	Civil Sector	Other	2004 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Accumulated funds as at 1 July 2003	3 475	446	1 528	(56)	5 393
Results for the year	362	493	(102)	14	767
Transfer from (to) strategic reserve	(1 086)	132	(392)	-	(1 346)
Accumulated Funds as at 30 June 2004	2 751	1 071	1 034	(42)	4 814

(b) Strategic Reserve
The Board has provided for a Reserve to address any strategic needs that may arise which the Board considers warrant an allocation of funds.

	Housing Sector	Commercial Sector	Civil Sector	Other	2004 Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Strategic reserve as at 1 July 2003	1 029	132	453	-	1 614
Transfer from (to) accumulated funds	1 086	(132)	392	-	1 346
Strategic Reserve as at 30 June 2004	2 115	-	845	-	2 960

15. Expenditure Commitments

Lease Commitments

Commitments under non-cancellable operating leases at the reporting date are not recognised as liabilities in the financial report and are payable as follows:

	2004	2003
	\$'000	\$'000
Operating leases:		
Not later than one year	87	84
Later than one year but not more than five years	193	281
Later than five years	-	-
Aggregate lease expenditure contracted for at balance date but not provided for (including GST)	280	365
GST included in the operating lease commitments	26	33

The lease for office accommodation is a non-cancellable lease, with rental payable monthly in advance. Lease payments are subject to an annual increase of four (4) percent.

16. Contingent Liabilities

As at reporting date the Board does not have any contingent liabilities.

17. Auditors' Remuneration

Amounts receivable by the auditors for auditing the accounts	26	24
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18. Remuneration of Directors

Total income received, or due and receivable during the financial year by Directors was \$17 000 (\$17 000). The number of Directors whose income from the entity falls within the following band is:

	2004	2003
	Number of Directors	Number of Directors
The number of Directors whose income from the entity falls within the following band is:		
\$10 001 - \$20 000	1	1

Prescribed benefits given by the Board to a prescribed superannuation fund or otherwise in connection with the retirement of a Director were \$1 570 (\$1 570).

19. Remuneration of Employees

	2004	2003
	Number of Employees	Number of Employees
The number of employees whose total remuneration was within the following bands:		
\$100 001 - \$110 000	-	1
\$110 001 - \$120 000	1	-

20. Consultant Fees

	2004	2003
	\$'000	\$'000
Total expenditure on consultants	26	55

21. Related Party Disclosures

(a) Directors of the Construction Industry Training Board

The Directors of the Construction Industry Training Board appointed for the period from 1 July 2003 to 30 June 2004 were:

Richard J McKay	Chairperson – Resigned 30 June 2004
Susan Frazer	Resigned 20 February 2004
Graham Lawler	
Martin O'Malley	
Robert Stewart	
Brenton Gardner	
Steven Hall	
Robert Geraghty	
Trevor Trewartha	
Anne Howe	Resigned 30 June 2004
Peter Harrland	

(b) Transactions with Director – Related Entities

During the year training funds were allocated to associated entities of the Directors of the Construction Industry Training Board. Such transactions were within terms and conditions no more favourable than those available on similar transactions with other parties.

22. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, the Board considers cash to be cash on hand. Cash at the end of the reporting period, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2004	2003
	\$'000	\$'000
Cash on hand and at bank	247	1
Term deposits	-	545
Bank overdraft	-	(123)
	247	423

(b) Reconciliation of Net Operating Surplus from Ordinary Activities to Net Cash provided by (used in) Operating Activities

Net operating surplus from ordinary activities	767	58
Depreciation	176	164
Interest on term deposits	(343)	(334)
Increase (Decrease) in employee benefits	1	(61)
Decrease (Increase) in debtors and accrued levy income	32	216
Decrease (Increase) in prepayments	(9)	1
Decrease (Increase) in accrued interest	(12)	5
Increase (Decrease) in payables	330	(58)
Loss on disposal of assets	4	4
Decrease (Increase) in GST paid	68	(5)
Increase (Decrease) in training liability	(139)	(564)
Net Cash provided by (used in) Operating Activities	875	(574)

23. Financial Instruments**(a) Accounting Policies and Terms and Conditions Affecting Future Cash Flows***Financial Assets*

Cash deposits are recognised at their nominal amounts, interest is credited to revenue as it accrues. Interest is earned on a daily balance at the prevailing daily rate for money on call and is paid at month end.

Receivables are generally settled within thirty (30) days and are carried at amounts due. Credit terms are net thirty (30) days. An allowance is made for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Term deposits are recognised at cost. Interest is accrued as it is earned. Term deposits are with the Board's bank with interest being paid on maturity.

Financial Liabilities

Accounts payable and training expenditure approved but not yet paid are recognised when the Board becomes obliged to make future payments as a result of a purchase of assets or services at their nominal amounts. Accounts are generally settled within thirty (30) days.

(b) Credit Risk Exposures

The credit risk on the Board's financial assets that have been recognised in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts. The Board is of the opinion that it does not have any material credit risk exposure to any single debtor or group of debtors.

(c) Interest Rate Risk Exposures

The Board's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out as follows:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Fixed Interest maturing within 1 year \$'000	Non- Interest Bearing \$'000	2004 Total \$'000	2003 Total \$'000
Financial Assets:						
Cash	4.08	246	-	1	247	546
Receivables	-	-	-	530	530	616
Investments	4.99	-	7 564	-	7 564	6176
		246	7 564	531	8 341	7 338
Financial Liabilities:						
Training expenditure approved but not yet paid	-	-	-	311	311	450
Payables	-	-	-	423	423	212
		-	-	734	734	662
Net Financial Assets (Liabilities)		246	7 564	(203)	7 607	6 676

(d) Net Fair Value of Financial Assets and Liabilities

The net fair value of financial assets and financial liabilities of the Board approximates their carrying value.

FLINDERS UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

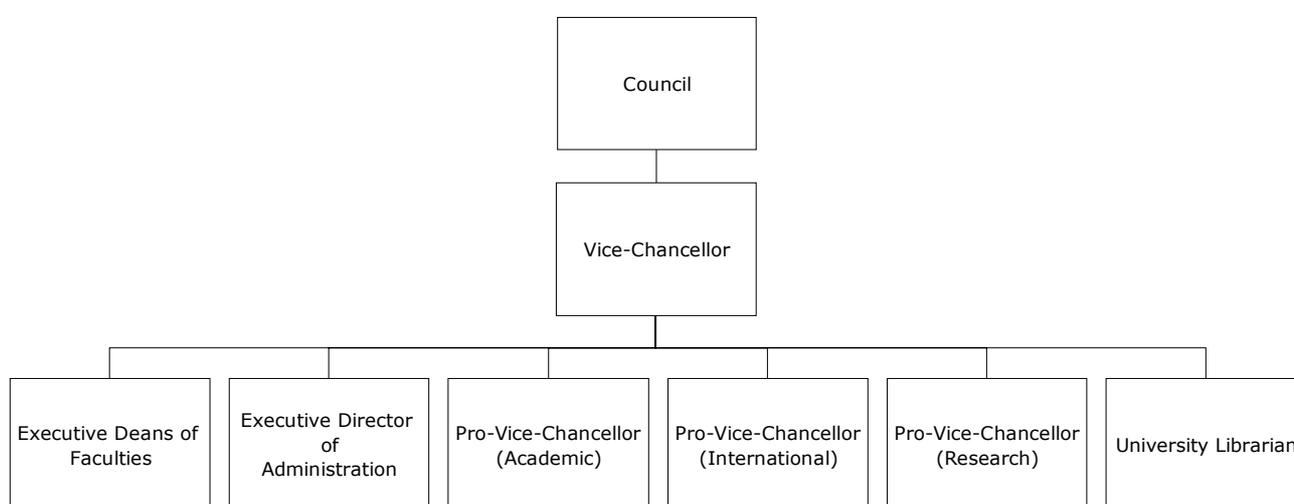
The Flinders University of South Australia (the University) was established pursuant to *The Flinders University of South Australia Act 1966* and this Act confers all powers and authorities for its operation on the Council.

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 2003 the University had a number of controlled entities. Major entities include:

- *Flinders Consulting Pty Ltd*

The company's prime objective is to maintain a commercial operation that arranges the conduct of consultancies and other business objectives from which The University derives financial benefits. It utilises the skills and knowledge of the University staff, and engages and coordinates the specialist skills of external organisations and individuals.

- *Flinders Technologies Pty Ltd*

The company markets the University's intellectual property and negotiates the business arising therefrom.

- *Airborne Research Australia Pty Ltd*

The company's main activity relates to atmospheric research and includes high resolution physical and chemical measuring and analyses, research and monitoring, radiometry and remote sensing.

Full details of controlled entities are provided at Note 28 to the Financial Statements.

Audit Committee

As part of The University's corporate governance, the Council established an Audit Committee which comprises six external members, of whom two are members of Council, and it 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 Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the 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 2003, specific areas of audit attention included:

- expenditure and accounts payable
- revenue and debtors
- payroll
- assets
- liabilities
- computer processing environment
- controlled entities
- procurement activity.

In addition, at the time of preparation of this Report, a review of information access security, integrity and business continuity functions of the University's Student One system computer processing environment was in progress.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, 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 2003 its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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: procurement activity; expenditure - additions and changes to vendor master files; bank reconciliations; and payroll - staff terminations as outlined under 'Audit Communications to 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 to Management

Matters arising during the course of the audit were detailed in management letters to the Vice-Chancellor. The response to the management letters were considered to be satisfactory. Matters raised with the University and the related response are considered herein.

Procurement Activity

The audit program for the 2003 reporting period included a review of procurement activity within the University, focussing primarily on the capital works program. The objective of the review was to assess the

quality of the tendering and contracting activities within the University's procurement processing cycle. This included an examination of the status of the University's procedural guidance and the guidance contained within the policy statements issued by the State Supply Board.

The review also included an examination of the extent to which the procedural guidance was complied with in tendering, contracting, project management and project monitoring activities for a housing capital works project, a library project and a cleaning services contract.

The Audit found that there is scope for the University to enhance its policies and procedures to ensure that procurement practice is defensible and decisions are properly evidenced for key elements of the procurement cycle. It was considered that development of guidance was required on:

- The preparation of an Acquisition Plan prior to undertaking a significant purchase. This should include the work to be conducted and the information to be included in the plan.
- The preparation of a Purchase Recommendation prior to signing a significant purchase contract. Audit recognises that a procedure exists for the University Tender Board to consider purchases above a certain amount, which briefly outlines information to be submitted. However, this procedure needs to be improved to include more specific guidance about the information to be included in a Purchase Recommendation and the particular processes expected to be undertaken leading up to the recommendation that a supplier be engaged.
- The conduct of contract management and evaluation activities for significant purchases covering; the composition and responsibilities of staff involved; and the nature and frequency of activities required to ensure the timely completion of contracts within budget and at an acceptable quality of work.

Audit review of the procurement activity of the three projects found that documentation produced to support procurement processes and practices did not contain sufficient information to demonstrate that; all builders capable of performing the work had been identified; good reasons existed for not requesting particular builders to submit development proposals; tenders evaluated comprised all tenders received; the tendering and tender evaluation processes actually conducted and the rationale for decisions made; the intended contract management strategy was communicated to University management for approval; and the intended measurement and evaluation of contract performance was communicated to University management for approval.

The University, in its response to the Audit findings noted that, for the housing project; a number of procurement options were examined prior to deciding on a design/construct project with a guaranteed maximum price; and a rigorous risk analysis of the project was conducted. The university acknowledged that documentation of the process could have been more detailed, however, it believes it achieved value for money without breaching the principle of fair trading.

The University also indicated that it will:

- revise the policy and procedure for university purchasing to strengthen acquisition planning;
- develop a procedure for the preparation of a purchase recommendation;
- develop a procedure for the management of contracts.

The University intends to alter its procurement policy and develop additional procedures during the remainder of 2004 with a view to implementing the changes at the start of 2005. The University also indicated that it believes it has already strengthened its procurement practice by entering into agreement with the Adelaide University and the University of South Australia for pre-qualifying contractors and sub-contractors for selective tendering on construction work.

Expenditure - Additions and Changes to Vendor Master Files

There is an absence of proper authorisation and checking processes in place over additions and changes to the vendor master file. This increases the risk that unauthorised vendors may be established and fraudulent payments made to those vendors.

These issues were formally raised with the University following the completion of the 2002 audit. In response, the University indicated that the issue of vendor master file control was already included in a risk assessment of the Accounts Payable function currently being conducted by the University (July 2003), and ways to more effectively manage that risk would be considered.

The University responded in 2003 that it acknowledges that this is a difficult area to balance risks against the costs of controls. The University will implement a new reporting and review process.

Bank Reconciliations

Bank reconciliations were incomplete for the months March 2003 through to October 2003 as unreconciled items had not been resolved. In addition, there was no evidence the bank reconciliations had been checked by an independent officer.

Audit was advised that, as the unreconciled amounts were considered immaterial, decisions were made to allocate the relevant staff member work of a higher priority and to defer the completion of the reconciliations. All bank reconciliations had been completed and reconciled as at 14 January 2004.

While unreconciled items may have been immaterial it is still important that reconciliations be completed satisfactorily in a timely manner. Inadequate follow up and resolution of reconciling items over an extended period increases the risk that transactions affecting cash that are not recorded accurately and in the appropriate period will not be identified or subsequently rectified.

The University responded that it agreed with the recommendation except that it believes that there is no necessity for an independent review given the current allocation of responsibilities for the reconciliation. The University also indicated that the reconciliation is split into three components: receivables, payables and final check. Receivables were completed in a timely manner, however, delays occurred in payables and final check but most issues were resolved in a timely manner. The University judged that there was no material risk remaining and gave the appropriate priority to the final work.

Payroll - Staff Terminations

One of the main checking functions exercised fortnightly by the Payroll Section is the review of a report which compares payroll transactions from the current fortnight for all employees with the transactions processed in the previous fortnight. Where variances are detected (new employees, changes to hours worked etc), independent officers ensure that proper supporting documentation exists to validate the transactions.

In some circumstances, the checks are not sufficient to ensure that data relating to terminated employees is correctly processed. In the cases of resignation or retirement, faculties send documentation which the Payroll Section uses to process employees' terminations to the payroll system.

If the Payroll Section fail to receive or process that data, the checking process mentioned previously will be insufficient to detect the oversight because the employee's pay will remain unchanged from the previous fortnight. Enquiries by Audit in various faculties revealed that specific checking of transactions relating to terminated employees is not undertaken.

The absence of checks performed on the correct processing of staff terminations increases the risk that payments may be made to employees who have ceased to work.

The University responded that it agrees with the audit recommendation although it notes that, given other controls in place, the risk is low. Appropriate guidelines will be issued to faculties and other major cost centres, detailing checks to be undertaken.

Other Matters

Other matters raised by Audit include:

Control Related:

- Payroll: the University should consider the formalisation of its expectations of the extent of checking of payroll transactions to be performed by the faculties.
- Recreation leave balances: improvement required in monitoring excessive recreation leave balances.

Financial Statement Related:

Audit noted an improvement in the processes in preparing the financial statements from previous years. For the 2003 year Audit suggested:

- Revaluation of aircraft: supporting documentation is required to support the valuation of a controlled entity's aircraft.
- Actuarial review of calculated liabilities: formalisation of policy is required on actuarial reviews for workers compensation.

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration of the Audit suggestions having regard to its assessment of risk and feasibility relevant to the issues raised.

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

	2003	2002	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Commonwealth Government financial assistance	94.9	92.0	3
HECS	37.1	32.1	16
Fees and charges	25.4	23.8	4
Other	37.7	37.5	3
Total Operating Revenue	195.1	185.4	5
OPERATING EXPENDITURE			
Employment benefits	116.0	115.5	-
Other expenses	65.0	60.9	8
Total Operating Expenses	181.0	176.4	3
Net Operating Result	14.1	9.0	56
Net Cash Flows from Operations	25.2	17.2	47
ASSETS			
Current assets	54.7	42.3	31
Non-current assets	267.0	243.0	10
Total Assets	321.7	285.3	13
LIABILITIES			
Current liabilities	31.0	23.4	35
Non-current liabilities	38.0	37.4	3
Total Liabilities	69.0	60.8	15
EQUITY	252.7	224.5	11

Statement of Financial Performance (Consolidated)**Operating Revenues**

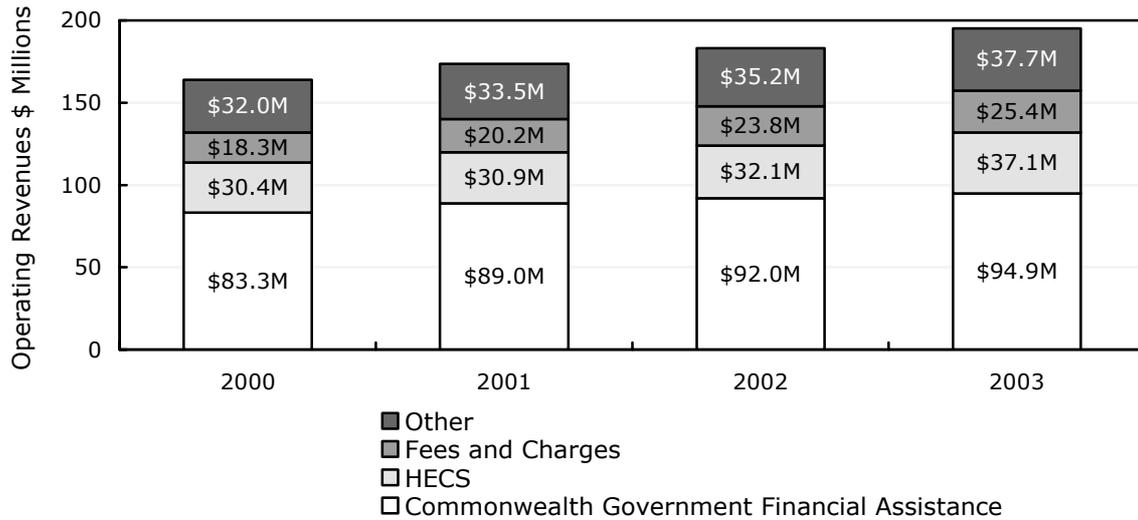
Included in other Operating Revenue in 2002 was an amount of \$2.3 million relating to a deferred Government superannuation contribution. This was offset by a corresponding expense, therefore, there was no effect on the Operating Result from Ordinary Activities. For the current year there is no expense nor revenue. The unfunded superannuation liability for future benefits for current employees and pensioners was assessed as at 31 December 2003 by the Director, Superannuation, South Australian Department of Treasury and Finance. There was no change in the liability as at 31 December 2002. Refer to Note 22 to the financial statements for further details of this arrangement.

For the purposes of the following analyses the deferred Government superannuation contribution and related deferred employee benefits for superannuation, reported under Employee Benefits expense, have been excluded.

Revenue from ordinary activities increased by \$12.0 million (6.6 percent). This is due mainly to increases in funding from the University's main revenue sources, Commonwealth Government financial assistance and the Higher Education Contribution Scheme (HECS) of \$2.9 million (3.1 percent) and \$5.0 million (15.5 percent) respectively. Commonwealth Government financial assistance included an increase of \$5.3 million for indexation and the balance for Workplace Reform funding. Included in the HECS increase was a \$2.2 million adjustment by the Department of Education, Science and Technology (DEST) for 2002 involving a transfer from Commonwealth Government financial assistance to HECS.

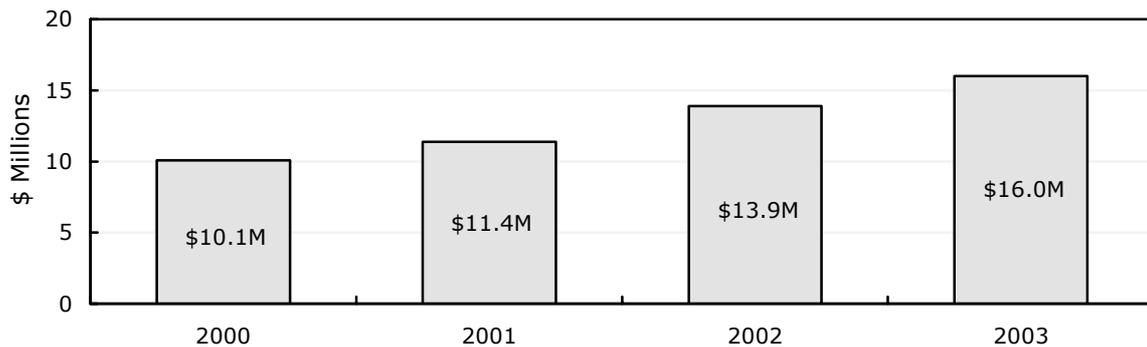
In addition, income from consultancy and contract research increased by \$2.2 million (19.0 percent). This is due mainly to the revenue derived by a company, partly owned by Flinders Technologies Pty Ltd, which was included in the statements for the first time.

A structural analysis of operating revenues for the University for the four years to 2003 is presented in the following chart.



The preceding chart shows that although the University is dependent to a large extent on financial assistance from the Commonwealth Government a significant proportion of revenue relates to Fees and Charges and Other Revenue.

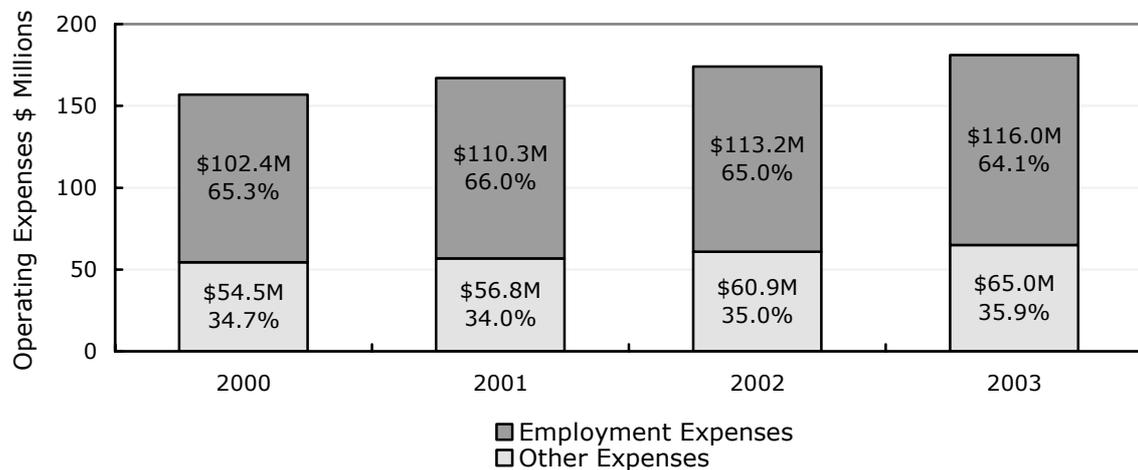
The following chart highlights the upward trend in revenue from fee paying overseas students. This increase is predominantly due to an increase in student enrolments.



Operating Expenses

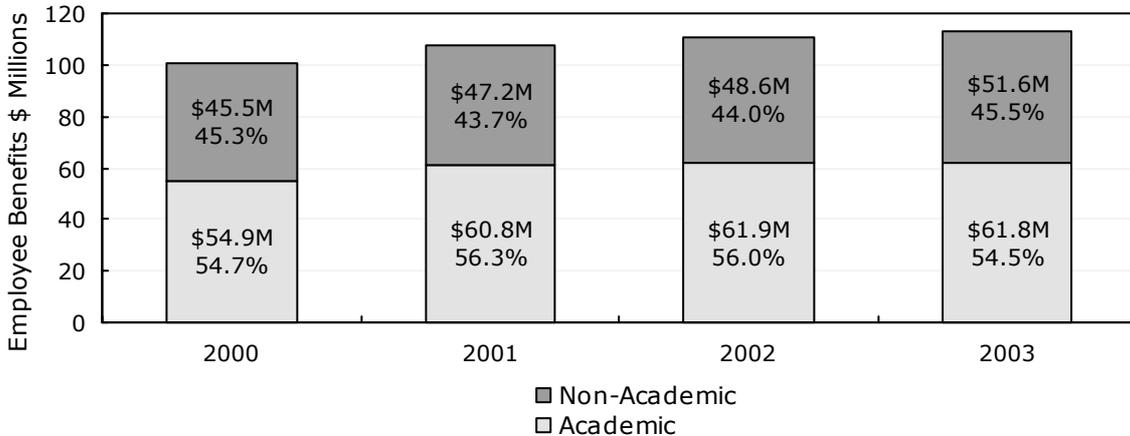
During the year ended 31 December 2003, total operating expenses rose by \$6.9 million (4.0 percent) to \$181.0 million. Employment benefits expenses increased by \$2.8 million (2.5 percent) to \$116.0 million. The main reason for this increase was an enterprise bargain agreement of 4 percent during the year. In addition, other expenses increased by \$4.1 million (6.3 percent) to \$65 million.

For the four years to 2003, a structural analysis of the main operating expense items for the University is shown in the following chart.



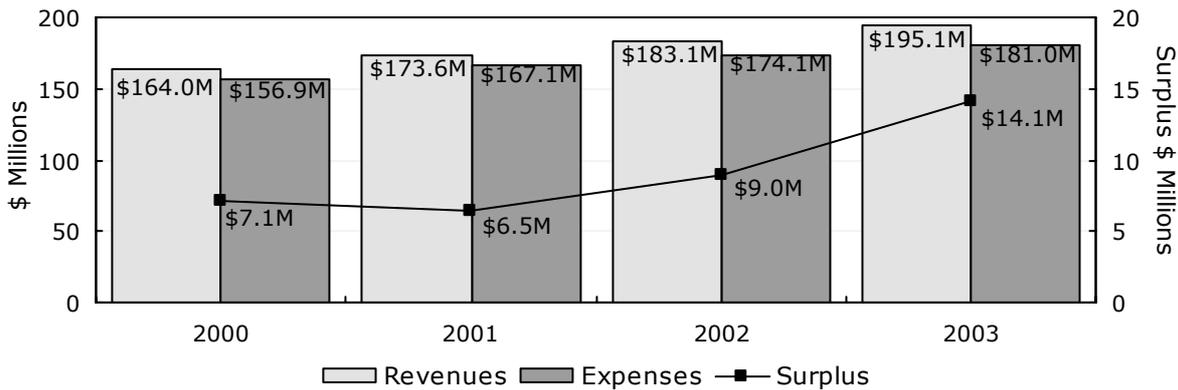
The preceding chart shows the proportion of employment expenses to total expenditure has remained constant over the last three years.

The following chart shows that the proportion of academic to non-academic employee benefits has remained consistent over the last four years. This chart reflects the parent entity only.



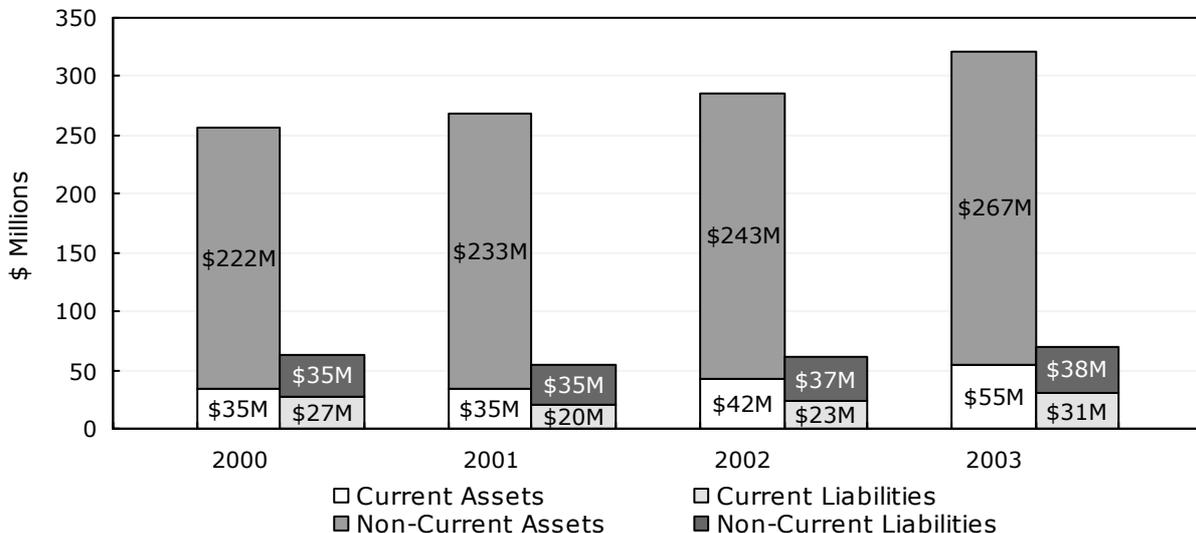
Operating Result

The University has recorded a surplus of \$14.1 million (\$9 million) for the year ended 31 December 2003. This represents 7.2 percent (4.9 percent) of total operating revenues. As previously explained the increased surplus is a result of increased operating revenue of \$10 million, offset by an increase in operating expenditure of \$5 million. The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2003.



Statement of Financial Position

For the four years to 2003, a structural analysis of assets and liabilities is shown in the following chart.



The analysis shows an increase in assets over the period under review of \$65.2 million (25.4 percent) compared to little change overall in liabilities.

Non-current assets increased by \$45.3 million (20.4 percent) predominantly due to capital expenditure and revaluations upwards of property, plant and equipment of \$38.1 million, and other financial assets increases of \$7.2 million.

Current Assets increased by \$12.5 million over the financial year due mainly to an increase in Term Deposits held resulting from an increased surplus from operations.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
Net Cash Flows				
Operations	25.2	17.2	10.4	6.3
Investing	(22.4)	(7.8)	(18.3)	2.5
Change in Cash	2.8	9.4	(7.9)	8.8
Cash at 30 June	14.8	12.0	2.5	10.4

Net cash outflow from investing activities increased by \$14.4 million. This reflects increased expenditure on capital works, predominantly relating to student housing and increased purchases of long term investments.

Statement of Financial Performance for the year ended 31 December 2003

	Note	Consolidated		University	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Revenue from Ordinary Activities:					
Commonwealth Government Financial Assistance	1(k),2.1	94 856	91 997	94 856	91 943
South Australian Government Financial Assistance	2.2	5 181	5 544	5 125	5 544
Higher Education Contribution Scheme:					
Student contributions		4 739	4 124	4 739	4 124
Commonwealth payments		32 350	27 996	32 350	27 996
Postgraduate Education Loan Scheme		1 264	721	1 264	721
Fees and Charges	1(k),2.3	25 430	23 846	24 179	21 855
Superannuation:					
Deferred Government contribution	22	-	2 300	-	2 300
Commonwealth supplementation		1 323	1 820	1 323	1 820
Investment Income	1(k),2.4	3 596	3 291	3 451	3 368
Royalties, Trademarks and Licenses	2.5	148	357	148	282
Consultancy and Contract Research	1(k),2.6	14 044	11 801	7 641	8 340
Other Revenue	2.7	12 177	11 608	12 673	11 164
Total Revenue from Ordinary Activities		195 108	185 405	187 749	179 457
Expenses from Ordinary Activities:					
Employee benefits	3.1	116 049	115 524	113 368	112 804
Depreciation and amortisation	3.2	8 995	8 266	8 498	7 734
Buildings and grounds	3.3	10 151	9 623	10 136	9 590
Bad and doubtful debts	3.4	225	470	362	538
Other	3.5	45 588	42 542	40 568	38 595
Total Expenses from Ordinary Activities		181 008	176 425	172 932	169 261
NET OPERATING RESULT		14 100	8 980	14 817	10 196
Net Operating Result attributable to outside equity interests		17	-	-	-
Net Operating Result attributable to University		14 083	8 980	14 817	10 196
Adjustment to retained accumulated funds as a result of the adoption of revised accounting standard AASB 1028 'Employee Benefits'	1(d) (t)	(111)	-	(107)	-
Increase in asset revaluation reserve	18	14 158	2 771	13 744	9 189
Total Revenue, Expense and Valuation Adjustments attributable to the University and Recognised Directly in Equity		28 130	11 751	28 454	19 385
TOTAL CHANGE IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		28 130	11 751	28 454	19 385

Statement of Financial Position as at 31 December 2003

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS:					
Cash assets	1(o),7	3 432	554	3 097	354
Receivables	1(c),8	11 599	11 027	10 945	9 346
Inventories	1(h),9	375	409	375	409
Other financial assets	1(c),10	37 157	28 198	33 891	24 930
Other assets	11	2 143	2 080	3 413	2 049
Total Current Assets		54 706	42 268	51 721	37 088
NON-CURRENT ASSETS:					
Receivables	1(c),8	23 114	23 128	23 114	23 128
Other financial assets	1(c),10	28 258	28 606	31 338	31 189
Property, plant and equipment	1(l),12	214 158	190 177	210 658	186 612
Other assets	11	1 420	1 176	-	1 525
Total Non-Current Assets		266 950	243 087	265 110	242 454
Total Assets		321 656	285 355	316 831	279 542
CURRENT LIABILITIES:					
Payables	1(c),14	11 309	9 147	11 037	8 499
Interest-bearing liabilities	15	7 498	3 376	9 169	4 037
Provisions	1(d),(e),16	7 715	7 213	7 508	6 960
Other liabilities	17	4 488	3 694	2 421	2 375
Total Current Liabilities		31 010	23 430	30 135	21 871
NON-CURRENT LIABILITIES:					
Payables	1(c),14	1 241	1 153	1 233	1 146
Interest-bearing liabilities	15	597	552	597	552
Provisions	1(d),(e),16	36 107	35 671	36 038	35 599
Total Non-Current Liabilities		37 945	37 376	37 868	37 297
Total Liabilities		68 955	60 806	68 003	59 168
NET ASSETS		252 701	224 549	248 828	220 374
EQUITY:					
Reserves	18	31 949	17 255	37 249	22 969
Accumulated funds	19	220 730	207 294	211 579	197 405
Total University Interest		252 679	224 549	248 828	220 374
Outside equity interest	20	22	-	-	-
TOTAL EQUITY		252 701	224 549	248 828	220 374
Commitments	21				
Contingent Liabilities and Contingent Assets	23				

Statement of Cash Flows for the year ended 31 December 2003

	Note	Consolidated		University	
		2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:					
INFLOWS:					
Financial Assistance:					
DEST		78 887	79 581	78 887	79 581
Other Commonwealth Government		17 643	16 524	17 643	16 470
Total Commonwealth Government		96 530	96 105	96 530	96 051
South Australian Government		5 324	5 980	5 268	5 980
Higher Education Contribution Scheme:					
Student payments		4 739	4 124	4 739	4 124
Commonwealth payments		32 350	28 567	32 350	28 567
Fees and charges		26 949	25 251	24 410	22 183
Investment income		3 554	3 029	3 410	2 774
Consultancy and contract research		14 505	12 968	8 102	9 507
Other revenue		12 420	11 659	10 799	12 559
OUTFLOWS:					
Staff salaries		(95 274)	(92 283)	(90 058)	(90 109)
Staff related costs		(18 584)	(20 461)	(19 804)	(19 996)
Other		(57 286)	(57 758)	(51 996)	(53 659)
Net Cash provided by Operating Activities	34(i)	25 227	17 181	23 750	17 981
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		884	505	838	505
Proceeds from sale of investments		5 085	10 056	5 000	9 004
Change in funds held on behalf of other entities		4 061	1 598	5 326	1 471
OUTFLOWS:					
Purchase of property, plant and equipment		(18 464)	(11 198)	(17 909)	(11 172)
Purchase of investments		(14 000)	(8 677)	(14 342)	(8 349)
Net Cash used in Investing Activities		(22 434)	(7 716)	(21 087)	(8 541)
CASH FLOWS FROM FINANCING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of subsidiary shares		5	-	-	-
Net cash provided by Financing Activities		5	-	-	-
NET INCREASE IN CASH HELD		2 798	9 465	2 663	9 440
CASH AT 1 JANUARY		11 984	2 519	11 784	2 344
CASH AT 31 DECEMBER	1(o),7	14 782	11 984	14 447	11 784

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Financial Reporting Framework

The financial statements are a general purpose financial report. They have been prepared on a full accrual basis and in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth Department of Education, Science and Training (DEST).¹

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 Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

The financial statements have been prepared on the basis of historical costs and do not take into account changing money values, the only exception being financial assets and property, plant and equipment which are measured on a fair value basis.

The consolidated financial statements (the economic entity) comprise the accounts of the University (the parent entity) and all of its controlled entities.

Significant Accounting Policies

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Flinders University (the University). Control exists where the University has the capacity to dominate decision making in relation to the financial and operating policies of another entity so that the other entity operates with the University to achieve the objectives of the University. A list of controlled entities is contained in Note 28.

The effects of transactions between controlled entities and the University have been eliminated on consolidation.

(b) 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:	Percent
Buildings and Infrastructure	2.50
Equipment:	
Motor vehicles	20.00
General equipment	16.67
Computer hardware	33.33
Computer software	20.00
Aircraft	10.00
Library:	
Library Monographs	2.50
Library Serials	2.00

The gross amount of depreciable assets and the related accumulated depreciation is provided within Note 12. Depreciation expense by asset class is shown in Note 3.2.

(c) Financial Instruments

(i) Cash

Bank accounts are recognised at nominal amounts, and interest is credited to revenue in the period it is earned. Note disclosure is made in Note 7.

(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 8.

(iii) Other Financial Assets (Investments)

Investments include term deposits and deposits at 24 hour call, government securities, Commonwealth Indexed Bonds, managed funds, interest in business undertakings, equities, investment property and debenture stock.

Investments are recognised at fair value.

The Mark Oliphant Building Investment property was independently valued as at 31 December 2002 by Norm Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Pty Ltd.

¹ DEST requirements are specified in the publication 'Guidelines for the Preparation of Annual Financial Statements for the 2003 Reporting Period by Australian Higher Education Institutions'.

- (iii) **Other Financial Assets (Investments) (continued)**
The carrying amount of investments is reviewed annually by the University to ensure that all items are carried at fair value.

Note disclosure is made in Note 10.
 - (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 14.
 - (v) **Interest Bearing Liabilities**
The University holds funds on behalf of affiliated student entities, controlled entities, certain joint ventures and two external entities (Mawson Fellowship Program Fund and the South Australian Research Education Network). The University invests these funds along with University funds and shares the investment income.
 - (vi) **Other Liabilities: Funds Held on behalf of other entities**
Funds held on behalf of other entities are shown at amounts due. These do not incur any interest charges.
- (d) **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 Statement 9. 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 by the long hand method prescribed by AASB 1028 Employee Benefits. Note disclosure is made in Notes 14 and 16.
 - (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. Note disclosure is made in Notes 14 and 16.
 - (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 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 Statement of Financial Performance. Note 22 provides details in respect of the individual Schemes.
 - (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 extrapolation from an independent actuarial review conducted as at 31 December 2000. Details are disclosed in Note 22.
 - (vi) **Redundancy/Severance**
Provision is also 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 16.
- (e) **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.

The provision for workers compensation liability is 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 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 last actuarial calculation was conducted as at 31 December 2000. The liability for workers compensation is disclosed in Note 16.

- (f) *Foreign Currency*
Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transactions. There are no material foreign currency monetary items outstanding at balance date.
- (g) *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 Statement of Financial Position.
- Cash flows included in the Statement of Cash Flows are on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.
- (h) *Inventories*
Inventories are stores of consumable items including printing and maintenance materials. 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 9.
- (i) *Investments in Business Undertakings*
- *Controlled Entities*
Investments in controlled entities are carried in the University's Statement of Financial Position at fair value. Dividends are brought to account when they are declared. Note disclosure is made in Note 10.
 - *Associates*
Apart from the investment in Unisure Pty Ltd, the University has no material investments in associates and does not include any amount in the financial statements for its interest in associated entities. Note disclosure is made in Note 29.
 - *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 Statement of Financial Position and Statement of Financial Performance, where material. Details of joint ventures are included in Note 26.

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 27.
- (j) *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 24.
- (k) *Revenue Recognition*
- (i) *Commonwealth Financial Assistance*
DEST provide annual grants for teaching and research to the University each year, with the first payment being received at the end of the previous year. This advance payment is brought to account in the period in which it is received because the University has control of the funds and there is not a direct reciprocal obligation to DEST.
- Other revenue from DEST is brought to account when earned.
- Other Commonwealth grant revenue is recognised when received.
- Note disclosure is made in Note 21.

(k) *Revenue Recognition (continued)*

(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 2.6.

(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 2.7.

(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 2.3.

(v) Investment Income

Interest income is recognised as it accrues. 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, determined or recommended by external entities before 31 December reporting date.

Income distributions from Managed Funds are recognised on receipt of official advice from investment companies of the University's entitlement to distributions. Realised gains and losses are included in the Net Operating Result. 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. Capital gains and losses on other investments are recognised when the investment is sold. Note disclosure is made in Note 2.4.

(l) *Property, Plant and Equipment*

Property, Plant and Equipment, except for Library (refer 1(l)(iii)), 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 12.

(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 2003 by Greg McCloud AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd.

(ii) Buildings and Infrastructure

Buildings and infrastructure controlled by the University were independently revalued as at 31 December 2001 by Norm Satchell, AAPI, B.App.Sc (Val) and Greg McCloud AAPI (Val) B.App.Sc (Val), of Edward Rushton Australia Pty Ltd. An aircraft hangar owned by ARA Airborne Research Australia Pty Ltd, a controlled entity, was independently revalued in 2002 by Alex Smithson B App Sc (Val) FAPI of Knight Frank.

Buildings under construction are measured at cost.

Independent building and infrastructure valuations are undertaken triennially. In between, the value is indexed using the Consumer Price Index.

(iii) Library Books - Monographs and Serials

The base value of the Library collection is reported at Council's valuation based on current average written down replacement cost as at 31 December 1993. Additions subsequent to 31 December 1993 are capitalised at cost. It is planned to revalue the Library to fair value no later than 30 June 2005 under the transitional provisions of AASB 1041 Revaluation of Non-Current Assets.

(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 Statement of Financial Position initially at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance 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 capitalised and recorded in the Statement of Financial Position at cost. Items costing less than \$10 000 are recognised as an expense in the Statement of Financial Performance in the period acquired.

Aircraft were independently revalued in 2000 by R A Douglas MSA of Douglas Aircraft Sales.

- (l) *Property, Plant and Equipment (continued)*
 (vi) Works of Art
 The University revalued the Works of Art collection as at 31 December 2003.
- (m) *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 services fee revenue and associated expenditure are not reflected in the financial statements.
- (n) *Doubtful Debts*
 The collectability of receivables is assessed at balance date and provision made for any doubtful debts. Note disclosure is made in Note 8.
- (o) *Cash*
 For the purpose of the Statement of Cash Flows, cash includes cash on hand, at call deposits with financial institutions and investments readily convertible to cash within three working days. Note 7 provides a reconciliation of cash disclosure.

 For the purpose of the Statement of Financial Position, Cash Assets are at call deposits at bank and cash on hand.
- (p) *Income 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.

 The University is subject to fringe benefits tax, the goods and services tax and payroll tax.
- (q) *Research and Development Costs*
 The University (parent entity) expenses Research and Development costs when incurred, as the expenses are not recoverable beyond reasonable doubt. One of the University's controlled entities, Flinders Technologies Pty Ltd, has the rights to commercialise intellectual property arising from the University. Research and Development costs incurred by Flinders Technologies 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.
- Research and Development costs treated as deferred expenditure are included in the Consolidated Statement of Financial Position and are disclosed under Note 11 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.
- (r) *Rounding to the Nearest \$'000*
 Unless otherwise indicated, all amounts are rounded to the nearest thousand dollars.
- (s) *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.
- (t) *Changes in Accounting Policies*
 The accounting policies adopted are consistent with those of the previous year except for the following:

 In accordance with Accounting Standard AASB 1028 'Employee Benefits', on 1 January 2003 the consolidated entity changed its policy for recognising the liability for annual leave. Under the new policy, the amount of the liability is calculated using remuneration rates expected to apply at the time the liability is settled, rather than the remuneration rates that applied at reporting date. The effect of this change has been to decrease 2003 opening retained earnings by an amount of \$111 000 (consolidated entity) and \$107 000 (parent entity).

The following table shows how the annual leave expense and liability would have been disclosed had the new accounting policy always been applied.

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Annual leave expense	6 854	6 843	6 857	6 699
Annual leave liability	3 146	2 927	3 043	2 756

2.	Revenue from Ordinary Activities	Consolidated		University		
		2003	2002	2003	2002	
2.1	Commonwealth Government Financial Assistance (including Superannuation contributions from the Commonwealth but excluding HECS and PELS)	Note	\$'000	\$'000	\$'000	\$'000
	Teaching and Learning:	36.1				
	Operating excluding HECS and PELS		49 911	49 689	49 911	49 689
	Teaching hospitals		185	182	185	182
	Capital development pool		789	1 171	789	1 171
	Australian Research Council (ARC):	36.2				
	Discovery - Project (Large Grants)		1 548	1 703	1 548	1 703
	Discovery - Fellowships		87	197	87	197
	Discovery - Indigenous Researchers Development		39	30	39	30
	Linkage - Infrastructure		498	220	498	220
	Linkage - International Research Exchange		10	15	10	15
	Linkage - Projects (includes Strategic Partnerships with Industry (SPIRT))		934	674	934	674
	DEST Research:	36.3				
	Institutional Grants Scheme		7 025	7 038	7 025	7 038
	Research Infrastructure Block Grants		3 467	2 954	3 467	2 954
	Research Training Scheme		11 062	10 631	11 062	10 631
	Systemic Infrastructure Initiative		-	460	-	460
	Australian Postgraduate Awards		1 828	1 815	1 828	1 815
	International Postgraduate Research Scholarships		240	261	240	261
			77 623	77 040	77 623	77 040
	Other Commonwealth Government:					
	National Health and Medical Research Council		5 821	5 887	5 821	5 887
	Other Research		5 475	4 824	5 475	4 824
	Other Commonwealth Non-Research		5 937	4 246	5 937	4 192
			17 233	14 957	17 233	14 903
	Total Commonwealth Government		94 856	91 997	94 856	91 943
2.2	South Australian Government Financial Assistance					
	Research Financial Assistance		1 103	1 485	1 103	1 485
	Reimbursements		3 084	3 021	3 028	3 021
	Non-research		994	1 038	994	1 038
			5 181	5 544	5 125	5 544
2.3	Fees and Charges					
	Fee-paying overseas students		15 990	13 868	15 990	13 868
	Fee-paying domestic postgraduate students		1 813	1 955	1 813	1 955
	Fee-paying domestic students undertaking non-award studies		137	81	137	81
	Other:					
	Student Housing and other rental charges		2 582	2 448	2 576	2 438
	Car parking revenue		846	843	846	843
	Other		4 062	4 651	2 817	2 670
			25 430	23 846	24 179	21 855
2.4	Investment Income					
	Dividends:					
	Wholly-owned controlled entities		-	-	-	500
	Other entities		315	469	254	210
			315	469	254	710
	Interest		2 047	1 589	1 911	1 412
	Managed Funds		469	450	455	436
	Rental Revenue		765	783	831	810
			3 596	3 291	3 451	3 368
2.5	Royalties, Trademarks and Licenses		148	357	148	282
2.6	Consultancy and Contract Research					
	Consulting		7 651	7 033	1 990	4 271
	Other research		6 393	4 768	5 651	4 069
			14 044	11 801	7 641	8 340

2.7 Other Revenue	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Proceeds from sale of assets	974	738	838	505
Contribution of assets	1 247	1 289	1 247	1 289
Donations and bequests	1 287	884	1 287	884
Scholarships and prizes	902	1 016	902	1 027
Other:				
Other State Government Education Grants	3 213	2 752	3 213	2 824
Other	4 554	4 929	5 186	4 635
	12 177	11 608	12 673	11 164
3. Expenses from Ordinary Activities				
3.1 Employee Benefits				
Academic				
Salaries	45 352	43 908	44 824	43 144
Contributions to superannuation and pension schemes:				
Deferred employee benefits for superannuation	-	1 840	-	1 840
Emerging cost	1 298	1 671	1 298	1 671
Funded	6 621	6 522	6 585	6 467
Payroll tax	3 025	3 076	3 011	3 053
Workers compensation	304	301	299	294
Long service leave expense	1 561	1 480	1 561	1 480
Annual leave	3 995	4 193	3 995	4 193
Redundancy expenses	204	1 631	204	1 631
Total Academic	62 360	64 622	61 777	63 773
Non-Academic				
Salaries	40 385	38 057	38 480	36 560
Contributions to superannuation and pension schemes:				
Deferred employee benefits for superannuation	-	460	-	460
Emerging cost	324	418	324	418
Funded	5 810	5 563	5 689	5 415
Payroll tax	2 647	2 491	2 601	2 444
Workers compensation	264	262	255	252
Long service leave expense	1 227	982	1 207	953
Annual leave	2 859	2 539	2 862	2 399
Redundancy expenses	173	130	173	130
Total Non-Academic	53 689	50 902	51 591	49 031
Total Employee Benefits	116 049	115 524	113 368	112 804
3.2 Depreciation and Amortisation				
Buildings and infrastructure	2 475	2 370	2 465	2 339
Equipment	3 659	3 197	3 540	3 083
Aircraft	368	387	-	-
Library collections	2 493	2 312	2 493	2 312
	8 995	8 266	8 498	7 734
3.3 Building and Grounds				
Utilities	1 960	1 714	1 954	1 703
Maintenance	3 551	3 366	3 548	3 351
Minor works	3 242	3 215	3 242	3 215
Flinders Medical Centre occupancy	1 013	962	1 013	962
Other	385	366	379	359
	10 151	9 623	10 136	9 590
3.4 Bad and Doubtful Debts	225	470	362	538

3.5 Other Expenses

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Scholarships and prizes	6 574	5 947	6 571	5 944
Telecommunications	1 386	1 689	1 364	1 646
Non-capitalised equipment	4 418	4 161	4 351	4 128
Travel, staff development and entertainment	6 430	6 342	6 252	5 929
Operating lease rental expenses	619	985	577	787
Carrying amount of assets sold	1 285	433	1 167	258
Student related expenditure	1 151	916	1 151	916
Library	1 048	1 374	1 048	1 370
Advertising	994	1 021	987	1 020
Fees and charges	4 630	4 403	4 160	3 322
Consultancies	2 950	2 926	1 197	1 827
Equipment maintenance	1 696	1 482	1 564	1 428
Software	1 636	1 436	1 621	1 425
Consumables	6 077	5 440	4 207	4 781
Postage and freight	792	832	787	824
Printing and photocopying	882	760	843	748
Insurance	1 169	778	1 083	666
Other	1 851	1 617	1 638	1 576
Total Other Expenses	45 588	42 542	40 568	38 595

4. Sale of Assets

Proceeds from Sale:

Investments	90	233	-	-
Property, plant and equipment	884	505	838	505
	974	738	838	505

Carrying Amount of Assets Sold:

Investments	79	175	-	-
Property, plant and equipment	1 206	258	1 167	258
	1 285	433	1 167	258

Net Gains on Sale of Assets:

Investments	11	58	-	-
Property, plant and equipment	-	247	-	247
	11	305	-	247

Net Losses on Sale of Assets:

Property, plant and equipment	322	-	329	-
	322	-	329	-

5. Responsible Persons and Executive Officers

5.1 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

- Names of 2003 Council Members
Persons listed were all Council members for the full year unless otherwise indicated.

Members ex officio

Chancellor:
Sir Eric James Neal, AC, CVO

Vice-Chancellor:

- *Professor Anne Rosalie Edwards

Presiding member of the Academic Senate:

- *Professor Hilary Winchester (member to March 2003)
- *Professor Robin Storer (member from March 2003 to June 2003)
- *Professor Joan Cooper (member from September 2003)

5.1 Responsible Persons (continued)

(a) *Names of Responsible Persons (continued)*

General Secretary of the Students' Association:
Emily Davis

Members appointed by the Council:

Kerrie Ashcroft
Nicholas Begakis, AM
John Branson
Ian Arthur Chesterman, AM
Leonie Clyne
Andrew V Fletcher
Gosia Hill
Judith Mary Roberts, AO
Michael Shanahan, AM
Ian Garth Yates

Member co-opted and appointed by the Council:
Mary Mitchell

Members elected by the academic staff:

- *Associate Professor Owen Covick
- *Professor Lindon Wing

- Members elected by the general staff:

— *Hugh Kearns
— *Ron George Slee

Undergraduate student member:
Demi Pnevmatikos

Postgraduate student member:
Santha Govin-Vel (member to June 2003)
Simon Fuller (member from June 2003 to October 2003)
Nigel Palmer (member from October 2003)

- Directors of University Controlled Entities:
Persons listed were all Directors for the full year unless otherwise indicated.

Airborne Research Australia Pty Ltd:
Mr Austin Taylor (Chair)
Professor John Browett
Associate Professor Jörg Hacker (Managing Director)
Dr. Rob Lewis
Mr. David Twiss

Flinders Bioremediation Pty Ltd:
Mr Richard Krantz (Chair)
Mr Gary Cornelius
Ms Denise Martin
Mr Tony Read
Associate Professor John Rice

Flinders Consulting Pty Ltd:
Ms Leonie Clyne (Chair)
Professor Dean Forbes
Dr Wayne Harvey (Managing Director)
Mr Mark Legg
Ms Sally MacDonald-Taylor
Mr Christopher Short
Professor John Skinner (to February 2003)
Mr Douglas Strain

Flinders Reproductive Medicine Pty Ltd:
Dr Wayne Harvey (from November 2003) (Chair)
Professor John Skinner (to October 2003) (Chair)
Ms Heather Denholm
Associate Professor Stephen Judd (Managing Director)
Professor Marc Keirse
Mr Nick Swann
Mr Michael Szwarcbord

5.1 Responsible Persons (continued)

(a) *Names of Responsible Persons (continued)*

Flinders Technologies Pty Ltd:
 Mr John Branson (Chair)
 Ms Barbara Fergusson (to June 2003)
 Ms Janet Grieve (from July 2003)
 Professor Christopher Marlin
 Mr Geoffrey Pitt (from July 2003)
 Mr Graham Scott (to June 2003)
 Dr John Turner (Managing Director)

Flinders MediTech Pty Ltd (established May 2003):
 Mr John Branson (Chair)
 Professor Harry Owen
 Associate Professor John Rice
 Dr John Turner (Executive Director)

MediMolecular Pty Ltd:
 Mr John Branson (Chair)
 Mr Rahmon Coupe
 Dr John Turner

Heaslip Trust:
 Mr Andrew Goode (Chair)
 Ms Barbara Fergusson
 Mr Cesare Silvestri
 Dr David Tye
 Professor Lindon Wing

Lung Health Diagnostics Pty Ltd:
 Dr Ian H Pitman (Chair)
 Dr Ian Ross Doyle
 Dr Neville John McCarthy, AO
 Professor Christopher Marlin
 Dr Robert George Edwards

National Institute of Labour Studies Inc:
 Mr Mike Terlet AO (Chair)
 Mr Mark Cully (to March 2003)
 Professor Sue Richardson
 Professor Christopher Marlin
 Mr John Lesses AM

National Institute of Labour Studies Foundation Inc:
 Professor Judith Sloan (Chair)
 Mr Hedley Bachmann
 Professor John Browett
 Mr Peter Dewhurst
 Mr Richard Huxter
 Mr Bruce Sheldrick

Remuneration of Responsible Persons

The table comprises total remuneration that falls within the prescribed bandwidths for Responsible Persons.

	Consolidated		University	
	Number of Staff		Number of Staff	
	2003	2002	2003	2002
Nil	67	56	22	22
\$1 - \$9 999	9	9	-	-
\$10 000 - \$19 999	4	4	-	-
\$20 000 - \$29 999	1	1	-	-
\$30 000 - \$39 999	1	-	-	-
	82	70	22	22
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of responsible persons	134	109	Nil	Nil

5.2 Executive Officers
Executive Officers' Remuneration

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated		University	
	Number of Staff	2002	Number of Staff	2002
\$100 000 - \$109 999	1	1	-	-
\$110 000 - \$119 999	1	3	1	2
\$120 000 - \$129 999	2	-	1	-
\$130 000 - \$139 999	1	4	1	4
\$140 000 - \$149 999	2	1	2	1
\$160 000 - \$169 999	1	-	1	-
\$180 000 - \$189 999	1	-	1	-
\$190 000 - \$199 999	-	2	-	2
\$200 000 - \$209 999	2	1	1	-
\$280 000 - \$289 999	-	1	-	1
\$320 000 - \$329 999	1	-	1	-
	12	13	9	10
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of executives	1 982	2 002	1 547	1 584

The DEST Guidelines specify that executives are defined as the Chief Executive Officer and those staff in a senior line position directly reporting to that position.

The remuneration includes salary, employer's superannuation costs and other benefits, including the associated fringe benefits tax.

6. Remuneration of Auditors

	Note	Consolidated		University	
		2003	2002	2003	2002
Auditing the financial report:		\$'000	\$'000	\$'000	\$'000
South Australian Auditor-General		185	157	185	157
Other Auditors		17	14	2	2
		202	171	187	159

7. Cash Assets

Cash at bank		3 432	554	3 097	354
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Reconciliation of Cash

Cash at end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:

Cash		3 432	554	3 097	354
Deposits at call within three days	10	11 350	11 430	11 350	11 430
		14 782	11 984	14 447	11 784

8. Receivables

Current:					
General debtors		9 906	8 729	9 457	7 113
Student debtors		917	1 338	917	1 338
Loans receivable		14	14	14	14
Superannuation receivable		1 900	1 900	1 900	1 900
Provision for doubtful debts		(1 138)	(954)	(1 343)	(1 019)
		11 599	11 027	10 945	9 346
Non-Current:					
Loans receivable		14	42	14	42
Loans receivable, controlled entity		-	-	208	208
Superannuation receivable		23 100	23 100	23 100	23 100
Provision for doubtful debts		-	(14)	(208)	(222)
		23 114	23 128	23 114	23 128

9. Inventories

Current:					
At cost		375	409	375	409
		375	409	375	409

10. Other Financial Assets	Consolidated		University	
	2003	2002	2003	2002
Investments	\$'000	\$'000	\$'000	\$'000
Current:				
Deposits				
Deposits at call within three days	11 350	11 430	11 350	11 430
Term deposits	25 807	16 768	22 541	13 500
	37 157	28 198	33 891	24 930
Non-Current:				
Bonds and Other:				
Government securities	2 300	2 441	2 300	2 441
Indexed bonds	5 871	5 870	5 871	5 870
Debenture stock	505	553	-	-
Equities:				
Interests in business undertakings:				
Controlled entities at Council valuation	-	-	7 398	7 465
Other entities	149	531	149	531
Other equities - Australian	5 997	6 127	3 871	3 532
Other equities - International	784	871	-	-
Managed Funds:				
HSBC Asset Management	2 154	2 028	2 154	2 028
Tower Trust	903	863	-	-
Unisure Pty Ltd	4 472	4 200	4 472	4 200
Property				
Property Trust	8	7	8	7
Property held for Investment Purposes	5 115	5 115	5 115	5 115
	28 258	28 606	31 338	31 189
Total Investments	65 415	56 804	65 229	56 119
11. Other Assets				
Current:				
Prepayments	2 143	2 080	2 143	2 049
Short term advances to controlled entities	-	-	1 270	-
	2 143	2 080	3 413	2 049
Non-Current:				
Advances to controlled entity	-	-	-	1 525
Project costs carried forward	1 420	1 176	-	-
	1 420	1 176	-	1 525
12. Property, Plant and Equipment				
Land, Buildings and Infrastructure				
Crown Land:				
2003 Independent valuation	17 200	-	17 200	-
2001 Independent valuation	-	10 420	-	10 420
Freehold Land:				
2003 Independent valuation	2 080	-	2 080	-
2001 Independent valuation	-	1 190	-	1 190
Buildings:				
2003 Council valuation	91 410	-	91 410	-
2001, 2002 Independent valuation	400	87 095	-	86 695
At cost	-	2 501	-	2 501
	91 810	89 596	91 410	89 196
Infrastructure:				
Council valuation	5 092	-	5 092	-
2001 Independent valuation	-	4 415	-	4 415
At cost	-	300	-	300
	5 092	4 715	5 092	4 715
Accumulated Depreciation	116 182	105 921	115 782	105 521
Buildings Under Construction	(10)	(2 339)	-	(2 339)
	11 798	1 449	11 798	1 449
	127 970	105 031	127 580	104 631
Library Collection:				
1993 University valuation	80 545	81 320	80 545	81 320
At cost	33 646	29 937	33 646	29 937
	114 191	111 257	114 191	111 257
Accumulated Depreciation	(46 321)	(44 383)	(46 321)	(44 383)
	67 870	66 874	67 870	66 874
Equipment:				
At fair value	34 215	35 651	33 124	34 616
Accumulated Depreciation	(23 471)	(24 519)	(22 595)	(23 733)
	10 744	11 132	10 529	10 883

12. Property, Plant and Equipment Land, Buildings and Infrastructure	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Aircraft:				
At Independent valuation 2000	3 670	3 670	-	-
At cost	347	-	-	-
Accumulated depreciation	(1 122)	(754)	-	-
	2 895	2 916	-	-
Works of Art:				
2002 University valuation	-	4 224	-	4 224
2003 University valuation	4 679	-	4 679	-
	4 679	4 224	4 679	4 224
	214 158	190 177	210 658	186 612

Movement in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the reporting period.

(a) Economic Entity	Land, Buildings and Infra- structure	Library	Equipment	Aircraft	Works of Art	2003 Total \$'000
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at the beginning of the year	105 031	66 874	11 132	2 916	4 224	190 177
Additions	11 326	3 708	4 258	347	31	19 670
Disposals	-	(219)	(987)	-	-	(1 206)
Revaluation increments	14 088	-	-	-	424	14 512
Depreciation expense	(2 475)	(2 493)	(3 659)	(368)	-	(8 995)
Carrying amount at end of reporting period	127 970	67 870	10 744	2 895	4 679	214 158
(b) Parent Entity						
Balance at the beginning of the year	104 631	66 874	10 883	-	4 224	186 612
Additions	11 326	3 708	4 134	-	31	19 199
Disposals	-	(219)	(948)	-	-	(1 167)
Revaluation increments	14 088	-	-	-	424	14 512
Depreciation expense	(2 465)	(2 493)	(3 540)	-	-	(8 498)
Carrying amount at end of reporting period	127 580	67 870	10 529	-	4 679	210 658

Land, Buildings and Infrastructure Revaluation

Land, buildings and infrastructure were revalued as at 31 December 2001 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).

During 2002, an aircraft hangar owned by ARA Airborne Research Australia Pty Ltd, a controlled entity of the University, was written down to its fair value, based on an independent market valuation conducted by Alex Smithson, B App Sc (Val) FAPI of Knight Frank. The amount of the write down is \$523 000, and on consolidation this has been charged to the Asset Revaluation Reserve.

13. Restricted Assets

Crown Land is not owned by the University and therefore cannot be sold by the University

The University has restrictions imposed on the real property listed above (land, buildings and improvements) under *The Flinders University of South Australia Act 1966*. Section 3 (4) of the Act states:

The University cannot alienate, mortgage, charge, or demise any lands, tenements, or hereditaments of the University other than with the approval of the Governor, except by way of lease for a term not exceeding 21 years from the time when the lease is made in and by which there is reserved, during the whole term, the highest rent that can be reasonably obtained.

14. Payables

	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current:				
Creditors	4 072	3 579	3 815	3 468
Accrued expenses	6 485	4 896	6 499	4 397
Annual leave on-costs	500	452	483	425
Long service leave on-costs	252	220	240	209
Total Current	11 309	9 147	11 037	8 499
Non-Current:				
Long service leave on-costs	1 241	1 153	1 233	1 146
Total Non-Current	1 241	1 153	1 233	1 146

15. Interest Bearing Liabilities	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current:				
Funds held on behalf of external entities:				
South Australian Research and Education Network	3 857 ²	-	3 857 ²	-
Student entities	2 258	1 877	2 258	1 877
Other entities	1 383	1 499	1 383	1 499
Advances from controlled entities	-	-	1 671	661
Total Current	7 498	3 376	9 169	4 037
Non-Current:				
Funds held on behalf of external entities	597	552	597	552
Total Non-Current	597	552	597	552
16. Provisions				
Current:				
Annual leave	2 646	2 364	2 560	2 224
Long service leave	2 444	2 189	2 323	2 076
SA Superannuation scheme	1 900	1 900	1 900	1 900
Outstanding claims - Unisure Pty Ltd	534	563	534	563
Severance - Contract employees	191	197	191	197
Total Current	7 715	7 213	7 508	6 960
Non-Current:				
Long service leave	12 031	11 476	11 962	11 404
SA Superannuation scheme	23 100	23 100	23 100	23 100
Invalidity scheme	175	250	175	250
Outstanding claims - Unisure Pty Ltd	801	845	801	845
Total Non-Current	36 107	35 671	36 038	35 599
Leave on-costs	1 993	1 825	1 956	1 780
Aggregate Employee Benefits	45 815	37 496	45 502	37 379
Reconciliation of leave provisions				
Annual leave	2 646	2 364	2 560	2 224
Annual leave on-costs	500	452	483	425
Total Annual Leave Provision	3 146	2 816	3 043	2 649
Long service leave	14 475	13 665	14 285	13 480
Long service on-costs	1 493	1 373	1 473	1 355
Total Long Service Leave Provision	15 968	15 038	15 758	14 835
Total Leave Provisions	19 114	17 854	18 801	17 484
	2003	2002	2003	2002
	Number	Number	Number	Number
Number of full time equivalent employees at year end	1 459	1 474	1 430	1 442
17. Other Liabilities				
Current:				
Income in advance:				
Fees and charges	1 800	1 645	1 800	1 645
Other	2 215	1 470	148	151
	4 015	3 115	1 948	1 796
Funds held on behalf of external entities	473	579	473	579
Total Current	4 488	3 694	2 421	2 375
18. Reserves				
(a) Reserves comprise:				
Asset revaluation	21 084	6 926	26 384	12 640
Endowment	10 365	9 829	10 365	9 829
Other	500	500	500	500
	31 949	17 255	37 249	22 969

² These funds were received from DEST for a consortium of universities, Commonwealth Government agencies and the State Government to improve bandwidth in the Adelaide metropolitan area.

18. (a) Reserves (continued)

The asset revaluation reserve is used to record increases and decreases in the value of non-current assets.

The endowment reserve is used to record the value of gifts, prizes and bequests provided to the University.

The other reserve is used to record the balance held in the student loan fund.

(b) Movements in Reserves

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Asset Revaluation Reserve:				
Balance at beginning of financial year	6 926	4 155	12 640	3 451
Asset revaluation increment	14 512	3 294	14 512	9 189
Asset revaluation decrement	(354)	(523)	(768)	-
Balance at End of Financial Year	21 084	6 926	26 384	12 640
Endowment:				
Balance at beginning of financial year	9 829	8 929	9 829	8 929
Transfers to reserves	536	900	536	900
Balance at End of Financial Year	10 365	9 829	10 365	9 829
Other Reserves:				
Balance at beginning of financial year	500	503	500	503
Transfers from reserves	-	3	-	3
Balance at End of Financial Year	500	500	500	500

19. Retained Surplus (Accumulated Funds)

Balance at the beginning of year	207 294	199 212	197 405	188 106
Adjustment to opening Balance (Note 1(t))	(111)	-	(107)	-
Operating result from ordinary activities attributing to parent entity	14 083	8 979	14 817	10 196
Transfers to reserves	(536)	(897)	(536)	(897)
Balance at the End of Year	220 730	207 294	211 579	197 405

20. Outside Equity Interest

Outside equity interest in controlled entities comprises:

Issued capital	5	-	-	-
Retained results	17	-	-	-
	22	-	-	-

21. Commitments For Expenditure**(a) Capital Expenditure Commitments**

Buildings Works:				
Within 12 months	1 102	10 699	1 102	10 699
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	1 102	10 699	1 102	10 699
Plant and Equipment:				
Within 12 months	578	932	578	932
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	578	932	578	932
Joint Ventures:				
With 12 months	-	-	-	-
12 months or longer and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	-	-	-	-

(b) Lease Commitments

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in Note 24 to the financial statements.

(c) Other Expenditure Commitments

Within 12 months	1 213	2 602	1 213	1 994
12 months or longer and not longer than 5 years	524	981	524	981
Longer than 5 years	-	-	-	-
	1 737	3 583	1 737	2 975

22. Superannuation Plans

The University contributes to the following employee superannuation funds:

UniSuper

- (a) *UniSuper Defined Benefit Plan or Investment Choice Plan (formerly Superannuation Scheme for Australian Universities – (SSAU))*

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.

Actuarial investigations are normally undertaken triennially as at the end of respective calendar years. Grant Harslett, FIA, FIAA of Towers Perrin completed the last actuarial investigation on 16 May 2003. A funding and solvency certificate required under regulation 9.09(1) of the Superannuation Industry (Supervision) Regulations has been obtained with a date of effect of 31 July 2003. The certificate is valid until 31 December 2007 unless certain specified events occur in which case the certificate is valid to the date of those events.

UniSuper reports its results on a financial year ending 30 June.

As at 30 June, the amounts of the fund applicable to Flinders University for members in the defined benefit plan were:

	University	
	2003	2002
	\$'000	\$'000
Net Market Value	105 737	112 327
Less: Accrued Benefits	100 265	96 552
Surplus	5 472	15 775
Vested Benefits	119 995	120 760

In 2003 UniSuper adopted a change in accounting policy. In previous years the value of accrued benefits were determined as the greater of:

- (a) the present value of future payments of benefits to the members which arise from the membership of UniSuper up to the reporting date, determined using the actuary's current expectations of earnings on UniSuper's assets, future inflation, salary levels and other relevant assumptions; and
- (b) the vested benefits.

For 2003 the accrued benefits have been calculated as per a) above.

The change in accounting policy was made as the Trustees believe that, as there are more than 100 participating employers in the Fund, accrued benefits calculated as per a) above are a more relevant measure of UniSuper's accrued liability because all members are not expected to voluntarily leave service at one time. The comparative amounts for 2002 have been changed to reflect the change in accounting policy.

Had the change not been made, the amounts reported would be as follows:

	University	
	2003	2002
	\$'000	\$'000
Net Market Value	105 737	112 327
Less: Accrued Benefits	119 995	120 760
Deficit	14 258	8 433
Vested Benefits	119 995	120 760

- (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.

(b) UniSuper Award Plus Plan (formerly Tertiary Education Superannuation Scheme (TESS)) (continued)*South Australian Superannuation Scheme*

The University has 89 (94) 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 2003 by the Director Superannuation, South Australian Department of Treasury and Finance, at \$25 million (\$25 million). This represents no change in the liability since 31 December 2002. 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 8). Recognition of the receivable from the Commonwealth is in accordance with Urgent Issues Group Abstract 51 Recovery of Unfunded Superannuation of Universities and 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	
	2003	2002
	\$'000	\$'000
University's gross liability	26 400	26 300
Less: Funded component	1 400	1 300
Unfunded Liability	25 000	25 000

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 SSAU or remaining with the University's own scheme. As at 30 June 2003, there were 14 members of the scheme (14 staff). 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	
	2003	2002
	\$'000	\$'000
Net market value	5 012	5 158
Less: Accrued benefits	4 636	4 338
Surplus	376	820
Vested Benefits	4 636	4 338

The surplus in the fund is 8 percent (19 percent).

NSP Buck undertook the last actuarial review as at 1 January 2001. At that time the Scheme had a surplus of \$1.1 million, which was 21 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 2003. No employer contributions were made in 2003 (nil).

Invalidity Scheme

Certain members of Superannuation Scheme No. 1 and a small number of other staff are members of the Invalidity Scheme. 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.

Based on independent actuarial advice, the University has recognised a liability of \$175 000 (\$250 000) for the Scheme. This is equal to the estimated present value of future disablement benefits as at 31 December 2003. The last actuarial investigation was completed as at 31 December 2000 by J Holbrook BEc BSc of William M Mercer Pty Ltd.

23. Contingent Liabilities and Contingent Assets

Contingent Liabilities

There are no material contingent liabilities.

Contingent Assets

There are no material contingent assets.

24. Leases

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
University as Lessee				
Total rents paid during the reporting period	619	985	577	787

Commitments

Contracted but not provided for in the financial statements and payable as follows:

Within 12 months	75	63	50	38
12 months or longer and not longer than 5 years	275	300	175	200
Longer than five years	307	357	-	25
	657	720	225	263

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.

University as Lessor

Lease receivables contracted but not included in the financial statements and receivable as follows:

Within 12 months	585	523	649	583
12 months or longer and not longer than 5 years	1 250	532	1 309	639
Longer than five years	-	-	-	-
	1 835	1 055	1 958	1 222

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 \$5.1 million. In accordance with Australian Accounting Standard AAS 4 'Depreciation', it is not depreciated.

As at 31 December 2003 82 percent (75 percent) of the building is leased or available for lease to entities outside the economic entity. A further 8 percent (5 percent) is leased to entities outside the University but within the economic entity.

The University has accommodation 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 also leases a small amount of space on its main campus to commercial entities that provide services to students and staff and to other research entities in the Port Lincoln Marine Science Centre.

25. 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 2003, funding from both DEST and HECS totalled \$110.6 million (\$105.0 million) and represented 57 percent (57 percent) of revenue.

26. Joint Venture Operations

Name of Entity	Principal Activity	Output Interest	
		2003	2002
		Percent	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:

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Centre for Remote Health				
Current Assets:				
Receivables	804	951	804	951
Non-Current Assets:				
Property, plant and equipment	1 530	1 608	1 530	1 608
Total Assets	2 334	2 559	2 334	2 559
Current Liabilities:				
Payables	(55)	(39)	(55)	(39)
Annual leave	(9)	(8)	(9)	(8)
Total Current Liabilities	(64)	(47)	(64)	(47)
Non-Current Liabilities:				
Long service leave reserve	(18)	(12)	(18)	(12)
Total Liabilities	(82)	(59)	(82)	(59)
Net Assets	2 252	2 500	2 252	2 500
Greater Green Triangle				
Current Assets:				
Receivables	527	548	527	548
Non-Current Assets:				
Property, plant and equipment	60	48	60	48
Total Assets	587	596	587	596
Current Liabilities:				
Payables	(6)	-	(6)	-
Annual leave	(8)	(3)	(8)	(3)
Total Current Liabilities	(14)	(3)	(14)	(3)
Non-Current Liabilities:				
Long service leave reserve	(4)	(1)	(4)	(1)
Total Liabilities	(18)	(4)	(18)	(4)
Net Assets	569	592	569	592

The University's joint venture operations have no contingent liabilities as at 31 December 2003 (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 Statement of Financial Performance.

27. Joint Venture Entities

Interest in Joint Venture Entities

(a) 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 the Australian Accounting Standard AAS 19 Accounting for Interest in Joint Ventures.

Relevant disclosures are as follows:

Name of Entity		Reporting Date	Principal Activity	Ownership Interest	
				2003 Percent	2002 Percent
Co-operative Research Centres (CRC)					
Co-operative Research Centre for Aboriginal Health (CRCAH)	(U)	30 June	To provide a cross cultural framework for strategic research leading to evidence based improvements in education and health practice.	21	10
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	9	9
Co-operative Research Centre for Tissue Growth and Repair (TGR)	(U)	30 June	To coordinate research, postgraduate training and commercialisation of applications of growth factors that support the growth and repair of human and animal tissues.	-	10
Other Joint Venture Entities					
Australian Centre for Community Services Research (ACCSR)	(U)	31 December	Applies social science research methods to the design and evaluation of community service programs	50	50
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	7	7
Centre for Groundwater Studies (CGS)	(U)	30 June	Is a cooperative research and education venture focussed on processes affecting recharge, discharge, contamination and remediation of groundwater.	10	10
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	(I)	31 December	Offers award courses for people seeking professional careers in the arts	-*	-*
South Australian Academic Research and Development Network (SAARDNet)	(U)	31 December	To provide high speed communication links and enhanced network and shared resources between higher education and research organisations.	-	20
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

Interest in Joint Venture Entities (continued)

Name of Entity	Reporting Date	Principal Activity	Ownership Interest	
			2003 Percent	2002 Percent
Other Joint Venture Entities				
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

(I) Incorporated (U) Unincorporated

* Partner but no right to residual assets

Ownership (or voting rights) interest as determined by agreement or proportion of cash and in kind contributions.

	Share Accumulated Funds		Expenditure Commitments ³	
	2003 \$'000	2002 \$'000	2004 \$'000	2003 \$'000
Co-operative Research Centre for Aboriginal Health (CRAH)	294	132	50	50
Co-operative Research Centre for Sensor Signal Information Processing (CSSIP)	35	74	20	20
Co-operative Research Centre for Tissue Growth and Repair (TGR)	-	37	-	-
Australian Centre for Community Services Research	31	13	-	-
Australian Housing and Urban Research Institute (AHURI) - Southern Research Centre	171	154	50	50
Centre for Groundwater Studies (CGS)	31	31	-	-
Helpmann Academy for the Visual and Performing Arts Inc (Helpmann Academy)	-	-	35	33
South Australian Academic Research and Development Network (SAARDNet)	-	3	-	-
South Australian Centre for Economic Studies (SACES)	97	43	-	-
South Australian Consortium for Information Technology and Telecommunications (SACITT)	92	27	-	-
South Australian Partnership for Advanced Computing (SAPAC)	90	127	100	100
South Australian Tertiary Admissions Centre (SATAC)	249	281	259	336
	1 090	922	514	589

(b) 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.

27A. Other Business Undertakings

Investments in business undertakings that are carried in the Financial Statements at fair value.

University

	Principal Activities	Ownership Interest		Investment at Fair Value	
		2003 Percent	2002 Percent	2003 \$'000	2002 \$'000
AARNet	Delivers high capacity internet based network services to the education and research sector.	2.6	2.6	1	1
AITEC Pty Ltd	Provides educational programs and project management services.	9.9	9.9	42	-
GroPep Ltd	Biotechnology	<0.1	<0.1	20	40
IDP Education Australia Ltd	Promotes Australian Universities to international students.	2.6	2.6	10	10
International Education Network Pty Ltd	Provision of Education in China.	10.0	8.7	68	300
International Education Network (Hong Kong) Ltd	Provision of Education in China.	8.7	8.7	-	-
m.Net Corporation Ltd	Provision of wireless and mobile internet technology.	0.5	12.5	-	30
Monoquant Pty Ltd	Biotechnology.	7.5	-	-	-
Ngapartji Pty Ltd	Technology training.	10.5	14.9	8	150
Australian Orthopaedic Innovations Pty Ltd	Commercialisation of orthopaedic inventions.	3.4	3.4	-	-
Spire Innovations Pty Ltd	Handles commercialisation of CSSIP Intellectual Property.	12.5	12.5	-	-
TGR Biosciences Pty Ltd	Biotechnology development company.	7.7	7.0	-	-
				149	531

The University's investment in IDP Education Australia Ltd and AARNet is at cost. These shareholdings are not tradeable and no dividends are paid.

Consolidated, Other than University

	Principal Activities	Ownership Interest		Investment at Fair Value	
		2003 Percent	2002 Percent	2003 \$'000	2002 \$'000
YourAmigo Pty Ltd	An enterprise search and Internet infrastructure company.	14	14	2 595	2 595

28. Controlled Entities

Flinders University is the parent entity or ultimate parent entity of the following entities, all of which are incorporated in Australia.

	Principal Activities	Ownership Interest	
		2003 Percent	2002 Percent
Airborne Research Australia Pty Ltd	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 (100 percent owned by Flinders Consulting Pty Ltd)	Provides a high quality comprehensive infertility investigatory and treatment service.	100	100

28. Controlled Entities (continued)

Principal Activities		Ownership Interest	
		2003 Percent	2002 Percent
Flinders Technologies Pty Ltd	Commercialisation of University sourced intellectual property.	100	100
Flinders MediTech Pty Ltd (75 percent owned by Flinders Technologies Pty Ltd)	Medical device company.	75	-
MediMolecular Pty Ltd (75 percent owned by Flinders Technologies Pty Ltd)	Biotech company.	75	75
Heaslip Trust	Supports medical education activities in the School of Medicine.	100	100
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

29. Associated Entities

Name of Entity	Principal Activities	Ownership Interest		Carrying Amount	
		2003 Percent	2002 Percent	2003 \$'000	2002 \$'000
Unisure Pty Ltd	Provision of workers compensation services and investment of funds set aside for workers compensation.	33.3	33.3	-	-

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. As at 31 December 2003 the Unisure Unit Trust held net assets of \$3.2 million on behalf of the University (\$2.9 million).

The University has incorporated its share of the financial transactions of the Unisure Unit Trust into the University column of the financial statements.

30. Disaggregated Information

The University operates in the field of higher education in Australia and provides teaching and research services.

31. Discontinuing Operations

In 2003 the University decided to cease the operations of the National Tidal Facility Australia (NTFA). The NTFA fulfils an important national role as it specialises in tidal predictions, sea level monitoring and contemporary marine science issues. However as it is not involved in the University's core teaching and research activities, it was decided that it is more appropriate for the services to be provided by the Commonwealth Government. The operation was transferred to the Commonwealth Government effective from 1 January 2004.

After excluding costs associated with the transfer, in 2003 the NTFA earned revenues of \$1.4 million and incurred expenses of \$1.5 million. As at 31 December 2003, 13 staff were employed in the NTFA.

32. Subsequent Events

One of the University's controlled entities, ARA Airborne Research Australia Pty Ltd, sold one of its aircraft in February 2004 for \$1.9 million (net of GST). As the sale occurred after 31 December 2003, the impact of this sale does not affect the 2003 financial statements.

33. Assets and Liabilities of Trusts for which the Institution is Trustee

The University is the trustee of two trusts:

Trust Name	Purpose
ADS Students	Payment of stipends to AUSAid students
Sir Ewen Waterman	Promotion and encouragement of biomedical science education

The amount held in trust for Sir Ewen Waterman is immaterial.

ADS Students

The only asset of the trust is cash received from AUSAid. The following table shows the cash flows:

	2003	2002
	\$'000	\$'000
Opening Balance	52	41
Receipts	3 516	2 733
	3 568	2 774
Less: Payments	3 518	2 722
Closing Balance	50	52

The funds held in trust for AUSAid are not included in the University's Statement of Financial Position and Statement of Financial Performance.

A controlled entity 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 consolidated entity's Statement of Financial Performance and Statement of Financial Position.

34. Notes to the Statement of Cash Flows

(i) Reconciliation of Cash Flow from Operations with Operating Result

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Operating result	14 100	8 980	14 817	10 196
Add: Loss (Gain) from sale of assets	311	(305)	329	(247)
	14 411	8 675	15 146	9 949
Non-cash items:				
Depreciation	8 995	8 266	8 498	7 734
Assets received for no consideration	(1 247)	(1 289)	(1 247)	(1 289)
Capitalised investment revenue	(708)	(262)	(659)	(262)
Prior period adjustment	75	-	-	-
Other	555	(334)	-	(332)
Sub Total	22 081	15 056	21 738	15 800
Change in assets and liabilities:				
Increase in receivables	(558)	(1 397)	(1 585)	(478)
Decrease in inventories	34	4	34	4
Increase in other assets	(307)	(871)	(94)	(659)
Increase in payables	2 250	667	2 625	751
Increase in provisions	827	2 378	880	2 297
Increase in other liabilities	900	1 344	152	266
Net Cash provided by Operating Activities	25 227	17 181	23 750	17 981

(ii) Financing Facilities

Flinders University has the following arrangements with the ANZ Bank:

Overdraft Facility ⁽¹⁾	500	500	500	500
Amount used	-	-	-	-
Unused Overdraft facility	500	500	500	500
Visa Credit Cards facility ⁽²⁾	1 805	2 783	1 755	2 693
Amount used	178	176	176	171
Unused Credit Cards facility	1 627	2 607	1 579	2 522

(1) Facility is secured by a Charge over Term Deposit \$500 000.

(2) The Credit Cards facility is unsecured.

(iii) 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 \$1.3 million (\$1.3 million) by means of donations. These acquisitions are not reflected in the Statement of Cash Flows.

(iv) Cash Balances Not Available for Use

All cash balances are available for use (2002 all available).

(v) 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.

35. Financial Instruments

The following is the Institutions 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
(i) Financial Assets			
Cash at bank	1(o)	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Deposits at 24 hour call	10	Recognised at nominal amounts.	Interest accrued generally credited to revenue in the period it is earned.
Term Deposits	10	Recognised at nominal amounts.	Interest accrued credited to revenue on maturity.
Government Securities (excluding Indexed Bonds)	10	Recognised at nominal amounts.	Interest accrued credited to revenue on half yearly basis.
Commonwealth Indexed Bonds	10	Recognised at market value.	Interest accrued credited to revenue on quarterly basis. Indexation factor credited to revenue as at year end.
Debenture Stock	10	Recognised at cost, which approximates to fair value.	Carrying amount of investments adjusted to fair value as at year end.
Managed Funds	10	Recognised at market value.	Accrued distributions credited to revenue in June and December. Capital increments/decrements also recognised in June and December.
Equities	10	Recognised at market value.	Carrying amount of investments adjusted to market value in June and December.
Interest in business undertakings	10	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	10	Recognised at market value	Independently valued by Edward Rushton Australia Pty Ltd as at 31 December 2002
Receivables	8	Shown at amounts due from customers, inclusive of GST and reduced for expected credit losses (ie Provision for Bad and Doubtful Debts).	Credit is allowed for a 30 day term.
(ii) Financial Liabilities			
Trade creditors and accruals	14	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	15	Carried at their principal amounts.	Interest is credited monthly at the University's (weighted) interest earning rate on short term investments.

35. Financial Instruments (continued)

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.

	Weighted Average Interest Rate Percent	Variable Interest Rate \$'000	2003 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets:							
Cash	3.75	3 432	-	-	-	3 432	
Receivables	8.50	-	14	14	-	34 685	
Investments	5.44	28 920	15 766	5 728	2 466	12 535	
		32 352	15 780	5 742	2 466	47 220	
Weighted Average Interest Rate (percent)		5.26	5.31	6.42	4.00	-	
Financial Liabilities:							
Payables	-	-	-	-	-	10 557	
Interest Bearing Liabilities	5.15	8 095	-	-	-	-	
		8 095	-	-	-	10 557	
Weighted Average Interest Rate (percent)		5.15	-	-	-	-	
Net Financial Assets		24 257	15 780	5 742	2 466	36 663	

	Weighted Average Interest Rate Percent	Variable Interest Rate \$'000	2002 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets:							
Cash	3.25	554	-	-	-	554	
Receivables	8.50	-	14	42	-	34 099	
Investments	4.94	18 521	16 768	5 901	2 464	13 150	
		19 075	16 782	5 943	2 464	47 249	
Weighted Average Interest Rate (percent)		4.72	4.73	6.53	4.00	-	
Financial Liabilities:							
Payables	-	-	-	-	-	8 475	
Interest Bearing Liabilities	4.52	3 928	-	-	-	-	
		3 928	-	-	-	8 475	
Weighted Average Interest Rate (percent)		4.52	-	-	-	-	
Net Financial Assets		15 147	16 782	5 943	2 464	38 774	

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 \$784 000 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 \$25 million (\$25 million).

Net Fair Value

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values.

36. Acquittal of Commonwealth Government Financial AssistanceAmounts received and expended pursuant to the *Higher Education Funding Act 1988*, excluding HECS:**36.1 Teaching and Learning**

	Parent Entity (University)			
	Operating Financial Assistance		Teaching Hospitals	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
A. Financial Assistance in Advance (paid in the previous reporting period for the current reporting period)	3 760	3 779	15	14
B. <i>Add:</i> Financial Assistance received during reporting period.	48 815	48 957	185	182
C. <i>Less:</i> Financial Assistance in Advance (received in the reporting period for the next reporting period)	(3 850)	(3 760)	(15)	(15)
Total from DEST A + B - C	48 725	48 976	185	181
Accrual Adjustments:				
2002 Undergraduate Overenrolment (paid in current reporting period)	697	35	-	-
Undergraduate Overenrolment	399	697	-	-
Financial Assistance in Advance for the current reporting period paid in the previous reporting period	(3 760)	(3 779)	(15)	(14)
Financial Assistance in Advance recognised as revenue for the period	3 850	3 760	15	15
Revenue attributed to the reporting period	49 911	49 689	185	182
<i>Add:</i> Surplus prior year	5 749	7 135	15	14
Funds available for the reporting period	55 660	56 824	200	196
<i>Less:</i> Expenses for the current period	(43 440)	(51 075)	(185)	(181)
Surplus for reporting period	12 220	5 749	15	15

Note: Financial assistance excludes Superannuation Supplementation, the Research Training Scheme and the Institutional Grants Scheme.

	Parent Entity (University)			
	Capital Development Pool		HECS	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
A. Financial Assistance in Advance (paid in the previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	-	-	2 463	2 232
B. <i>Add:</i> Financial Assistance received during reporting period (including Commonwealth superannuation supplementation)	789	1 171	30 943	28 571
C. <i>Add:</i> Contributions actually received from students			4 741	4 124
D. <i>Less:</i> Financial Assistance in advance (received in the reporting period for the next reporting period, including Commonwealth superannuation supplementation)	-	-	(2 611)	(2 463)
Total from DEST A + B + C - D	789	1 171	35 536	32 464
Accrual Adjustments:				
Adjustment to prior year upfront receipts in the current reporting period	-	-	(58)	(4)
DEST 2002 adjustment paid in 2003	-	-	2 187	-
Financial assistance in advance for the current reporting period paid in the previous reporting period	-	-	(2 463)	(2 232)
Financial assistance in advance recognised as revenue for the period	-	-	2 611	2 463
Shortfall in student receipts from DEST estimate	-	-	(722)	(571)
Revenue attributed to the reporting period	789	1 171	37 091	32 120
<i>Add:</i> Surplus prior year	1 171	-	2 463	2 232
Funds available for the reporting period	1 960	1 171	39 554	34 352
<i>Less:</i> Expenses for current period	(140)	-	(36 943)	(31 889)
Surplus for reporting period	1 820	1 171	2 611	2 463

36.1 Teaching and Learning (continued)

	Parent Entity (University) PELS	
	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid in the previous reporting period for the current reporting period, including Commonwealth superannuation supplementation)	-	-
B. Add: Financial Assistance received during reporting period (including Commonwealth superannuation supplementation)	1 218	649
C. Less: Financial Assistance in Advance (received in the reporting period for the next reporting period, including Commonwealth superannuation supplementation)	-	-
Total from DEST A + B - C	1 218	649
Accrual Adjustments:		
Funds owed by DEST for the current reporting period	117	72
Less: Financial Assistance for the previous reporting period paid in the current reporting period	(72)	-
Revenue attributed to the reporting period	1 263	721
Add: Surplus prior year	-	-
Funds available for the reporting period	1 263	721
Less: Expenses for the current period	(1 263)	(721)
Surplus for reporting period	-	-

36.2 Australian Research Council

	Parent Entity (University)			
	Discovery - Projects (Large grants)		Discovery - Fellowships	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid during previous reporting period)	134	-	6	-
B. Add: Financial Assistance received during reporting period	1 548	1 703	87	197
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	-	(134)	-	(6)
Total from ARC A + B - C	1 682	1 569	93	191
Accrual Adjustments:				
Financial Assistance in Advance recognised as revenue for the period	-	134	-	6
Financial Assistance in Advance for the current reporting period paid in the previous reporting period	(134)	-	(6)	-
Revenue attributed to the reporting period	1 548	1 703	87	197
Add: Surplus (Deficit) prior year	690	946	(17)	8
Funds available for the reporting period	2 238	2 649	70	205
Less: Expenses for the current period	(1 690)	(1 959)	(66)	(222)
Surplus (Deficit) for reporting period	548	690	4	(17)

36.2 Australian Research Council (continued)

	Parent Entity (University)			
	Discovery - Indigenous Researchers Development		Linkage - Infrastructure	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid during previous reporting period)	3	-	-	-
B. Add: Financial Assistance received during reporting period	39	30	498	220
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	-	(3)	-	(6)
Total from ARC A + B - C	42	27	498	214
Accrual Adjustments:				
Financial Assistance in Advance recognised as revenue for the period	-	3	-	6
Financial Assistance in Advance for the current reporting period paid in the previous reporting period	(3)	-	-	-
Revenue attributed to the reporting period	39	30	498	220
<i>Add:</i> Surplus prior year	16	13	188	-
Funds available for the reporting period	55	43	686	220
<i>Less:</i> Expenses for the current period	(26)	(27)	(564)	(32)
Surplus for reporting period	29	16	122	188

	Parent Entity (University)			
	Linkage - International Research Exchange		Linkage - Projects (includes Strategic Partnerships with Industry (SPIRT))	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid during previous reporting period)	1	-	53	-
B. Add: Financial Assistance received during reporting period	10	15	934	674
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	-	(1)	-	(52)
Total from ARC A + B - C	11	14	987	622
Accrual Adjustments:				
Financial Assistance in Advance recognised as revenue for the period	-	1	-	52
Financial Assistance in Advance for the current reporting period paid in the previous reporting period	(1)	-	(53)	-
Revenue attributed to the reporting period	10	15	934	674
<i>Add:</i> Surplus prior year	19	7	523	466
Funds available for the reporting period	29	22	1 457	1 140
<i>Less:</i> Expenses for the current period	(25)	(3)	(862)	(617)
Surplus for reporting period	4	19	595	523

36.3 DEST Research Financial Assistance

	Parent Entity (University)			
	Institutional Grants Scheme		Research Infrastructure Block Grants	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid during previous reporting period)	562	562	276	232
B. Add: Financial Assistance received during reporting period	7 025	7 038	3 467	2 954
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	(542)	(562)	(278)	(276)
Total from DEST A + B - C	7 045	7 038	3 465	2 910
Accrual Adjustments:				
Financial Assistance in Advance for the current reporting period paid in the previous reporting period	(562)	(562)	(276)	(232)
Financial Assistance in Advance recognised as revenue for the period	542	562	278	276
Revenue attributed to the reporting period	7 025	7 038	3 467	2 954
Add: Surplus prior year	949	848	900	869
Funds available for the reporting period	7 974	7 886	4 367	3 823
Less: Expenses for the current period	(6 988)	(6 937)	(3 136)	(2 923)
Surplus for reporting period	986	949	1 231	900

	Parent Entity (University)			
	Research Training Scheme		Systemic Infrastructure Initiative	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid during previous reporting period)	899	845	-	40
B. Add: Financial Assistance received during reporting period	11 270	10 631	3 800	460
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	(902)	(899)	(1 511)	-
Total from DEST A + B - C	11 267	10 577	2 289	500
Accrual Adjustments:				
Take up revenue as a Liability ⁽⁴⁾	-	-	(3 800)	-
Financial Assistance in Advance for the current reporting period paid in the previous reporting period	(899)	(845)	-	(40)
Financial Assistance in Advance recognised as revenue for the period	902	899	1 511	-
Estimated amount likely to be repaid back to DEST	(208)	-	-	-
Revenue attributed to the reporting period	11 062	10 631	-	460
Add: Surplus prior year	1 024	845	50	40
Add: Funds held as a liability*	-	-	2 289	-
Add: Financial Assistance in Advance for the current reporting period paid in the previous reporting period	-	-	1 511	-
Funds available for the reporting period	12 086	11 476	3 850	500
Less: Expenses for the current period	(11 184)	(10 452)	(50)	(450)
Surplus for reporting period	902	1 024	3 800	50

(4) Funds held DEST are held by the University on behalf of a consortium. As a result they are not revenue under Australian Accounting Standards. As they need to be acquitted under DEST funding requirements, they are show as funds available for expenditure.

36.3 DEST Research Financial Assistance (continued)

	Parent Entity (University) Australian Postgraduate Awards			
	Pre 2002 Funding Component		2002 Onwards Funding Component	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
A. Financial Assistance in Advance (paid during previous reporting period)	-	-	-	-
B. Add: Financial Assistance received during reporting period	723	1 815	1 104	-
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	-	-	-	-
Total from DEST A + B - C	723	1 815	1 104	-
Revenue attributed to the reporting period	723	1 815	1 104	-
Add: Surplus prior year	20	75	87	-
Funds available for the reporting period	743	1 890	1 191	-
Less: Expenses for the current period	(769)	(1 783)	(1 025)	-
(Deficit) Surplus for reporting period	(26)	107	166	-

	Parent Entity (University) International Postgraduate Research Scholarships	
	2003 \$'000	2002 \$'000
	A. Financial Assistance in Advance (paid during previous reporting period)	-
B. Add: Financial Assistance received during reporting period	221	261
C. Less: Financial Assistance in Advance (received in reporting period for next reporting period)	-	-
Total from DEST A + B - C	221	261
Accrual Adjustments:		
Less: Difference between DEST estimate and IPRS expenditure	(18)	-
Revenue attributed to the reporting period	203	261
Add: Surplus prior year	-	-
Funds available for the reporting period	203	261
Less: Expenses for the current period	(203)	(261)
Surplus for reporting period	-	-

36.4 Summary of Unspent Financial Assistance

Category of Financial Assistance	Amount of unspent financial assistance as at 31 December 2003 \$'000	Amount of unspent financial assistance that it is more likely will be approved by the Commonwealth for carry forward 2003 \$'000	Amount of unspent financial assistance that it is more likely will be recovered by the Commonwealth 2003 \$'000
Teaching and Learning:			
Operating, excluding HECS and PELS	12 220	12 220	-
Teaching Hospitals	15	15	-
Capital Development Pool	1 820	1 820	-
HECS	2 611	2 611	-
PELS	-	-	-
ARC:			
Discovery - Projects (Large Grants)	548	548	-
Discovery - Fellowships	4	4	-
Discovery - Indigenous Researchers Development	29	29	-
Linkage - Infrastructure	122	122	-
Linkage - International Research Exchange	4	4	-
Linkage - Projects (includes Strategic Partnerships with Industry (SPIRT))	595	595	-

**36.4 Summary of Unspent Financial Assistance
(continued)**

Category of Financial Assistance	Amount of unspent financial assistance as at 31 December 2003 \$'000	Amount of unspent financial assistance that it is more likely will be approved by the Commonwealth for carry forward 2003 \$'000	Amount of unspent financial assistance that it is more likely will be recovered by the Commonwealth 2003 \$'000
DEST:			
Institutional Grants Scheme	986	986	-
Research Infrastructure Block Grants	1 231	1 231	-
Research Training Scheme	902	902	-
Systemic Infrastructure Initiative	3 800	3 800	-
Australian Postgraduate Awards - Pre 2002 Funding Component	(26)	(26)	-
Australian Postgraduate Awards - 2002 Onwards Funding Component	166	166	-
International Post Graduate Research Scholarships	-	-	-
Total	25 027	25 027	-

37. 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.

DEPARTMENT OF FURTHER EDUCATION, EMPLOYMENT, SCIENCE AND TECHNOLOGY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department was established, as an Administrative Unit pursuant to the *Public Sector Management Act 1995*, on 1 July 2002.

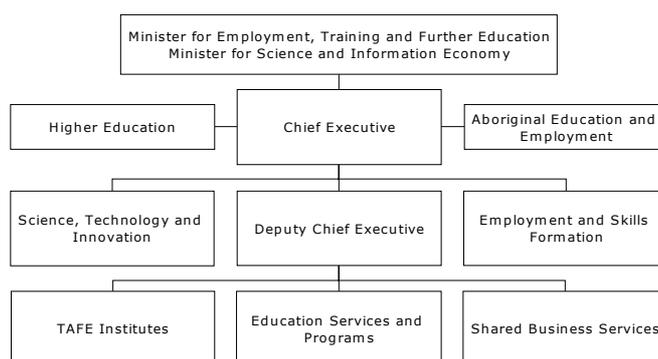
Functions

The functions of the Department of Further Education, Employment, Science and Technology 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 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 of Further Education, Employment, Science and Technology is illustrated in the following organisation chart.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the Department 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. Further, with respect to the assessment of controls, the audit considered whether they were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

During 2003-04, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including student fees and fee for service
- general ledger
- non-current assets, including adequacy of asset register maintenance
- liabilities, including provisions.

A review was also undertaken of the Accounts Receivable Point of Sale System (ARPOS).

In the latter part of 2003-04, Audit commenced a review of key computer processing environments including the Masterpiece financial system, the Accounts Receivable Point of Sale System, the Student Management System and the Remus HRM system.

The reviews were directed at addressing important aspects of management and control over information systems and associated processing operations, specifically, the areas of:

- strategic policy and planning
- business continuity planning
- security policy and procedures
- information systems operation
- aspects of database management, and network and systems software support.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with the Treasurer's Instructions promulgated under the *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 2004 and the results of its operations and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that 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 of Accounts Receivable Point of Sale System (ARPOS) and Computer Information System and Environment — Management and Control as outlined under 'Audit Communications to 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 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, where applicable, are considered, herein.

Accounts Receivable Point of Sale System (ARPOS)

Due to the limitations of the existing accounting software, in TAFE Institutes, in meeting GST requirements, the former Department of Education, Training and Employment (DETE) approved a project in April 2000 to implement a new integrated Point of Sale and Debtor Management system. The implementation date for the new system was envisaged to be July 2002 and cost of implementation was estimated at \$1 million.

ARPOS became operational in early September 2003.

During the year, Audit conducted a review of ARPOS and there were a number of major issues arising from the review that were brought to the attention of the Department, namely:

- the omission of a significant number of general and functional requirements (specifications) from the final contract;
- a delay of three years from the identification of the need to implement an Accounts Receivable Point of Sale system to actual implementation;
- system testing and sign off not completed by the implementation date;
- inadequate training conducted by the Department to facilitate the effective implementation of the new system;
- a number of implementation and operational issues causing major difficulties with the system;
- costs incurred to date of \$2.1 million and that may rise to \$3 million;
- the lack of a change management strategy to ensure the successful implementation of ARPOS.

Audit does acknowledge that the introduction of fees capping for students part way through the project contributed to a number of problems that resulted in a delay in implementation and an increase in costs.

The response from the Department advised that:

- the omission of specifications from the final contract was due to an oversight at the time responsibility of the project passed from DETE to the Department. In general, the contractors have honoured all specifications as identified within the request for tender;
- a number of issues contributed to the delay in implementation and they included the establishment of the Department in 2002 and the need to confirm both funding and endorsement of the purchase recommendation, quality assurance issues with development versions of the software and the extensive ramifications arising from fees capping;
- although basic functionality was available for use some of the more critical functionality was not performing adequately. Other functionality was not available until mid-August 2003.

Due to the workload being experienced by Institutes, they were unable to complete the sign-off stage;

- training provided was inadequate as compared to what would have been preferred for a number of reasons. Accommodation and equipment were limited and therefore training was conducted as a train the trainer exercise. At the time of that training, not all functionality had been delivered but the system did incorporate essential point of sale and sundry debtor operations. On the training days, Institutes found that some functions did not work or consistently had errors;
- inaccuracies in migration of data to ARPOS and data integrity issues were the main implementation concerns. These concerns and a number of operational issues have either been resolved or are currently being addressed;

- all costs to date have been recorded with the exception of Institute costs. These costs are currently being finalised;
- adequate change management planning did not occur to the extent required. This was attributed mainly to the announcement and introduction of fees capping during the course of the project. This resulted in severe impacts to the original scope of the project and subsequently to both the schedule and the efforts required of the developers and the project team to produce the required functionality of the application.

The Department also advised that an independent review of ARPOS is to be undertaken with the review expected to be finalised by the end of November 2004.

Computer Information System and Environment - Management and Control

Audit communicated the results of the review to Departmental management in late August 2004. Among the issues identified were:

- the Department's Information Technology Strategic Plan is currently in draft and needs to be updated and implemented;
- the Department needs to develop an Information Security Policy, as the previous Policy was that of the Department of Employment Training and Education;
- there were several issues identified relating to information security, including the need to perform regular reviews of user access, ensuring appropriate password controls were in place, restricting vendor access to Departmental systems, the need to update documentation and restricting programmer access within the production environments.

At the time of preparation of this Report, the findings were under consideration by the Department.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

As reported earlier, the Department was established on 1 July 2002. The analysis that follows, therefore, concentrates on a comparison of operations over the two year period to 30 June 2004.

Highlights of Financial Statements

	2004	2003	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
State Government funds	229	215	6
Commonwealth Government grants	92	91	1
Student and other fees and charges	68	65	5
Other revenue	27	17	59
Total Operating Revenue	416	388	7
OPERATING EXPENDITURE			
Employment expenses	228	210	9
Supplies and services	129	122	6
Other expenses	59	55	7
Total Operating Expenses	416	387	7
Surplus	-	1	
Net Cash Flows from Operations	20	22	(9)
ASSETS			
Current assets	77	51	51
Non-current assets	453	456	(1)
Total Assets	530	507	5
LIABILITIES			
Current liabilities	53	39	36
Non-current liabilities	36	39	(8)
Total Liabilities	89	78	14
EQUITY	441	429	3

Statement of Financial Performance

Operating Revenues

The principal source of funding for the Department is State Government appropriation which totalled \$226.8 million. Other operating revenues included Commonwealth grants of \$92.5 million, \$68.2 million from student and other fees and charges and \$11.8 million being recovery of the cost of targeted voluntary separation payments.

Operating Expenses

Employee benefits of \$227.9 million constituted 54.7 percent of the total operating expenses of \$416.4 million and included \$11.8 million for targeted voluntary separation payments. Other major expenses included \$21.2 million for funding to non-TAFE providers for Vocational Education and Training, \$24.2 million for information technology infrastructure and communication and \$13.4 million and \$11.1 million for employment programs and science and technology programs respectively.

Operating Result

The surplus for the year before restructuring was \$236 000 (\$1.4 million).

Statement of Financial Position

Net assets increased by \$12.7 million to \$441.3 million due principally to an increase in cash of \$16.3 million.

Statement of Cash Flows

The following table summarises the net cash flows for the two years to 2004.

	2004	2003
	\$'million	\$'million
Net Cash Flows		
Operations	19.8	22.0
Investing	(3.5)	(3.9)
Financing	-	20.4
Change in Cash	16.3	38.5
Cash at 30 June	54.8	38.5

The change in cash for 2004 was not as significant as the previous year as funds totalling \$20.4 million were transferred, in 2003, to the Department from other government agencies on restructuring.

It should also be noted that at 30 June 2004, commitments for capital expenditure due in 2005 amounted to \$8.8 million.

**Statement of Financial Performance
for the year ended 30 June 2004**

	Note	2004	2003
		\$'000	\$'000
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	5	227 852	209 597
Supplies and services	6	129 622	121 932
Grants and subsidies	7	33 932	36 933
Depreciation	8	13 857	14 456
Other	9, 13	11 178	3 643
Total Operating Expenses		416 441	386 561
OPERATING REVENUES FROM ORDINARY ACTIVITIES:			
Commonwealth grants	10	92 452	90 834
Student and other fees and charges	11	68 211	65 089
Other grants and contributions		6 389	5 816
Interest income		2 288	908
Other	12, 13	18 213	9 817
Total Operating Revenues		187 553	172 464
NET COST OF SERVICES		228 888	214 097
REVENUES FROM STATE GOVERNMENT:			
Recurrent appropriations		206 584	201 350
Accrual appropriations		11 629	3 825
Capital appropriations		8 565	5 746
Funds from other Government entities		2 346	4 586
Total Government Revenues		229 124	215 507
SURPLUS FOR THE YEAR BEFORE RESTRUCTURING		236	1 410
Net revenues from restructuring	14	-	427 187
Surplus for the year after restructuring		236	428 597
TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY	26	12 480	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		12 716	428 597

Statement of Financial Position as at 30 June 2004

	Note	2004 \$'000	2003 \$'000
CURRENT ASSETS:			
Cash on hand, at bank and on deposit	15	54 876	38 536
Receivables	16	19 120	9 745
Other	18	2 931	2 913
Total Current Assets		76 927	51 194
NON-CURRENT ASSETS:			
Receivables	16	355	221
Investments	17	1 055	727
Property, plant and equipment	19	452 095	455 158
Total Non-Current Assets		453 505	456 106
Total Assets		530 432	507 300
CURRENT LIABILITIES:			
Payables	20	20 950	17 447
Employee benefits	22	22 577	17 950
Other	23	9 339	4 054
Total Current Liabilities		52 866	39 451
NON-CURRENT LIABILITIES:			
Payables	20	2 969	2 998
Interest bearing liabilities	21	499	499
Employee benefits	22	32 785	35 755
Total Non-Current Liabilities		36 253	39 252
Total Liabilities		89 119	78 703
NET ASSETS		441 313	428 597
EQUITY:			
Accumulated surplus	26	428 833	428 597
Asset revaluation reserve	26	12 480	-
TOTAL EQUITY		441 313	428 597
Commitments	27, 28		
Contingent Assets and Liabilities	29		

Statement of Cash Flows for the year ended 30 June 2004

		2004	2003
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:	Note		
Employee benefits		(225 100)	(199 032)
Supplies and services		(128 734)	(131 951)
Grants and subsidies		(34 252)	(35 055)
Other		(233)	(286)
		(388 319)	(366 324)
RECEIPTS:			
Commonwealth grants		92 379	90 834
Student and other fees and charges		65 624	67 834
Other grants and contributions		6 389	5 816
Interest received		2 048	957
GST receipts from taxation authority		2 799	3 832
Other		9 755	5 492
		178 994	174 765
CASH FLOWS FROM GOVERNMENT:			
Recurrent appropriations		206 584	199 472
Accrual appropriations		11 629	3 825
Capital appropriations		8 565	5 746
Funds from other Government entities		2 346	4 586
		229 124	213 629
Net Cash provided by Operating Activities	30	19 799	22 070
CASH FLOWS FROM INVESTING ACTIVITIES:			
PAYMENTS FOR:			
Purchase of non-current assets		(6 549)	(4 023)
PROCEEDS FROM:			
Sales of non-current assets		3 090	104
Net Cash used in Investing Activities		(3 459)	(3 919)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PROCEEDS FROM:			
Transfer of funds from other Government entities on restructure		-	20 385
Net Cash provided by Financing Activities		-	20 385
NET INCREASE IN CASH HELD		16 340	38 536
CASH AT 1 JULY		38 536	-
CASH AT 30 JUNE	15	54 876	38 536

Program Schedule of Department's Expenses and Revenues for the year ended 30 June 2004

	Employment and Skills Formation				Science, Technology and Innovation	2004 Total \$'000
	VET	Higher Education	Regulatory Services	Employment Development		
	\$'000	\$'000	\$'000	\$'000	\$'000	
EXPENSES:						
Employee benefits	215 437	296	2 807	6 409	2 903	227 852
Supplies and services	120 929	667	563	6 330	1 733	129 622
Grants and subsidies	9 305	4	37	12 876	11 710	33 932
Depreciation	13 857	-	-	-	-	13 857
Other	11 155	-	4	14	5	11 178
Total Operating Expenses	370 683	367	3 411	25 629	16 351	416 441
REVENUES:						
Commonwealth grants	90 498	-	635	1 000	319	92 452
Student and other fees and charges	68 211	-	-	-	-	68 211
Other grants and contributions	6 129	-	-	200	60	6 389
Interest income	2 288	-	-	-	-	2 288
Other	17 608	-	434	-	171	18 213
Revenues from State Government	189 325	546	2 364	19 618	17 271	229 124
Total Operating Revenues	374 059	546	3 433	20 818	17 821	416 677
SURPLUS (DEFICIT) FOR THE YEAR	3 376	179	22	(4 811)	1 470	236

	Employment and Skills Formation				Science, Technology and Innovation	2003 Total \$'000
	VET	Higher Education	Regulatory Services	Employment Development		
	\$'000	\$'000	\$'000	\$'000	\$'000	
EXPENSES:						
Employee benefits	197 916	336	2 861	6 129	2 355	209 597
Supplies and services	108 945	19	789	10 950	1 229	121 932
Grants and subsidies	14 720	-	49	14 509	7 655	36 933
Depreciation	14 456	-	-	-	-	14 456
Other	3 643	-	-	-	-	3 643
Total Operating Expenses	339 680	355	3 699	31 588	11 239	386 561
REVENUES:						
Commonwealth grants	87 365	-	-	1 787	1 682	90 834
Student and other fees and charges	65 085	-	-	3	1	65 089
Other grants and contributions	5 444	-	-	80	292	5 816
Interest income	867	-	-	-	41	908
Other	8 143	-	270	615	789	9 817
Revenues from State Government	174 205	355	3 429	28 219	9 299	215 507
Total Operating Revenues	341 109	355	3 699	30 704	12 104	387 971
SURPLUS (DEFICIT) FOR THE YEAR	1 429	-	-	(884)	865	1 410

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The Department of Further Education, Employment, Science and Technology (DFEEST) was established on 1 July 2002 as an administrative unit pursuant to the *Public Sector Management Act 1995*.

1. Agency Objectives and Funding

(a) Objectives

DFEEST's objectives are to create 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 into ones that are highly skilled, educated and high performing.

DFEEST undertakes a range of functions in order to meet its objectives:

- provision of strategic policy advice for developing the State's workforce;
- ensuring high-quality vocational education and training delivered by TAFE Institutes, other registered training organisations and adult community education providers;
- delivery of high-quality vocational education and training through TAFE Institutes;
- provision of a regulatory service for registered training organisations and higher education providers, including the regulation of apprenticeships and traineeships;
- managing state-funded employment and community development programs;
- facilitating the State's interactions with the university sector; and
- provision of strategic policy advice for science, technology, information economy and innovation policy development that links government, business, industry and the State's education sectors.

(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 *Australian National Training Authority Act 1992*. 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's salary and allowances, which are funded by Special Acts Appropriation. The Department has no control over this part of the annual appropriation. These funds are not recorded in the Department's Statement of Financial Performance or Statement of Financial Position, as the Department does not have control over these funds.

2. Significant Accounting Policies

(a) Basis of Accounting

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

The financial statements have been prepared on the accrual basis of accounting and in accordance with the historical cost convention, except as otherwise stated.

(b) Income Recognition

Appropriations, grants, donations, gifts and bequests, and other contributions are recognised as revenues when the Department obtains control. Control is normally obtained upon their receipt.

Revenues in respect of sales and student and other fees and charges are billed and recognised when the services have been rendered or goods despatched.

(c) Employee Benefits and Employment Related Expenses

Provisions have been established for the Department's liability for various employee benefits arising from services rendered by employees to balance date in accordance with Australian Accounting Standard AASB 1028, 'Employee Benefits'. Employee benefits include entitlements to wages and salaries, long service leave, annual leave and non-attendance days.

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 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 20).

(i) Employee Benefits

(a) Salaries, Wages, Annual Leave and Non-attendance Days

Liabilities for salaries, wages, annual leave and non-attendance days are recognised, and are measured at their nominal amount in respect of employees' services up to that date.

The annual leave and non-attendance days entitlements are calculated by multiplying each employee's entitlement by their nominal amount at the reporting date. Where leave loadings are paid, they are included in the calculation.

(b) 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 ten years, advised by the Department of Treasury and Finance, based on current salaries and wages.

(c) 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.

(d) Workers Compensation

To reflect the liability for outstanding (unsettled) workers compensation claims a provision is raised. The amount of the provision is provided by the Department for Administrative and Information Services, Public Sector Occupational Health and Injury Management Branch and is based on an actuarial assessment.

Lump sum payments and legal costs are a liability of the Department for Administrative and Information Services and therefore are not a liability of the Department.

(ii) Employment Related Expenses

(a) Fringe Benefits Tax

The Commonwealth Government levies a tax on certain non-cash salary related benefits afforded to employees. Any unpaid fringe benefits tax at period end is shown as a liability in the Statement of Financial Position.

(b) Superannuation

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 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.

(c) 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 Statement of Financial Position. 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 Statement of Financial Performance. The payroll tax liability is only payable when the employee benefits are paid.

(d) WorkCover Premium

This expense is calculated at a percentage rate applied to gross salaries as determined by WorkCover Corporation. This expense is a charge in the Statement of Financial Performance and any unremitted amounts to WorkCover Corporation are expressed as a liability in the Statement of Financial Position.

(d) Repairs and Maintenance

Generally repairs and maintenance costs are expensed as incurred. However, repairs and maintenance are recognised as increases in assets (ie capitalised) if expenditure results in:

- (i) an effective increase in the future economic benefits that are expected to be derived from using the asset and the increase in future benefits that will be utilised; and/or
- (ii) an effective increase in the quality of the services provided by the asset beyond that previously determined; and/or
- (iii) an effective extension to the asset's useful life as a result of the expenditure.

(e) Receivables

Receivables in respect of fees and charges are due for settlement within 30 days and are recorded at their recoverable amount. 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.

(f) Allowance for Doubtful Debts

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.

(g) Inventory

Inventories are measured as the lower of cost (as determined by the latest purchase price) and net realisable value.

(h) 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 of the risks and benefits incidental to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

Details of commitments of current non-cancellable operating leases are disclosed at Note 27.

(i) Property, Plant and Equipment

The Statement of Financial Position 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 to be revalued at intervals not exceeding three years. The relevant classes are shown as revalued amounts in the Statement of Financial Position.

In accordance with Accounting Policy Statement 3 'Valuation of Non-Current Assets' 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 as required by Australian Accounting Standard AASB 1041 'Revaluation of Non-Current Assets'.

Property, plant and equipment donated, gifted and 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 Statement of Financial Performance.

Land

Land is recorded on the basis of best use market value obtained from the South Australian Valuer-General as at 1 January 2004. Land purchased after this date is recorded at cost.

Buildings and Improvements

Information was obtained from the Building and Land Asset Management System (BLAMS), 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 are current as at 31 March 2002 and paved areas are current as at 31 March 2004. The building data provided in the statements relates specifically to buildings and paved areas. The building data excludes fencing, landscaping, infrastructure, pergolas and sheds because they either cannot be reliably measured or no information is centrally recorded.

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

Library Collection

The library collection is recorded at valuation. The valuation for collections within TAFE Institutes was carried out as at 30 June 2002 by VALCORP Aust Pty Ltd, and is 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 Statement of Financial Position. Items under \$10 000 are recorded in the Statement of Financial Performance as an expense in the accounting period in which they are acquired.

(j) 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:	Years
Improvements:	
Buildings:	
Transportables	30 - 50
Fixed construction	40 - 106
Paved areas	15 - 45
Computing and communication equipment	3 - 7
Other plant and equipment	7 - 40

(k) 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.

(l) Investments

Investments are carried in the Statement of Financial Position at the lower of cost or recoverable amount.

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

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

- the amount of GST incurred by the 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; and
- receivables and payables are stated with the amount of GST included.

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

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

(n) Cash Alignment Policy

The Government has introduced a new policy with respect to aligning agency cash balances with appropriation and expenditure authority. The Department anticipates that it will be required to repay an amount of approximately \$15 million to the Consolidated Account in 2004-05.

(o) Rounding

All amounts are rounded to the nearest thousand dollars.

3. Changes in Accounting Policies**(a) Change in Plant and Equipment Asset Threshold Policy**

On 1 July 2003, the Department revised the level at which it would recognise Plant and Equipment items as assets in the financial records from \$5 000 to \$10 000 cost per individual item. Consequently, the financial records have been adjusted to exclude the written down values of items under \$10 000, previously disclosed as non-current assets. Included in the category 'Other' in Note 9 is an amount of \$4.3 million, which reflects the expenditure adjustment to account for this exclusion.

As a result of this policy change, the overall impact to the Statement of Financial Performance can be summarised as follows:

- A once only increase in expense of approximately \$4.3 million from assets in the range \$5 000 to \$10 000 being written off.
- A decrease in expense of approximately \$595 000 from assets in the range \$5 000 to \$9 999 not depreciated.
- An increase in expense of approximately \$459 000 from asset purchases in the range \$5 000 to \$9 999.

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

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

(i) *Managing the Process*

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Chief Executive of the Department of Further Education, Employment, Science and Technology is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Department has analysed the exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. The Department is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

The Department will be using the Model Financial Report for SA Government entities developed by the Department of Treasury and Finance (DTF) and keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference group meetings (facilitated by DTF) and information forums organised by the DTF and professional accounting bodies.

(ii) *Differences Resulting from Future Accounting Policies*

- Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.
- Publication of comparatives of prior year figures may require retrospective adjustment to comply with the new standard.
- New standard on intangible assets may require capitalisation of in-house developed software costs and copyright, which have not been included previously in the Department's Financial Statements.
- The new standard on impairment of assets will require more rigorous review of asset values and useful lives.

4. 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 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 of apprenticeships and traineeships.

Sub-program - Employment Development

Assisting individuals into employment and assisting organisations/communities to provide employment pathways, particularly for disadvantaged target groups.

Science, Technology and Innovation Program

Description/Objectives: 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.

5. Employee Benefits

	2004	2003
	\$'000	\$'000
Salaries and wages (including annual leave)	175 296	169 561
Superannuation	19 071	17 854
Payroll tax	12 749	10 976
Long service leave	7 793	8 063
Workers Compensation	277	1 867
Targeted Voluntary Separation Payments	11 830	-
Other employee related costs	836	1 276
	227 852	209 597

6. Supplies and Services	2004	2003
	\$'000	\$'000
Funding to non-TAFE providers for Vocational Education and Training	21 234	21 916
Printing and consumables	13 803	12 971
Minor works, maintenance and equipment	16 052	12 669
Information technology infrastructure and communication	24 170	19 817
Fees - Contracted services (including consultants)	12 431	10 958
Trainee reimbursements	4 139	8 258
Utilities	6 954	6 703
Cleaning	6 869	6 644
Vehicle and travelling expenses	6 317	6 097
Rentals and leases	3 793	3 157
Other	13 860	12 742
	129 622	121 932
Consultancy Fees		
The Department engaged consultants during the period and incurred expenses of \$230 000.		
7. Grants and Subsidies		
Major grants and subsidies comprise:		
Employment programs	13 381	14 267
Vocational education and training programs	6 058	11 435
Science and technology programs	11 136	6 427
Skill Centre programs	2 167	4 612
Other specific grants	1 190	192
	33 932	36 933
8. Depreciation		
Depreciation expense for the reporting period was charged in respect of:		
Buildings and improvements	12 401	12 468
Computing, communication equipment, furniture and equipment	1 456	1 988
	13 857	14 456
9. Other Expenses		
Reduction in value/written down value on disposal of non-current assets	10 078	2 528
Auditors' remuneration - Auditing services*	248	343
Reduction in the value of investments	-	285
Share of net losses from associates	-	261
Allowance for doubtful debts and debt write-offs	852	226
	11 178	3 643
* The auditor provided no other services and received no other benefits.		
10. Commonwealth Grants		
Recurrent Grants:		
VET Funding Act	69 307	66 141
Specific purpose	6 393	8 618
	75 700	74 759
Capital Grants:		
VET Funding Act	13 600	11 800
Specific purpose	3 152	4 275
	16 752	16 075
Total Commonwealth Grants	92 452	90 834
11. Student and Other Fees and Charges		
Sales/Fee-for-service revenue	36 116	34 681
Student enrolment fees and charges	28 954	28 143
Other user fees and charges	3 141	2 265
	68 211	65 089
12. Other Revenues		
Targeted Voluntary Separation Package recoveries	11 830	-
Assets recognised for the first time	1 721	3 628
Proceeds from sales of non-current assets	3 127	125
Share of net gains from investments	328	-
Sundry revenue	1 207	6 064
	18 213	9 817
13. Net Loss on Disposal of Non-Current Assets		
Proceeds from disposals	3 127	125
Less: Written down value	10 078	2 528
	6 951	2 403

14. Net Revenues from Restructuring of Administrative Arrangements	2004	2003
The net revenues/expenses relating to the restructure of administrative arrangements are as follows:	\$'000	\$'000
Department of Education and Children's Services:	-	423 870
Technical and Further Education		
Office of Vocational Education and Training		
TAFEBizSA		
Office of Employment and Youth (employment issues and initiatives)		
Department of the Premier and Cabinet:	-	(268)
Office of Innovation		
Centre for Lifelong Learning and Development		
Department for Administrative and Information Services:	-	3 585
Information Economy Policy Office		
	<hr/>	<hr/>
	-	427 187
15. Cash on Hand, at Bank and on Deposit		
Accrual appropriation excess fund Special Deposit Account with the Department of Treasury and Finance	18 720	17 763
Special Deposit Accounts with Department of Treasury and Finance	35 512	20 140
Cash at bank and on hand	644	633
	<hr/>	<hr/>
	54 876	38 536
	<hr/>	<hr/>

The Special Deposit Accounts are bearing floating interest rates determined by the applicable 90 day bank bill rate.

16. Receivables		
Current:		
Fees and charges receivable	10 935	7 167
Less: Allowance for doubtful debts	473	409
	<hr/>	<hr/>
	10 462	6 758
GST recoverable from the ATO	3 385	2 883
Other receivables	5 273	104
	<hr/>	<hr/>
	19 120	9 745
Non-Current:		
Workers Compensation receivable	355	221
	<hr/>	<hr/>
	355	221
17. Investments		
Non-Current:		
Shares in associated company (refer below)	1 054	712
Shares in Ngapartji Pty Ltd (refer below)	-	15
Other	1	-
	<hr/>	<hr/>
	1 055	727
	<hr/>	<hr/>

Associated Company	Austraining International	Austraining International
	2004	2003
	\$'000	\$'000
Interest in associated companies	400	400
Share of retained profit	654	312
Equity accounted amount of investment in associated company	<hr/>	<hr/>
	1 054	712
Retained profits attributable to associated company:		
Balance at 1 July	*413	491
Share of operating loss and extraordinary items after income tax	241	(179)
	<hr/>	<hr/>
	654	*312
	<hr/>	<hr/>

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 2004. 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 2003 was unaudited and, when subsequently audited, was revised to \$413 000

Ngapartji Pty Ltd (Ngapartji)

The Minister for Science and Technology is the owner of one \$1 'A' class share in Ngapartji issued at par. In addition the Minister owns 300 \$1 'B' class (non-voting) shares issued at a premium of \$999 per share. Ngapartji closed in March 2003. There was a small amount of \$16 000 distributed to the Minister.

18. Other		2004	2003
Current:		\$'000	\$'000
Prepayments		2 063	1 829
Inventories		868	1 084
		2 931	2 913

19. (a) Property, Plant and Equipment

	2004		
	Cost Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land at valuation*	49 012	-	49 012
Land at cost	3 010	-	3 010
Buildings and improvements at valuation*	557 212	263 159	294 053
Buildings and improvements at cost	70 069	3 400	66 669
Computing, communication equipment, furniture and equipment at cost	27 286	13 474	13 812
Construction work in progress	285	-	285
Libraries at valuation*	25 254	-	25 254
	732 128	280 033	452 095

	2003		
	Cost Valuation \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Land at valuation*	39 134	-	39 134
Land at cost	395	-	395
Buildings and improvements at valuation*	569 744	262 699	307 045
Buildings and improvements at cost	69 274	2 234	67 040
Computing, communication equipment, furniture and equipment at cost	35 125	19 422	15 703
Construction work in progress	587	-	587
Libraries at valuation*	25 254	-	25 254
	739 513	284 355	455 158

* Valuations of land were performed at 1 January 2004 by the Valuer-General, buildings and improvements at 31 March 2002 and 31 March 2004 respectively by the Department for Administrative and Information Services and libraries at 30 June 2002 by VALCORP Aust Pty Ltd.

(b) 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 30.06.03 \$'000	Additions \$'000	Disposals \$'000	Transfer from WIP \$'000	Net Revaluation /Increment (decrement) \$'000	Other Movements \$'000	Deprec- iation \$'000	Carrying Amount 30.06.04 \$'000
Land at valuation	39 134	-	3 335	-	12 818	395	-	49 012
Land at cost	395	3 010	-	-	-	(395)	-	3 010
Buildings and improvements at valuation	307 045	762	2 180	-	(338)	-	11 236	294 053
Buildings and improvements at cost	67 040	-	-	795	-	-	1 166	66 669
Computing, communication equipment and furniture and equipment at cost	15 703	4 112	4 548	-	-	-	1 455	13 812
Construction work in progress	587	864	-	(795)	-	(371)	-	285
Libraries at valuation	25 254	-	-	-	-	-	-	25 254
Total	455 158	8 748	10 063	-	12 480	(371)	13 857	452 095

(b) Reconciliations (continued)

	Transfers in from other Govt entities	Additions \$'000	Disposals \$'000	Transfer from WIP \$'000	Net Revaluation /Increment (decrement) \$'000	Other Movements \$'000	Deprec- iation \$'000	Carrying Amount 30.06.03 \$'000
2003								
Land at valuation	40 412	349	1 627	-	-	-	-	39 134
Land at cost	-	395	-	-	-	-	-	395
Buildings and improvements at valuation	318 466	-	113	-	-	-	11 308	307 045
Buildings and improvements at cost	64 389	2 946	-	865	-	-	1 160	67 040
Computing, communication equipment and furniture and equipment at cost	15 802	2 397	788	-	-	280	1 988	15 703
Construction work in progress	512	1 032	-	(865)	-	(92)	-	587
Libraries at valuation	25 254	-	-	-	-	-	-	25 254
Total	464 835	7 119	2 528	-	-	188	14 456	455 158
20. Payables								
Current:								
Trade creditors						13 870		11 988
Accruals						3 528		2 887
On-costs on employee benefits						3 426		2 541
Other						126		31
						20 950		17 447
Non-Current:								
On-costs on employee benefits						2 969		2 998
21. Interest Bearing Liabilities								
Non-Current:								
Advances						499		499
22. Employee Benefits								
Current:								
Accrued salaries and wages						8 342		5 355
Provision for annual leave						5 248		4 685
Provision for non-attendance days						3 394		3 559
Provision for long service leave						3 469		2 446
Workers Compensation						2 124		1 905
						22 577		17 950
Non-Current:								
Provision for long service leave						27 856		28 425
Workers Compensation						4 929		7 330
						32 785		35 755
Employee Benefits and Related On-Cost Liabilities								
Current:								
On-costs included in payables (Note 20)						3 426		2 541
Provision for employee benefits (Note 22)						22 577		17 950
						26 003		20 491
Non-Current:								
On-costs included in payables (Note 20)						2 969		2 998
Provision for employee benefits (Note 22)						32 785		35 755
						35 754		38 753
Aggregate Employee Benefits and Related On-Costs Liabilities						61 757		59 244
23. Other Liabilities								
Deposits						3 074		2 605
Unearned revenue						4 927		1 423
Other liabilities						1 338		26
						9 339		4 054

24. Remuneration of Employees	2004	2003
The number of employees whose remuneration received or receivable falls within the following bands:	Number of Employees	Number of Employees
\$100 000 - \$109 999	11	11
\$110 000 - \$119 999	5	4
\$120 000 - \$129 999	6	5
\$130 000 - \$139 999	3	1
\$140 000 - \$149 999	-	2
\$150 000 - \$159 999	-	1
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	1	1
\$180 000 - \$189 999	1	1
\$190 000 - \$199 999	1	-
\$250 000 - \$259 999	-	1
\$260 000 - \$269 999	1	1
	29	29

Total remuneration received or due and receivable by the above employees was \$3.7 million (included in employee benefits) (2003: \$3.9 million). 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). The TVSP impact on employee numbers and amounts is disclosed in Note 25.

25. Targeted Voluntary Separation Packages (TVSPs)	2004	2003
TVSPs paid/payable to employees for the reporting period were:	\$'000	\$'000
TVSP payments (included in employee expenses)	11 830	-
Less: Recovered/recoverable from the Department of the Premier and Cabinet in respect of TVSPs	6 912	-
Annual and long service leave accrued over the period of employment paid/payable to employees who received TVSPs	4 539	-

The number of employees paid/payable TVSPs during the reporting period totalled 134 (nil).

26. Equity		
Accumulated surplus:		
Balance at 1 July	428 597	-
Surplus	236	428 597
Balance at 30 June	428 833	428 597
Asset revaluation reserve:		
Balance at 1 July	-	-
Revaluation increment	12 480	-
Balance at 30 June	12 480	-
Total Equity	441 313	428 597

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets. This accords with the department policy on the revaluation of property, plant and equipment as discussed in Note 2.

27. Operating Leases	2004	2003
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 Statement of Financial Position.	\$'000	\$'000
Payable no later than one year	2 966	2 749
Payable later than one year and not later than five years	5 622	5 532
Payable later than five years	264	270
Total (including GST)	8 852	8 551
GST included in operating lease commitments	874	767

28. Commitments for Capital Expenditure		
At the end of the reporting period the Department had entered into the following capital budget commitments.		
These amounts are due for payment:		
Not later than one year	8 775	-
Total (including GST)	8 775	-
GST included in capital expenditure commitments	798	-

29. Contingent Assets and Liabilities

The Department has not items which meet the definition of contingent assets, however, there are a number of outstanding personal injury claims, which were not settled as at 30 June 2004. Although there is uncertainty over the final amounts at settlement, the estimate amounts of these claims total \$163 000.

30. Reconciliation of Net Cash provided by Operating Activities to Net Cost of Services	2004	2003
	\$'000	\$'000
Net Cash Provided by Operating Activities	19 799	22 070
Depreciation	(13 857)	(14 456)
Bad and doubtful debts	(852)	(226)
Investments - Share of operating gains (losses)	328	(261)
Net assets recognised for first time	1 721	3 628
Decrement in value of assets	-	(285)
Loss on sale of assets	(6 951)	(2 403)
Increase in employee benefits	(1 657)	(9 474)
Increase in receivables	10 360	1 790
Increase in other current assets	18	371
(Increase) Decrease in payables	(3 388)	691
Increase in other liabilities	(5 285)	(35)
Revenues from Government	(229 124)	(215 507)
Net Cost of Services	(228 888)	(214 097)

31. Financial Instruments

(a) Accounting policies and Terms and Conditions Affecting Future Cash Flows

Financial Assets

Cash deposits are recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the daily balance at rates based on the applicable 90 day bank bill rate.

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.

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 in the Statement of Financial Position is generally the carrying amount, net of any allowance for doubtful debts.

(c) 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:

	2004			
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	Non- Interest Bearing \$'000	Total \$'000
Financial Assets:				
Cash and deposits	4.99	54 232	644	54 876
Receivables		-	19 475	19 475
Investments		-	1 055	1 055
		54 232	21 174	75 406
Financial Liabilities:				
Trade and other creditors		-	16 430	16 430
Interest bearing liabilities		-	499	499
Other liabilities		-	4 412	4 412
		-	21 341	21 341
Net Financial Assets (Liabilities)		54 232	(168)	54 065

(c) Interest Rate Risk Exposures (continued)

	Weighted Average Interest Rate Percent	2003		Total \$'000
		Floating Interest Rate \$'000	Non- Interest Bearing \$'000	
Financial Assets:				
Cash and deposits	4.60	37 903	633	38 536
Receivables		-	9 966	9 966
Investments		-	727	727
Loan receivables		-	-	-
		<u>37 903</u>	<u>11 326</u>	<u>49 229</u>
Financial Liabilities:				
Trade and other creditors		-	14 066	14 066
Interest bearing liabilities		-	499	499
Other liabilities		-	2 631	2 631
		<u>-</u>	<u>17 196</u>	<u>17 196</u>
Net Financial Assets (Liabilities)		<u>37 903</u>	<u>(5 870)</u>	<u>32 033</u>

(d) Net Fair Value of Financial Assets and Financial Liabilities

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

UNIVERSITY OF ADELAIDE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

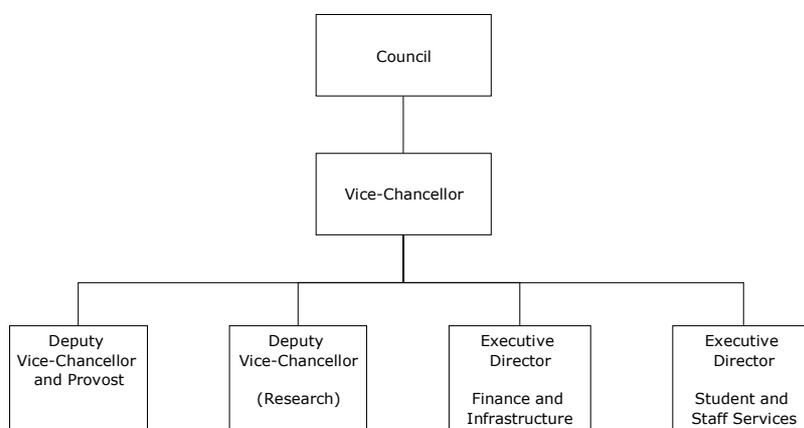
The University is established by the *University of Adelaide Act 1971*.

Functions

The University's major product and service is the provision of higher education and research.

Structure

The structure of the University of Adelaide is illustrated in the following organisation chart.



The University is dependent to a large extent on Commonwealth Government grants which may be approved for general spending or for specific purposes. In addition to these sources of funds, the University receives student tuition fees and charges, endowments, general bequests and sponsorships.

As at 31 December 2003 the University had a number of controlled entities. Major entities include:

- ARI Pty Ltd (formerly Luminis Pty Ltd) — This is a wholly-owned subsidiary of the University and is the trustee of the ARI Investment Trust, of which the University is the sole beneficiary. The main functions of ARI Pty Ltd are to commercially develop and evaluate the University's intellectual property; to manage research activities; to administer consulting funds on behalf of academics; and to manage the University's investments in related companies.
- Martindale Holdings Pty Ltd — This company:
 - acts as trustee of the JAT Mortlock Trust. This Trust carries on the business of primary production;
 - manages a joint venture JS Davies Estate, whose principal activity is farming.
- Lubims Pty Ltd — This is a wholly-owned subsidiary, which is the trustee of a Trust, created for the Department of Community Medicine to purchase a property to operate the family practice unit.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to audit the accounts of the University of Adelaide 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 of Adelaide 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 2003, specific areas of audit attention included:

- expenditure, including accounts payable and payroll
- revenue, including grants, student fees and sundry raisings
- student financial system
- non-current assets, including revaluation of land
- liabilities, including provisions and borrowings
- general ledger
- internal audit activities

In the latter part of 2003-2004, Audit commenced a review of key aspects of the University's PeopleSoft system. This system is used to administer student records and financial transactions and consequently is critical to the University's operations. The review focus is directed to aspects of information security access controls, operational and business continuity considerations.

At the time of preparation of this Report, the review had not been completed.

The audits of the controlled entities for the year ending 31 December 2003 were carried out by private accounting firms.

The work done by the internal auditor was considered in designing the audit programs.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, the *Higher Education Funding Act 1988*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the University of Adelaide and of the economic entity as at 31 December 2003, their financial performance and their cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the University of Adelaide 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 Student Financials as outlined under 'Audit Communications to Management' are sufficient to provide reasonable assurance that the financial transactions of the University of Adelaide 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 Vice-Chancellor. The response to the management letter was satisfactory. A major matter raised with the University and the related response is considered herein.

Student Financials

The audit indicated a need for the development of policies and procedures for student fees; documentary evidence of the review and approval of subject fees; and the approval and promulgation of the student debtor policy and procedure to aid in debt recovery.

The University indicated that action is being taken to address these issues.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS (CONSOLIDATED)**Highlights of Financial Statements**

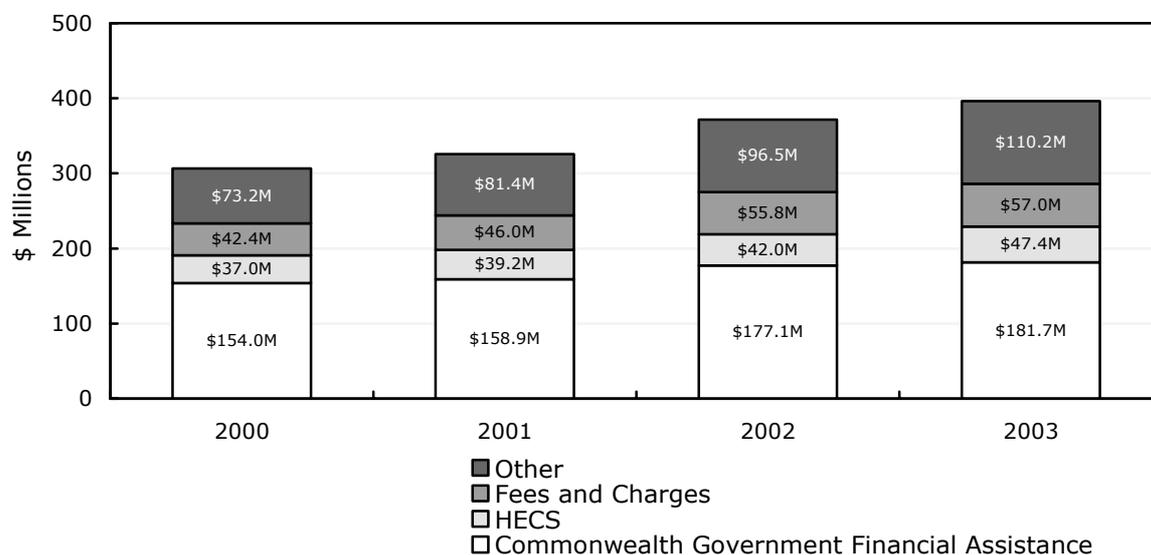
	2003	2002	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Commonwealth Government financial assistance	182	177	3
HECS	47	42	12
Fees and charges	57	56	2
Other	110	96	15
Total Operating Revenue	396	371	7
OPERATING EXPENSES			
Employment benefits	197	201	(2)
Other expenses	175	154	14
Total Operating Expenses	372	355	5
Surplus	24	16	
ASSETS			
Current assets	94	67	40
Non-current assets	680	652	4
Total Assets	774	719	8
LIABILITIES			
Current liabilities	48	42	14
Non-current liabilities	55	56	(2)
Total Liabilities	103	98	5
EQUITY	671	621	8

Operating Revenues

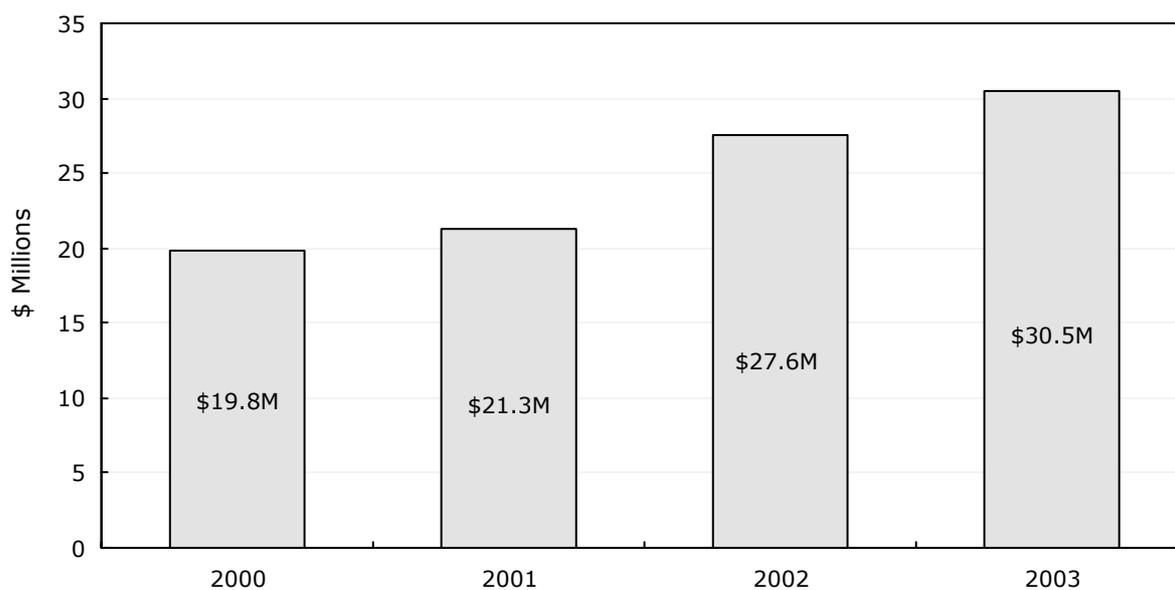
Operating revenue increased by \$25 million to \$396.3 million mainly as a result of an increase in:

- Commonwealth Government financial assistance of \$4.6 million;
- contributions and payments, received under the Higher Education Contribution Scheme, of \$5.4 million;
- investment income of \$9.5 million.

A structural analysis of operating revenues for the University in the four years to 2003 is presented in the following chart.



The following chart highlights the general upward trend in international fee paying students.

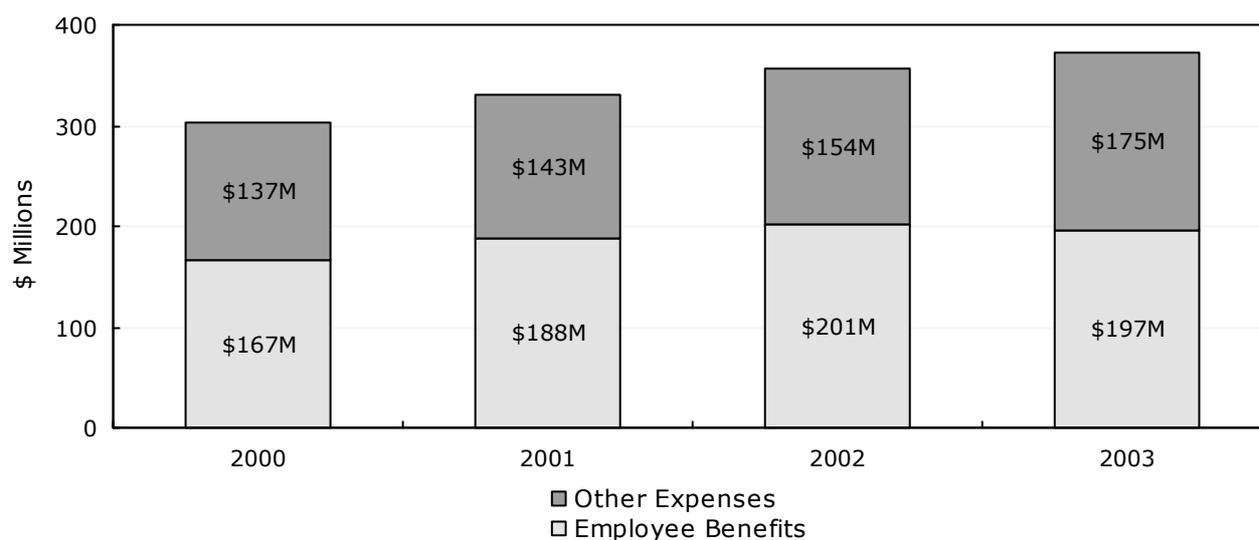


Operating Expenses

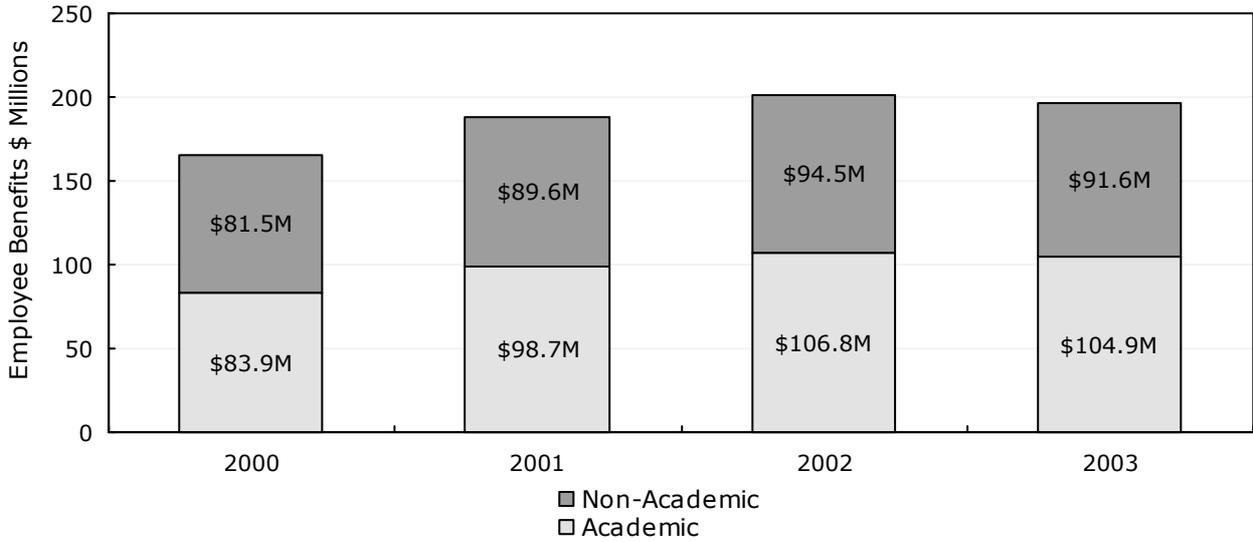
Operating expenditure increased by \$16.7 million to \$372.2 million and is mainly attributed to:

- disposals of assets whereby the written down value of these assets increased by \$7.9 million;
- an increase in depreciation and amortisation of \$5.1 million. Included in this amount is \$2.7 million which relates to a change in the method of depreciation.

For the four years to 2003, a structural analysis of the main operating expense items for the University is shown in the following chart.



The following chart shows that the proportion of academic to non-academic employee benefits has remained fairly static over the last four years.

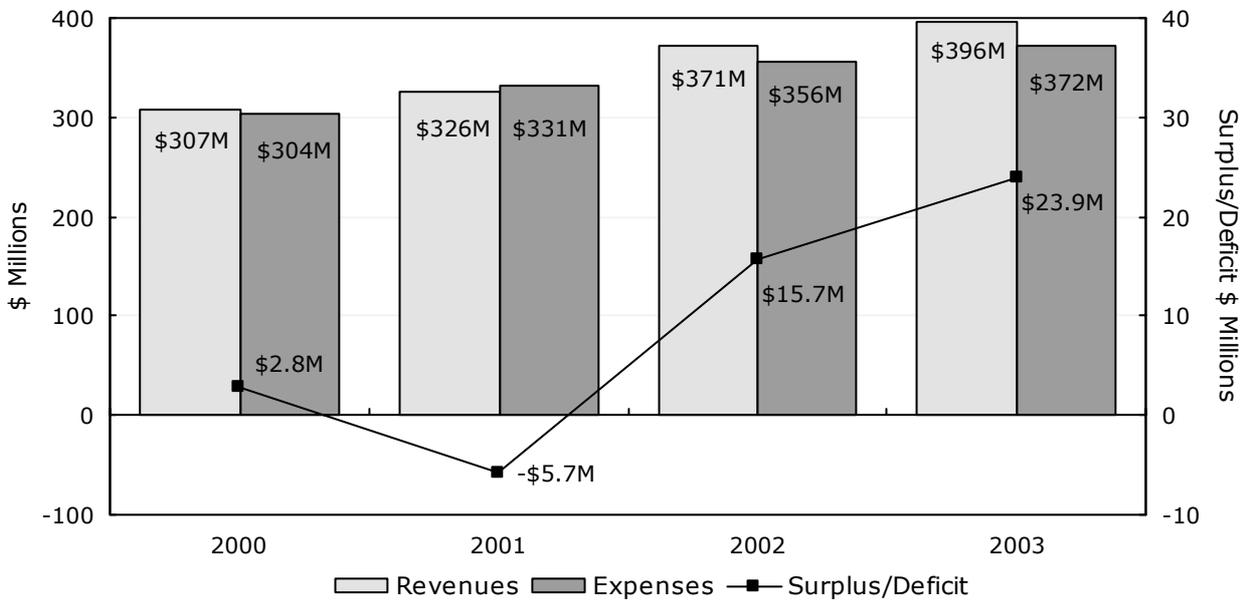


Operating Result

The consolidated operating surplus for the year was \$23.9 million (\$15.7 million). The University operations disclose a surplus of \$20.2 million (\$12.4 million).

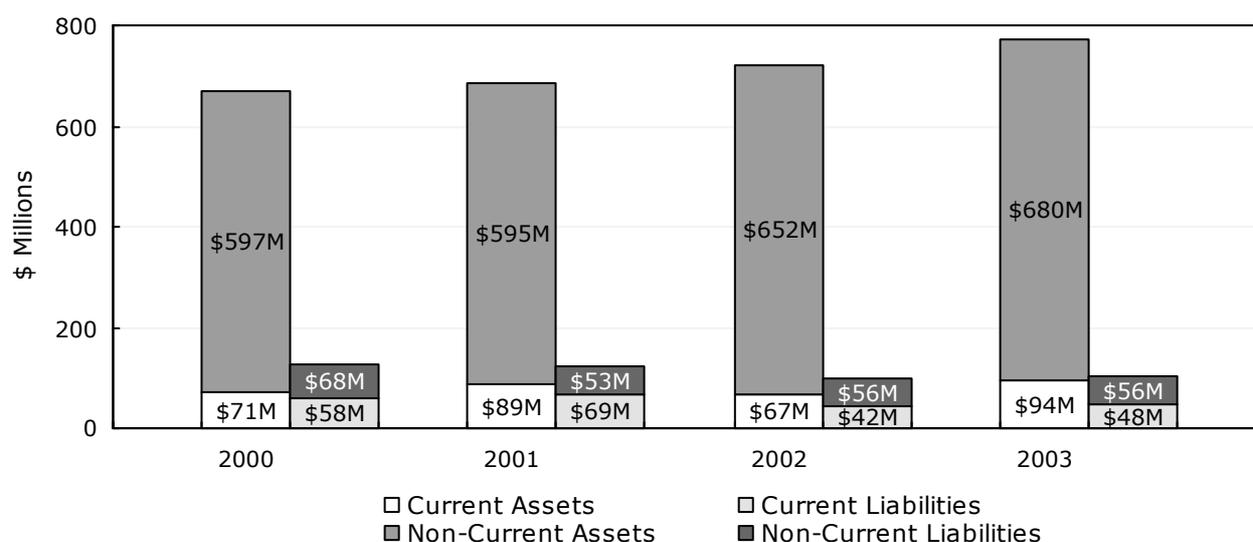
The improved result for 2003 reflects an increase in investment revenue of \$9.9 million.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2003.



Statement of Financial Position

For the four years to 2003, a structural analysis of assets and liabilities is shown in the following chart.



The significant increase in current assets in 2003 is mainly the result of cash on deposit rising by \$25.8 million to \$38.9 million, reflecting the operating surplus for the year.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003	2002	2001	2000
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	46.8	23.1	14.3	18.8
Investing	(17.0)	(18.8)	(22.6)	(35)
Financing	(0.2)	(20.2)	-	-
Change in Cash	29.6	(15.9)	(8.3)	(16.2)
Cash at 31 December	53.8	24.2	40.1	48.4

The marked improvement in cash held at 31 December 2003 is directly related to the net cash generated by the operating activities of the University.

Statement of Financial Performance for the year ended 31 December 2003

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
OPERATING REVENUE FROM ORDINARY ACTIVITIES:					
Received under <i>Higher Education Funding Act 1988</i> :					
Base operating financial assistance		105 375	115 314	105 375	115 314
Other operating financial assistance		5 428	3 798	5 428	3 798
Higher Education Contribution Scheme		47 370	41 977	47 370	41 977
		158 173	161 089	158 173	161 089
Learning and Teaching:					
Student fees	5	42 051	39 294	42 051	39 294
Grants		14 004	10 080	14 004	10 080
		56 055	49 374	56 055	49 374
Research Grants and Fees:					
National competitive grants		49 365	40 996	49 365	40 996
Public sector - Other		14 110	11 370	13 890	11 150
Industry and other		11 481	14 280	11 481	14 280
		74 956	66 646	74 736	66 426
Research Other:					
Cooperative Research Centre direct funding		5 691	4 343	5 691	4 343
Research infrastructure program		11 893	8 360	11 893	8 360
		17 584	12 703	17 584	12 703
Other:					
Investment revenue	5	10 176	296	8 663	678
Property revenue	5	6 590	6 347	6 590	5 847
Specialist services and trading	5	44 454	44 302	15 402	14 330
Deferred employee superannuation benefits	24	(400)	4 100	(400)	4 100
Other	5	27 335	26 294	26 226	23 793
		88 155	81 339	56 481	48 748
Total Operating Revenue from Ordinary Activities		394 923	371 151	363 029	338 340
Share of net profits of associates and joint ventures accounted for using the equity method	5	1 423	226	-	-
Total Revenue from Ordinary Activities		396 346	371 377	363 029	338 340
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:					
Salaries and related expenses	6	194 834	194 320	185 505	186 562
Student services	3(o), 6	17 308	17 069	17 308	17 069
Teaching and research materials		35 792	33 979	35 779	33 966
Building and grounds		19 749	18 284	19 749	18 284
Borrowing costs	6	150	1 269	133	1 252
Administration, communication and travel		55 471	53 940	37 037	33 769
Finance and fund administration		2 271	94	2 271	94
Misc equipment, depreciation and WDV of assets sold		44 900	29 554	43 247	27 939
Deferred and HEFA superannuation	6	1 763	6 986	1 763	6 986
Total Operating Expenses from Ordinary Activities		372 238	355 495	342 792	325 921
OPERATING SURPLUS BEFORE MINORITY INTERESTS		24 108	15 882	20 237	12 419
Operating (surplus) attributable to outside equity interest	29	(257)	(159)	-	-
OPERATING SURPLUS FROM ORDINARY ACTIVITIES		23 851	15 723	20 237	12 419
CHANGE IN EQUITY - NET INCREASE:					
Outside equity interest		137	134	-	-
Asset revaluation reserve	19	25 371	43 061	27 178	45 633
TOTAL CHANGES IN EQUITY		49 359	58 918	47 415	58 052

Statement of Financial Position as at 31 December 2003

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS:					
Cash		14 925	11 178	4 696	784
Receivables	7	23 269	25 974	20 005	22 717
Other financial assets	8	44 728	20 679	41 493	16 732
Inventories	9	4 131	3 463	1 809	1 660
Other	10	7 356	5 398	5 021	3 215
Total Current Assets		94 409	66 692	73 024	45 108
NON-CURRENT ASSETS:					
Other financial assets	8	63 512	62 213	112 742	105 290
Investments accounted for using the equity method	11	2 230	807	363	363
Property, plant and equipment	12	576 293	551 527	536 608	517 973
Intangibles	13	142	-	-	-
Deferred government superannuation contribution	24	37 400	37 800	37 400	37 800
Total Non-Current Assets		679 577	652 347	687 113	661 426
Total Assets		773 986	719 039	760 137	706 534
CURRENT LIABILITIES:					
Payables	14	26 160	24 867	18 498	16 570
Interest-bearing liabilities	15	114	115	6	6
Provisions	16	10 434	9 162	9 768	8 620
Deferred employee superannuation benefits	24	3 000	2 700	3 000	2 700
Other	17	8 049	5 131	8 049	5 128
Total Current Liabilities		47 757	41 975	39 321	33 024
NON-CURRENT LIABILITIES:					
Payables	14	2 326	2 245	2 324	2 243
Interest-bearing liabilities	15	209	307	87	94
Provisions	16	18 734	18 211	18 710	18 193
Deferred employee superannuation benefits	24	34 400	35 100	34 400	35 100
Total Non-Current Liabilities		55 669	55 863	55 521	55 630
Total Liabilities		103 426	97 838	94 842	88 654
NET ASSETS		670 560	621 201	665 295	617 880
EQUITY:					
Capital reserves	19	451 455	426 084	466 161	438 983
Specific purpose reserves	19	123 029	114 278	123 029	114 278
Accumulated results - of operations	19	94 041	78 948	76 105	64 619
Total University Interest		668 525	619 310	665 295	617 880
Accumulated results - Outside equity interest		2 035	1 891	-	-
TOTAL EQUITY		670 560	621 201	665 295	617 880
Commitments	21				
Contingent Liabilities	22				

Statement of Cash Flows for the year ended 31 December 2003

		Consolidated		University	
		2003	2002	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
INFLOWS:	Note	\$'000	\$'000	\$'000	\$'000
Commonwealth Government financial assistance		178 955	172 865	178 955	172 865
State Government financial assistance		15 641	15 354	15 421	15 134
Higher Education Contribution Scheme:	36				
Student payments		7 904	6 638	7 904	6 638
Higher Education Trust Fund		39 466	35 339	39 466	35 339
Postgraduate Education Loan Scheme		2 235	1 293	2 235	1 293
Student fees		41 451	32 737	41 451	32 737
Other fees and charges		17 621	18 398	12 282	13 077
Donations and bequests		7 426	7 161	7 426	7 561
Investment income received		5 491	4 486	6 007	4 989
Consultancy and contract research		33 181	26 872	22 678	18 517
Specialist services and produce trading		25 078	27 602	11 625	9 599
Other		7 122	5 691	6 596	3 687
Total Inflows		381 571	354 436	352 046	321 436
OUTFLOWS:					
Salaries and related expenses		(192 490)	(202 144)	(183 303)	(194 417)
Student services		(17 322)	(17 082)	(17 308)	(17 069)
Goods and services		(124 715)	(111 164)	(106 065)	(89 149)
Interest paid		(292)	(934)	(275)	(917)
Total Outflows		(334 819)	(331 324)	(306 951)	(301 552)
Net Cash provided by Operating Activities	20	46 752	23 112	45 095	19 884
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		10 221	2 395	9 624	2 006
Proceeds from sale of investments		5 061	821	3 889	-
Increase in borrowings		-	145	-	-
Repayment of loan		184	115	483	1 078
Total Inflows		15 466	3 476	13 996	3 084
OUTFLOWS:					
Payments for property, plant and equipment		(32 183)	(22 131)	(29 553)	(18 512)
Payments for interest in joint ventures		(98)	-	-	-
Decrease in borrowings		(8)	(140)	(7)	(2 078)
Additional lending		(176)	(28)	(176)	-
Total Outflows		(32 465)	(22 299)	(29 736)	(20 590)
Net Cash used in Investing Activities		(16 999)	(18 823)	(15 740)	(17 506)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Repayment of borrowings		-	(20 038)	-	(20 038)
Lease repayments		(91)	-	-	-
Dividends paid to minority interests		(120)	(120)	-	-
Total Outflows		(211)	(20 158)	-	(20 038)
Net Cash used in Financing Activities		(211)	(20 158)	-	(20 038)
NET INCREASE (DECREASE) IN CASH HELD		29 542	(15 869)	29 355	(17 660)
CASH AT 1 JANUARY		24 253	40 122	13 859	31 519
CASH AT 31 DECEMBER	20	53 795	24 253	43 214	13 859

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. **Basis of Preparation**

These notes, prepared in conjunction with the financial statements, provide an explanation of significant accounting policies and practices adopted in the preparation of the statements. The financial statements and notes collectively constitute a general purpose financial report prepared in accordance with applicable Australian Accounting Standards and Urgent Issue Group Consensus Views, unless otherwise disclosed in these notes. The report also conforms with the reporting requirements of the Commonwealth Department of Education, Science and Training (DEST).

2. **Scope of Reporting**

The financial statements and notes disclose the operating results and 2002 comparative results of The University of Adelaide as follows:

University - refers to all aspects of operation of The University of Adelaide only.

Consolidated - refers to the financial results of The University of Adelaide together with financial results of its controlled entities. It includes accounts for the University's interests in associated entities and its joint venture operations.

The controlled entities of The University of Adelaide, included in this report are:

- Adelaide Research & Innovation Pty Ltd (formerly Luminis Pty Ltd) as trustee for The Adelaide Research and Innovation Investment Trust (formerly Luminis Investment Trust)
- Australian Company Number 060 292 486 Pty Ltd formerly Camtech (SA) Pty Ltd as trustee for
— Camtech Discretionary Trust
- Disc Pty Ltd
- Lubims Pty Ltd
- Martindale Holdings Pty Ltd as trustee for - JS Davies Estate
— JAT Mortlock Trust
- Repromed Pty Ltd

Refer to Note 29 Investments in Controlled Entities.

3. **Statement of Significant Accounting Policies**

(a) **Basis of Accounting**

The general purpose financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity, and except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) **Principles of Consolidation**

The consolidated financial statements of the Consolidated Entity include the financial statements of the University being the parent entity, and its controlled entities ('the Consolidated Entity').

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the University are shown as a separate item in the consolidated financial statements.

(c) **Foreign Currency**

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions and brought to account in the Financial Statements. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

(d) **Revenue Recognition**

Grant Revenue

Grant revenue is recognised in the accounting period it is received or when there is a right to receive the grant revenue.

Student Tuition Fees and Charges

Student tuition fees and charges are recognised in the accounting period in which the service is provided.

Consultancy, Contract and Industry Research

Consultancy, contract and industry research income is recognised in the accounting period in which the service is provided.

Bequests and Donations

Bequests and donations are recognised as income in the accounting period they are received.

Interest and Investment Income

Interest and income from investments are recognised as they accrue (Refer to Note 3(i)).

Asset Sales

The gross proceeds of asset sales are included as revenue of the Consolidated Entity. The profit or loss on disposal of assets is brought to account at the date the contract of sale becomes unconditional.

(e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

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

(f) Research and Development Costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is treated as deferred expenditure and is brought to account in the Statement of Financial Position.

(g) Employee Benefits

Wages, Salaries and Annual Leave

The employees' entitlements to wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to the balance date. The entitlements have been calculated at the wage and salary expected when leave is taken. The employee on-costs relating to annual leave are reported within payables.

Long Service Leave

The liability for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Liabilities for employee entitlements, which are not expected to be settled within 12 months, are discounted using the rates attaching to Commonwealth Government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have been reported within payables.

Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependents upon retirement, disability or death. The contributions made to these schemes by the University, and emerging costs from unfunded schemes, are expensed in the Statement of Financial Performance. Refer to Note 24 for details relating to the individual schemes.

(h) Doubtful and Bad Debts

The collectability of receivables is assessed at balance date and provision is made for any amounts considered to be doubtful. Any debts considered to be non-collectable have been expensed as bad debts.

(i) Other Financial Assets

Funds are invested in the following categories under guidelines determined by the University. Details of these other financial assets are disclosed in Note 8.

Cash on Deposit

These are cash balances held in interest earning facilities with financial institutions.

Composite Fund

The majority of specific purpose endowments received by the University to fund research activities, scholarships, prizes and lectures, are included in the Composite Fund. This Fund is invested in cash deposits and longer term investments managed by independent portfolio managers. It includes a mix of Australian equities, overseas equities, fixed interest securities and property trusts. These investments are reported in the Statement of Financial Position at market values obtained from the portfolio managers. Unrealised gains or losses are recognised in the Statement of Financial Performance.

Composite Fund (continued)

As at the 2002 balance date the University was in the process of changing independent portfolio managers and therefore longer term investments in the Fund were invested in cash deposits. During 2003 these cash deposits were re-invested in longer term investments by the portfolio managers.

Recognition of Movements in Value

The movement in value of investments held for trading at the financial year end, is brought to account as income. The movement in value of investments of a non-trading nature is reflected in the asset revaluation reserve.

(j) Investments in Business Undertakings*Controlled Entities*

Investments in controlled entities are carried in the University's financial statements at fair value. Dividends and distributions are brought to account in the Statement of Financial Performance when they are declared by the controlled entities.

Associates

An associate is an entity, other than a partnership, over which the Consolidated Entity exercises significant influence and where the investment in that entity has not been acquired with a view to disposal in the near future.

In the University's financial statements, investments in associates are carried at the lower of cost or recoverable amount.

In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting. Investments in associates are carried at the lower of the equity accounted amount and recoverable amount. The Consolidated Entity's share of the associates' net profit or loss after tax is recognised in the Consolidated Statement of Financial Performance after the elimination of unrealised profits and losses on transactions between the associate and any entities in the Consolidated Entity or another associate of the Consolidated Entity.

Joint Venture Operations

The University derives income as part of its participation in Cooperative Research Centres, as listed in Note 31 (a)(i). In the ordinary course of events this income which is recognised in the financial statements of the University, is used to meet operational costs and/or acquire equipment. As a participant, the University will be entitled to a proportionate share of any intellectual property arising, which in time, it would be required to account for under the rules of joint venture accounting. As at year end, the University is not aware of any material intellectual property with commercial value. As such no accounting entries have been recorded.

The Consolidated Entity's interest in Other Unincorporated Joint Ventures, as described in Note 31 (a)(ii), are accounted for using the equity method of accounting.

Other Business Undertakings

The Consolidated Entity holds, through The Adelaide Research & Innovation Investment Trust, significant investments in two publicly listed investments, namely GroPep Ltd and BresaGen Ltd. It does not exercise any significant influence over the operations of these two entities. As at 31 December 2003 these have been valued at market value.

In addition, the Consolidated Entity holds a number of investments. In the case of publicly listed investments, these have been valued at market value. In the case of non publicly listed investments, these have been valued at lower of cost or net realisable value.

(k) Inventories*Consumable Materials and Trading Stock*

The University has a number of inventory stores at several locations. The inventory is valued at the lower of cost or net realisable value. Where controlled entities have reported inventory, this is included in the Consolidated Entity at the lower of cost or net realisable value.

Livestock

The University breeds animals for teaching and research activities and not for profit. Consequently it does not attribute a value to livestock for recording in the Statement of Financial Position. Where controlled entities have reported livestock, this is included at net realisable value.

(l) Non-Current Assets*Acquisitions*

Items of property, plant and equipment are initially recorded at cost in the Statement of Financial Position (unless otherwise indicated) and depreciated in accordance with Note 3(m).

Revaluations

During 2002 land, buildings and works of art were independently valued on a fair value basis in accordance with Australian Accounting Standards and in compliance with changes to the Accounting Policy Statements (APS) pronounced by the Treasurer of South Australia. During 2003 land was independently revalued on a fair value basis. Buildings and works of art were assessed by the valuers as still representing fair value.

Disposal of Revalued Assets

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the proceeds on disposal and is included in the results in the year of disposal.

Land and Buildings

The University differentiates between 'trust' and 'other' land and buildings. 'Trust' land is land provided to the University by government to be held in trust for the specific purpose of operating the University, or acquired by settlement under a binding trust. Buildings constructed on land classified as 'trust' land are classified as 'trust' buildings.

All land is recorded at fair value. Fair value for land excluding the parcel of land known as Glenthorne, has been determined on the basis of an independent valuation carried out by Mr N. Satchell, AAPI, B.App.Sc (Val) of Edward Rushton Australia Pty Ltd on 12 January 2004. The fair value for Glenthorne has been determined using the most recent Valuer-General's valuation. Buildings are recorded at fair value on the basis of an independent valuation carried out by Mr N. Satchell, APPI, B.App.Sc (Val) of Edwards Rushton Australia Pty Ltd on 21 December 2002.

Other Collections

The University owns a number of collections of cultural, historical and scientific significance. Many of these collections are unique or extremely rare. The University is not able to reliably measure the value of these collections and therefore has not recognised them as an asset in the Statement of Financial Position. Furthermore, collections which are irreplaceable (excluding works of art) are not covered by University insurance due to difficulty in determining an insurable value, the costs associated with deriving such a value, and the premium load an insurer would require to carry such a risk.

Library Collection

The Library was revalued on 31 December 2002 using an internal valuation based on the annual price movement of books and journals. Acquisitions during 2003 have been valued at cost.

Works of Art

Works of art greater than \$2 000, are recorded at fair value on the basis of an independent valuation carried out by Mr J.F.B. Bruce valuer (MSAV) of Ian Bruce Pty Ltd on 12 December 2002. No provision for depreciation is made for works of art.

Software

The University capitalises certain software costs with a purchase price greater than \$100 000 and an expected useful life greater than 12 months, together with all costs associated with implementation. These are recorded on the basis of cost and then amortised once the system is operational.

Leased Plant and Equipment

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership, are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance. Also refer to Note 21 Future Expenditure Commitments.

Payments made under operating leases are charged to the Statement of Financial Performance in equal instalments over the accounting periods covered by the lease term.

(m) Depreciation and Amortisation

Depreciation on freehold buildings is calculated on a diminishing value basis. Depreciation is provided on other property, plant and equipment, excluding land, on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation/amortisation:

	Range
Buildings	20-160 years
Leasehold improvements	10-50 years
Library	5-50 years
Plant and equipment including motor vehicles	5-10 years
Software and implementation costs	3-5 years
Leased plant and equipment	10 years

(n) Workers Compensation

The University is responsible for payments of workers compensation claims and is registered with WorkCover as an exempt employer. Administrative arrangements with the associated entity Unisure Pty Ltd incorporate the management of claims and funds invested.

The provision for workers compensation claims has been prepared by Mercer Human Resource Consulting Pty Ltd using the Claims Paid Development Method wherein all past claims are brought to current value with an allowance for late reporting of claims and administration costs.

(o) Salaries and Related Expenses

Items attributed to salaries and related expenses include salaries and wages, employee entitlements, and other costs incidental to the employment of staff such as professional development costs and fringe benefit tax.

(p) Operating Revenue - Other

The classification 'Other' contains revenue items which individually are not material due to their nature or size. Such items falling within this classification include sale of assets, income from independent organisations for whom the University provided management services, fund raising and bequests, sundry recoveries and recharges.

(q) Recognition of Donations and Bequests

All donations and bequests received by the University are brought to account as income.

(r) Rounding

All amounts in this report are rounded to the nearest one thousand dollars.

(s) Comparative Information

These financial statements and notes display information for the preceding corresponding reporting period. Comparative figures have been reclassified to reflect current disclosure requirements of the University and DEST. In addition, there has been a reclassification of \$10.8 million from 'Other' Land to 'Trust' Land.

4. Change in Accounting Policy**Change in Depreciation Method for Buildings**

Prior to 2003, buildings were depreciated over their estimated useful lives on a straight line basis. During 2003 the University elected to depreciate buildings on a diminishing value method as this method more closely reflects deterioration of the asset value. The adoption of the diminishing value method has resulted in an increase in depreciation expense in 2003 of \$2.7 million.

5. Operating Revenue

	Consolidated		University	
	2003	2002	2003	2002
Student fee income includes:	\$'000	\$'000	\$'000	\$'000
Award Courses:				
Australian fee paying undergraduate students	717	664	717	664
Australian fee paying postgraduate students	3 480	3 504	3 480	3 504
International fee paying students	30 539	27 616	30 539	27 616
	34 736	31 784	34 736	31 784
Non-Award Courses:				
Continuing education	371	409	371	409
Australian fee paying	978	835	978	835
Other teaching service fees	2 874	4 280	2 874	4 280
	4 223	5 524	4 223	5 524
	38 959	37 308	38 959	37 308
Tuition Fees - Higher Education Funding Act				
Postgraduate Education Loan Scheme	2 235	1 293	2 235	1 293
Overseas postgraduate research scholarship	857	693	857	693
	42 051	39 294	42 051	39 294
Investment Revenue:				
General fund earnings	4 641	2 773	2 779	2 258
Net realised gains (losses) on Composite Fund investments	481	(2 500)	481	(2 500)
General and Composite Fund investment market valuation adjustment	3 731	(692)	3 731	(692)
Royalty, trademarks and licences	935	564	343	564
Dividends received	388	151	329	48
Distribution from controlled entities	-	-	1 000	1 000
	10 176	296	8 663	678

5. Operating Revenue (continued)

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Property Revenue:					
Rental charges/accommodation fees		4 103	3 776	4 103	3 776
Parking fees		940	956	940	956
Building development and maintenance recovery		757	912	757	412
Other property revenue		790	703	790	703
		6 590	6 347	6 590	5 847
Specialist Services and Trading:					
Consultancy fees		13 359	10 528	2 849	2 318
Library charges and fines		1 082	1 111	1 082	1 111
Sale of services		18 846	15 200	8 087	6 677
Sale of goods		7 554	9 072	2 203	2 685
Sponsorship and conference income		630	1 090	630	1 090
Other specialist services and trading		2 983	7 301	551	449
		44 454	44 302	15 402	14 330
Other Revenue:					
Bequests and Donations received for:					
Research		3 129	1 658	3 129	2 058
Prizes and scholarships		681	765	681	765
General operational purposes and capital works		3 181	5 129	3 616	5 129
		6 991	7 552	7 426	7 952
Gross proceeds from sale of non-current assets		10 221	3 216	9 624	2 006
Recharge of costs to other organisations		1 633	2 484	1 633	2 484
Application management and late fee		601	655	601	655
Contribution of assets		367	-	367	-
Assets acquired for nil consideration		492	-	492	-
Franchise fees		1 120	944	1 120	944
Bad debts recoveries		6	9	6	9
Initial recognition of works of art		-	1 090	-	1 090
Other revenue		5 904	10 344	4 957	8 653
		27 335	26 294	26 226	23 793
Share of net profits (losses) of associates, joint ventures accounted for using the equity method:					
Associates	30	1 352	107	-	-
Joint venture operations	31	71	119	-	-
		1 423	226	-	-

6. Operating Surplus

Operating surplus is arrived at after crediting and charging the following items:

Credits:

Net foreign exchange gain		-	123	-	123
Gain on disposal of investments		1 409	310	-	-
Gain on disposal of property, plant and equipment		961	1 239	688	1 011

Charges:*Salaries and Related Expenses:*

Academic:

Salaries		74 918	73 739	74 918	73 739
Contributions to superannuation schemes:					
Deferred employee superannuation benefits		(230)	2 323	(230)	2 323
Emerging cost		1 250	1 635	1 250	1 635
Funded		10 033	9 982	10 033	9 982
		11 053	13 940	11 053	13 940
Payroll tax		4 578	4 565	4 578	4 565
Annual leave		7 840	8 031	7 840	8 031
Long service leave		2 057	2 039	2 057	2 039
Workers compensation		348	344	348	344
Other		4 154	4 131	4 154	4 131
Total Academic Salaries and Related Expenses		104 948	106 789	104 948	106 789

Charges (continued)	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Salaries and Related Expenses (continued)</i>					
Non-Academic:					
Salaries		67 671	68 277	59 155	61 127
Contributions to superannuation schemes:					
Deferred employee superannuation benefits		(168)	1 777	(168)	1 777
Emerging cost		911	1 251	911	1 251
Funded		8 092	8 127	7 611	7 715
		8 835	11 155	8 354	10 743
Payroll tax		3 653	3 747	3 579	3 690
Annual leave		6 283	6 026	6 131	5 983
Long service leave		1 632	1 639	1 612	1 576
Workers compensation		344	315	273	282
Other		3 231	3 358	3 216	3 358
Total Non-Academic Salaries and Related Expenses		91 649	94 517	82 320	86 759
		196 597	201 306	187 268	193 548
Total academic and non-academic salaries and related expenses represented by:					
Salaries and related expenses		194 834	194 320	185 505	186 562
Deferred and emerging cost of superannuation		1 763	6 986	1 763	6 986
		196 597	201 306	187 268	193 548
Bad and Doubtful Debts Cost:					
Student loans		205	54	205	54
Student tuition		462	(313)	462	(313)
Other debtors		233	103	138	103
		900	(156)	805	(156)
Amortisation of Intangibles:					
Goodwill		7	-	-	-
Amortisation:					
Leasehold improvements		289	217	114	178
Software and system development costs		3 470	3 609	3 470	3 609
		3 759	3 826	3 584	3 787
Depreciation:					
Buildings		8 900	4 389	8 828	4 245
Plant, equipment and motor vehicles		5 833	5 571	4 779	4 811
Library collection		6 380	6 035	6 380	6 035
		21 113	15 995	19 987	15 091
Net Foreign Exchange Loss		12	-	12	-
Loss on disposal of property, plant and equipment		838	1 008	810	816
Borrowing Costs:					
Interest		33	934	16	917
Finance charges		117	335	117	335
		150	1 269	133	1 252
7. Receivables	3(h)				
Student tuition fees		2 861	5 642	2 861	5 642
Less: Provision for doubtful debts		(462)	(500)	(462)	(500)
		2 399	5 142	2 399	5 142
Sundry and trade debtors		21 952	21 415	18 458	17 909
Less: Provision for doubtful debts		(1 153)	(801)	(905)	(535)
		20 799	20 614	17 553	17 374
Student loans		258	201	258	201
Less: Provision for doubtful debts		(205)	-	(205)	-
		53	201	53	201
Other		18	17	-	-
Total Receivables		23 269	25 974	20 005	22 717

8. Other Financial Assets

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Current:					
Short-term investment portfolio:					
Cash on deposit	3(i)	38 870	13 075	38 518	13 075
Other	32	5 690	7 053	-	-
		44 560	20 128	38 518	13 075
Loans:					
Loans to controlled entities		-	-	2 807	3 106
Other loans		168	551	168	551
		168	551	2 975	3 657
		44 728	20 679	41 493	16 732
Non-Current:					
Composite Fund at fair value:					
Australian fixed interest securities	3(i)	8 025	-	8 025	-
Overseas fixed interest securities		4 349	-	4 349	-
Australian equities		17 067	-	17 067	-
Overseas equities		15 905	2	15 905	2
Property trusts		3 210	259	3 210	259
Cash and liquid assets		2 798	50 268	2 798	50 268
		51 354	50 529	51 354	50 529
Managed investment held by Unisure Pty Ltd					
		6 934	6 874	6 934	6 874
Interest in business undertakings:					
Controlled entities	29	-	-	50 541	44 235
Other investments					
	32	3 681	3 132	2 370	1 974
Loans:					
Other loans		1 543	2 178	1 543	2 178
Provision for doubtful debts		-	(500)	-	(500)
		1 543	1 678	1 543	1 678
		63 512	62 213	112 742	105 290

Other loans are all secured by way of either a mortgage over land or a second priority fixed or floating charge over property.

9. Inventories

	3(k)				
Consumable materials and trading stock		1 943	1 801	1 909	1 760
Livestock		2 288	1 762	-	-
Provision for obsolescence		(100)	(100)	(100)	(100)
		4 131	3 463	1 809	1 660

10. Other Assets

Current:					
Pre-payments		6 239	4 343	4 872	3 058
Accrued income		464	267	149	157
Other		653	788	-	-
		7 356	5 398	5 021	3 215

11. Investments Accounted for Using the Equity Method

Associated entities:					
At cost	30	-	-	298	298
Equity accounted		1 792	440	-	-
Joint venture entities:					
At cost	31	-	-	65	65
Equity accounted		438	367	-	-
		2 230	807	363	363

12. Property, Plant and Equipment**12.1 Summary***Land*

Trust land:

At independent valuation 1998		5	228	5	228
At independent valuation 2002		-	76 865	-	76 865
At independent valuation 2003		92 330	-	92 330	-
		92 335	77 093	92 335	77 093

12.1 Summary

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Other land:				
At cost	220	-	220	-
At independent valuation 1998	499	499	499	499
At Valuer-General's valuation	4 625	3 300	4 625	3 300
At independent valuation 2002	-	62 666	-	35 825
At independent valuation 2003	65 353	-	33 255	-
	70 697	66 465	38 599	39 624
Total Land	163 032	143 558	130 934	116 717
<i>Buildings</i>				
Trust buildings:				
At cost	1 703	-	1 703	-
At independent valuation 2002	273 391	273 393	273 391	273 393
	275 094	273 393	275 094	273 393
Other buildings:				
At cost	2 068	214	1 800	214
At independent valuation 2002	35 815	36 115	33 871	34 171
	37 883	36 329	35 671	34 385
Capital work in progress:				
At cost	17 910	2 213	17 910	2 213
	330 887	311 935	328 675	309 991
<i>Provision for Depreciation of Buildings</i>				
Trust buildings:				
At independent valuation 2002	(7 663)	-	(7 663)	-
Other buildings:				
At cost	(25)	(3)	(20)	(3)
At independent valuation 2002	(1 213)	-	(1 146)	-
	(1 238)	(3)	(1 166)	(3)
	(8 901)	(3)	(8 829)	(3)
Total Provision for Depreciation	(8 901)	(3)	(8 829)	(3)
Total Buildings Net of Depreciation	321 986	311 932	319 846	309 988
Leasehold Improvements:				
At cost	3 090	2 982	1 278	1 203
Provision for amortisation	(479)	(480)	(264)	(152)
	2 611	2 502	1 014	1 051
Library Collection:				
At cost	3 156	-	3 156	-
At Council valuation 2002	55 819	55 819	55 819	55 819
	58 975	55 819	58 975	55 819
Provision for depreciation	(6 380)	-	(6 380)	-
	52 595	55 819	52 595	55 819
Works of Art:				
At independent valuation 2002	4 188	4 188	4 188	4 188
	4 188	4 188	4 188	4 188
Plant and Equipment:				
At cost	104 944	102 255	96 563	94 984
Provision for depreciation	(73 063)	(68 727)	(68 532)	(64 774)
	31 881	33 528	28 031	30 210
Total Property, Plant and Equipment	576 293	551 527	536 608	517 973

Aggregate depreciation and amortisation allocated during the year is recognised as an expense and disclosed in Note 6 Operating Surplus.

12.2 Reconciliation

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Land	Buildings	Leasehold	Library	Works	Plant and	Total
	\$'000	Inc WIP	Improve-	Collections	of Art	Equip-	\$'000
		\$'000	ments	\$'000	\$'000	ment	
Consolidated:							
Opening balance	143 558	311 932	2 502	55 819	4 188	33 528	551 527
Additions	1 807	19 356	398	3 292	-	8 857	33 710
Disposals	(8 462)	(299)	-	(136)	-	(1 201)	(10 098)
Revaluation							
Increments (decrements)	26 129	(103)	-	-	-	-	26 026
Depreciation/amortisation	-	(8 900)	(289)	(6 380)	-	(9 303)	(24 872)
Closing Balance	163 032	321 986	2 611	52 595	4 188	31 881	576 293

12.2 Reconciliation (continued)

	Land \$'000	Buildings Inc WIP \$'000	Leasehold Improve- ments \$'000	Library Collections \$'000	Works of Art \$'000	Plant and Equip- ment \$'000	Total \$'000
Parent:							
Opening balance	116 717	309 988	1 051	55 819	4 188	30 210	517 973
Additions	1 807	18 985	77	3 292	-	6 919	31 080
Disposals	(8 462)	(299)	-	(136)	-	(849)	(9 746)
Revaluation							
Increments (decrements)	20 872	-	-	-	-	-	20 872
Depreciation/amortisation	-	(8 828)	(114)	(6 380)	-	(8 249)	(23 571)
Closing Balance	130 934	319 846	1 014	52 595	4 188	28 031	536 608

13. Intangibles

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Non-Current:				
Goodwill	149	-	-	-
Accumulated amortisation	(7)	-	-	-
	142	-	-	-

14. Payables

Current:				
Accounts payable	20 412	15 559	14 370	12 156
Accruals	5 748	9 308	4 128	4 414
	26 160	24 867	18 498	16 570
Non-Current:				
Accounts payable	2 326	2 245	2 324	2 243

15. Interest-Bearing Liabilities

Current:				
Bank loans and commercial paper	108	108	-	-
Other	6	7	6	6
	114	115	6	6
Non-Current:				
Bank loans and commercial paper	122	213	-	-
Other	87	94	87	94
	209	307	87	94

16. Provisions

Current:				
Workers compensation provision	741	920	741	920
Annual and long service leave provision	8 754	8 242	8 088	7 700
Insurance provision	939	-	939	-
	10 434	9 162	9 768	8 620
Non-Current:				
Workers compensation provision	1 499	1 580	1 499	1 580
Long service leave provision	17 235	16 631	17 211	16 613
	18 734	18 211	18 710	18 193

17. Other Liabilities

Current:				
Outside funded positions	917	1 054	917	1 054
Income in advance	290	-	290	-
Salary and wage deductions	2 357	351	2 357	348
Student tuition fees received in advance	2 423	1 871	2 423	1 871
Unspent Commonwealth financial assistance	842	1 328	842	1 328
Residential bonds	20	17	20	17
Employee benefits - Redundancy	1 200	510	1 200	510
	8 049	5 131	8 049	5 128

18. Employee Benefits and Related On-Cost Liabilities

In accordance with the requirements of AASB 1028 'Employee Benefits', employee on-costs are required to be reported as payables whilst leave liability amounts are reported separately as 'Employee Benefits'. Below is a composite note disclosure showing the total liabilities the University has as at 31 December 2003 relating to employee benefits:

		Consolidated		University	
	Note	2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Annual Leave:					
On-costs included in payables - Current		1 118	1 099	1 037	1 037
Employee benefits - Current	16	4 473	4 397	4 150	4 147
		5 591	5 496	5 187	5 184

18. Employee Benefits and Related On-Cost Liabilities (continued)

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Long Service Leave:					
On-costs included in payables - Current		578	519	532	479
Employee benefits - Current	16	4 281	3 845	3 938	3 553
		4 859	4 364	4 470	4 032
On-costs included in payables - Non-current	14	2 326	2 245	2 324	2 243
Employee benefits - Non-current	16	17 235	16 631	17 211	16 613
		19 561	18 876	19 535	18 856
		30 011	28 736	29 192	28 072

19. Accumulated Result and Reserves**19.1 Summary**

Accumulated Result		94 041	78 948	76 105	64 619
Capital Reserves:					
Capital reserve		2 970	2 970	-	-
Capital profits reserve		687	687	-	-
Asset revaluation reserve		168 674	143 303	187 037	159 859
Initial asset recognition reserve		279 124	279 124	279 124	279 124
		451 455	426 084	466 161	438 983
Specific Purpose Reserves:					
Special reserve		51 669	46 452	51 669	46 452
Bequests/donations unspent income reserve		12 088	12 415	12 088	12 415
Restricted purpose bequest capital reserve		46 310	44 782	46 310	44 782
Composite fund revaluation reserve		12 962	10 629	12 962	10 629
		123 029	114 278	123 029	114 278

19.2 Movements in Accumulated Result

Opening balance		78 948	68 665	64 619	58 402
Add (Less): Net operating result		23 851	15 723	20 237	12 419
Transfer (to) from capital profits reserve		-	349	-	-
Transfer (to) from initial assets recognition reserve		-	254	-	-
Transfer (to) from special reserve		(5 217)	(10 826)	(5 217)	(10 826)
Transfer (to) from bequests/donations unspent income reserve		327	(2 328)	327	(2 328)
Transfer (to) from restricted purpose bequest capital		(1 528)	3 098	(1 528)	3 098
Transfer (to) from composite fund revaluation reserve		(2 333)	3 854	(2 333)	3 854
Adjustment to outside equity interests		(7)	159	-	-
Closing Balance		94 041	78 948	76 105	64 619

19.3 Movements

Capital Reserve:					
Opening balance		2 970	2 970	-	-
Current year movement		-	-	-	-
Closing Balance		2 970	2 970	-	-
Capital Profits Reserve:					
Opening balance		687	1 036	-	-
Current year movement		-	(349)	-	-
Closing Balance		687	687	-	-
Asset Revaluation Reserve:					
Opening balance		143 303	100 242	159 859	114 226
Add (Less): Revaluation increment/ decrement on investments		(655)	(12 815)	6 306	(1 163)
Add: Revaluation increment on property, plant and equipment		26 026	55 876	20 872	46 796
Closing Balance		168 674	143 303	187 037	159 859
Initial Asset Recognition Reserve:					
Opening balance		279 124	279 378	279 124	279 124
Current year movement		-	(254)	-	-
Closing Balance		279 124	279 124	279 124	279 124

19.3 Movements (continued)

	Consolidated		University	
	2003	2002	2003	2002
Special Reserve:	\$'000	\$'000	\$'000	\$'000
Opening balance	46 452	35 626	46 452	35 626
Transfer (to) from accumulated funds	5 217	10 826	5 217	10 826
Closing Balance	51 669	46 452	51 669	46 452
Bequests/Donations Unspent Income Reserve:				
Opening balance	12 415	10 087	12 415	10 087
Transfer (to) from accumulated funds	(327)	2 328	(327)	2 328
Closing Balance	12 088	12 415	12 088	12 415
Restricted Purpose Bequest Capital Reserve:				
Opening balance	44 782	47 880	44 782	47 880
Transfer (to) from accumulated funds	1 528	(3 098)	1 528	(3 098)
Closing Balance	46 310	44 782	46 310	44 782
Composite Fund Revaluation Reserve:				
Opening balance	10 629	14 483	10 629	14 483
Transfer (to) from accumulated funds	2 333	(3 854)	2 333	(3 854)
Closing Balance	12 962	10 629	12 962	10 629

19.4 Nature and Purpose of Reserves*Capital Reserve*

Represents capital accounts held within controlled entities of the University.

Capital Profits Reserve

Represents the accumulation of realised revalued increments of assets sold.

Asset Revaluation Reserve

Is used to record increments and decrements on the revaluation of non-current assets. Refer accounting policy Note 3(l).

Initial Asset Recognition Reserve

Represents the equity impact arising from the recognition of assets which until the first time the University prepared a set of accrual financial statements, had not previously been recognised.

Specific Purpose Reserves

Represents a number of reserves generated through a series of specific purpose transactions, and can only be used in accordance with the attributes of the generating transactions, eg composite fund revaluations reserve, bequest/donations reserve etc. In particular, the special reserve is created for surplus funds which will be specifically acquitted in future accounting periods.

20. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and short term investments in money market instruments. Cash as at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Note	Consolidated		University	
		2003	2002	2003	2002
Cash		\$'000	\$'000	\$'000	\$'000
Cash		14 925	11 178	4 696	784
Short term cash investment		38 870	13 075	38 518	13 075
		53 795	24 253	43 214	13 859

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus

Operating surplus		24 108	15 882	20 237	12 419
Add (Less): Non-cash items:					
Amortisation	6	3 766	3 826	3 584	3 787
Depreciation	6	21 113	15 995	19 987	15 091
Write down (up) investments		(3 611)	4 307	(3 611)	4 307
Contributed investments		(367)	-	(367)	-
Bad debts written off		(405)	6	(500)	-
Superannuation expense		(400)	4 100	(400)	4 100
Superannuation revenue		400	(4 100)	400	(4 100)
Other revenue/expenses		(3 838)	(1 725)	(1 709)	(1 104)
(Profit) Loss on sale of property, plant and equipment		(124)	(231)	122	(195)

(b) Reconciliation of Net Cash provided by Operating Activities to Operating Surplus (continued)	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Changes in Assets/Liabilities:				
(Increase) Decrease in inventories	(662)	506	(149)	(14)
(Increase) Decrease in receivables	2 705	(8 379)	2 712	(7 865)
(Increase) Decrease in other current assets	(1 958)	845	(1 806)	1 319
Increase (Decrease) in payables	1 312	3 041	2 009	3 002
Increase (Decrease) in other current liabilities	2 918	(8 642)	2 921	(8 468)
Increase (Decrease) in provisions	1 795	(2 319)	1 665	(2 395)
Net Cash provided by Operating Activities	46 752	23 112	45 095	19 884

(c) **Interest-Bearing Liabilities**

Refer to Note 15.

21. **Future Expenditure Commitments***Operating Expenditure*

Contracted but not provided for and payable:

Not later than one year	12 237	9 544	12 237	9 544
Later than one year, but not later than five years	18 284	7 625	18 284	7 625
Later than five years	336	-	336	-
	30 857	17 169	30 857	17 169

Capital Expenditure

Contracted but not provided for and payable:

Not later than one year	4 501	8 764	4 501	8 764
Later than one year, but not later than five years	98	-	98	-
Later than five years	22	-	22	-
	4 621	8 764	4 621	8 764

Operating Lease Commitments

Future operating base rental not provided for and payable:

Not later than one year	3 754	4 454	3 213	3 983
Later than one year, but not later than five years	5 370	7 515	3 235	5 440
Later than five years	2 061	4 117	38	1 200
	11 185	16 086	6 486	10 623

22. **Contingent Liabilities**(a) **Guarantees**

The University in 1997 provided a \$4.35 million guarantee and an indemnity to the Bank of South Australia to support a loan made to Frome Street Car Park Developments Pty Ltd. The guarantee is for a ten year period.

The University in 1997 provided a \$120 000 guarantee to the Commonwealth Government, Department of Health and Aged Care, for an interest free, 20 year loan of \$126 000 to be used for the construction of the Observatory Child Care Centre.

(b) **Superannuation**(i) *The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)*

The University has guaranteed that members of this superannuation scheme will receive defined benefits in the event that this closed scheme has insufficient assets to meet the benefits. Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure there are sufficient assets in the scheme to meet expected future liabilities of remaining members. Refer to Note 24(c).

(ii) *UniSuper Limited Superannuation Schemes*

Refer to Note 24(b).

(c) **Litigation**

In the ordinary course of its operations, the University and its controlled entities become involved in legal disputes. At the date of adoption of these financial statements, some matters remained outstanding. On legal advice, the University is of the opinion that no material losses are likely to arise. The University or its controlled entities will make a provision where a material loss is identified. No such provision is contained in the University's financial statements.

(d) Taxation Claim involving R&D Syndicate

In August 2000 The Adelaide Research & Innovation Trust (ARI) was notified by the Australian Taxation Office (ATO) that the Trust may be assessable to income tax in respect of certain income arising from the Transgenic Syndicated R&D Project in the 1991-1992 and following years. The ATO claimed that, on the information available to it, ARI had not distributed that income to the beneficiary, The University of Adelaide. ARI has contested the ATO's view, and its legal advice strongly supports ARI's position that ARI is not properly liable for any tax. No assessment had been issued prior to the adoption of these financial statements.

In addition to this claim, the company has received notification from the sponsor of the R&D Syndication that in the event that their defence of a claim placed upon them by the ATO is unsuccessful, they will make a counter claim for the 2 967 000 BresaGen shares issued to ARI Investment Trust arising from the R&D syndication. The judgement was in favour of the Syndicate, however following a successful appeal by the ATO, the matter has been referred back to the Administration Appeals Tribunal for rehearing.

23. National Wine Centre

During 2003 the University entered into an agreement with the State Government of South Australia to lease the National Wine Centre for a period of 40 years for consideration of \$1 million. The lease consideration has been included in the Statement of Financial Position as a prepayment and is to be amortised over the life of the lease on a straight line basis. The University also entered into an agreement with the State Government of South Australia to receive various items of plant and equipment for nil consideration. These items of plant and equipment were recognised as revenue within the Statement of Financial Performance and those items valued at less than the University capitalisation threshold of \$10 000 were expensed (\$500 000). The National Wine Centre also held exhibition assets. As the University has adopted a policy of free admissions to the National Wine Centre exhibition, these assets were determined to have limited future benefit and thus were not recognised in the University's Financial Statements.

24. Superannuation Schemes

(a) *The University contributes to a range of superannuation schemes, which are divided into the following categories:*

- (i) Those operative and open to membership:
 - UniSuper Defined Benefit Plan or Investment Choice Plan – formerly Superannuation Scheme for Australian Universities (SSAU)
 - UniSuper Award Plus Plan – formerly Tertiary Education Superannuation Scheme (TESS)
- (ii) Those operative but closed to future membership:
 - The University of Adelaide Superannuation Scheme A 1985 (Scheme A 1985)
- (iii) State Government Schemes closed to future membership by University employees:
 - State Pension Scheme
 - State Lump Sum Scheme

(b) UniSuper Limited Superannuation Schemes

The employee's UniSuper plan is determined by the terms of employment and are administered by UniSuper Management Pty Ltd with UniSuper Ltd as the trustee.

The employer contribution rate during 2003 for employees in either the Defined Benefit Plan or Investment Choice Plan was 14 percent of salaries plus 3 percent of salaries contribution to the Award Plus Plan and for employees only in the Award Plus Plan was 9 percent of salaries. The employee contribution rate throughout 2003 for employees in either the Defined Benefit Plan or Investment Choice Plan was 7 percent of their gross salaries.

An actuarial assessment, as at 31 December 2002, was completed on 16 May 2003. The assessment was conducted by Mr Grant Harslett (FIA, FIAA) and Mr Matthew Burgess (FIAA) of Towers Perrin. The actuary concluded that the assets of the fund were sufficient to meet all benefits payable in the event of the fund's termination, or the voluntary or compulsory termination of employment of each employee of the University.

The Trustee of UniSuper has advised the vested and accrued benefits of staff members who are in the Defined Benefits Plan, as follows:

- (i) Estimated vested benefits at 30 June 2003 - \$166.9 million (2002 - \$170.4 million).
- (ii) Estimated accrued benefits as at 30 June 2003 - \$139.5 million (2002 - \$136.3 million).
- (iii) Estimated net market value of assets for current members, at 30 June 2003 available to pay the superannuation liabilities of The University of Adelaide members was \$147.1 million (2002 - \$158.5 million).
- (iv) The difference between the estimated net market value of assets and accrued benefits at 30 June 2003 apportioned to The University of Adelaide was \$7.6 million (2002 - \$22.2 million). The 2003 deterioration is an outcome of market decline.

(b) UniSuper Limited Superannuation Schemes (continued)

UniSuper have previously disclosed Accrued Benefits at the same level as Vested Benefits since the 'vested' calculation has been higher than 'accrued', and which still holds true, so that the 'viability test' was measured against the worst scenario (viz. Fund closed down). There has now been a change in policy since the Trustees believe that disclosing the actual accrued benefits calculation is a more relevant measure because all members are not expected to voluntarily leave all at one time.

The Trustee has also advised the University that based on reasonable assumptions about the future, the actuary expects commitments to members to be met and the existing contribution rates to remain appropriate. The University has not been required to increase contribution rates to the scheme in 2003. However since the Vested Benefit Index (86.9 percent as at 31.12.2002) is an 'unsatisfactory financial position', the Trustee has triggered Clause 34(a) of the Unisuper Trust Deed as a matter of prudence (being a four year notice for contribution increase) for an unlikely further deterioration of the Fund.

(c) The University of Adelaide Superannuation Scheme A 1985

The University of Adelaide Superannuation Scheme A 1985 (Scheme) provides superannuation benefits for employees who had not transferred to UniSuper. The Scheme is administered by William M Mercer Pty Ltd. The trustee is The University of Adelaide Superannuation Scheme A 1985 Inc. The Scheme is governed by a separate trust deed and the general laws relating to trusts and superannuation. The Scheme provides a defined benefit (or accumulated member contributions multiplied by a factor of 2.5 if this amount is greater) and is fully funded.

Employer contributions of 14 percent of salaries recommenced on actuarial advice as from 1 January 2003 to ensure that there are sufficient assets in the Scheme to meet expected future liabilities of remaining members.

The actuary, William M Mercer Pty Ltd, has provided the following information on the scheme, based on the most recent financial report of the superannuation fund:

- (i) Vested benefits as at 30 June 2003 was \$9.9 million (2002 - \$9.7 million).
- (ii) Net market value of the assets of the Scheme available to pay benefits as at 30 June 2003 was \$10.0 million (2002 - \$10.3 million).
- (iii) Accrued benefits as at the date of last measurement being 30 June 2001 of \$11.6 million; the previous measurement as at 30 June 1998 was \$9.5 million.
- (iv) The difference between accrued benefits and the net market value of assets as at 30 June 2001, was \$600 000; the difference at the last measurement as at 30 June 1998 was \$3.0 million.

(d) State Government Superannuation Schemes

In 1991 employees of the City Campus of South Australian College of Advanced Education and Roseworthy Agricultural College were transferred to the University. Their terms of appointment to the University protected their membership of the State Pension Scheme and State Lump Sum Scheme. The schemes are administered by the Superannuation Board of South Australia. The schemes provide defined benefits and are mainly unfunded. The only employer contributions made in 2003 were 3 percent of salaries, and remaining benefits are met on an emerging cost basis.

The South Australian Department of Treasury and Finance estimate that, as at 31 December 2003, there is an unfunded liability of \$37.4 million (2002 - \$37.8 million). This represents a decrease in liability of \$400 000 since 31 December 2002. This is recognised as revenue in the 2003 Statement of Financial Performance, with a corresponding adjustment to expenditure.

The Commonwealth Government has agreed to provide assistance under Section 20 of the *Higher Education Funding Act* to meet the additional costs in respect of State Government emerging cost schemes, where costs are in excess of funding provided for this purpose in the base operating grant (ie 14 percent of salaries). Under the Commonwealth legislation titled '*State Grants (General Purposes) Amendment Act 1982*', the method of payment of these costs by the Commonwealth to the State Governments was promulgated. Further, the accounting methodology employed in these financial statements is in accordance with 'Guidelines for the Preparation of Annual Financial Reports for the 2003 Reporting Period by Australian Higher Education Institutions' provided by DEST. The accounting treatment employed is also consistent with the approach taken by other Australian Universities. Accordingly, total assets of \$37.4 million have been recorded as a 'Deferred government superannuation contribution' which offsets the current and non-current liability for the State Government Superannuation Schemes recorded as 'Deferred Employee Superannuation Benefits'.

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Deferred Government Superannuation Contribution:				
Non-current asset	37 400	37 800	37 400	37 800
Deferred Employee Superannuation Benefits:				
Current liability	3 000	2 700	3 000	2 700
Non-current liability	34 400	35 100	34 400	35 100
	37 400	37 800	37 400	37 800

(d) State Government Superannuation Schemes (continued)	Consolidated		University	
	2003	2002	2003	2002
The total employer contributions were:	\$'000	\$'000	\$'000	\$'000
UniSuper Defined Benefit Plan or Investment Choice Plan	13 951	13 378	13 951	13 378
UniSuper Award Plus Plan	6 632	6 087	6 632	6 087
State Government Superannuation Schemes (3 percent)	26	45	26	45
The University of Adelaide Superannuation Scheme A 1985	125	-	125	-
	20 734	19 510	20 734	19 510

25. Disaggregation Information

The University predominantly operates in the field of higher education in Australia. Its primary activities are teaching and research. Income generated overseas from teaching and research activities are not significant so as to warrant disaggregation information disclosure.

26. Auditors' Remuneration

	Consolidated		University	
	2003	2002	2003	2002
Amounts paid or payable were:	\$'000	\$'000	\$'000	\$'000
South Australian Auditor-General	190	165	190	165
Other auditors of controlled entities	68	60	-	-
	258	225	190	165
Other services	18	-	-	-
	276	225	190	165

27. Remuneration for University Senior Management

Amounts paid or payable to University Senior Management	2003	2002
	\$'000	\$'000
	3 114	2 283
	Number	Number
\$100 000 - \$109 999	-	2
\$130 000 - \$139 999	1	-
\$140 000 - \$149 999	1	-
\$150 000 - \$159 999	1	-
\$160 000 - \$169 999	1	-
\$170 000 - \$179 999	-	1
\$180 000 - \$189 999	1	1
\$200 000 - \$209 999	1	1
\$210 000 - \$219 999	-	1
\$220 000 - \$229 999	3	1
\$230 000 - \$239 999	1	1
\$260 000 - \$269 999	-	1
\$270 000 - \$279 999	-	1
\$280 000 - \$289 999	-	1
\$330 000 - \$339 999	1	-
\$350 000 - \$359 999	1	-
\$510 000 - \$519 999	1	-
	13	11

Remuneration is based upon the total remuneration package which includes employer and employee (pre-tax) superannuation contributions and termination payments, due and receivable, by senior managers from the University. Certain senior managers were employed for part of the year.

28. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into interest rate swaps, future contracts, interest rate options and other forms of agreements to manage cash flow risks associated with the interest rates on investments that are floating, or to alter interest rate exposures arising from mismatches in repricing dates between assets and liabilities.

	Note	2003					Total \$'000
		Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non- Interest Bearing \$'000	
Financial Assets:							
Cash		14 925	-	-	-	-	14 925
Receivables	7	-	-	-	-	23 269	23 269
Other Financial Assets	8, 11	32 103	6 584	188	1 178	70 417	110 470
		47 028	6 584	188	1 178	93 686	148 664
Weighted average interest rate		4.23%	5.43%	4.02%	6.34%	-	

(a) Interest Rate Risk (continued)

		2003					
	Note	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Liabilities:							
Payables	14	-	-	-	-	26 160	26 160
Interest-bearing liabilities	15	-	108	122	-	93	323
		-	108	122	-	26 253	26 483
Weighted average interest rate		-	6.28%	6.28%	-	-	
		2002					
	Note	Floating Interest Rate \$'000	1 year or less \$'000	Over 1 to 5 years \$'000	More than 5 years \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Assets:							
Cash		11 178	-	-	-	-	11 178
Receivables	7	-	-	-	-	25 974	25 974
Other Financial Assets	8, 11	39 728	24 056	-	1 678	18 237	83 699
		50 906	24 056	-	1 678	44 211	120 851
Weighted average interest rate		3.57%	4.89%	-	6.21%	-	
Financial Liabilities:							
Payables	14	-	-	-	-	24 867	24 867
Interest-bearing liabilities	15	-	108	213	-	101	422
		-	108	213	-	24 968	25 289
Weighted average interest rate		-	3.70%	3.70%	-	-	

(b) Foreign Exchange Risk

The Consolidated Entity has placed its investments in a portfolio managed by independent investment managers. The fund managers enter into forward foreign currency exchange contracts to hedge overseas share trading and foreign currency cash exposures. The terms of the hedge contracts are usually less than three months.

(c) Credit Risk Exposures

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

(i) On Statement of Financial Position Financial Instruments

The credit risk on financial assets, excluding investments of the Consolidated Entity which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provisions for doubtful debts.

The Consolidated Entity's financial assets and liabilities are not materially exposed to any individual overseas country or individual customer.

(ii) Off Statement of Financial Position Financial Instruments

The reporting entity and its controlled entities do not possess or trade any Off Statement of Financial Position Financial Instruments.

(d) Net Fair Values of Financial Asset and Liabilities

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

(i) On Statement of Financial Position Financial Instruments

The Consolidated Entity has placed its investments in a portfolio managed by independent managers. Listed shares and equities included within these investments are traded in an organised financial market by the fund managers. The Consolidated Entity values these investments at current market value.

Monetary financial assets and financial liabilities not readily traded in an organised financial market, are determined by valuing them at amounts due from customers (reduced for expected credit losses) or due to suppliers.

The carrying amount of bank term deposits, accounts receivable, accounts payable and bank loans approximate net fair value.

The net fair value of investments in unlisted shares in other corporations is determined by reference to underlying net assets of the respective corporations.

(ii) *Off Statement of Financial Position Financial Instruments*

The reporting entity and its controlled entities do not possess or trade any Off Statement of Financial Position Financial Instruments.

29. Investments in Controlled Entities

Controlled entities and contribution to operating result before elimination of consolidation items:

	Investment at Fair Value		Investment at Cost		Contribution to Operating Result	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Controlled Entity:						
The Adelaide Research and Innovation Investment Trust	10 557	10 199	2 898	2 898	1 166	1 958
Lubims Pty Ltd	1 672	1 563	-	-	49	274
Martindale Holdings Pty Ltd as trustee for:						
JS Davies Estate	16 988	14 388	-	-	1 539	954
JAT Mortlock Trust	21 324	18 085	-	-	694	997
	50 541	44 235	2 898	2 898	3 448	4 183

JS Davies

The University holds a 5/6th interest in a joint venture named JS Davies Estate, the principal activity of which is farming. This venture is managed by Martindale Holdings Pty Ltd and included in the Consolidated Entity. The remaining 1/6th is recognised as an outside equity interest.

Fair Value of Investments in Controlled Entities

The investment in controlled entities has been reported at fair value using the net asset basis. Refer Note 3(j).

30. Investments in Associates**(a) Equity and Contribution to Results**

Associate Entity	Principal Activity	Holding Percent	Consolidated Carrying Amount		Investment at Cost	
			2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Held by the University						
<i>Unisure Pty Ltd</i>	Responsible for processing of Tertiary Institution Workers Compensation Insurance.	33.3	-	-	-	-
<i>Ngee Ann Adelaide Education Centre Pty Ltd</i>	Operates a graduate education centre in Singapore.	50	201	440	298	298
<i>Australian Centre for Plant Functional Genomics Pty Ltd</i>	Responsible for the development of world-class capability in plant genomic research & its application for economic & social benefit to Australia.	39	80	-	-	-
<i>Australian Grain Technology Pty Ltd</i>	Responsible for the development of research into new grain varieties.	25	1 511	-	-	-
			1 792	440	298	298

(b) Movements in Carrying Amounts of Investments in Associates

	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At beginning of financial year	440	333	-	-
Share of operating profits (losses)	1 352	107	-	-
	1 792	440	-	-

(c) Results Attributed to Associates

Operating profits	1 352	107	-	-
Retained profits attributable to associates at the start of the financial year	440	333	-	-
Retained profits attributable to associates at the end of the financial year	1 792	440	-	-

(d) Accounting for Associates**(i) Capital and Other Expenditure Commitments**

There are no material capital expenditure commitments relating to associated entities.

- (ii) *Contingent Liabilities*
There are no material contingent liabilities relating to associated entities.
- (iii) *After Balance Date Events*
There are no material after balance date events to report for associated entities.
- (iv) *Assets, Revenue and Expenditure*
Since the above activities do not materially effect the University group figures, assets, revenue and expenditure have been reported as net amounts.
- (v) *Off Statement of Financial Position Financial Instruments*
The reporting entity, nor any of its associated entities, have any Off Statement of Financial Position Financial Instruments.

31. Interests in Joint Ventures

(a) Groups

The University participates in a number of joint ventures. These operations are not material to the University and there is no separate disclosure for 2003 in accordance with the Australian Accounting Standard AASB 1006 - 'Interests in Joint Ventures'. For reporting purposes these have been segregated into two groups as follows: Refer Note 3(j).

- (i) *Cooperative Research Centres*
The University participated in a number of Cooperative Research Centres (CRCs) during 2003. These CRCs have the characteristics of joint ventures and have been reported as such.

A CRC is a research initiative of the Australian Government established to pursue specific areas of research. One of the desired outcomes of a CRC is the creation of specific intellectual property with commercial value. The participants in CRCs are an amalgam of research institutions, eg CSIRO, universities and private enterprise. Direct participants in these schemes are vested with joint venture interest. The funding of the CRC is co-ordinated through a Centre Agent who is appointed generally from one of the participating entities.

Funding transfers between the CRC and the University are accounted for as general revenue and expenditure with the overall impact for the period being revenue neutral. Consequently, they are reported as part of the University's activity. At this stage, with the exception of GroPep Ltd, there has been no intellectual property yet developed which is considered to have commercial value in either the ongoing or completed CRCs. Consequently at balance date, no value was ascribed to the intellectual property of the CRCs.

			Participation Percent
CRC for Greenhouse Gas Technologies	(U)	(C)	12
CRC for Welded Structures Ltd	(I)	(C)	7
CRC for Molecular Plant Breeding	(U)	-	18
CRC for Clean Power from Lignite	(U)	(C)	9
CRC for Sensor Signal and Information Processing	(U)	-	13
CRC for Viticulture	(U)	(C)	7
CRC for Water Quality and Treatment	(U)	(C)	5
CRC for Australian Weed Management	(U)	(C)	7
CRC for Pest Animal Control	(U)	(C)	8
CRC for Cattle & Beef Quality	(U)	(C)	-
CRC for Freshwater Ecology	(U)	(C)	1
CRC for Smart Internet Technology Pty Ltd	(I)	-	5
CRC for Plant-Based Management of Dryland Salinity	(U)	(C)	5
CRC for Landscape Environments and Mineral Exploration	(U)	(C)	7
CRC for Aquafin	(U)	(C)	-

The University is a supporting participant (but not a signatory) for the CRC for Cattle & Beef Quality and the CRC for Aquafin.

The University over the next seven years will make both cash and in-kind contributions to support the work of the CRC's. The University has committed to participate in the work of these CRC's, with contributions in constant dollars, of \$2.7 million in cash and \$40.2 million in kind.

- (ii) *Other Unincorporated Joint Ventures*
- | Name | Principal Activity | | Participation
Percent |
|--|--|-----|--------------------------|
| Middleback Field Centre | To provide pastoral-zone courses and range land ecology research programmes. | (U) | 33 |
| Professional Certificate in Arbitration (previously - National Course in General Arbitration & Dispute Resolution) | To develop and deliver tertiary courses in arbitration. | (U) | 50 |

(ii) <i>Other Unincorporated Joint Ventures (continued)</i>			
Name	Principal Activity		Participation Percent
South Australian Centre for Economic Studies	To obtain quality research regarding regional economic development with particular application to South Australia.	(U)	50
South Australian Tertiary Admissions Centre	Established as the agent for tertiary institutions in Adelaide for the purpose of receiving and processing applications from intending students.	(U)	25

(I) Incorporated (U) Unincorporated (C) CSIRO is a partner

The Consolidated Entity's reported interest in the assets employed in the joint ventures total \$438 000 (\$367 000). These are included in the consolidated Statement of Financial Position, in accordance with the accounting policy described in Note 3 (j).

(b) Equity and Contribution to Results	Participation Percent	Consolidated Carrying Amount		Investment at Cost	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Joint Venture Entity</i>					
Held by the University of Adelaide:					
Professional Certificate in Arbitration	50	65	19	65	65
Middleback Field Centre	33	27	24	-	-
South Australian Centre for Economic Studies	50	97	43	-	-
South Australian Tertiary Admissions Centre	25	249	281	-	-
		438	367	65	65

(c) Movements in Carrying Amounts of Joint Ventures	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
At beginning of financial year	367	248	-	-
Share of operating profits (losses)	71	119	-	-
	438	367	-	-

(d) Results Attributed to Joint Ventures	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating profits	71	119	-	-
Retained profits attributable at start of financial year	367	248	-	-
Retained profits attributable at the end of the financial year	438	367	-	-

(e) **Accounting for Joint Ventures**

- (i) *Capital and Other Expenditure Commitments*
There are no material capital expenditure commitments relating to joint ventures.
- (ii) *Contingent Liabilities*
There are no known material contingent liabilities relating to joint ventures.
- (iii) *After Balance Date Events*
There are no material after balance date events to report for joint ventures.
- (iv) *Assets, Revenue and Expenditure*
Since the above activities do not materially affect the University group figures, assets, revenue and expenditure have been reported as net amounts.
- (v) *Off Statement of Financial Position Financial Instruments*
The reporting entity, nor any of its joint ventures, have any Off Statement of Financial Position Financial Instruments.

32. Other Investments

The University holds investments in the following business undertakings.

Entity	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Investments at Cost		11	76	11	86
Investments at Council Valuation 2003:	3(j)				
Other		3 670	3 056	2 359	1 888
Held by ARI Investment Trust at Council Valuation ⁽¹⁾	3(j)				
BresaGen Ltd - Biotechnology research		793	2 983	-	-
GroPep Ltd - Biotechnology research		4 897	4 070	-	-
		5 690	7 053	-	-
		9 371	10 185	2 370	1 974

(1) These investments are publicly listed and have been recorded at the market value at balance date. BresaGen Ltd went into voluntary administration on 19 January 2004. BresaGen Ltd shares were suspended from quotation on the Australian Stock Exchange on 20 January 2004, at which time the market value was \$896 000.

33. Related Party Transactions**(a) Councillor Related Transactions**

Certain Councillors are members of incorporated and unincorporated associations that are an integral part of the University. Transactions between these bodies, the University and Council members, in respect of services provided to Council members are trivial and domestic in nature.

Certain Council members hold positions and interests in entities that provide goods and services to the University and its subsidiaries. The provision of these goods and services are on normal trading terms.

(b) Property Leases

The University is the lessor of long term leases at peppercorn rents to the CSIRO, Australian Wine Research Institute and SARDI. On this land, these organisations have erected or leased buildings. These buildings become property of the University at the termination of the lease.

The University and the CSIRO are partners in a number of Cooperative Research Centres - refer to Note 31.

(c) Fees Paid To Members of Council

No remuneration was paid to any members of Council, or its standing committees for the financial year. Some members of Council are employees of the University and as such receive remuneration in the course of their employment with the University.

(d) Students at The University of Adelaide

From time to time, Council members will have members of their immediate family who are students at the University. Unless specifically stated within the financial statements, such students are subject to the normal fee structure as any other students. This also applies to members of Council who are enrolled as students.

The following information being Note 34 to Note 41 has been prepared in accordance with the DEST reporting guidelines.

34. Statement of Financial Performance for the Year Ended 31 December 2003

OPERATING REVENUE FROM ORDINARY ACTIVITIES:	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Commonwealth Government financial assistance		181 706	177 132	181 706	177 132
State Government financial assistance	40	15 503	15 131	15 283	14 911
Higher Education Contribution Scheme:	36				
Student contributions		7 904	6 638	7 904	6 638
Commonwealth payments		39 466	35 339	39 466	35 339
Postgraduate Education Loan Scheme (PELS)	36	2 235	1 293	2 235	1 293
Fees and charges	41	57 046	55 766	51 760	50 385
Superannuation:					
Deferred Government contributions		(400)	4 100	(400)	4 100
Commonwealth supplementation		2 618	2 465	2 618	2 465
Investment income		9 240	(268)	8 320	114
Royalties, trademarks and licenses	5	935	564	343	564
Consultancy and contract research		32 340	30 246	21 837	22 036
Other revenue		47 753	42 971	31 957	23 363
Total Operating Revenue from Ordinary Activities		396 346	371 377	363 029	338 340

34. Statement of Financial Performance for the Year Ended 31 December 2003 (continued)

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
OPERATING EXPENSES FROM ORDINARY ACTIVITIES:					
Employee benefits	6	196 597	201 306	187 268	193 548
Depreciation and amortisation	6	24 872	19 821	23 571	18 878
Buildings and grounds		19 749	18 284	19 749	18 284
Bad and doubtful debts	6	900	(156)	805	(156)
Borrowing cost expense	6	150	1 269	133	1 252
Other expenses		129 970	114 971	111 266	94 115
Total Operating Expenses from Ordinary Activities		372 238	355 495	342 792	325 921
OPERATING RESULT FROM ORDINARY ACTIVITIES		24 108	15 882	20 237	12 419

35. Commonwealth Government Financial Assistance**(a) Financial assistance received pursuant to the Higher Education Funding Act 1988 (including Superannuation contributions from the Commonwealth, but excluding HECS & PELS)**

	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Teaching and Learning:				
Operating (excluding HECS and PELS)	65 003	79 204	65 003	79 204
Teaching hospitals	541	530	541	530
Capital development pool	2 091	-	2 091	-
ARC:				
Discovery - Projects	7 645	6 512	7 645	6 512
Discovery - Fellowships	1 192	1 813	1 192	1 813
Discovery - Federation Fellowships	594	314	594	314
Linkage - Special Research Initiatives	120	-	120	-
Linkage - Infrastructure	1 512	225	1 512	225
Linkage - International	129	319	129	319
Linkage - Projects	2 060	1 833	2 060	1 833
Linkage - Centres	4 045	3 712	4 045	3 712
DEST Research:				
Institutional Grants Scheme	15 378	15 310	15 378	15 310
Research Training Scheme	27 790	24 070	27 790	24 070
Systemic Infrastructure Initiative	95	201	95	201
Research Infrastructure	10 381	8 134	10 381	8 134
Australian Postgraduate Awards	4 156	4 116	4 156	4 116
International Postgraduate Research Scholarships	857	693	857	693
Sub-total pursuant to the Higher Education Funding Act 1988	143 589	146 986	143 589	146 986

(b) Other Commonwealth Government Financial Assistance Received

ANZCAART	-	30	-	30
Attorney General's Department	19	-	19	-
AusIndustry	-	15	-	15
Australian Biological Resources Study	59	66	59	66
Australian Centre for International Agricultural Research	432	656	432	656
Australian Institute of Aboriginal and Torres Strait Islander Studies	-	31	-	31
Australian Institute of Health and Welfare	575	595	575	595
Bureau of Meteorology	35	-	35	-
Bureau of Rural Sciences	-	8	-	8
Centrelink	107	136	107	136
CSIRO	257	420	257	420
Defence, Science and Technology Organisation	317	280	317	280
Department of Agriculture, Fisheries and Forestry	12 550	7 724	12 550	7 724
Department of Communications, IT and Arts	3	15	3	15
Department of Education, Science and Training	207	118	207	118
Department of Employment and Workplace Relations	28	-	28	-
Department of Environment and Heritage	28	-	28	-
Department of Finance and Administration	36	-	36	-
Department of Foreign Affairs and Trade	12	5	12	5
Department of Health and Aged Care	25 628	22 022	25 628	22 022

(b) Other Commonwealth Government Financial Assistance Received (continued)	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Department of Immigration, Multicultural and Indigenous Affairs	20	20	20	20
Department of Industry, Tourism and Resources	1	265	1	265
Department of Veteran's Affairs	22	-	22	-
Medical Services Advisory Committee	395	205	395	205
Other	4	-	4	-
Sub-total other Commonwealth Government Financial Assistance Received	40 735	32 611	40 735	32 611
Total Commonwealth Government Financial Assistance excluding HECS and PELS	184 324	179 597	184 324	179 597

36. Acquittal of Commonwealth Government Financial Assistance – Teaching and Learning

	Parent Entity (University) Only					
	Operating Financial Assistance		Teaching Hospitals		Capital Development Pool	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Teaching and Learning</i>						
Financial assistance in advance (received in the previous reporting period)	5 030	5 172	43	42	-	-
Add: Financial assistance received during reporting period	66 463	79 419	541	530	2 091	-
Add: Contributions actually received from students	-	-	-	-	-	-
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(4 910)	(5 030)	(43)	(43)	-	-
Total from DEST	66 583	79 561	541	529	2 091	-
Accrual Adjustments:						
Less: 2003 Financial assistance received in 2002	(5 030)	(5 172)	(43)	(42)	-	-
Add: 2004 Financial assistance received in 2003	4 910	5 030	43	43	-	-
Less: Work place reform adjustment	-	(215)	-	-	-	-
Less: Emerging Super overpayment	(320)	-	-	-	-	-
Less: 2002 Financial assistance received in 2003	(1 140)	-	-	-	-	-
Less: 2002 Student upfront adjustment in 2003	-	-	-	-	-	-
Add: 2002 Student upfront accrual reversed in 2003	-	-	-	-	-	-
Less: 2003 Student upfront accrual due 2004	-	-	-	-	-	-
Add: 2002 DEST student upfront adjustment in 2003	-	-	-	-	-	-
Revenue attributed to the reporting period	65 003	79 204	541	530	2 091	-
Add: Surplus (Deficit) prior year	-	715	-	-	-	-
Funds available for the reporting period	65 003	79 919	541	530	2 091	-
Less: Expenses for current period	65 003	79 919	541	530	2 091	-
Surplus (Deficit) for reporting period	-	-	-	-	-	-

	Parent Entity (University) Only			
	HECS		PELS	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<i>Teaching and Learning</i>				
Financial assistance in advance (received in the previous reporting period)	3 080	2 812	-	-
Add: Financial assistance received during reporting period	40 516	35 339	1 935	1 293
Add: Contributions actually received from students	7 904	6 638	-	-
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(3 278)	(3 080)	-	-
Total from DEST	48 222	41 709	1 935	1 293

36. Acquittal of Commonwealth Government Financial Assistance – Teaching and Learning (continued)

	Parent Entity (University) Only			
	HECS		PELS	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Accrual Adjustments:				
Less: 2003 Financial assistance received in 2002	(3 080)	(2 812)	-	-
Add: 2004 Financial assistance received in 2003	3 278	3 080	-	-
Less: Work place reform adjustment	-	-	-	-
Less: Emerging Super overpayment	-	-	-	-
Less: 2002 Financial assistance received in 2003	-	-	-	-
Less: 2002 Student upfront adjustment in 2003	(854)	-	-	-
Add: 2002 Student upfront accrual reversed in 2003	650	-	-	-
Less: 2003 Student upfront accrual due 2004	(1 700)	-	-	-
Add: 2002 DEST student upfront adjustment in 2003	854	-	300	-
Revenue attributed to the reporting period	47 370	41 977	2 235	1 293
Add: Surplus (Deficit) prior year	-	-	-	-
Funds available for the reporting period	47 370	41 977	2 235	1 293
Less: Expenses for current period	47 370	41 977	2 235	1 293
Surplus (Deficit) for reporting period	-	-	-	-

37. Acquittal of Commonwealth Government Financial Assistance – Australian Research Council

	Parent Entity (University) Only					
	Discovery - Projects		Discovery - Fellowships		Discovery - Federation Fellowships	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Australian Research Council - Discovery</i>						
Financial assistance in advance (received in the previous reporting period)	390	-	111	-	24	-
Add: Financial assistance received during reporting period	7 645	6 512	1 225	1 813	570	314
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	-	(390)	-	(111)	-	(24)
Total from DEST	8 035	6 122	1 336	1 702	594	290
Accrual Adjustments:						
Less: 2003 Financial assistance received in 2002	(390)	-	(111)	-	(24)	-
Add: 2004 Financial assistance received in 2003	-	390	-	111	-	24
Less: Recovery from prior years	-	-	(9)	-	-	-
Add (Less): Accrual adjustments between portfolios	-	-	(24)	-	24	-
Revenue attributed to the reporting period	7 645	6 512	1 192	1 813	594	314
Reallocation of accrual adjustment	-	-	24	-	(24)	-
Add: Surplus (Deficit) prior year	2 039	1 479	333	329	266	-
Funds available for the current period	9 684	7 991	1 549	2 142	836	314
Less: Expenses for current period	7 614	5 952	1 352	1 809	320	48
Surplus (Deficit) for current period	2 070	2 039	197	333	516	266

	Parent Entity (University) Only					
	Linkage - Special Research Initiatives		Linkage - Infrastructure		Linkage - International	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Australian Research Council - Linkage</i>						
Financial assistance in advance (received in the previous reporting period)	-	-	-	900	9	-
Add: Financial assistance received during reporting period	120	-	1 512	225	145	319
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	-	-	-	-	-	(9)
Total from DEST	120	-	1 512	1 125	154	310
Accrual Adjustments:						
Less: Prior year recoveries/transfers	-	-	-	-	(16)	-
Less: 2003 Financial assistance received in 2002	-	-	-	(900)	(9)	-
Add: 2004 Financial assistance received in 2003	-	-	-	-	-	9
Revenue attributed to the reporting period	120	-	1 512	225	129	319
Add: Surplus (Deficit) prior year	-	-	-	1 303	227	172
Funds available for the current period	120	-	1 512	1 528	356	491
Less: Expenses for current period	-	-	1 013	1 528	214	264
Surplus (Deficit) for current period	120	-	499	-	142	227

37. Acquittal of Commonwealth Government Financial Assistance – Australian Research Council (continued)

	Parent Entity (University) Only			
	Linkage - Projects		Linkage - Centres	
	2003	2002	2003	2002
<i>Australian Research Council - Linkage</i>				
Financial assistance in advance (received in the previous reporting period)	\$'000	\$'000	\$'000	\$'000
	107	-	-	-
Add: Financial assistance received during reporting period	2 071	1 833	4 045	3 712
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	-	(107)	-	-
Total from DEST	2 178	1 726	4 045	3 712
Accrual Adjustments:				
Less: Prior year recoveries/transfers	(11)	-	-	-
Less: 2003 Financial assistance received in 2002	(107)	-	-	-
Add: 2004 Financial assistance received in 2003	-	107	-	-
Revenue attributed to the reporting period	2 060	1 833	4 045	3 712
Add: Surplus (Deficit) prior year	878	775	2 315	1 047
Funds available for the current period	2 938	2 608	6 360	4 759
Less: Expenses for current period	2 380	1 730	5 125	2 444
Surplus (Deficit) for current period	558	878	1 235	2 315

38. Acquittal of Commonwealth Government Financial Assistance – DEST

	Parent Entity (University) Only			
	Institutional Grants Scheme		Research Infrastructure	
	2003	2002	2003	2002
<i>DEST Research Financial Assistance</i>				
Financial assistance in advance (received in the previous reporting period)	\$'000	\$'000	\$'000	\$'000
	1 224	1 223	816	636
Add: Financial assistance received during reporting period	15 378	15 310	10 381	8 134
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(1 276)	(1 224)	(975)	(816)
Total from DEST	15 326	15 309	10 222	7 954
Accrual Adjustments:				
Less: 2003 financial assistance received in 2002	(1 224)	(1 223)	(816)	(636)
Add: 2004 financial assistance received in 2003	1 276	1 224	975	816
Add: 2002 carry forward not recovered	-	-	-	-
Revenue attributed to the reporting period	15 378	15 310	10 381	8 134
Add: Surplus (Deficit) prior year	-	-	369	189
Funds available for the current period	15 378	15 310	10 750	8 323
Less: Expenses for current period	15 378	15 310	10 222	7 954
Surplus (Deficit) for the reporting period	-	-	528	369

	Parent Entity (University) Only			
	Research Training Scheme		Systemic Infrastructure Initiative	
	2003	2002	2003	2002
<i>DEST Research Financial Assistance</i>				
Financial assistance in advance (received in the previous reporting period)	\$'000	\$'000	\$'000	\$'000
	2 167	2 017	8	17
Add: Financial assistance received during reporting period	27 304	25 398	95	201
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	(2 333)	(2 167)	(8)	(8)
Total from DEST	27 138	25 248	95	210
Accrual Adjustments:				
Less: 2003 financial assistance received in 2002	(2 167)	(2 017)	(8)	(17)
Add: 2004 financial assistance received in 2003	2 333	2 167	8	8
Add: 2002 carry forward not recovered	1 328	-	-	-
Revenue attributed to the reporting period	28 632	25 398	95	201
Add: Surplus (Deficit) prior year	150	-	117	-
Funds available for the current period	28 782	25 398	212	201
Less: Expenses for current period	27 940	23 920	157	84
Surplus (Deficit) for the reporting period	842	1 478	55	117

38. Acquittal of Commonwealth Government Financial Assistance – DEST (continued)	Parent Entity (University) Only					
	Australian Postgraduate Awards Pre 2002 Funding Component		Australian Postgraduate Awards 2002 Onwards Funding Component		International Postgraduate Research Scholarships	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>DEST Research Financial Assistance</i>						
Financial assistance in advance (received in the previous reporting period)	-	-	-	-	-	-
Add: Financial assistance received during reporting period	1 753	4 116	2 403	-	757	693
Less: Financial assistance in advance (received in the reporting period for the next reporting period)	-	-	-	-	-	-
Total from DEST	1 753	4 116	2 403	-	757	693
Accrual Adjustments:						
Add: 2003 Estimate outstanding income from DEST	-	-	-	-	100	-
Revenue attributed to the reporting period	1 753	4 116	2 403	-	857	693
Add: Surplus (Deficit) prior year	111	-	-	-	-	35
Funds available for the current period	1 864	4 116	2 403	-	857	728
Less: Expenses for current period	1 864	4 005	2 263	-	857	728
Surplus (Deficit) for reporting period	-	111	140	-	-	-

39. Summary of Unspent Financial Assistance	Amount of unspent financial assistance as at 31 December 2003	Amount of unspent financial assistance that it is more likely will be approved by the Commonwealth Government for carry forward	Amount of unspent financial assistance that is more likely will be repaid to the Commonwealth Government
	\$'000	\$'000	\$'000
<i>Category of Financial Assistance</i>			
Teaching and Learning:			
Operating (excluding HECS and PELS)	-	-	-
Teaching Hospitals	-	-	-
Capital Development Pool	-	-	-
HECS	-	-	-
PELS	-	-	-
ARC:			
Discovery - Projects	2 070	2 070	-
Discovery - Fellowships	197	197	-
Discovery - Federation Fellowships	516	516	-
Linkage - Special Research Initiatives	120	120	-
Linkage - Infrastructure	499	499	-
Linkage - International	142	142	-
Linkage - Projects	558	558	-
Linkage - Centres	1 235	1 235	-
DEST Research:			
Institutional Grants Scheme	-	-	-
Research Infrastructure	528	528	-
Research Training Scheme	842	-	842
Systemic Infrastructure Initiative	55	55	-
Australian Postgraduate Awards	140	140	-
International Postgraduate Research Scholarships	-	-	-
Total	6 902	6 060	842

40. State Government Financial Assistance (a) South Australian Government, State Government financial assistance	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Arts SA	83	81	83	81
Bio Innovation SA	2 745	4 187	2 745	4 187
Bureau of Sugar Experiment Stations	10	-	10	-
Department for Administrative and information Services	-	120	-	120
Department of Business, Manufacturing and Trade	82	-	82	-
Department of Environment and Heritage	131	217	131	217
Department of Education and Children's Services	1 012	999	1 012	999

40. State Government Financial Assistance	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
(a) South Australian Government, State Government financial assistance (continued)				
Department of Further Education, Employment, Science and Technology	2 090	-	2 090	-
Department of Human Services	923	950	923	950
Department of the Premier and Cabinet	293	36	293	36
Department of Primary Industries and Resources	1 080	883	1 080	883
Department of Water, Land and Biodiversity Conservation	641	628	641	628
Drug and Alcohol Services Council	-	137	-	137
Environment Protection Authority	2	9	2	9
Institute of Medical and Veterinary Science	161	107	161	107
Land Management Corporation	27	-	27	-
Motor Accident Commission	520	-	520	-
Multicultural SA	35	-	35	-
Office for the commissioner for Public Employment	18	-	18	-
Planning SA	3	1	3	1
Police Department SA	228	150	228	150
Port Pirie Regional Health Service	22	-	22	-
Public Trustee Office	14	-	14	-
Repatriation General Hospital	25	10	25	10
Royal Adelaide Hospital	1 070	1 287	1 070	1 287
SAICORP	16	-	16	-
SA Housing Trust	2	-	2	-
SA Museum	99	6	99	6
SA Water Corporation	30	-	30	-
South Australian Dental Service	160	-	160	-
South Australian Research and Development Institute	220	2 092	-	2 092
South Australian State Energy Research Advisory Committee	44	33	44	33
South Australian Tourism Commission	-	38	-	38
SYP Health Commission	-	220	-	-
The Office of Economic Development	-	30	-	30
The Queen Elizabeth Hospital/North Western Adelaide Health Service	1 848	2 127	1 848	2 127
Torrens and Patawalonga Catchment Water Management Boards	40	5	40	5
Transport SA	1 137	6	1 137	6
Women's and Children's Hospital	379	559	379	559
WorkCover Corporation	11	34	11	34
Other	134	-	134	-
Total South Australian Government Financial Assistance	15 335	14 952	15 115	14 732
(b) Other State Government Financial Assistance	168	179	168	179
Total State Government Financial Assistance	15 503	15 131	15 283	14 911

41. Fees and Charges

Fees and charges were collected from the following sources during the reporting period:

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Student fee income	5	38 959	37 308	38 959	37 308
Library charges and fines		1 082	1 111	1 082	1 111
Application management and late fees		601	655	601	655
Parking fees		940	956	940	956
Rental charges/accommodation fees		4 103	3 776	4 103	3 776
Recharge of costs to other organisations		1 633	2 484	1 633	2 484
Franchise fees		1 120	944	1 120	944
Other		8 608	8 532	3 322	3 151
Total		57 046	55 766	51 760	50 385

UNIVERSITY OF SOUTH AUSTRALIA

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

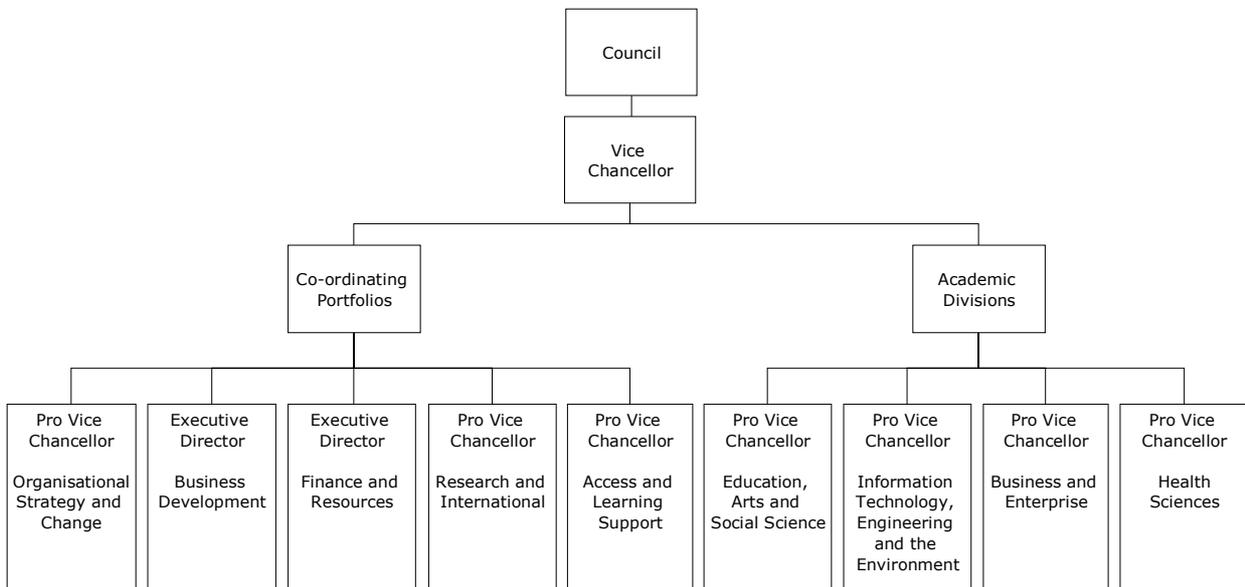
The University of South Australia (the University) was established pursuant to the *University of South Australia Act 1990*.

Functions

The function of the University is to advance, disseminate and preserve knowledge through the provision of a teaching, learning and research environment which fosters excellence in scholarship, innovation, and social responsibility.

Structure

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



The University operated from six campuses during 2003: City East, City West, Magill, Mawson Lakes, Underdale and Whyalla.

During 2003, the following entities were controlled by the University:

- ITEK Pty Ltd — The University established ITEK Pty Ltd as trustee for the ITEK Trust and the GTA Trust to provide University business incubation and technology commercialisation services.
- University of South Australia Foundation Incorporated (the Foundation) — The main purposes of the Foundation are to generate interest in the University and to attract broadly based levels of philanthropic support for the benefit of the University.
- Knowledge South Pty Ltd — The University established Knowledge South Pty Ltd in 2003 to provide e-learning and website development services.

Audit and Risk Management Committee

The University has an Audit and Risk Management Committee which comprises three external members of the Council and an academic staff representative. The Committee meets on at least a quarterly basis and reports to the Council. The Committee operates within the framework of an Audit Committee Charter with the primary function of assisting Council in exercising due care, diligence and skill in discharging its oversight and monitoring responsibilities. Representatives of the Auditor-General attend meetings of the Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 19 of the *University of South Australia Act 1990* provides for the Auditor-General to audit the accounts of the University in respect of each year of operation.

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 2003, specific areas of audit attention included:

- payroll
- expenditure
- fixed assets (including a specific review of the capital program)
- revenue, receipting and banking
- strategic planning
- procurement.

In addition, at the time of preparation of this Report, a review of information access security, integrity and business continuity functions of the University's PeopleSoft system computer processing environment was in progress.

The audit also included a review of the University's controlled entities, the Foundation and Knowledge South Pty Ltd, whereas the audit of ITEK Pty Ltd was carried out by a private accounting firm.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2003 Independent Audit Report, which details the qualification to the University's financial report.

Qualification

The University has reported as part of Other Liabilities in Note 16 to the financial statements, Commonwealth Grants representing revenue received in advance of \$18.2 million (\$15.1 million in 2002).

The 2001 Department of Education, Science and Training (DEST) Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001. The Commonwealth Operating grant received from DEST is considered to be a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AASB 1004 'Revenue', the advance grant should have been recognised as revenue in the year of receipt. The University has recognised Commonwealth Grants of \$15.1 million received in 2002 as revenue in 2003 and \$18.2 million received in 2003 as Other Liabilities.

As a result, the revenue received under the Higher Education Funding Act 1988 recognised in Commonwealth Government Financial Assistance and the Operating Result From Ordinary Activities are both understated by \$3.1 million (\$1.2 million in 2002); Accumulated Results of Operations is understated by \$18.2 million (\$15.1 million in 2002) and Current Liabilities-Other are overstated by \$18.2 million (\$15.1 million in 2002). The University has disclosed its accounting treatment of the operating grant received from DEST in Note 1(d) to the financial statements.

Qualified Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, Higher Education Funding Act 1988, applicable Australian Accounting Standards and other mandatory professional reporting requirements, the financial position of the University of South Australia and the economic entity as at 31 December 2003, 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 University 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 - validity of payroll transactions; segregation of duties; and accounts payable - system user access as outlined under 'Audit Communications to Management', are sufficient to provide reasonable assurance that the financial transactions of the University 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 Vice Chancellor. Responses to the management letters were generally considered to be satisfactory. Matters raised with the University and the related responses are considered herein.

Commonwealth Operating Grants

Consistent with past practice, in 2003 the University recognised the first instalment of the Commonwealth Operating Grant for 2004 (totalling \$18.2 million) which was received in December 2003 as revenue received in advance.

It was noted, however, that the 2001 DEST Guidelines were changed to remove the requirement to account for the advance grant as a liability. As a result, the requirements of Australian Accounting Standard AASB 1004 'Revenue' became applicable for the first time in 2001.

It is Audit's opinion that the Commonwealth Operating Grant received from DEST represents a non-reciprocal transfer and as a consequence the University has control of the funds upon receipt. In accordance with AASB 1004 'Revenue', it is Audit's view that the advance grant should be recognised as revenue in the year of receipt. As a result the Independent Audit Report on the University's financial report for 2003 was qualified for the treatment of Government Operating Grants.

Details included under the heading 'Audit Opinions' of this section provides further information including the financial effect on the University's financial statements resulting from the non-compliance with the accounting standard.

Payroll - Validity of Payroll Transactions

An essential control of a payroll process is a review of the disbursements made for each pay period to ensure payments are made to authorised employees for the correct amount. In 2002 the Audit review of monitoring practices in the University's schools and units indicated that there was minimal independent review undertaken to confirm the validity and accuracy of casual employee payments. Further, there was no requirement for staff to ensure that casual employees are valid per appropriately authorised contracts or other documentation.

The University responded that procedures would be developed and implemented to ensure reports were generated and reviewed by relevant staff to ensure the validity and accuracy of casual payments. Further, procedures would be implemented to ensure that the appropriate authorisations have been evidenced prior to updating the details into the payroll system.

The 2003 Audit review of these monitoring practices indicated that reports were not being generated and reviewed consistently across the University's schools and units. Further, revised procedures were only made available and communicated to staff in late 2003. Audit commented that it is important that controls essential to a payroll process are applied consistently across the University and are operating effectively, in order to support the soundness of the overall control environment.

The University responded that a payroll report would be produced and reviewed by the relevant Supervisors/Managers. In addition, relevant Supervisors/Managers would be reminded of their responsibilities in ensuring casual contracts and payments are valid.

Segregation of Duties

The segregation of duties between the processing of transactions and the maintenance of master files for a number of key processes was considered inadequate. Although the University indicated that it had alternative controls in place to overcome the inadequacy, Audit considered that the residual risk was still high and there were areas where controls could be improved as detailed herein.

Payroll

During 2003 Payroll officers had access to change payroll master file details, such as bank account details and pay rates, on both the University's payroll and banking online systems. There was no independent review of payroll master file changes to ensure the validity of these changes.

The University responded that restricting access to these systems would cause delays in completing the disbursement process. In addition to the review of existing payroll reports, the University would generate a report highlighting changes to banking details. Further, since January 2004 a report has been produced when pay rates are changed which is reviewed by an independent officer.

Accounts Payable

The segregation of duties between the processing of accounts payable transactions and the maintenance of the supplier master file was considered inadequate. The accounts payable officers have access to create and/or amend the supplier master file details. These officers are also responsible for the processing of accounts payable transactions. Although a sample of both changes to the supplier master file and proposed payments below \$50 000 were independently reviewed, payments below \$50 000 represent a material component of total operating expenditure.

The University responded that a review of the accounts payable process was to be undertaken in June 2004 that will result in a definite segregation of duties between the processing of accounts payable transactions and maintenance of the supplier master file.

Revenue

All personnel within Student Administration Services (SAS) had access to change the Medici Student Academic System rates file. Although there is an independent check of known changes to the Medici rates file, a system security log of all changes to rates was not produced and independently reviewed.

The University responded that user access has been reviewed and access restricted to relevant personnel within SAS in performing their responsibilities.

Accounts Payable - System User Access

While the University has appropriately limited the number of officers with systems administrator type access, the activities of these officers are not being logged and independently reviewed. There was a poor level of information available from the system regarding security event monitoring. Consistent with previous years, Audit has recommended that the University investigate with the software vendor improvements to enable the University to perform adequate monitoring processes.

The University responded that discussions were to be held with the software vendors to reassess the structure of the system user access profiles. In the interim, the University proposed to implement an independent system log review of all changes to security access.

Blueprint 2005 Capital Program

Consistent with previous years, a review of the University's procurement activities has been conducted with the objective to assess the quality of the tendering and contracting activity. During 2003, the University's main area of procurement activity was the awarding of building construction contracts for Blueprint 2005 (further details provided under 'Further Commentary on Operations'). The 2003 Audit included an examination of documentation supporting the execution of tendering and contracting processes for the major construction projects and a review of the relevant project and contract management frameworks. In addition, the University contracted probity auditors for each major capital project. Given the importance of this role, Audit's review included an assessment of these services.

In summary, the findings from Audit's review highlighted:

- significant improvements in the reporting framework as compared to previous years. Contract Tender Panels provided a comprehensive report on the evaluation and selection process undertaken in reaching their recommendations;
- a reasonable project and contract management framework was adopted and operated effectively during 2003. Progress reports to higher levels of management provided a clear summary of the key issues and status of Blueprint 2005;
- instances of non-compliance with delegations of authority and with the University's procurement procedures. While it can be argued that the risk of non-compliance in these instances were relatively low, it is nonetheless important that approved procedures are adhered to in all instances to maintain the integrity of the procurement process;
- the nature of services provided by the probity auditor encompassed the role of both a probity auditor and a probity advisor. It is Audit's view that these roles need to be clearly separated so as to maintain the independence of the probity auditor to provide a clear and unbiased opinion on the probity of tendering processes.

The University provided a satisfactory and comprehensive response to matters raised. In responding to the probity auditor issue, the University noted that it was aware of the potential impact on independence but considered it to be a low risk.

Other Matters

Other matters raised by Audit mainly related to improving internal control procedures over the daily processing of transactions within the main financial systems. Audit believes that improving control processes in these areas will reduce the possibility of errors or unauthorised transactions. These include:

- *Payroll* — accuracy and completeness of leave recording; timely review of annual leave balances; and adequate documentation evidencing the authorisation of variations to contract details of casual employees.
- *Accounts Payable (ie expenditure)* — independent review of system activity.
- *Revenue, receipting and banking* — lack of documented and independent review of manual processes (including manual student fee calculations); timeliness of the recovery of outstanding student debt; non-compliance with delegated authority; and independent review of bank reconciliations.
- *Procurement* — instances of non-compliance with the University's approved procedures. Specifically, lack of evidence to support an analysis of, and approval for, the extension of contracts and waiver of tender processes; insufficient analysis of procurement options; and the absence of contract registers within the relevant areas of the University.

The University has responded satisfactorily to the matters raised highlighting its acceptance and/or consideration of the Audit suggestions having regard to its assessment of risk and feasibility relevant to the issues raised.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**Highlights of Financial Statements (Consolidated)**

	2003	2002	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Commonwealth Government financial assistance	120	116	3
HECS	63	61	3
Fees and charges	70	65	8
Other	64	66	(3)
Total Operating Revenue	317	308	3
OPERATING EXPENDITURE			
Employment benefits	173	156	11
Other expenses	130	138	(6)
Total Operating Expenses	303	294	3
Operating Result from Ordinary Activities	14	14	-
Net Cash Flows from Operations	41	38	8
ASSETS			
Current assets	149	131	14
Non-current assets	651	619	5
Total Assets	800	750	7
LIABILITIES			
Current liabilities	83	74	12
Non-current liabilities	297	290	2
Total Liabilities	380	364	4
EQUITY	420	386	9

Statement of Financial Performance (Consolidated)

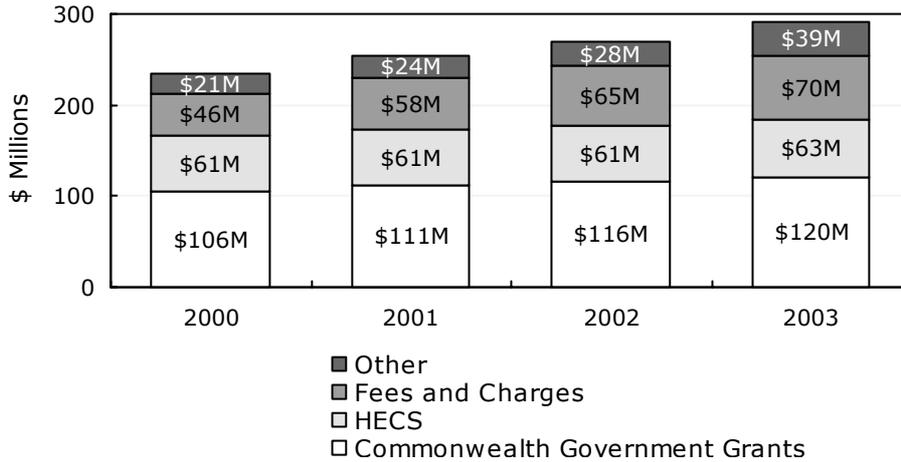
For the purposes of this analysis, the deferred Government superannuation contribution and Commonwealth supplementary funding have been excluded from the operating revenues and operating expenses as they have minimal effect on the operations of the University due to the revenues being offset by corresponding expense. Refer to Note 20 to the financial statements for further details of the University's superannuation plans.

Operating Revenues

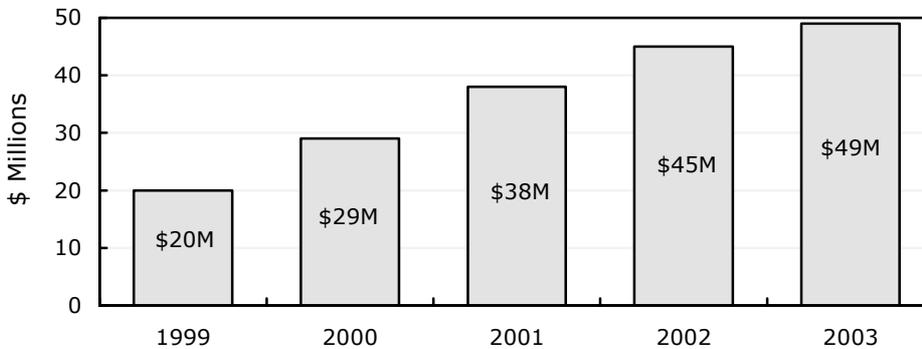
Operating revenues increased by \$22.7 million from \$269.6 million to \$292.3 million. The increase in operating revenue is due mainly to:

- revenue from overseas students increased by \$4 million to \$49.1 million (\$45.1 million in 2002). This revenue forms part of fees and charges in the chart below;
- funding from the University's main revenue sources, Commonwealth Government Financial Assistance and the Higher Education Contribution Scheme (HECS), increased by \$6.7 million from \$177.1 million to \$183.8 million. This was due mainly to an increase in Commonwealth Government Financial Assistance, notably a \$1.4 million increase in Operating Financial Assistance excluding HECS and the Post-Graduate Education Loans Scheme (PELS) and \$1.4 million in Capital Development funds (a majority of this amount was allocated for Blueprint 2005 which is further discussed under the heading 'Further Commentary on Operations');
- other revenue has increased by \$11.4 million to \$38.4 million (\$27 million in 2002) due mainly to the sale of the Salisbury Campus for its carrying amount of \$6.3 million in early 2003. This amount is offset by a corresponding amount in other expenses. As a result, there was no profit on the sale of the campus as it was revalued at its market value in 2002. Refer to Note 1(f)(i) to the financial statements for further details.

A structural analysis of operating revenues of the University for the four years to 2003 is presented in the following chart.



The chart demonstrates the success of the University in increasing the proportion of revenue from fees and charges mainly from fees from overseas students. This is due to an increase in both student enrolments and courses offered. The following chart highlights the upward trend in fees from overseas students.

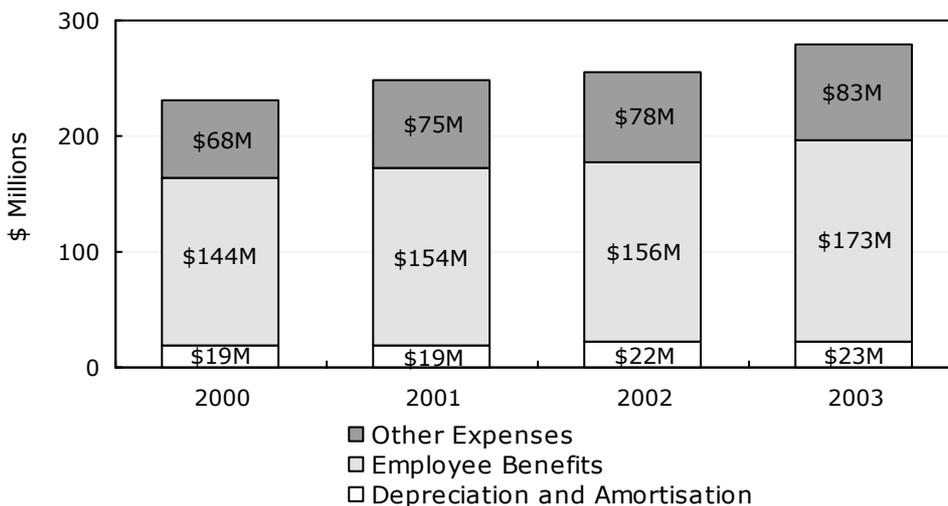


Operating Expenses

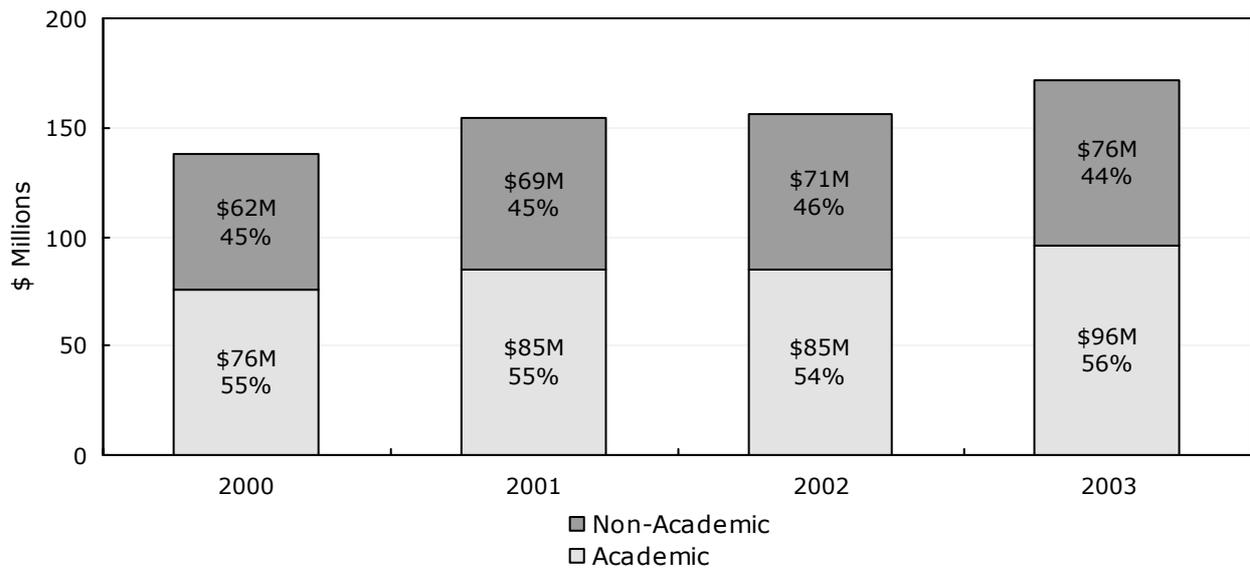
Operating expenses increased by \$23.4 million from \$256 million to \$279.4 million. The main operating expense of the University (as for most service entities) is employee benefits. This item increased by \$17.4 million to \$173 million. This was due mainly to wage rate increases (and increases in employee related costs) and increase in the number of University staff.

Other expenses increased by \$5 million from \$77.7 million to \$82.7 million. This was due primarily to an increase of \$7.3 million in the carrying amount of assets sold (\$6.3 million relates to the sale of the Salisbury Campus).

For the four years to 2003, a structural analysis of the main operating expense items for the University is shown in the following chart.



The following chart shows the changes in employee benefits for academic and non-academic staff over recent years.

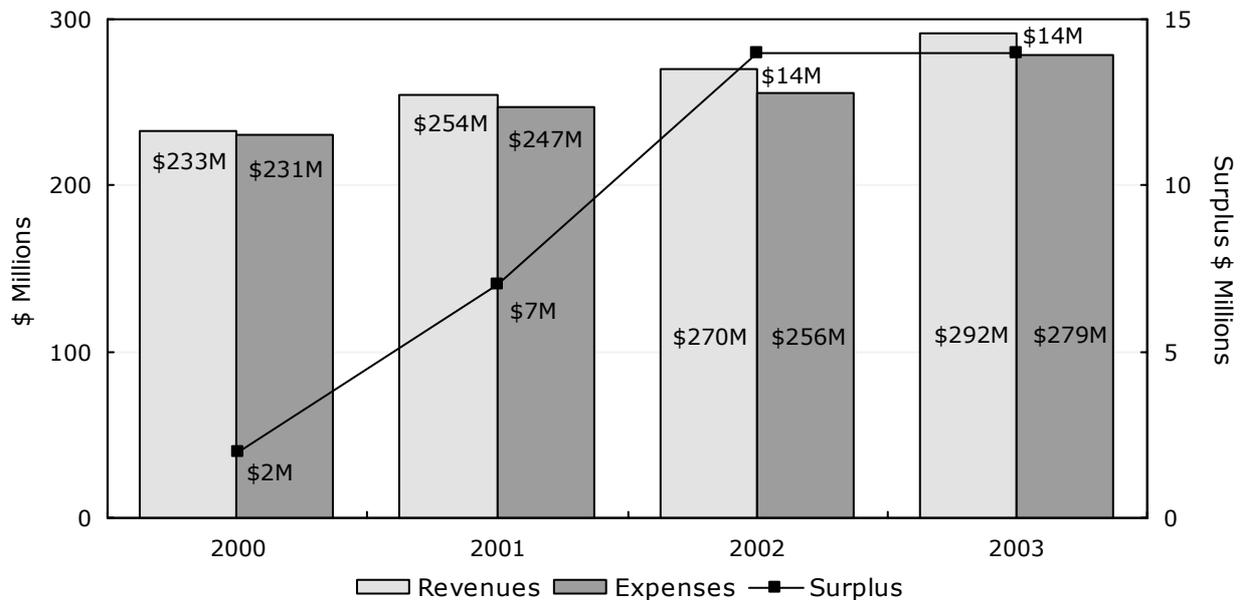


The chart highlights the steady increase in employee benefits cost since 2000 due to increases in staff numbers, average wage increases and an increase in targeted voluntary separation packages. The proportion of costs between academics and non-academics remains relatively constant.

Operating Result

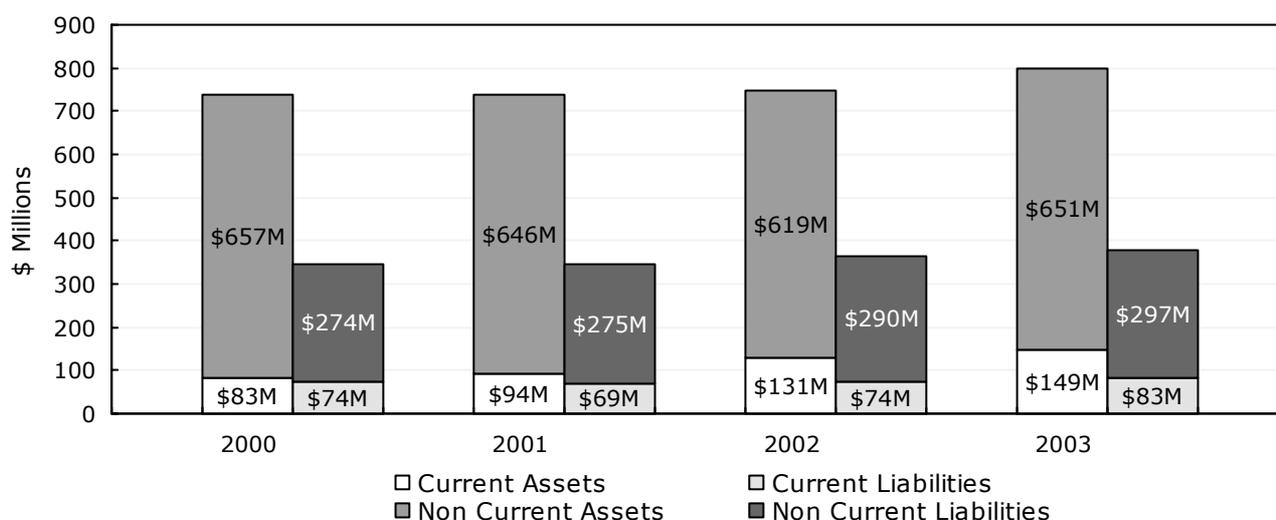
The result of operations for the year was a surplus of \$13.5 million (surplus of \$13.6 million in 2002), a decrease of \$0.1 million. The result reflects an increase of \$22.7 million in Revenue from Ordinary Activities compared to an increase of \$23.4 million in Expenses from Ordinary Activities.

The following chart shows the movement in revenues, expenses and the surplus for the current and preceding three years.



Statement of Financial Position (Consolidated)

For the four years to 2003, a structural analysis of assets and liabilities is shown in the following chart.



This analysis shows a gradual increase in current assets and current liabilities over the period of review. Over the period total assets and total liabilities have increased by 8 percent and 9 percent, respectively.

Current assets has steadily increased due to an accumulation of cash held in short term deposits. During 2003, current assets increased by 14 percent. Further commentary is provided under the heading 'Statement of Cash Flows'.

Prior to 2003, non-current assets gradually declined due mainly to a devaluation of land and buildings in both 2000 (\$25.9 million) and 2002 (\$23.3 million) which were considered to be surplus to the University's capacity and a revision of useful lives (\$6.7 million) resulting in a decrease in the carrying amount of property, plant and equipment. In 2003, however, non-current assets increased by 5 percent due to a revaluation upwards of \$20 million in property held for resale (the Underdale Campus) and buildings under construction (Blueprint 2005) increasing by \$20.9 million.

Total liabilities have increased over the period of review with a decrease in 2001 due to the repayment of borrowings (\$5 million). In 2003, the increase in liabilities was due to: the first instalment of the Commonwealth operating grant for 2004 (\$18.2 million) being higher than that received in 2003 (\$15.1 million); increase of \$2.7 million in finance lease arrangements for computer equipment; and increase of \$3 million in provisions for employee benefits (such as annual leave and long service leave). In addition, there was an increase of \$4.9 million in the deferred Government superannuation contribution. This amount, however, is offset by a corresponding amount in assets, therefore having no effect on Net Assets.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2003.

	2003	2002	2001	2000
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	41	38	28	27
Investing	(22)	(10)	(13)	(13)
Financing	(1)	(0.4)	(6)	(5)
Change in Cash	18	27.6	9.0	9.0
Cash at 31 December	103	85	58	49

The University's net cash flows have continued to increase during 2003 due to increased cash generated from operations and making no debt repayments. The increase in cash from operations is due mainly to increases in Commonwealth Government financial assistance and fees and charges. The significant increase in cash used in investing activities is due to building construction costs of Blueprint 2005. It is expected that the cash balance in 2004 will decrease significantly due to major capital expenditure commitments of \$72.7 million as disclosed in Note 19 to the financial statements.

FURTHER COMMENTARY ON OPERATIONS

Blueprint 2005 Capital Program

Blueprint 2005 represents a major \$135 million (Stage 1: \$100 million which is expected to be completed by early 2005, and Stage 2: \$35 million (approved in June 2004) which is expected to be completed by early 2007) investment by the University in the refurbishment and expansion of the City West, City East, Magill and Mawson Lakes campuses. Blueprint 2005 aims to improve the teaching and learning environment while reducing the annual costs of the maintenance and operation of the University's property.

During 2003 the University awarded \$73.3 million worth of construction contracts covering all Blueprint 2005 projects. Construction commenced in 2003 and is expected to be completed by early 2005. Total costs incurred to the end of 2003 amounted to \$26.2 million.

A significant aspect of Blueprint 2005 is the planned relocation of the Underdale Campus, at the end of 2004. As a result, the land and buildings of the Underdale Campus have been classified in the financial statements as property held for resale with a carrying value of \$33.7 million as at 31 December 2003. In early 2004, the University entered into two contracts for the sale of the Underdale campus (totalling \$33.7 million) with a settlement date of 31 March 2005. These sale proceeds, together with a loan facility with the National Australia Bank (\$35 million) and the accumulation of cash held in short term deposits (\$102 million) are the main sources of funding to finance Blueprint 2005.

Statement of Financial Performance for the year ended 31 December 2003

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
REVENUE:					
Commonwealth Government financial assistance	2.1, 31	120 486	115 886	120 486	115 808
State Government financial assistance	2.2	2 636	2 294	2 636	2 294
Higher Education Contribution Scheme:					
Student contributions	31.1	9 125	8 996	9 125	8 996
Commonwealth contributions	31.1	54 254	52 267	54 254	52 267
Postgraduate Education Loans Scheme (PELS)	31.1	2 222	555	2 222	555
Fees and charges	2.3	69 948	65 403	63 214	58 902
Investment income	2.4	4 801	3 139	6 452	4 778
Royalties, trademarks and licenses	2.5	719	367	712	367
Consultancy and contract research	2.6	15 585	14 873	15 589	14 873
Other revenue	2.7	12 483	5 820	12 880	5 574
		292 259	269 600	287 570	264 414
Superannuation:					
Commonwealth supplementation	20	20 036	21 895	20 036	21 895
Deferred government contributions	20	4 900	16 300	4 900	16 300
Total Revenue from Ordinary Activities		317 195	307 795	312 506	302 609
EXPENSES:					
Employee benefits	3.1	173 409	155 965	170 503	153 260
Depreciation and amortisation	3.2	23 214	22 324	23 079	22 163
Buildings and grounds	3.3	9 561	10 811	9 561	10 811
Bad and doubtful debts	3.4	778	491	775	491
Other expenses	3.5	70 545	64 779	69 039	62 857
Borrowing cost expense	4	1 848	1 649	1 848	1 649
		279 355	256 019	274 805	251 231
Superannuation:					
Commonwealth supplementation	3.1, 20	19 429	21 895	19 429	21 895
Deferred employee benefits	3.1, 20	4 900	16 300	4 900	16 300
Total Expenses from Ordinary Activities		303 684	294 214	299 134	289 426
OPERATING RESULT FROM ORDINARY ACTIVITIES		13 511	13 581	13 372	13 183
Direct credits or debits to equity:					
Reserves	17	20 616	(23 383)	20 450	(23 273)
TOTAL REVENUE, EXPENSES AND VALUATION					
ADJUSTMENTS ATTRIBUTED TO THE PARENT ENTITY AND RECOGNISED DIRECTLY IN EQUITY		20 616	(23 383)	20 450	(23 273)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		34 127	(9 802)	33 822	(10 090)

Statement of Financial Position as at 31 December 2003

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
CURRENT ASSETS:					
Cash assets	8	103 477	84 952	100 372	81 021
Receivables	9	15 150	13 363	13 809	12 214
Other financial assets	10	2 181	421	583	115
Property, plant and equipment	12	-	6 280	-	6 280
Deferred government superannuation contribution	20	24 800	23 600	24 800	23 600
Other assets	11	3 140	2 311	3 111	2 285
Total Current Assets		148 748	130 927	142 675	125 515
NON-CURRENT ASSETS:					
Other financial assets	10	7 328	7 279	7 244	6 664
Property, plant and equipment	12	386 840	357 869	386 408	357 687
Deferred government superannuation contribution	20	257 400	253 700	257 400	253 700
Total Non-Current Assets		651 568	618 848	651 052	618 051
Total Assets		800 316	749 775	793 727	743 566
CURRENT LIABILITIES:					
Payables	13	13 485	12 664	13 711	12 589
Provision for State superannuation	20	24 800	23 600	24 800	23 600
Provisions	15	13 874	12 044	13 658	11 886
Other liabilities	16	30 897	25 282	29 960	24 663
Total Current Liabilities		83 056	73 590	82 129	72 738
NON-CURRENT LIABILITIES:					
Payables	13	2 515	3 362	2 515	3 362
Interest bearing liabilities	14	15 000	15 000	15 000	15 000
Provision for State superannuation	20	257 400	253 700	257 400	253 700
Provisions	15	19 390	17 270	19 390	17 270
Other liabilities	16	2 800	825	2 800	825
Total Non-Current Liabilities		297 105	290 157	297 105	290 157
Total Liabilities		380 161	363 747	379 234	362 895
NET ASSETS		420 155	386 028	414 493	380 671
EQUITY:					
Reserves	17	28 131	7 515	27 923	7 473
Accumulated results of operations	18	392 024	378 513	386 570	373 198
TOTAL EQUITY		420 155	386 028	414 493	380 671

Statement of Cash Flows for the year ended 31 December 2003

		Consolidated		University	
		2003	2002	2003	2002
		Inflows	Inflows	Inflows	Inflows
		(Outflows)	(Outflows)	(Outflows)	(Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:	Note	\$'000	\$'000	\$'000	\$'000
INFLOWS:					
Financial Assistance:					
Commonwealth government		120 768	115 220	120 768	115 143
State government		2 636	2 294	2 636	2 294
Higher Education Contribution Scheme:					
Student payments		9 125	8 996	9 125	8 996
Commonwealth payments		54 293	53 446	54 293	53 446
Postgraduate Education Loans Scheme (PELS)		2 060	555	2 060	555
Fees and Charges		72 597	70 072	66 027	63 674
Investment receipts		4 802	3 139	5 500	4 778
Royalties, trademarks and licenses		719	367	712	367
Consultancy and contract research		13 851	14 891	14 040	14 870
Other receipts		4 188	6 196	4 478	5 976
Superannuation supplementation		23 229	21 927	23 229	21 927
Taxes recovered (GST)		4 800	3 021	4 800	3 021
OUTFLOWS:					
Staff salaries and related payments		(170 863)	(152 803)	(166 723)	(150 117)
Other payments		(77 639)	(85 648)	(75 803)	(83 586)
Superannuation payments		(21 348)	(21 895)	(21 348)	(21 895)
Interest and loan guarantee fees		(1 848)	(1 890)	(1 848)	(1 890)
Net Cash provided by Operating Activities	29	41 370	37 888	41 946	(37 559)
CASH FLOWS FROM INVESTING ACTIVITIES:					
INFLOWS:					
Proceeds from sale of property, plant and equipment		7 696	203	7 684	203
OUTFLOWS:					
Payments for property, plant and equipment		(29 402)	(10 240)	(29 140)	(10 185)
Net Cash used in Investing Activities		(21 706)	(10 037)	(21 456)	(9 982)
CASH FLOWS FROM FINANCING ACTIVITIES:					
OUTFLOWS:					
Principal repayments under finance lease		(1 139)	(452)	(1 139)	(452)
Net Cash used in Financing Activities		(1 139)	(452)	(1 139)	(452)
NET INCREASE IN CASH HELD		18 525	27 399	19 351	27 125
CASH AT 1 JANUARY		84 952	57 553	81 021	53 896
CASH AT 31 DECEMBER	8, 29	103 477	84 952	100 372	81 021

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

(a) Basis of Preparation

The financial statements are a general purpose financial report and have been prepared on a full accrual basis in accordance with applicable Australian Accounting Standards (AASB), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the requirements of the Commonwealth Department of Education, Science and Training (DEST).

The financial statements comply with relevant provisions of the South Australian Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987* and the Accounting Policy Statements issued pursuant to the Treasurer's Instructions, except where the foregoing conflict with the DEST guidelines.

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

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

Any changes to accounting policies for 2003 are documented within the notes below.

(b) Principles of Consolidation

The consolidated financial statements (the economic entity) comprise the accounts of the University (the parent entity) and all of its controlled entities. The effects of transactions between controlled entities and the University have been eliminated on consolidation.

The accounting policies have been consistently applied by each entity in the economic entity. The list of controlled entities is provided in Note 24.

(c) Comparative Figures

The previous year's figures are provided in the financial statements for comparative purposes. Where applicable, comparative figures have been adjusted to conform with changes in the presentation of the current year's figures.

(d) Revenue Recognition

(i) Grants

- *Commonwealth Financial Assistance*

Commonwealth financial assistance is provided under the *Higher Education Funding Act (HEFA), 1988*. In accordance with Australian Accounting Standard AASB 1004 'Revenue', the first instalment of the Commonwealth financial assistance for 2004, received during December 2003 and therefore received in advance of the operating year to which it relates, has been recognised as revenue in advance and is presented as a liability in the Statement of Financial Position, rather than as revenue for the 2003 year. The Grant relates to funding of teaching and research for the 2004 calendar year.

On the basis of independent professional advice, the University regards the receipt of Commonwealth financial assistance as a 'reciprocal transfer' as defined in AASB 1004, since the University is required to teach a HECS-funded load in 2004, undertake research, and provide the necessary facilities and services in return for the grant of financial assistance.

Where the Minister is satisfied that a higher education institution has, after receipt of the financial assistance, failed to meet a condition applicable to the financial assistance, the financial assistance or part thereof is required to be returned to the Commonwealth. It is therefore, in the view of the University, a 'reciprocal payment'.

Under these conditions the revenue received in advance should not be recognised as revenue until the relevant year.

- *Other Grants*

Where other grants are received, they are recognised on receipt, or in accordance with the terms and conditions of the grant.

(ii) Fees and Charges

Fees and charges comprise revenue earned from the provision of programs and other services. Fees and charges are recognised in the period in which the programs or services are provided.

(iii) Investment Income

Interest income is recognised as it accrues. Dividend income is recognised only when it is declared, determined or recommended by external entities before the 31 December reporting date.

(iv) Consultancy and Contract Research

Revenue from consultancy and contract research is recognised in the period in which the services are provided.

(v) Other revenue

Other revenue is recognised as it accrues.

(e) Inventories

Consumable supplies are recognised as an expense at the time of acquisition and are not shown as inventories in the Statement of Financial Position.

(f) Property, Plant and Equipment

The University currently values its property, plant and equipment on the basis of written down current cost, except for property held for resale which is at fair value. A revaluation of all assets to fair value will be undertaken by 31 December 2005 in accordance with the South Australian Treasurer's Accounting Policy Statements. When the University moves to fair value, any write down in the value of assets would be set against revaluation reserves and retained earnings under the transitional provisions of the accounting standards.

Items of property, plant and equipment have been recognised in the financial statements as identified below. Expenditure on a single item of less than \$10 000 is generally not capitalised.

(i) Property Held for Resale

Property identified as surplus to requirements and approved for sale has been recognised as property held for resale. Property held for resale is valued at market value based on the eventual sale price. The last valuation was as at 31 December 2003.

(ii) Land

Land occupied by the University is either owned by the University or by the State Government. The value of the land, except that associated with property held for resale, is recognised at deprival value on the basis that the University effectively controls the land occupied.

Land is revalued every three years. The last valuation was as at 31 December 2001 by the South Australian Department for Administrative and Information Services. Land will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004. Detail of restrictions on assets is provided in Note 1(h).

(iii) Buildings

Buildings, other than those associated with property held for resale, have been recognised on the basis of written down current cost to reflect their current cost and remaining useful life.

Buildings are revalued every three years. The last valuation was as at 31 December 2001 by the South Australian Department for Administrative and Information Services. Buildings will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004.

Buildings under construction are measured at cost.

(iv) Library Collection

The library collection is recognised at written down current cost. The collection is at University valuation and was last revalued at 31 December 2001. The library collection will be revalued to fair value at the next valuation date, which is currently planned to be 31 December 2004.

Additions subsequent to the last revaluation are capitalised at cost.

(v) Plant and Equipment

Plant and equipment includes computer hardware and software, general equipment, vehicles and leased IT equipment. Individual items costing \$10 000 or more are capitalised and recorded in the Statement of Financial Position at cost. Plant and equipment is depreciated in accordance with Note 1(g). The depreciated value is deemed to represent written down current cost.

(g) Depreciation and Amortisation

Depreciation is provided for all property, plant and equipment other than land and buildings under construction. Depreciation is calculated on a straight line basis to allocate the written down current cost of an asset over its estimated remaining useful life.

<i>Asset Class</i>	<i>Useful Life</i>
Property:	
Buildings	50 years
Library Collection	
Books	10 years
Journals	15 years
Electronic materials	10 years
Plant and Equipment:	
IT infrastructure	5 years
IT systems	7 years
IT other	3 years
Other	10 years
Motor vehicles	5 years
Leased Plant and Equipment:	
IT infrastructure	5 years
IT other	3 years

Lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the entity will obtain ownership of the asset, the life of the asset (refer Note 1(n)).

(h) Restrictions on Assets

Land includes \$10.761 million of Crown Lands and \$6.907 million of land dedicated for educational use by the Minister of Education. Such lands are unable to be sold.

The University has restrictions on all land by application of the *University of South Australia Act, 1990* Section 6(4) which states:

The University cannot, except with the approval of the Governor and in accordance with any terms or conditions stipulated by the Governor in granting that approval, sell, lease (except for a term not exceeding 21 years), or otherwise dispose of, mortgage or charge any of its real property.

(i) Employee Entitlements

Employee entitlements 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. Employee entitlements to be settled later than one year have been measured at the present value of the estimated applicable future cash flows.

(i) Long Service Leave

The long service liability is independently estimated by an actuary using the long hand method prescribed by AASB 1028 'Employee Benefits'. This takes into account the probability of staff remaining with the University until an unconditional entitlement has been accrued. A future cash outflow has been estimated on the basis of when leave will be taken and that cash flow is discounted using the interest rate in risk free government securities to derive the long service leave liability. The long service leave liability includes associated on-costs. Only on-costs accruing to employees are recognised under employee provisions, while on-costs not accruing to employees are recognised as payables.

(ii) Annual Leave

The liability for annual leave (including the leave loading) is calculated on nominal wage rates adjusted for future salary increases.

(iii) Sick Leave

No provision has been made for sick leave as all sick leave is non-vesting.

(iv) Superannuation

Superannuation schemes exist to provide benefits to University employees and their dependants upon resignation, retirement, disability or death. The contributions made to the funded schemes and on an emerging cost basis to the unfunded schemes by the University are expensed in the Statement of Financial Performance. Note 20 provides details in respect of the individual schemes.

(v) 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.

(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. Note 25 provides details of net assets held by Unisure Pty Ltd on behalf of the University.

(k) Goods and Services Tax (GST)

Revenues, expenses and assets other than receivables 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 an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Statement of Financial Position.

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

(l) Foreign Currency

Foreign currency transactions were converted to Australian currency at the rates of exchange ruling at the date of the transaction. There are no material foreign currency monetary items outstanding at balance date.

(m) Doubtful Debts

The collectability of receivables is assessed at balance date and provision made for any doubtful debts.

(n) Leases

Leased plant and equipment over which the University or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. All other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance.

Payments made under operating leases are charged as an operating expense over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. The leased asset is amortised over its useful life.

(o) Funds Held on Behalf of External Entities

The University holds funds on behalf of a number of external entities which are managed by the University. As at balance date, the funds held are included in cash assets and a corresponding liability is included in other liabilities (refer Note 16).

2.	Revenue from Ordinary Activities	Consolidated		University		
		2003	2002	2003	2002	
2.1	Commonwealth Government Financial Assistance (including Superannuation contribution from Commonwealth, but excluding HECS, PELS and BOTPLS)	Note	\$'000	\$'000	\$'000	\$'000
	Teaching and Learning:	31.1				
	Operating Financial Assistance excluding HECS and PELS and BOTPLS		94 029	92 636	94 029	92 636
	Capital Development Pool		1 421	-	1 421	-
	ARC:	31.2				
	Discovery - Projects		1 327	630	1 327	630
	Discovery - Fellowships		157	129	157	129
	Discovery - Indigenous research		-	9	-	9
	Linkage - Special Research Initiatives		60	-	60	-
	Linkage - Infrastructure		398	591	398	591
	Linkage - International		44	16	44	16
	Linkage - Projects		1 818	1 808	1 818	1 808
	Linkage - Special Research Centres		716	698	716	698
	DEST Research:	31.3				
	Industrial grants scheme		4 552	4 214	4 552	4 214
	Research infrastructure		1 249	1 041	1 249	1 041
	Research training scheme		7 170	7 216	7 170	7 216
	Australian postgraduate awards		1 488	1 343	1 488	1 343
	International Postgraduate research		288	255	288	255
	Other - Shared university projects		37	14	37	14
	Innovation program		-	50	-	50
			114 754	110 650	114 754	110 650
	Other Commonwealth Government:					
	Other Commonwealth government research grants		5 430	4 816	5 430	4 738
	Aboriginal tutorial assistance scheme grant		252	235	252	235
	Other Commonwealth grants		50	185	50	185
			5 732	5 236	5 732	5 158
			120 486	115 886	120 486	115 808
2.2	South Australian Government Financial Assistance					
	Anangu Teacher Education Program (AnTEP)		173	149	173	149
	Research grants		2 423	2 145	2 423	2 145
	Other		40	-	40	-
			2 636	2 294	2 636	2 294

2.3 Fees and Charges

	Note	Consolidated		University	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Continuing education		2 680	2 326	2 680	2 326
Fee-paying overseas students		49 070	45 108	49 070	45 108
Fee-paying non-overseas postgraduate students		3 694	3 124	3 694	3 124
Fee-paying non-overseas undergraduate students		-	-	-	-
Fee-paying non-overseas non-award students		80	106	80	106
Other fees and charges:					
Open Learning Australia (OLA)		1 300	1 206	1 300	1 206
Fees - civil aviation		501	630	501	630
Hire of facilities		1 472	1 961	1 472	1 961
Secondment support		753	826	753	826
Seminar/workshops		663	710	663	710
All other		9 735	9 406	3 001	2 905
		69 948	65 403	63 214	58 902

2.4 Investment Income

Dividends		42	28	1 957	1 884
Interest		4 479	2 763	4 225	2 546
Investment income from related parties		280	348	270	348
		4 801	3 139	6 452	4 778

2.5 Royalties, Trademarks and Licenses

Royalties		719	367	712	367
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2.6 Consultancy and Contract Research

Consultancy fees		4 822	6 154	4 826	6 154
Contract research		10 763	8 719	10 763	8 719
		15 585	14 873	15 589	14 873

2.7 Other Revenue

Proceeds from sale of assets (refer Note 5)		7 696	203	7 684	203
Donations and bequests		873	849	851	467
Scholarships and prizes		594	797	594	797
Other		3 320	3 971	3 751	4 107
		12 483	5 820	12 880	5 574

3. Expenses from Ordinary Activities**3.1 Employee Benefits**

<i>Academic</i>					
Salaries		74 070	67 353	74 070	67 353
Contributions to superannuation and pension schemes:					
Emerging cost - Operating grant funded		1 138	246	1 138	246
Funded		8 885	8 218	8 885	8 218
Payroll tax		4 716	3 997	4 716	3 997
Workers compensation		260	428	260	428
Long service leave expense		2 207	1 734	2 207	1 734
Annual leave		4 613	3 256	4 613	3 256
		95 889	85 232	95 889	85 232

Non-Academic

Salaries		58 852	55 457	56 546	53 273
Contributions to superannuation and pension schemes:					
Emerging cost - Operating grant funded		952	257	731	56
Funded		6 800	6 205	6 800	6 205
Payroll tax		4 564	3 427	4 407	3 270
Workers compensation		338	559	321	537
Long service leave expense		1 776	1 516	1 747	1 514
Annual leave		4 238	3 312	4 062	3 173
		77 520	70 733	74 614	68 028

Total Employee Benefits

		173 409	155 965	170 503	153 260
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Contributions to superannuation and pension

schemes: - Emerging cost -

Commonwealth supplemented:

Academic		16 515	18 611	16 515	18 611
Non-Academic		2 914	3 284	2 914	3 284

Deferred employee benefits for superannuation:

Academic		4 165	13 855	4 165	13 855
Non-Academic		735	2 445	735	2 445

		24 329	38 195	24 329	38 195
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3.1 Employee Benefits (continued)

Annual leave expense includes amounts paid for annual leave and the net movement in the provision for annual leave.

Long service leave expense includes amounts paid for long service leave and the net movement in the provision for long service leave.

Employee benefits include Targeted Voluntary Separation Packages as follows:

	2003	2002
	Number	Number
Number of Targeted Voluntary Separation Packages	28	38
	\$'000	\$'000
Targeted Voluntary Separation Package expenses	1 310	1 687
Accrued annual leave and long service leave payments	532	660
Total Amount Associated with Separations	1 842	2 347

There is no entitlement to recover separation payments from the Office for the Commissioner for Public Employment.

In accordance with AASB 1028 'Employee Benefits', employee on-costs are required to be reported as Payables whilst leave liability amounts are reported separately as 'Employee Benefits'. Below is a composite note showing the total liabilities the University has as at 31 December 2003 relating to employee benefits:

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Annual Leave:				
On-costs included in payables - Current	2 327	1 925	2 327	1 925
Employee benefits - Current	9 991	8 623	9 825	8 486
	12 318	10 548	12 152	10 411
Long Service Leave:				
On-costs included in payables - Current	411	564	411	564
Employee benefits - Current	3 148	2 840	3 101	2 822
	3 559	3 404	3 512	3 386
On-costs included in payables - Non-current	2 465	3 312	2 465	3 312
Employee benefits - Non-current	18 606	16 562	18 606	16 562
	21 071	19 874	21 071	19 874
Separations Scheme:				
Employee benefits - Current	144	98	144	98
	144	98	144	98
Total Aggregate Employee Benefits Liability	37 092	33 924	36 879	33 769
3.2 Depreciation and Amortisation				
Amortisation leased assets	1 104	435	1 104	435
Buildings	10 729	11 839	10 712	11 825
Library collection	7 647	6 366	7 647	6 366
Plant and equipment	3 734	3 684	3 616	3 537
	23 214	22 324	23 079	22 163
3.3 Buildings and Grounds				
Buildings maintenance	9 206	10 208	9 206	10 208
Grounds maintenance	355	603	355	603
	9 561	10 811	9 561	10 811
3.4 Bad and Doubtful Debts				
Doubtful debts	778	491	775	491

3.5 Other Expenses

	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Scholarships and prizes	6 212	6 685	6 097	6 649
Telecommunications	3 931	4 021	3 861	3 957
Non-capitalised equipment (Non-IT)	1 768	1 700	1 767	1 700
Travel, staff development and entertainment	11 333	11 414	11 220	11 249
External services	15 926	16 838	15 809	16 410
IT hardware and software	6 193	6 098	6 179	6 098
Library subscriptions	1 512	939	1 512	939
Printing	2 198	1 849	2 195	1 849
Operating lease rental expenses	3 344	4 306	3 332	4 306
Carrying amount of assets sold (Refer Note 5)	8 050	702	8 040	702
Other	10 078	10 227	9 027	8 998
	70 545	64 779	69 039	62 857

Included within external services for 2003 is an amount for consultants of \$1.484 million (\$1.678 million consolidated) exclusive of GST (2002: \$1.275 million, \$1.771 million consolidated). This amount excludes consultant payments in relation to the capital works program.

4. Borrowing Cost Expense

	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Interest expense	1 736	1 517	1 736	1 517
Loan guarantee fees	112	132	112	132
	1 848	1 649	1 848	1 649

5. Sale of Assets

Property, plant and equipment:				
Proceeds from sale	(7 696)	(203)	(7 684)	(203)
Carrying amount of assets sold	8 050	702	8 040	702
Loss on Sale of Depreciable Assets	354	499	356	499

6. Responsible Persons and Executive Officers**6.1 Responsible Persons**

The principal governing body of the University is the Council. Council members include University employees who may be ex-officio members or elected staff members. An asterisk indicates University employees.

(a) Names of 2003 Council Members

Mr David Klingberg, AM, Chancellor
 Professor Denise Bradley, AO, Vice Chancellor *
 Ms Alice McCleary, Deputy Chancellor
 Dr Patricia Crook, AO
 Ms Jan Lowe
 Mr William Cossey
 Ms Virginia Hickey
 Mr Bruce Linn
 Mr Greg Mackie, OAM
 Ms Jillian Miller
 Mr Ian McLachlan
 Mr Peter Smith
 Mr James Birch
 Associate Professor Kazem Abhary *
 Associate Professor Adrian Vicary *
 Dr Michael Venning *
 Mr Ray Stradwick *
 Ms Liz Stinson *
 Mr Scott McFarlane
 Ms Amy King
 Mr Michael Anderson

(b) Remuneration of Council Members

No member of Council received any remuneration from the University other than by way of salary and related benefits from a normal employment relationship.

6.2 Executive Officers**(a) Executive Officers Remuneration**

The table comprises total remuneration that falls within the prescribed bandwidths for executives whose total remuneration is over \$100 000:

	Consolidated		University	
	2003	2002	2003	2002
	Number of Executives	Number of Executives	Number of Executives	Number of Executives
\$100 000 - \$109 999	-	1	-	1
\$130 000 - \$139 999	1	-	1	-
\$140 000 - \$149 999	1	-	1	-
\$190 000 - \$199 999	-	4	-	4
\$200 000 - \$209 999	2	-	2	-
\$210 000 - \$219 999	3	-	3	-
\$220 000 - \$229 999	-	2	-	2
\$230 000 - \$239 999	1	1	1	1
\$240 000 - \$249 999	1	-	1	-
\$380 000 - \$389 999	-	1	-	1
\$410 000 - \$419 999	1	-	1	-
	10	9	10	9
(b) Aggregate Remuneration of Executive Officers	1 931	1 679	1 931	1 679
(c) Aggregate Retirement and Superannuation Benefits of Executive Officers	313	275	313	275

Executives are defined as the Chief Executive Officer and those staff in a senior line position who report directly to that position. The remuneration includes all normal salary, leave, allowances and other benefits paid during the reporting period.

7. Remuneration of Auditors

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Auditing the financial report	213	180	198	167
Other services	-	24	-	24
	213	204	198	191

8. Cash Assets

Cash at bank	1 358	5 974	520	5 527
Short term deposits	102 119	78 978	99 852	75 494
	103 477	84 952	100 372	81 021

9. Receivables

Trade debtors	8 898	7 000	7 557	5 850
Provision for doubtful debts	(346)	(429)	(346)	(428)
	8 552	6 571	7 211	5 422
Student fees	4 961	4 952	4 961	4 952
Provision for doubtful debts	(217)	(502)	(217)	(502)
	4 744	4 450	4 744	4 450
Student loans	7	260	7	260
Provision for doubtful debts	(1)	(124)	(1)	(124)
	6	136	6	136
Commonwealth	1 848	2 206	1 848	2 206
Total Receivables	15 150	13 363	13 809	12 214

10. Other Financial Assets

Current:				
Workers Compensation Investment Fund	583	115	583	115
Other investments	1 598	306	-	-
	2 181	421	583	115
Non-Current:				
Investment in controlled entity	-	-	1 575	562
Workers Compensation Investment Fund	4 893	5 632	4 893	5 632
Share investments	2 435	1 647	776	470
	7 328	7 279	7 244	6 664

11. Other Assets

	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Prepayments	1 256	1 301	1 227	1 293
Accrued income	1 884	945	1 884	927
Other	-	65	-	65
	3 140	2 311	3 111	2 285

12. Property, Plant and Equipment

Current:

Property held for resale:				
At valuation 31 December 2002	-	6 280	-	6 280

Non-Current:

Property held for resale:				
At valuation 31 December 2002	-	13 700	-	13 700
At valuation 31 December 2003	33 700	-	33 700	-

Land:

At valuation 31 December 2001	26 588	26 138	26 588	26 138
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Buildings:

At valuation 31 December 2001	464 505	464 300	464 234	464 234
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At cost	1 681	171	1 681	171
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Accumulated depreciation	(205 850)	(195 121)	(205 769)	(195 057)
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	260 336	269 350	260 146	269 348
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Buildings Under Construction:

At cost	26 230	5 351	26 230	5 351
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Library Collection:

At valuation 31 December 2001	56 361	56 566	56 361	56 566
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At cost	3 663	1 772	3 663	1 772
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Accumulated depreciation	(38 539)	(30 893)	(38 539)	(30 893)
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	21 485	27 445	21 485	27 445
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Plant and Equipment:

At cost	37 658	36 851	36 925	36 288
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Accumulated depreciation	(23 303)	(22 049)	(22 812)	(21 666)
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	14 355	14 802	14 113	14 622
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Leased Plant and Equipment:

At cost	5 250	2 176	5 250	2 176
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Accumulated amortisation	(1 104)	(1 093)	(1 104)	(1 093)
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	4 146	1 083	4 146	1 083
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Total Non-Current Property, Plant and Equipment

	386 840	357 869	386 408	357 687
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Total Property, Plant and Equipment

	386 840	364 149	386 408	363 967
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Reconciliation of Movements in Property, Plant and Equipment

Property held for resale:

Carrying amount at beginning of year	19 980	-	19 980	-
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Disposals	(6 280)	-	(6 280)	-
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Reclassification	(450)	43 253	(450)	43 253
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Revaluations	20 450	(23 273)	20 450	(23 273)
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Carrying amount at end of year	33 700	19 980	33 700	19 980
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Land:

Carrying amount at beginning of year	26 138	39 065	26 138	39 065
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Disposals	-	(127)	-	(127)
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Reclassification	450	(12 800)	450	(12 800)
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Carrying amount at end of year	26 588	26 138	26 588	26 138
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Buildings:

Carrying amount at beginning of year	269 350	311 279	269 348	311 266
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Additions	1 304	174	1 099	171
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Depreciation	(10 729)	(11 839)	(10 712)	(11 825)
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Reclassification	411	(30 264)	411	(30 264)
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Carrying amount at end of year	260 336	269 350	260 146	269 348
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Buildings Under Construction:

Carrying amount at beginning of year	5 351	-	5 351	-
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Additions	21 290	5 540	21 290	5 540
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Reclassification	(411)	(189)	(411)	(189)
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Carrying amount at end of year	26 230	5 351	26 230	5 351
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Library Collection:

Carrying amount at beginning of year	27 445	32 039	27 445	32 039
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Additions	1 893	1 772	1 893	1 772
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Disposals	(206)	-	(206)	-
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Depreciation	(7 647)	(6 366)	(7 647)	(6 366)
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Carrying amount at end of year	21 485	27 445	21 485	27 445
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(b) Movements in Reserves	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Land and Buildings:				
Opening balance	7 473	30 746	7 473	30 746
Asset revaluation increment	20 450	1 095	20 450	1 095
Asset revaluation decrement	-	(24 368)	-	(24 368)
Closing balance	27 923	7 473	27 923	7 473
Investment Revaluation Reserve:				
Opening balance	42	152	-	-
Asset revaluation increment	166	-	-	-
Asset revaluation decrement	-	(110)	-	-
Closing balance	208	42	-	-
Total Reserves	28 131	7 515	27 923	7 473
Total Reserves:				
Total Opening Balance	7 515	30 898	7 473	30 746
Total Movement in reserves	20 616	(23 383)	20 450	(23 273)
Total Closing Balance	28 131	7 515	27 923	7 473

18. Accumulated Result of Operations				
Opening balance	378 513	364 932	373 198	360 015
Operating result from ordinary activity	13 511	13 581	13 372	13 183
Closing Balance	392 024	378 513	386 570	373 198

19. Commitments for Expenditure				
(a) Capital Expenditure Commitments				
Capital Expenditure:*				
Not later than one year	72 674	4 075	72 674	4 075
Later than one year but not later than five years	563	-	563	-
Later than five years	-	-	-	-
	73 237	4 075	73 237	4 075

* Relates to Blueprint 2005 capital works, the University's building plan to upgrade its facilities.

(b) Lease Commitments				
Operating Leases:				
Not later than one year	3 429	2 824	3 425	2 824
Later than one year but not later than five years	6 158	3 511	6 158	3 511
Later than five years	3 355	720	3 355	720
	12 942	7 055	12 938	7 055
Finance Leases:				
Not later than one year	1 652	653	1 652	653
Later than one year but not later than five years	3 396	978	3 396	978
Later than five years	-	-	-	-
	5 048	1 631	5 048	1 631
Less: Future lease finance charges	(954)	(313)	(954)	(313)
	4 094	1 318	4 094	1 318
Lease Liabilities Provided for in the Financial Statements:				
Current	1 294	493	1 294	493
Non-Current	2 800	825	2 800	825
	4 094	1 318	4 094	1 318

Major operating leases include leases for accommodation and vehicles. The terms of the accommodation lease agreements include renewal or purchase options ranging between one and five years. At 31 December 2003 the University had finance leases over a computer with a written down value of \$2.912 million and computer pools with a written down value of \$1.234 million.

20. Superannuation Plans
The University contributes to the following employee superannuation funds:

(a) **South Australian Superannuation Fund**
A number of present and past employees of the University and its predecessor institutions are members of State Government Superannuation Schemes. Under the schemes benefits are paid as a lump sum or continuing pension on the termination of employees' service based on contributions made by the employee and the employee's final salary. Employee contributions and certain employer contributions are paid to the South Australian Superannuation Board (the Board) which is responsible for the administration of the schemes.

(a) South Australian Superannuation Fund (continued)

Under current arrangements the Board pays the benefits and is reimbursed by the University for the shortfall in the employer's contribution. The Commonwealth government fully funds the University on an emerging cost basis for the costs and recovers the State's share of the cost directly from the State government.

The University's superannuation liability with respect to future benefits for current pensioners and employees was assessed by the Director Superannuation (State Superannuation Office) Department of Treasury and Finance as at 31 December 2003 to be \$297.1 million (\$292.1 million). The assessment took into account an actuarial review of the South Australian Superannuation Fund as at 30 June 1998.

The University's liability under the schemes has been partly funded by an amount of \$14.9 million (\$14.8 million) arising from 3 percent productivity employer contributions. This results in an unfunded liability of \$282.2 million (\$277.3 million). The net unfunded amount has been recognised in the accounts of the University as a liability and a corresponding receivable from the Commonwealth government. The asset and liability have been classified as current and non-current according to cash flow projections of the assessment.

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), Department of Treasury and Finance in determining the University's liability were:

Rate of increase in the Consumer Price Index (CPI)	2.5% per annum
Rate of salary increases	4.0% per annum
Investment earnings	7.5% 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.

(b) UniSuper

The University contributes to the following employee superannuation funds:

(i) UniSuper Defined Benefit Plan or Investment Choice Plan

The University contributes to the scheme at a rate double the contributions made by employees. Employees' contributions are normally 7 percent of their gross salaries. The fund provides defined benefits based on years of service and final average salary or choice of investment funds.

The last actuarial investigation as at 31 July 2003 was conducted by Grant Harslett, FIA, FIAA on 31 July 2003.

A funding and solvency certificate required under Regulation 9.09(i) of the Superannuation (Supervision) Industry Regulations has been obtained from UniSuper with a date of effect of 31 July 2003 ceasing on 31 December 2007.

As at 30 June 2003 the University of South Australia's share of the fund as it relates to the defined benefits scheme was:

	2003	2002
	\$'000	\$'000
Net market value	73 962	70 692
Accrued benefits	70 135	60 764
Difference	3 827	9 928
Vested Benefits	83 936	75 999

UniSuper advised a change in accounting policy in relation to the basis of calculation of the accrued benefits. Accrued benefits are calculated as the present value of expected future payments of benefits to members which arise from membership of the fund up to the reporting date, using the actuary's current expectations of earnings of the Fund's assets, future inflation, salary levels and other relevant assumptions. In prior years the accrued benefits were determined as the greater of the present value of future payments of benefits and the vested benefits. UniSuper advised that, as there are more than 100 participating employers in the Fund, they consider accrued benefits to be the more relevant measure of UniSuper's accrued liability because all members are not expected to voluntarily leave service at one time.

UniSuper as Trustee may approach the employer universities for additional contributions where UniSuper assets are determined to be insufficient to match the benefits. If the Trustee approaches the employers, the employers must jointly notify the Trustee as to the rate at which they are prepared to contribute to UniSuper. If employers fail to give notice to the Trustee, the Trustee must reduce the benefits payable.

(ii) *UniSuper Award Plus Plan*

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 entitlements arising under the Superannuation Guarantee Charge (SGC).

(c) **Deferred Government Superannuation Contribution**

The Commonwealth government has undertaken to provide funding for emerging superannuation costs in its grants to institutions and to recover the State's share of the cost directly from the State government.

In 2003, an amount of \$4.9 million was brought to account to reflect the increase in the net unfunded past service cost for State superannuation (2002: an increase of \$16.3 million).

	2003	2002
	\$'000	\$'000
Deferred government superannuation contribution at the beginning of the year	277 300	261 000
Increase in amount owing for unfunded liability	4 900	16 300
Deferred government superannuation contribution at the end of the year	282 200	277 300
Comprising:		
Current asset	24 800	23 600
Non-Current asset	257 400	253 700
	282 200	277 300

21. Contingent Liabilities

The University has entered into an agreement with the Minister of the Department of Education, Training and Employment to provide 35 spaces in a Child Care Centre built in 1997 at the University's City West campus. If the agreement is terminated within the first seven years an amount of \$0.680 million being the Minister's contribution to the Child Care Centre will be refunded. If the agreement is terminated after seven years a sum of \$0.680 million to be repaid is reduced on a pro rata basis reducing to zero after 21 years.

In 1994 the University received a South Australian government grant of \$1.0 million towards establishing the Ian Wark Research Institute (IWRI). Under the conditions of the grant, as awarded if the IWRI ceases to operate, the University is liable to repay 10 percent of the grant for each complete year the IWRI fails to operate up to 2004.

The University has entered into an agreement to develop software based on agreed milestones. If the University causes significant delays according to the milestones, the Commonwealth Government may impose fines up to 10 percent of the full contract price of \$3.2 million.

The University has no other material contingent liabilities.

22. Joint Venture Operations**Mawson Centre Building**

The University together with the City of Salisbury, the Land Management Corporation, Delfin Lend Lease and the Department of Education and Children's Services (DECS) entered into an agreement in 2003 to design, develop and construct the Mawson Centre at Mawson Lakes. This multi-purpose community centre will assist in meeting the cultural, entertainment and recreational needs of the Mawson Lakes residents, employees and adjacent community. The University has a 63 percent share of the joint venture and management responsibility for the centre, with the City of Salisbury holding a 19 percent share and DECS holding an 18 percent share.

As at 31 December 2003, the University's share of the Mawson Centre development totalled \$0.509 million. This amount is reported in the value for buildings under construction in property, plant and equipment (refer Note 12). The amounts outstanding from the joint venturers total \$0.008 million and are reported under trade debtors (refer Note 9).

Other Joint Venture Operations

The University's other interests in joint ventures is by note disclosure only, as these interests are immaterial in relation to the University's core activities. These other joint venture operations are:

	Reporting Date	Output Interest	2002
		2003	Percent
		Percent	
SPRI (Building)	30 June	30	30
SAPAC	30 June	20	-

Signal Processing Research Institute (SPRI) Building

The University and the Technology Development Corporation (subsumed by the MFP Development Corporation and subsequently the Land Management Corporation) entered into an agreement in 1991 to establish a building to house the SPRI at Mawson Lakes. The building is leased to University research centres affiliated with the SPRI and other lessees. The University has a 30 percent share of the joint venture with the Land Management Corporation holding the remaining 70 percent share.

South Australian Partnership for Advanced Computing (SAPAC)

SAPAC is a joint venture of the three South Australian universities and its mission is to act as a point of focus for the support of advanced, high-performance and grid computing in Australia.

23. Joint Venture Entities

The University has an interest in a number of joint venture entities as described below. The University's interest in these joint ventures are not considered to be material in relation to the University's core activities. Consequently, they have not been taken up in the accounts on an equity basis as per the Australian Accounting Standard AASB 1006 'Interest in Joint Ventures'.

Entity:	Reporting Date	Ownership Interest	
		2003 Percent	2002 Percent
(a) CIEAM	30 June	11.39	N/A
(b) CRCIF	30 June	-	N/A
(c) CRCIMST	30 June	8	8
(d) CRCRET	30 June	8.3	8.3
(e) CRCSS	30 June	28	24
(f) CRCST	30 June	5	5
(g) CSSIP	30 June	5.2	5.2
(h) CWQT	30 June	5	5
(i) DK-CRC	30 June	4.6	N/A
(j) DSTC Pty Ltd	30 June	8.3	N/A
(k) SAARDNET	31 December	20	20
(l) SACITT	31 December	33.3	N/A
(m) SACRRH	31 December	50	50
(n) SATAC	30 June	25	25

(a) Co-operative Research Centre for Integrated Engineering Asset Management (CIEAM)

The CIEAM is a national co-operative research centre which involves a multidisciplinary team of Australia's leading researchers in engineering, IT, business and humanities, and six major industry partners in a novel, coordinated and comprehensive approach to the maintenance of Australia's national engineering infrastructure. It will be a leading international research centre focusing on innovative industry directed R&D, education and commercialisation in an integrated approach to life-cycle physical asset management to meet present and future needs to ensure international competitiveness and sustainability of Australian industry.

(b) Co-operative Research Centre for Irrigation Futures (CRCIF)

The CRCIF is a national co-operative research centre. Its goals are to double profitability and halve water use of Australian irrigation. It also intends to define and promote sustainable irrigation areas and practices.

(c) Co-operative Research Centre for Intelligent Manufacturing Systems and Technologies (CRCIMST)

The CRCIMST is a national co-operative research centre. Its purpose is to establish a world class research centre with representation from both industry and universities in areas of research to provide a technology base for the sustainable development in Australia of internationally competitive manufacturing.

(d) Co-operative Research Centre for Railway Engineering and Technologies (CRCRET)

The CRCRET is a national co-operative research centre. Its purpose is to promote the development of an internationally competitive, efficient and sustainable rail service to facilitate the development of an Australian export industry in railway technologies.

(e) Co-operative Research Centre for Satellite Systems (CRCSS)

The CRCSS is a national co-operative research centre. Its mission is to deliver a new sustainable advantage for Australian industries and government agencies involved in services based on the applications of future generations of small satellites.

(f) Co-operative Research Centre for Sustainable Tourism Pty Ltd (CRCST Pty Ltd)

The CRCST is a national co-operative research centre. It focuses on developing a dynamic, internationally competitive and sustainable tourism industry, through delivering innovations and strategic knowledge to business, community and government to enhance the environmental, economic and social sustainability of tourism.

(g) Co-operative Research Centre for Sensor Signal and Information Processing (CSSIP)

The CSSIP is a national co-operative research centre. Its purpose is to provide research and postgraduate education in signal and information processing for sensors.

(h) Centre for Water Quality and Treatment (CWQT)

The CWQT is a national co-operative research centre. Its purpose is to enhance scientific and technological capabilities, support scientific research and encourage applications of science and technology in industry and other areas in the area of water quality and treatment.

- (i) **Desert Knowledge Co-operative Research Centre (DK-CRC)**
The DK-CRC is a national co-operative research centre. Its purpose is to develop and disseminate an understanding of sustainable living in remote desert environments, delivering enduring regional economies and livelihoods based on Desert Knowledge, and creating the networks to market this knowledge in other desert lands.
- (j) **CRC for Enterprise Distributed Systems Technologies (DSTC Pty Ltd)**
DSTC is a national co-operative research centre. Its purpose is to achieve fundamental improvements in Australian organisational competitiveness and efficiency through conducting and exploiting research into enterprise distributed systems.
- (k) **South Australian Academic Research and Development Network (SAARDNet)**
SAARDNet is a joint venture by the University of Adelaide, Flinders University of South Australia, University of South Australia, DSTO and CSIRO to provide members with an enhanced network and shared resources. SAARDNet facilitates greater data, voice and video communications between higher education and research organisations in South Australia.
- (l) **South Australian Consortium for Information Technology and Telecommunications (SACITT)**
SACITT brings together the three universities of SA and is supported by an Advisory Board comprising industry and government representatives. Its purposes are to establish SA as an international centre for IT&T research and academic excellence, to create a single point of focus for marketing the state as a centre for IT&T research and academic excellence, to create a forum for information sharing and collaboration, to coordinate future IT&T research demands by SA industry, and to enable the three universities to plan jointly for education provision in IT&T through advice to the South Australian Vice-Chancellors Committee.
- (m) **South Australian Centre for Rural and Remote Health (SACRRH)**
The University of South Australia and the University of Adelaide have been chosen by the Commonwealth to establish a University Department of Rural Health, known as SACRRH and located at the University of South Australia, Whyalla campus. The aim of the Centre is to improve access to appropriate health care services for rural and remote communities.
- (n) **South Australian Tertiary Admissions Centre (SATAC)**
SATAC is a joint venture of the three South Australian universities and the Minister for Education Training and Employment. SATAC receives and processes undergraduate and postgraduate applications for admission to the eight Institutes of TAFE and the three universities in South Australia.

24. **Controlled Entities**

The University has 100 percent ownership of three controlled entities:

- (a) **ITEK Pty Ltd**
ITEK Pty Ltd was formed on 1 July 1999. ITEK Pty Ltd is trustee for the ITEK trust and has a 100 percent controlling interest in GTA Pty Ltd which is trustee for the GTA trust. The ITEK trust provides the University with business incubation and technology commercialisation services. ITEK's role is to support the commercialisation of University research through the formation of spin-off companies, licensing and the sale of intellectual property to generate returns for the University, and also for the staff and students involved in the creation of intellectual property.
- (b) **University of South Australia Foundation Incorporated**
The Foundation's purpose is to partner the University, its alumni and its supporters in industry and elsewhere in generating interest in the University. At the same time it seeks to attract broadly based levels of philanthropic support for the benefit of the University.

The University funds the operating costs of the Foundation directly so that donations and bequests received are wholly used for the intended purpose.
- (c) **Knowledge South Pty Ltd**
Knowledge South Pty Ltd is a company wholly owned by the University. It is the commercial entity for the development, marketing and implementation of the University's portal and online learning. Its purpose is to provide e-learning and website development services.

25. **Other Entities**

The University also has an interest in Unisure Pty Ltd as described below.

Unisure Pty Ltd

The University of South Australia is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986* and is a shareholder along with the University of Adelaide and the Flinders 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 liabilities and the associated investment funds. As at 31 December 2003 the Unit Trust held net assets of \$4.104 million (\$4.559 million) on behalf of the University of South Australia.

Unisure Pty Ltd (continued)

The University's annual financial statements incorporate the financial transactions of the Unisure Unit Trust within the University column. The net assets employed in Unisure are as follows.

	University	
	2003	2002
	\$'000	\$'000
Current assets	583	115
Non-Current assets	4 893	5 632
Total Assets	5 476	5 747
Current liabilities	588	480
Non-Current liabilities	784	708
Total Liabilities	1 372	1 188
Net Assets	4 104	4 559

Refer to Notes 10 and 15.

26. Disaggregated Information

	Revenue		Results		Total Assets	
	2003	2002	2003	2002	2003	2002
Industry	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Higher Education	292 259	269 600	13 511	13 581	800 316	749 775
Geographical						
Australia	270 653	245 122	10 270	9 419	800 316	749 775
Asia	21 120	24 321	3 168	4 135	-	-
Other	486	157	73	27	-	-
	292 259	269 600	13 511	13 581	800 316	749 775

The University operates in the field of higher education principally in Australia and provides teaching and research services.

27. Subsequent Events

Subsequent to 31 December 2003, a contract was signed for the sale of the Underdale campus. The settlement is scheduled for 31 March 2005. The financial effect of the sale has not been recognised as at 31 December 2003, however the Underdale campus was revalued to its net market value which was based on the contract price. Other than this, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, event of a material or unusual nature likely to affect significantly the operation of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future periods.

28. Assets and Liabilities of Trusts for which the Institution is Trustee

Within the controlled group, the University of South Australia Foundation Inc is trustee or custodian for the following Trusts:

- Aborigines Advancement League;
- Constance Gordon-Johnson Fund;
- Davy Scholarship;
- Donald Dyer Scholarship;
- Lydia Longmore Memorial Fund;
- PW Stephens Engineering Prize;
- Sansom Pharmacy Trust; and
- William T Southcott Scholarship.

29. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short-term deposits net of outstanding bank overdrafts and unrepresented cheques. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated		University	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Cash at bank	1 358	5 974	520	5 527
Short term deposits	102 119	78 978	99 852	75 494
	103 477	84 952	100 372	81 021

(b) Reconciliation of Operating Result from Ordinary Activities to Net Cash Provided by Operating Activities	Consolidated		University	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Operating result from ordinary activities	13 511	13 581	13 372	13 183
Add: Items classified as investing activities:				
Loss on sale of plant and equipment	354	499	356	499
Add (Less): Non-cash items:				
Depreciation and amortisation	23 214	22 324	23 079	22 163
Non-cash donations	(62)	(165)	(62)	(165)
Other	-	(564)	-	-
Change in assets and liabilities:				
Decrease in receivables	(1 787)	(2 152)	(1 594)	(1 973)
(Increase) Decrease in other assets	(2 638)	(362)	(1 876)	249
Increase (Decrease) in payables	(26)	180	276	247
Increase (Decrease) in provisions	3 950	(682)	3 892	(699)
Increase in other liabilities	4 854	5 229	4 503	4 055
Net Cash provided by Operating Activities	41 370	37 888	41 946	37 559

(c) **Non-Cash Financing and Investing Activities**

The University received in the reporting period donations of works of art and library materials with a fair value of \$62 000 (\$165 000). These non-cash acquisitions are not reflected in the Statement of Cash Flows.

(d) **Credit Standby Arrangements**

The University has a \$5.0 million (\$5.0 million) credit card facility with the National Australia Bank (NAB). The unused portion of this facility as at 31 December 2003 was \$4.431 million (\$4.413 million).

The University has a \$0.855 million (\$0.760 million) credit card facility with AMEX. The unused portion of this facility as at 31 December 2003 was \$0.854 million (\$0.750 million).

The University has a \$0.200 million (\$nil) documentary letter of credit facility with the NAB to allow issue of Letters of Credit. The unused portion of this facility as at 31 December 2003 was \$0.200 million (\$nil).

The University has a pre-approved lease/lease purchase limit of \$2.0 million (\$nil) with the NAB for the funding of leaseable equipment. The unused portion of this facility as at 31 December 2003 was \$2.0 million (\$nil).

(e) **Loan Facilities**

The University has \$15.0 million of borrowings remaining at 31 December 2003 from a loan facility with the South Australian Department of Treasury and Finance. No security is provided against the borrowings.

The University has a \$25 million facility and a \$10 million standby facility with the NAB for financing the Blueprint capital program. The unused portion of these facilities as at 31 December 2003 were \$25 million and \$10 million respectively.

30. Financial Instruments**30.1 Interest Rate Risk 2003**

The following table sets out the economic entity's exposure to interest rate risk as at 31 December 2003:

	Variable Interest Rate \$'000	2003 Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	Total \$'000
		Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets:						
Cash assets	103 477	-	-	-	-	103 477
Receivables	-	-	-	-	15 150	15 150
Other financial assets	5 476	-	-	-	4 033	9 509
	108 953	-	-	-	19 183	128 136
Weighted average interest rate	5.15%					

30.1 Interest Rate Risk 2003 (continued)

	2003					Total \$'000
	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	
		Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Liabilities:						
Trade Creditors	-	-	-	-	8 144	8 144
Accrued Expenses	-	-	-	-	2 603	2 603
Annual Leave and long service leave on-costs	-	-	-	-	5 203	5 203
(Non) Interest bearing liabilities	-	-	15 000	-	50	15 050
Finance lease	-	1 294	2 800	-	-	4 094
Funds held on behalf of external entities	-	-	-	-	2 415	2 415
	-	1 294	17 800	-	18 415	37 509
Weighted average interest rate		7.32%	9.73%			

30.2 Interest Rate Risk 2002

The following table sets out the economic entity's exposure to interest rate risk as at 31 December 2002:

	2002					Total \$'000
	Variable Interest Rate \$'000	Fixed Interest Rate Maturity			Non- Interest Bearing \$'000	
		Less than 1 Year \$'000	1 to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets:						
Cash assets	84 952	-	-	-	-	84 952
Receivables	-	-	-	-	13 363	13 363
Other financial assets	5 747	-	-	-	1 953	7 700
	90 699	-	-	-	15 316	106 015
Weighted average interest rate	4.67%					
Financial Liabilities:						
Trade Creditors	-	-	-	-	6 336	6 336
Accrued Expenses	-	-	-	-	3 839	3 839
Annual Leave and long service leave on-costs	-	-	-	-	5 801	5 801
(Non) Interest bearing liabilities	-	-	15 000	-	50	15 050
Finance lease	-	493	825	-	-	1 318
Funds held on behalf of external entities	-	-	-	-	2 270	2 270
	-	493	15 825	-	18 296	34 614
Weighted average interest rate		11.89%	10.27%			

Currency Risk

The University assesses the foreign exchange risk for its transnational activities and for asset acquisitions (library and plant & equipment), and enters into hedging arrangements if appropriate. As at 31 December 2003 the University held US\$0.589 million (US\$0.989 million) and RM\$0.118 million (RM\$0.109 million - Malaysian Ringgit) in foreign currency.

Credit Risk

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

(i) On-Balance Sheet Financial Instruments

The credit risk on financial assets excluding investments of the economic entity which have been recognised in the Statement of Financial Position is the carrying amount net of any provisions for doubtful debts.

The economic entity is not materially exposed to any individual overseas country or individual customer.

Net Fair Values of Financial Assets and Liabilities

At reporting date the carrying amount of financial assets and liabilities approximates their net fair values, other than borrowings which are carried at cost. The net fair values of borrowings are:

2003 Carrying Amount \$'000	2003 Net Fair Value \$'000	2002 Carrying Amount \$'000	2002 Net Fair Value \$'000
15 000	16 402	15 000	17 223

Unlisted share investments of \$0.776 million and investments in controlled entities of \$1.575 million are carried at cost, which are deemed to be fair value.

**31. Acquittal of Commonwealth Government
Financial Assistance**

31.1. Teaching and Learning

	Operating Financial Assistance excluding HECS		Capital Development Pool	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	9 151	8 702	-	-
Add: Financial Assistance received during reporting period	118 082	113 947	1 421	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(9 306)	(9 151)	-	-
Total from DEST	117 927	113 498	1 421	-
Accrual Adjustments:				
(Over) under funding for the year	(2 330)	2 139	-	-
Permanent accrual adjustments	606	-	-	-
Reversal prior year accrual	(2 139)	(1 105)	-	-
Revenue attributed to the reporting period	114 064	114 532	1 421	-
Add: Surplus (Deficit) prior year	264	361	154	717
Funds available for the reporting period	114 328	114 893	1 575	717
Less: Expenses for current period	(113 681)	(114 629)	(138)	(563)
Surplus (Deficit) for the reporting period	647	264	1 437	154
		HECS		PELS
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	4 333	4 153	-	-
Add: Financial Assistance received during reporting period	54 270	54 747	2 060	555
Add: Contributions actually received from students	9 125	8 996	-	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(4 460)	(4 333)	-	-
Total from DEST	63 268	61 563	2 060	555
Accrual Adjustments:				
(Over) under funding for the year	(379)	(490)	162	-
Reversal prior year accrual	490	190	-	-
Revenue attributed to the reporting period	63 379	61 263	2 222	555
Add: Surplus (Deficit) prior year	-	-	-	-
Funds available for the reporting period	63 379	61 263	2 222	555
Less: Expenses for current period	(63 379)	(61 263)	(2 222)	(555)
Surplus (Deficit) for the reporting period	-	-	-	-

31.2 Australian Research Council

	Discovery - Projects		Discovery - Fellowships	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	44	-	5	-
Add: Financial Assistance received during reporting period	1 276	688	152	78
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	(44)	-	(5)
Total from ARC	1 320	644	157	73
Transfer to/from other shared University projects	7	(14)	-	56
Accrual Adjustments	-	-	-	-
Revenue attributed to the reporting period	1 327	630	157	129
Add: Surplus (Deficit) prior year	263	237	52	34
Funds available for the reporting period	1 590	867	209	163
Less: Expenses for current period	(1 043)	(604)	(154)	(111)
Surplus (Deficit) for the reporting period	547	263	55	52
	Discovery - Indigenous Research		Special Research Initiatives	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	-	-	-	-
Add: Financial Assistance received during reporting period	-	9	60	-
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	-	-	-
Total from ARC	-	9	60	-
Transfer to/from other shared University projects	-	-	-	-
Accrual Adjustments	-	-	-	-
Revenue attributed to the reporting period	-	9	60	-
Add: Surplus (Deficit) prior year	30	29	-	-
Funds available for the reporting period	30	38	60	-
Less: Expenses for current period	(30)	(8)	-	-
Surplus (Deficit) for the reporting period	-	30	60	-
	Linkage - Infrastructure		Linkage - International	
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	398	-	2	-
Add: Financial Assistance received during reporting period	-	989	42	18
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	(398)	-	(2)
Total from ARC	398	591	44	16
Accrual Adjustments	-	-	-	-
Revenue attributed to the reporting period	398	591	44	16
Add: Surplus (Deficit) prior year	-	-	6	22
Funds available for the reporting period	398	591	50	38
Less: Expenses for current period	(398)	(591)	(27)	(32)
Surplus (Deficit) for the reporting period	-	-	23	6

31.2 Australian Research Council (continued)

	Linkage - Projects		Linkage - Special Research Centres	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	105	-	57	-
Add: Financial Assistance received during reporting period	1 762	1 950	659	755
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	-	(105)	-	(57)
Total from ARC	1 867	1 845	716	698
Transfer to/from other shared University projects	(49)	(37)	-	-
Accrual Adjustments	-	-	-	-
Revenue attributed to the reporting period	1 818	1 808	716	698
Add: Surplus (Deficit) prior year	993	821	103	204
Funds available for the reporting period	2 811	2 629	819	902
Less: Expenses for current period	(1 907)	(1 636)	(662)	(799)
Surplus (Deficit) for the reporting period	904	993	157	103

31.3 DEST Research Financial Assistance

	Institutional Grants Scheme		Research Infrastructure	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	362	337	100	83
Add: Financial Assistance received during reporting period	4 549	4 239	1 255	1 058
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(381)	(362)	(106)	(100)
Total from DEST	4 530	4 214	1 249	1 041
Accrual Adjustments	22	-	-	-
Revenue attributed to the reporting period	4 552	4 214	1 249	1 041
Add: Surplus (Deficit) prior year	-	-	-	-
Funds available for the reporting period	4 552	4 214	1 249	1 041
Less: Expenses for current period	(4 552)	(4 214)	(1 249)	(1 041)
Surplus (Deficit) for the reporting period	-	-	-	-

	Research Training Scheme		Australian Postgraduate - Awards Pre 2002	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Financial Assistance in Advance (paid in previous reporting period for current reporting period)	573	577	-	-
Add: Financial Assistance received during reporting period	7 170	7 212	564	1 343
Less: Financial Assistance in Advance (received in reporting period for the next reporting period)	(573)	(573)	-	-
Total from DEST	7 170	7 216	564	1 343
Accrual Adjustments	-	-	-	-
Revenue attributed to the reporting period	7 170	7 216	564	1 343
Add: Surplus (Deficit) prior year	-	-	21	80
Funds available for the reporting period	7 170	7 216	585	1 423
Less: Expenses for current period	(7 170)	(7 216)	(483)	(1 402)
Surplus (Deficit) for the reporting period	-	-	102	21

31.4 Summary of Unspent Financial Assistance

	Amount of unspent grant as at 31 December 2003 \$'000	Amount of unspent grant that it is more likely to be approved by the Commonwealth for carry forward \$'000	Amount of unspent grant that it is more likely to be recovered by the Commonwealth \$'000
Teaching and Learning:			
Higher Education Innovation Program	45	45	-
Equity Program - Other	80	80	-
Regional Disability Liaison Officer	62	62	-
Student Disability Educational Support	50	50	-
Other HEIP Programs	410	410	-
Capital Development Pool	1 437	1 421	16
	2 084	2 068	16
Australian Research Council:			
Discovery - Projects	547	512	35
Discovery - Fellowships	55	55	-
Linkage - Special Research Initiatives	60	60	-
Linkage - International	23	23	-
Linkage - Projects	904	896	8
Linkage - Special Research Centres	157	157	-
	1 746	1 703	43
DEST Research Financial Assistance:			
Australian Postgraduate Awards - Pre 2002	102	102	-
Australian Postgraduate Awards - 2002 Onwards	101	101	-
Other - Shared University Projects	14	14	-
Innovation Program	22	22	-
Small Research Grants	11	11	-
	250	250	-
Total	4 080	4021	59

PORTFOLIO – HUMAN SERVICES

**MINISTER FOR HEALTH;
MINISTER ASSISTING THE PREMIER IN SOCIAL INCLUSION;
MINISTER FOR YOUTH; MINISTER FOR THE STATUS OF WOMEN;
MINISTER FOR FAMILIES AND COMMUNITIES; MINISTER FOR HOUSING;
MINISTER FOR AGEING; MINISTER FOR DISABILITY**

INTRODUCTION

The section of this Part of the Report contains the financial statements of, and comments concerning, the operations of those agencies under the direction and control of the following Ministers, namely the:

- Minister for Health
- Minister Assisting the Premier in Social Inclusion
- Minister for Youth
- Minister for the Status of Women
- Minister for Families and Communities
- Minister for Housing
- Minister for Ageing
- Minister for Disability

The agencies included herein relating to the portfolio of Human Services are:

- Families and Communities – Department for
- HomeStart Finance
- Human Services – Department of
- SA St John Ambulance Service Inc
- South Australian Aboriginal Housing Authority
- South Australian Community Housing Authority
- South Australian Housing Trust

DEPARTMENT FOR FAMILIES AND COMMUNITIES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment of the Department

In December 2003, Cabinet approved the restructure of the Department of Human Services (DHS) by creating two new departments, one focussed on Health and the other focussed on Social Justice and Housing.

On 5 March 2004 the Governor made a proclamation pursuant to the *Public Sector Management Act 1995*, to establish 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 made a proclamation which transferred the Department for Aboriginal Affairs and Reconciliation 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 to be transferred to the newly created Department on 1 July 2004.

The Chief Executive of DFC was appointed in March 2004.

By proclamation of the Governor effective 1 July 2004, the name of DHS was changed to the Department of Health on 10 June 2004.

Transition Arrangements

The Government established a transition framework and governance structure to facilitate the transition from the existing administrative arrangements to the two new departments (ie the newly created Department for Families and Communities and the Department of Health previously named Department of Human Services). The transition process included:

- re-assigning DHS employees to the appropriate Departments;
- re-assigning existing service provider, supplier contracts and, service level agreements to the appropriate Departments;
- identification of opportunities to share services between the two Departments; and
- identification of opportunities for business improvements.

Effective 1 July 2004 a number of employees of the former DHS were transferred to DFC in accordance with the functions and responsibilities of the new Department.

Financial Reporting Arrangements

Pursuant to the proclamation made on 5 March 2004 regarding the establishment of DFC, no financial statements have been prepared for the Department for the 2003-04 financial year.

During 2003-04 DHS processed transactions as agent for DFC (ie remuneration costs of the Chief Executive) which were the responsibility of the newly created Department. These transactions have been recognised as administered items in the Financial Statements of DHS for 2003-04.

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 Social Justice 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 by 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.

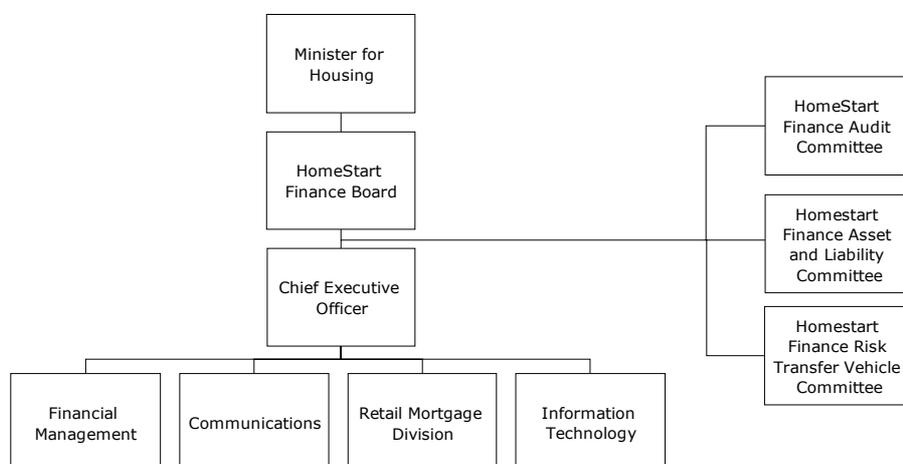
In meeting these functional responsibilities, HomeStart Finance's activities includes the following:

- The management of existing loans and advance of new loans which form part of the ongoing HomeStart program.
- The management of concessional H.O.M.E. loans advanced under the Home Ownership Made Easy Scheme which was closed to new borrowers in 1989.
- Management of loans advanced by the South Australian Housing Trust to enable tenants to purchase their Trust homes.
- The Mortgage Relief Scheme which provides assistance to home owners who are experiencing temporary difficulty in meeting mortgage commitments.

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.



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* requires statutory corporations established pursuant to the Act to keep proper accounting records in relation to their financial affairs and to prepare annual statements of accounts for each financial year. That section also empowers the Auditor-General to audit the accounts of HomeStart Finance and the annual statement of accounts.

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 Homestart Finance 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 2003-04, specific areas of audit attention included:

- lending activities including loan approvals, monitoring of arrears and loss write-off procedures
- raising and receipting of loan repayments
- loan loss provisioning
- completeness and accuracy of the Loan Management System including general IT controls
- funding including treasury risk management and accruals
- other expenditure.

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 Homestart Finance's internal controls. Specific areas in which reliance was placed on internal audit work included:

- new lending compliance
- arrears management compliance
- loan management system
- arrears management system
- application and behavioural risk grading systems
- Treasury management system
- human resource management.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with 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 HomeStart Finance as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Homestart Finance 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 Homestart Finance 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 Officer in September 2004. A response to the management letter was not available at the time of this report. The principal matter raised with HomeStart Finance is contained herein.

Determination of the Provision for Doubtful Debts

The provision for doubtful debts comprises the following:

- Specific Provision — representing the potential loss exposure on identified problem loans;
- General Provision — representing presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The General Provision has been calculated under the current methodology for a number of years. The assessment takes account of:

- the profile of past loan losses from the loan portfolio;
- varying risk levels of loans comprising the portfolio;
- the outlook for interest rates, the housing market and other key economic trends.

HomeStart Finance uses internal projections and external actuary assessment of loan history to determine its general provision. A prudential margin of 50 percent is applied to the calculated provision. The final general provision recognised at 30 June 2004 was \$15.7 million (\$13.8 million).

Audit considers that the credit risk attached to parts of the HomeStart Finance loans portfolio has reduced significantly in the last few years, due mainly to the reduction in arrears, a material reduction in loans write-offs and an increase in the value of loans security (the increase in house prices).

Despite the improvement in asset quality, HomeStart Finance have taken a cautious position in the determination of the provision for doubtful debts, based largely on the loans losses experienced in the early-to-mid 1990's financial years.

The general provision has for the past few years been determined, inclusive of the 50 percent prudential margin, on the anticipation of a decline in the property market. This property market decline has yet to occur.

Audit formed the view that there is a lower degree of risk of losses in certain areas of the loan portfolio, such as loans written prior to 2001 and loans in relation to properties in the inner suburban areas, which were settled in the period prior to the property boom in recent years. It was, however, recognised that there is an increased risk for loans in the country areas and outer suburban areas which have been recently settled and also potential new risks from new loan products, which have been developed over the past couple of years. Audit also acknowledges that the current provision has been weighted towards these types of lending.

As indicated in Note 26(d), International Financial Reporting Standards (IFRS) will be adopted in the year ended 30 June 2006. Under this regime, general provisions cannot be recognised and consequently, the overall provisioning methodology will need to be reassessed to conform with IFRS. Notwithstanding this requirement, Audit formed the view that the methodology for determining the provision for doubtful debts should be reviewed in light of the above observations, for the financial year ended 30 June 2005.

Audit recommended that:

- HomeStart Finance management conduct a detailed analysis of the loan portfolio in order to provide greater precision to the determination of the provision for doubtful debts.
- The appropriateness of the 50 percent prudential margin be reassessed to ensure that it is reasonable in light of the data available in the 2004-05 financial year.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004	2003	Percentage
	\$'million	\$'million	Change
Interest income	51.3	49.3	4
Borrowing costs	32.3	29.5	9
Net Interest Revenue	19.0	19.8	(4)
Other revenue	5.2	3.2	63
Other expenses	19.8	14.4	38
Profit from ordinary activities before tax expense	4.4	8.6	(49)
Tax expense	1.3	2.6	(50)
Profit from ordinary activities after tax expense	3.1	6.0	(48)

ASSETS

Housing loans and advances	802.0	711.3	13
Other assets	30.6	27.7	10
Total Assets	832.6	739.0	13

LIABILITIES

Borrowings	691.0	593.7	16
Other liabilities	5.1	6.9	(26)
Total Liabilities	696.1	600.6	16

EQUITY

	136.5	138.4	(1)
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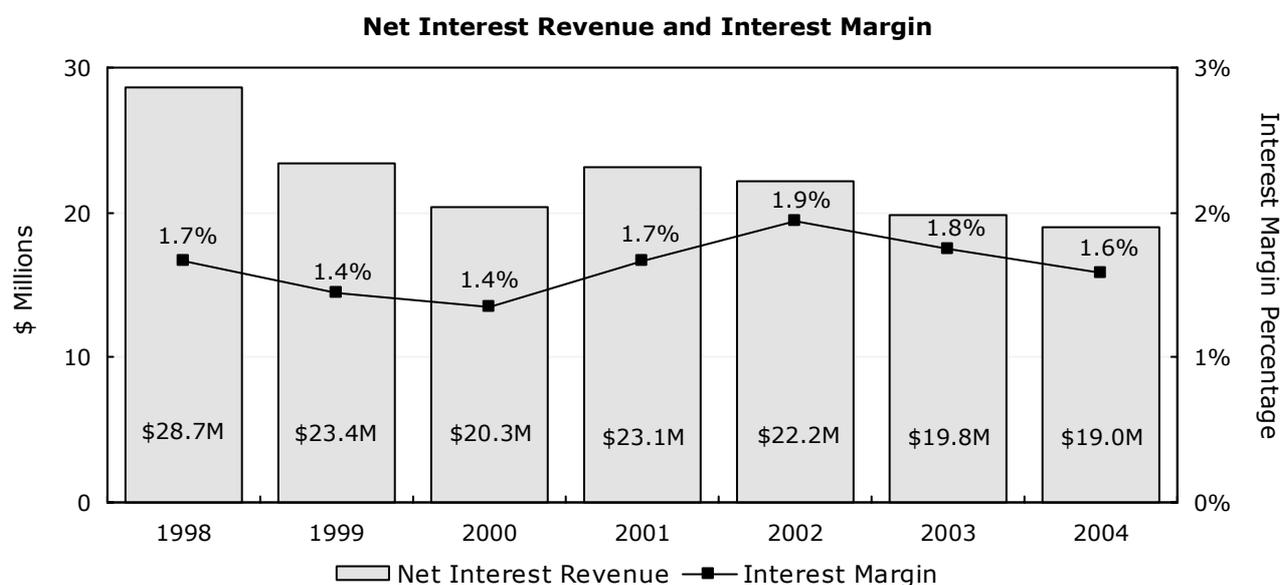
Statement of Financial Performance

Operating Result

Profit after income tax decreased to \$3.1 million from \$6 million in 2002-03. Primary factors contributing to this decrease are outlined hereunder.

Net Interest Revenue

Net interest revenue decreased by \$856 000 to \$19 million. The decrease was a result of a lower interest rate margin between loans and cost of funds as demonstrated in the following chart.

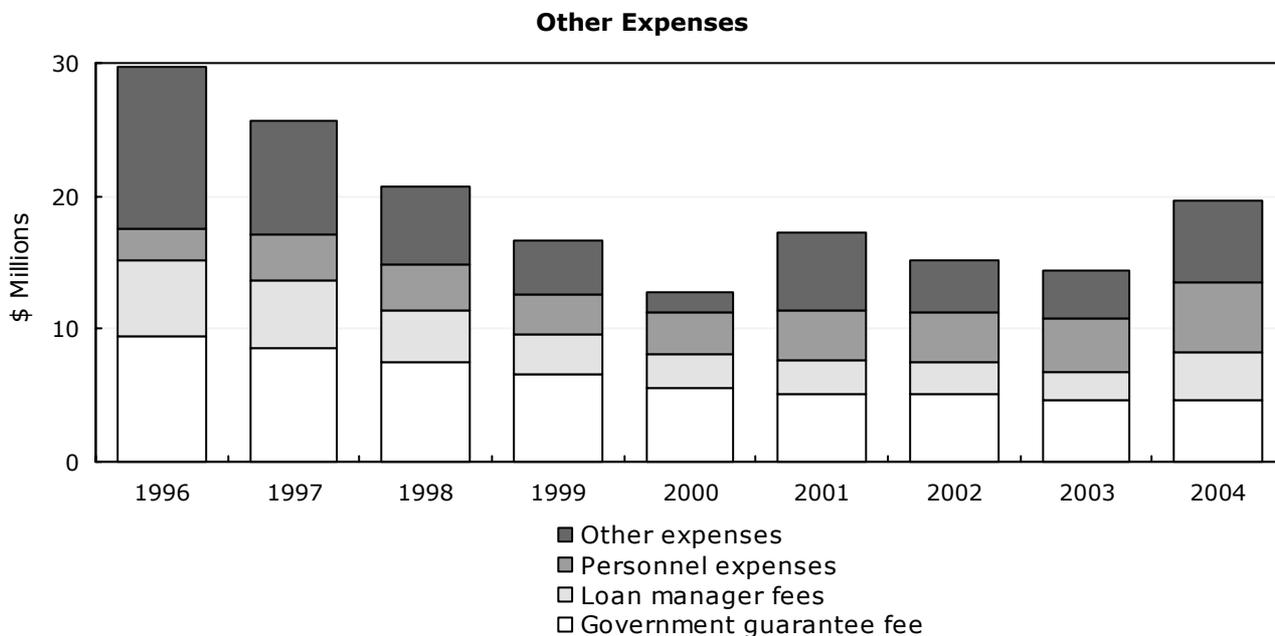


Other Expenses

Other expenses increased by \$5.4 million to \$19.8 million. The increase resulted mainly from a:

- \$1.5 million increase in loan manager fees. (Note 3(ii) refers)
- \$1.3 million increase in personnel expenses. (Notes 3(ii) and 25 refer)
- \$2.2 million increase in bad and doubtful debts expense.

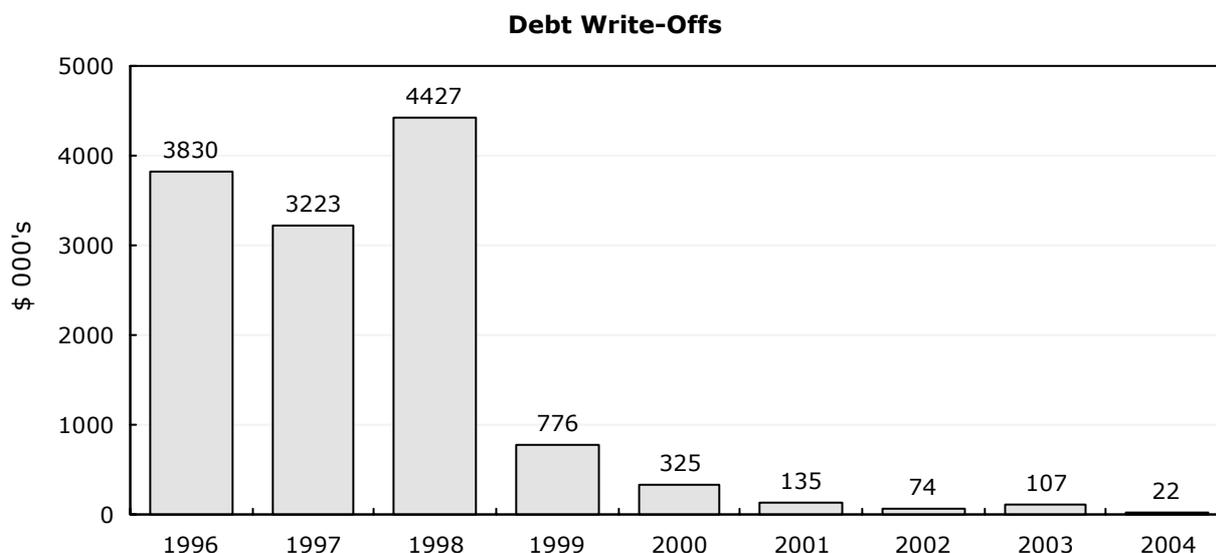
The movement in other expenses is demonstrated in the following chart.



Bad and Doubtful Debts Expense

The bad and doubtful debts expense for the year was \$1.6 million, an increase of \$2.2 million over the previous year. The increase reflects the growth in the loan portfolio achieved in 2003-04 combined with HomeStart Finance maintaining a level of provision for doubtful debts as a percentage of the total loan portfolio.

While HomeStart Finance has maintained the level of provisioning, actual debt write offs have been at low levels for a number of years as can be seen in the following chart.

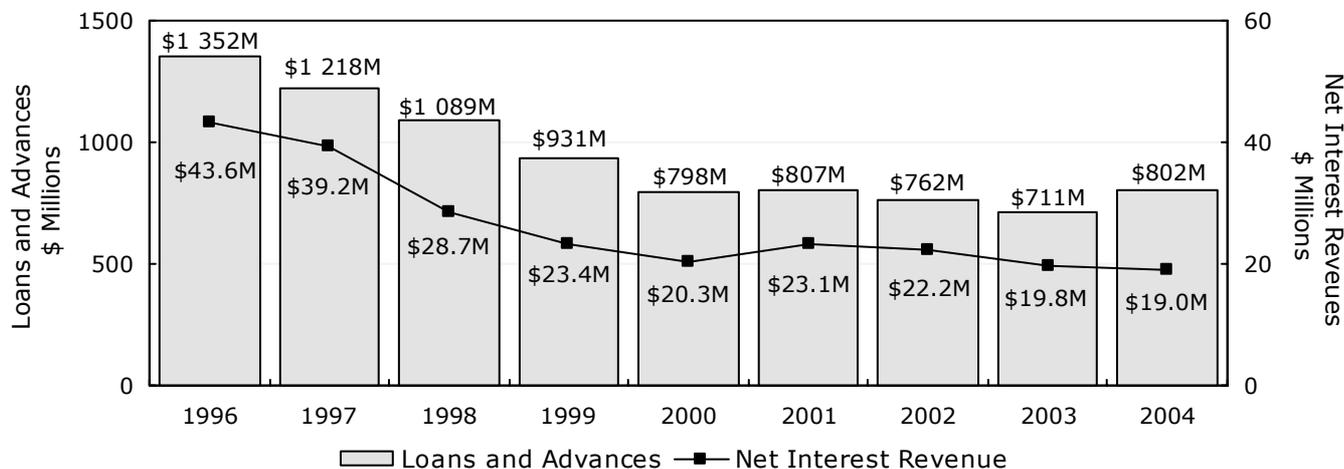


Statement of Financial Position

Loans and Advances

As mentioned, lower net interest revenue has principally been a result of a lower interest rate margin between loans and cost of funds. Notwithstanding the lower interest rate margin the level of lending increased to \$802 million from \$711 million in 2002-03. The extent of the increase in lending is demonstrated in the following chart, together with the trend in net interest revenue.

Loans and Advances and Net Interest Revenue



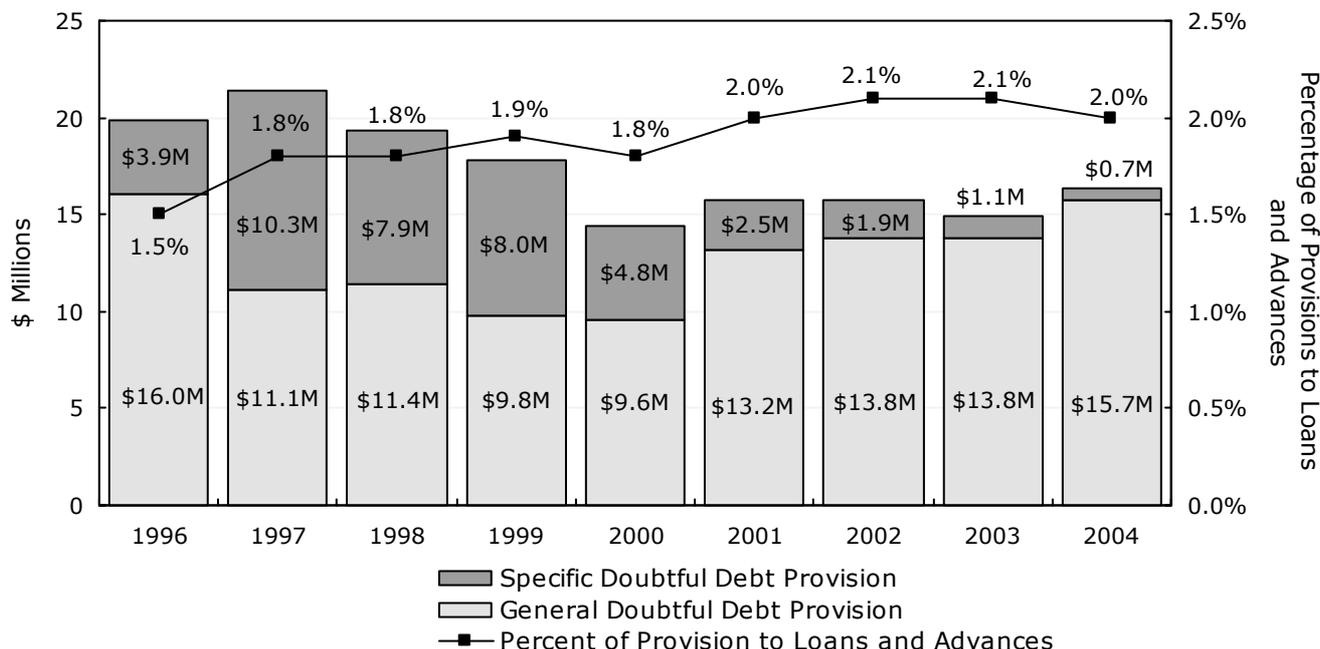
Asset Quality - Provision for Doubtful Debts

The market conditions have also influenced HomeStart Finance’s provision for doubtful debts but in two different ways. The total provision is comprised of two components being the specific and general provision.

The specific provision (the estimate of potential loss exposure on identified problem loans) has decreased a further \$432 000 (\$761 000 decrease) to \$661 000 (\$1.1 million) due to continued property value growth, improved principal repayments due to low interest rates and a reduction in loans in arrears.

The general provision (provision for presently unidentifiable losses that may arise in the portfolio) has increased by \$2 million to \$15.8 million, reflecting the increase in total loans outstanding and maintenance of the provision as a percentage of the portfolio. HomeStart Finance’s projections in this regard reflect experience in past markets in similar circumstances and stress testing carried out on its loan portfolio.

The total provision for doubtful debts has increased by \$1.6 million to \$16.4 million. The following chart shows the level of the total doubtful debts provision and its composition over the past nine years, and demonstrates that although the provision increased during the year, total provisions as a proportion of loans and advances was at a peak in 2002 and 2003 over the period.



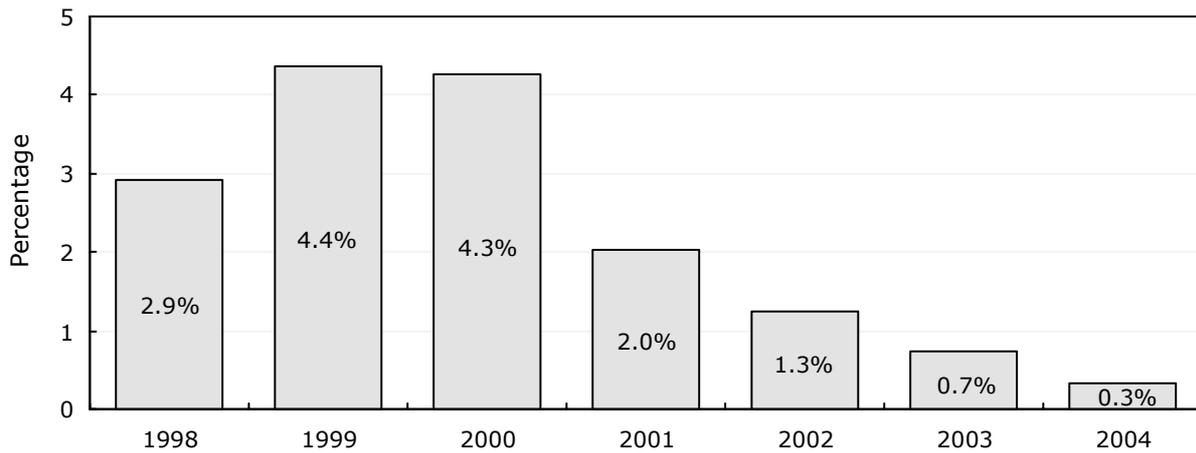
Asset Quality – Non-Accrual Loans

Non-accrual loans reflect balances where management have assessed that loan recovery is doubtful.

Interest and charges are not taken to profit for such loans and they are written down to estimated realisable values through the specific provision referred to above.

The proportion of net non-accrual loans (that is after specific provisions and interest foregone) to total receivables (net of interest foregone) is the lowest for seven years as shown in the following chart. Again, this reflects the market conditions and is consistent with the specific provision for the year.

Net Non-Accrual Loans to Total Receivables



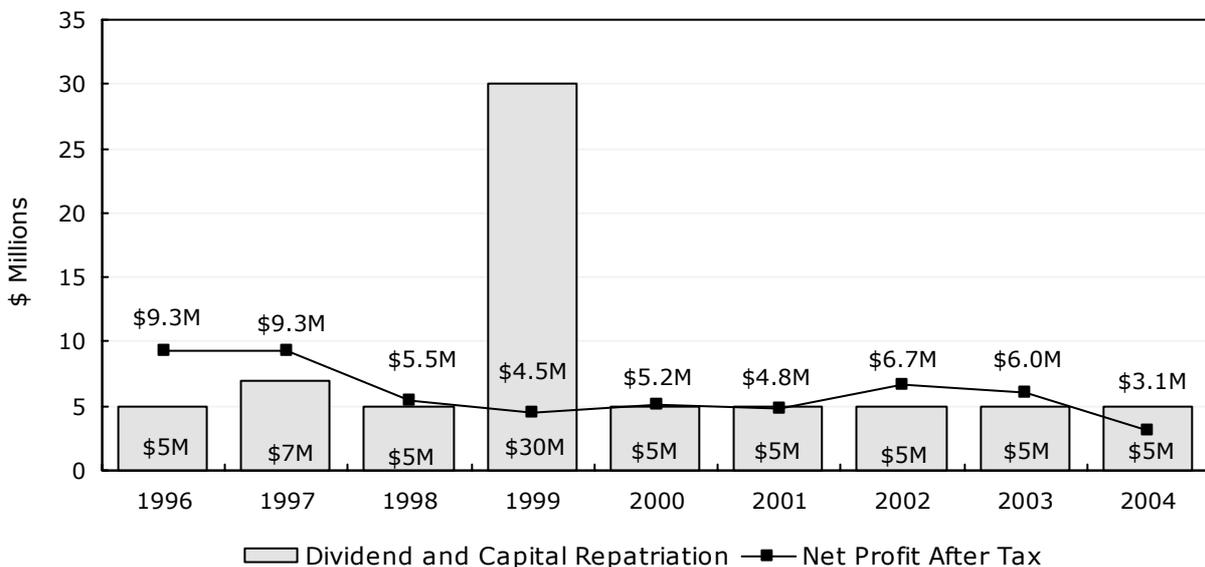
Statement of Cash Flows

Distributions to Government

HomeStart Finance has been required to maintain its distributions to the Government and in 2003-04 made a dividend payment of \$1 million (\$2 million) and a capital repatriation of \$4 million (\$3 million). The payment of dividends and the capital repatriation reduces the level of interest free capital available to HomeStart Finance. It is, however, noted that the level of retained surplus at 30 June 2004 was \$131.6 million (\$133.5 million).

The following chart shows net profit after tax and distributions made for the past nine years and highlights the sustained profit performance of HomeStart Finance over the period and the consistency of contributions to Government.

Distributions to Government



In addition to these distributions, HomeStart Finance pays a guarantee fee of 0.75 percent to the Government based on the outstanding funding balance at the end of each quarter of the financial year. The amount paid in 2003-04 was \$4.6 million (\$4.6 million).

HomeStart Finance is also subject to an income tax equivalent regime. The income tax expense in 2003-04 was \$1.3 million (\$2.6 million).

Net Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	0.1	4.1	6.1	7.5
Investing	(93.8)	51.1	35.6	(20.5)
Financing	92.3	(54.2)	(52.7)	23.5
Change in Cash	(1.4)	1.0	11.0	10.5
Cash at 30 June	1.9	3.3	2.3	13.3

Most notable from the table is that the 2004 net cash inflows from operations reduced to \$0.1 million, well below the previous three years.

**Statement of Financial Performance
for the year ended 30 June 2004**

	Note	2004	2003
		\$'000	\$'000
Interest revenue	3	51 332	49 346
Borrowing costs	3	(32 358)	(29 516)
NET INTEREST REVENUE		18 974	19 830
Other revenue from ordinary activities	3	5 240	3 222
Bad and doubtful debts (expense) credit	3	(1 579)	595
Government guarantee fee	3	(4 599)	(4 606)
Loan manager fees	3	(3 707)	(2 163)
Depreciation expense	3	(300)	(441)
Personnel expenses	3	(5 318)	(4 036)
Other expenses from ordinary activities	3	(4 274)	(3 772)
PROFIT FROM ORDINARY ACTIVITIES BEFORE RELATED			
INCOME TAX EXPENSE		4 437	8 629
INCOME TAX EXPENSE	4	(1 331)	(2 589)
NET PROFIT FROM ORDINARY ACTIVITIES AFTER RELATED			
INCOME TAX EXPENSE	16	3 106	6 040

**Statement of Financial Position
as at 30 June 2004**

	Note	2004	2003
		\$'000	\$'000
ASSETS:			
Cash	21(a)	1 869	3 250
Investments	6	27 335	23 134
Housing loans and advances	7	802 042	711 259
Office and computer equipment	10	640	566
Other assets	11	670	808
Total Assets		832 556	739 017
LIABILITIES:			
Short-term interest bearing borrowings	12, 13	80 700	168 890
Long-term interest bearing borrowings	12, 13	610 275	424 801
Tax liability	4	620	1 869
Provisions	14	436	317
Other liabilities	15	4 035	4 756
Total Liabilities		696 066	600 633
NET ASSETS		136 490	138 384
EQUITY:			
Capital grants		4 918	4 918
Retained surplus	16	131 572	133 466
TOTAL EQUITY		136 490	138 384
Commitments	18		
Contingent Liabilities	19		

**Statement of Cash Flows
for the year ended 30 June 2004**

		2004	2003
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on:	Note		
Cash		17	17
Investments		688	586
Housing loans and advances		50 758	48 201
Other investment income		746	1 054
Fees and commissions received		840	329
Bad debts recovered		263	107
Interest paid on borrowings		(32 696)	(30 264)
Government guarantee fee		(4 599)	(4 606)
Loan manager fees		(3 628)	(2 173)
Administration		(9 225)	(7 838)
Grant received (repaid)		(482)	572
Income tax paid		(2 581)	(2 534)
Other		-	631
Net Cash Inflows from Operating Activities	21(b)	101	4 082
CASH FLOWS FROM INVESTING ACTIVITIES:			
Customer loans repaid		209 159	241 259
Customer loans settled		(298 935)	(188 402)
Payments for investments		(3 625)	(1 457)
Payments for office and computer equipment		(375)	(322)
Proceeds on sale of assets		3	2
Net Cash (Outflows) Inflows from Investing Activities		(93 773)	51 080
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from new borrowings		1 045 500	1 007 000
Principal repaid on borrowings		(948 216)	(1 056 166)
Financial instruments		8	(20)
Capital repatriation		(3 975)	(3 007)
Dividend paid		(1 025)	(1 993)
Net Cash Inflows (Outflows) from Financing Activities		92 292	(54 186)
NET (DECREASE) INCREASE IN CASH HELD		(1 381)	976
CASH AT 1 JULY		3 250	2 274
CASH AT 30 JUNE	21(a)	1 869	3 250

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Role of HomeStart Finance

HomeStart's mission, within the framework of Government policy, is to operate on a commercial basis to:

- develop, market and manage home ownership initiatives thus delivering affordable housing solutions to more South Australians.
- increase home ownership opportunities as a choice for lower-income households in South Australia.

HomeStart Loan

HomeStart provides mortgages to lower income households and other needs groups with income linked and CPI indexed repayments. The HomeStart Loan is the principal loan product. The outstanding value of HomeStart Loans at 30 June 2004 was \$789.6 million (\$684.3 million).

H.O.M.E.

The concessional H.O.M.E. Scheme is no longer open to new borrowers. The Scheme was transferred to HomeStart from the then State Bank of South Australia in 1989-90.

The outstanding value of the H.O.M.E. Scheme at 30 June 2004 was \$23.7 million (\$34.9 million).

Management and administration of the H.O.M.E. Rental Purchase Scheme, which was for South Australian Housing Trust (SAHT) tenants, was transferred from the SAHT to HomeStart in December 1992.

Other

HomeStart has advanced and administers a small group of miscellaneous loans.

Subsidies

HomeStart provides subsidised loans of up to \$25 000 to lower income earners. The Advantage Loan has an interest rebate period of five years, after which the interest is indexed to the CPI. The outstanding value of the loans at 30 June 2004 was \$35.9 million (\$35.2 million).

In providing these loans HomeStart incurred a direct cost of subsidy estimated to be \$2 million on the funds lent (\$1.7 million). HomeStart does not receive any funding with respect to this subsidy.

HomeStart also has loans at concessional interest rates through the City Living Access Loan, H.O.M.E. and Rental Purchase schemes.

Funding

HomeStart funds its mortgage activities from capital and by borrowing from the South Australian Government Financing Authority (SAFA).

2. Summary of Accounting Policies and Factors which have been Significant in the Preparation of the Financial Report

(a) Basis of Preparation

Pursuant to Section 27 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart is required to keep proper accounting records in relation to its financial affairs, and must have annual statements of accounts prepared in respect of each financial year.

This general purpose financial report has been prepared on an accrual basis in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

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

These accounting policies have been consistently applied, except where there is a change in accounting policy, and are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial amounts and other disclosures.

(b) Tax Equivalents

Under the terms of the Statement of Policy Intent relating to the tax treatment of State Trading Enterprises, agreed at the 1994 Premiers' Conference, States and Territories are required to apply an income tax equivalent regime to their State Trading Enterprises. The Treasurer has determined, pursuant to Section 25 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* that from 1 July 1995 HomeStart shall be subject to such a regime as established and administered by the Treasurer pursuant to relevant Treasurer's Instructions.

(c) Acquisition of Assets

Assets acquired are initially recorded at cost. Cost is determined as the value given as consideration plus incidental costs directly attributable to the acquisition, including all other costs incurred in preparing the assets for use.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the time of acquisition.

All acquisitions of assets with a cost, or other value, of \$500 or more are recognised as assets in the year of acquisition. Acquisitions with a lesser value are expensed in the period of acquisition.

(d) Depreciation

Consistent with the historic cost convention, fixed assets are recorded at cost. Depreciation for each item of plant, equipment and software is calculated on a straight line basis in accordance with the assets' estimated useful life.

The depreciation rates used for each class of asset are as follows:

	Percent
Computer hardware	33
Computer software	33
Accounting software	33
Loan management systems	20
Office fit-out	20
Furniture and equipment	20

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation charges are expensed.

(e) Housing Loans and Advances

Housing loans and advances are reflected in the financial statements at their face value less assessed provisions for impairment. Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to portfolios where specific identification is impracticable.

Specific Provision

The specific provision is an estimate of the potential loss exposure on identified problem loans.

The provision is determined by assessing potential losses on loans where:

- arrears are 90 days or over, or exceed \$2 500; or
- repayment reductions have been negotiated; or
- in other cases where HomeStart is taking action to manage the loan; or
- action is being taken to recover debt through possession of security.

The provision is calculated as the excess of the loan balance over the expected realisable amount on the sale of the security, after allowing for selling and other costs.

General Provision

This provision is created to provide for presently unidentifiable losses that may arise in the loan portfolio and for which no specific provision exists.

The general provision for HomeStart Loans is determined by assessing potential losses on the entire loan portfolio. The assessment takes account of:

- the profile of past loan losses from the portfolio;
- changes to risk levels of the portfolio – for example due to changes in new business; and
- the outlook for interest rates, the housing market and other key economic trends.

HomeStart uses internal projections and external actuary assessment of loan loss history to determine its general provision requirement.

For HomeStart Loans a prudential margin of 50 percent (50 percent) has been included to provide sufficient confidence that the provision is adequate, reflecting the inherent uncertainty in assumptions made in relation to loss forecasts and future economic trends.

(f) Bad and Doubtful Debts

All bad and doubtful debts are written off in the period in which they are identified. The write off of debts over \$20 000 requires the approval of the Board. If a provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Financial Performance.

(g) Non-Accrual Loans

HomeStart ceases accruing interest income on loans when it is considered that HomeStart would be unable to recover that interest income from either the customer or from the sale of the security.

Interest on these loans is only taken into account when realised or when loans are returned to accrual status.

Loans are assessed as non-accrual where they are contractually more than 90 days overdue with security insufficient to cover principal and arrears of interest, or where there is doubt as to the full recovery of principal and interest.

A non-accrual item may be restored to accrual basis only if all arrears have been eliminated by payments from the customer and HomeStart judges that the customer is capable of servicing their future obligations under the facility, or when it otherwise becomes well secured.

(h) Employee Benefits

Liabilities for employee entitlements to wages, salaries and annual leave are calculated using the remuneration rates HomeStart expects to pay when the liabilities are settled, not salary rates current at reporting date.

The provision for long service leave represents the present value of the estimated future cash outflows to be made by HomeStart resulting from employees' services provided up to the balance date.

The provision is calculated using expected future increases in wages and salary rates including related on-costs.

(i) Other Liabilities

Liabilities are recognised for amounts to be paid in the future for goods and services received prior to the end of the financial year, whether or not billed to HomeStart Finance.

Accounts payable are normally settled within 30 days.

(j) Borrowings

Borrowings are reflected in the financial statements at their face value. Interest expense is accrued over the period it becomes due at the contracted rate and included in Other Liabilities.

(k) Derivative Financial Instruments

HomeStart is exposed to changes in interest rates and uses forward rate agreements, interest rate swap agreements and futures contracts to hedge this risk.

Derivative financial instruments are not held for speculative purposes.

The net amount receivable or payable under interest rate agreements and realised losses and gains on forward rate agreements and futures contracts are recognised on an accrual basis in the Statement of Financial Performance as an adjustment to interest expense during the period.

(l) Revenue Recognition

Interest income is recognised as it accrues, except for impaired loans where interest income is recognised as it is recovered.

Advantage Loan interest income is rebated if the loan is paid off within five years, otherwise interest income accumulated from inception is recognised as earned after five years and then as it accrues.

Non-interest income is recognised when earned or recovered.

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (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.

HomeStart, being a provider of financial services, is classified as an input taxed entity for GST purposes and consequently has to absorb GST costs passed on by suppliers. Reduced input tax credits can only be claimed on a very limited number of input costs.

Receivables and payables are stated inclusive of GST.

(m) Goods and Services Tax (continued)

The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the Statement of Financial Position.

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

(n) Recoverable Amount of Non-Current Assets Valued on a Cost Basis

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets valued on a cost basis, are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(o) Operating Leases

Incentives received on entering into operating leases are recognised as liabilities that are reduced by allocating lease rental payments between rental expense and reduction of the liability. The allocation of lease rental payments is made such that rental expense is recognised on a basis which is representative of the pattern of benefits derived from the rental property.

(p) Investments

Investments in managed funds, regardless of their composition, are reflected in the financial statements at their market value at each balance date, which approximates their fair value. The gains or losses from changes in market value during the year, whether realised or unrealised, are included in the Statement of Financial Performance.

Investments in financial instruments such as bank accepted bills and cash are recognised in the financial statements at the lower of cost (adjusted for premium or discount) or recoverable amount. Interest income on these investments is recognised as it accrues.

(q) Cash

For the purpose of the Statement of Cash Flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to insignificant risks of changes in value, net of outstanding bank overdrafts.

(r) Web Site Costs

Costs in relation to web site are charged as expenses in the period in which they are incurred unless they relate to the acquisition of an asset, in which case they are capitalised and amortised over their period of expected benefit. Generally, costs in relation to feasibility studies during the planning phase of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses. Costs incurred in building or enhancing a web site, to the extent that they represent probable future economic benefits controlled by the entity that can be reliably measured, are capitalised as an asset and amortised over the period of the expected benefits.

(s) Rounding of Amounts

All figures in the financial statements have been rounded to the nearest thousand dollars except where indicated.

3. Profit from Ordinary Activities Before Income Tax

	2004	2003
	\$'000	\$'000
Revenue from Ordinary Activities:		
Interest Revenue:		
HomeStart and H.O.M.E.	50 793	48 631
Deposits with Treasury and banks	87	110
Other	452	605
Total Interest Revenue	51 332	49 346
Other Revenue from Ordinary Activities:		
Fees and charges ⁽¹⁾	2 992	989
Bad debts recovered	263	107
Unrealised change in market value of investments	576	(3)
Realised change in market value of investments	97	455
Managed funds distribution	650	598
Interest income from Investments	654	480
Other	8	596
Total Other Revenue from Ordinary Activities	5 240	3 222

3. Profit from Ordinary Activities Before Income Tax (continued)	2004	2003
Expenses from Ordinary Activities:	\$'000	\$'000
Bad and doubtful debts:		
Direct write-offs:		
HomeStart	22	35
H.O.M.E.	-	27
Other	-	45
	<u>22</u>	<u>107</u>
Doubtful debt provisions expenses (credit):		
HomeStart	1 697	(981)
H.O.M.E.	(152)	328
Other	12	(49)
	<u>1 557</u>	<u>(702)</u>
Total Bad and Doubtful Debts Expenses (Credit)	1 579	(595)
Borrowing Costs:		
HomeStart and H.O.M.E.	<u>32 358</u>	29 516
Total Borrowing Costs	32 358	29 516
Government Guarantee Fee:		
Total Government Guarantee Fee	<u>4 599</u>	4 606
Loan Manager Fees:		
HomeStart	<u>3 707</u>	2 163
Total Loan Manager Fees ⁽ⁱⁱ⁾	3 707	2 163
Depreciation Expense:		
Computer hardware and software	217	311
Loan management system	-	44
Office fit-out	29	33
Furniture and equipment	54	53
Total Depreciation Expense	<u>300</u>	<u>441</u>
Personnel Expenses:		
Charges to provision for annual leave	57	2
Charges to provision for long service leave	119	43
Salaries and related costs	5 142	3 991
Total Personnel Expenses ⁽ⁱⁱ⁾	<u>5 318</u>	<u>4 036</u>
Other Expenses from Ordinary Activities:		
Office accommodation - Minimum lease payments	272	219
Marketing, product development and advertising	1 421	1 439
External Auditor's remuneration	83	81
Internal audit fees	219	194
Loan administration	239	229
Information Technology - Loan management systems	119	184
Information Technology - Support and maintenance	300	215
Consultants' fees	259	154
Other	1 362	1 057
Total Other Expenses from Ordinary Activities	<u>4 274</u>	<u>3 772</u>

(i) The increase in fees and charges arose from the restructure of loan origination and management activities.

(ii) The increase in loan manager fees and salaries arose from the restructure of loan origination and management activities.

4. Income Tax

HomeStart is required to pay income tax equivalents to the State Government through the Department of Treasury and Finance, using the Accounting Profits Model. The Accounting Profits Model adopts the application of the corporate income tax rate of 30 percent (as per the *Income Tax Assessment Act 1936*) to the Audited Accounting Profit of HomeStart. Audited Accounting Profit is defined as operating profit from ordinary activities after extraordinary items.

	2004	2003
	\$'000	\$'000
Profit from ordinary activities before related income tax expense	<u>4 437</u>	8 629
Income tax calculated at 30 percent	<u>(1 331)</u>	(2 589)

5. Payment of Dividend to the Minister for Housing

Pursuant to Section 26 of the *Housing and Urban Development (Administrative Arrangements) Act 1995*, HomeStart must recommend to the Minister for Housing, that it pay a specified dividend or not pay a dividend, for that financial year, as it considers appropriate. The Act further provides for the Minister, in consultation with the Treasurer, to approve the recommendation of HomeStart, or to determine that another dividend, or no dividend, should be paid.

During 2003-04, HomeStart recommended and paid a dividend of \$5 million which has been allocated between dividend and capital repatriation in accordance with an established dividend policy based on commercial principles.

	Note	2004 \$'000	2003 \$'000
Profit from ordinary activities before related income tax expense		3 106	6 040
Dividend	16	1 025	1 993
Capital repatriation	16	3 975	3 007
Total Dividend Paid		5 000	5 000

6. Investments

At cost:

Bank Bills **13 440** 9 958

At fair value:

Composite Bond Index Investment **5 236** 4 989

Listed Equities Funds **3 097** 2 696

Listed Properties Funds **5 562** 5 491

Total Investments **27 335** 23 134

The Composite Bond Index Investment had a maturity date of 30 June 2004.

The following table breaks down Bank Bills into individual deals with corresponding market values, yields and maturity dates.

	Face Value \$'000	Market Value \$'000	Yield Percent	Maturity Date
Bank Accepted Bill	1 500	1 493	5.44	01-07-04
Bank Accepted Bill	5 000	4 977	5.44	05-07-04
Bank Accepted Bill	500	498	5.46	12-07-04
Bank Accepted Bill	1 000	996	5.45	16-07-04
Bank Accepted Bill	1 000	996	5.41	22-07-04
Bank Accepted Bill	4 000	3 983	5.42	07-07-04
Bank Accepted Bill	500	497	5.42	07-07-04
Total Bank Bills	13 500	13 440		

7. Housing Loans and Advances

	2004 \$'000	2003 \$'000
Primary loans	782 447	691 159
Subsidised loans	35 924	35 160
Control accounts	364	542
Gross Loans and Advances	818 735	726 861
Specific provisions for impairment	(661)	(1 093)
Unearned income	(281)	(747)
	817 793	725 021
General provisions for impairment	(15 751)	(13 762)
Net Loans and Advances	802 042	711 259

The balance of housing loans and advances is shown after deducting the provision for doubtful debts, ensuring that the balance reflects the expected recoverable amount of these loans. The basis of determining the provision for doubtful debts is disclosed at Note 2(e).

Maturity Profile of HomeStart's Housing Loans and Advances at 30 June:	2004 \$'000	2003 \$'000
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	1	-
Longer than 1 year and not longer than 5 years	77	54
Longer than 5 years	818 657	726 807
Total Gross Loans and Advances	818 735	726 861

The maturity distribution of housing loans and advances is based on contractual terms and not when they are due to reprice or are likely to be repaid. HomeStart Loans do not have fixed contractual terms as they vary with changes in inflation and interest rates. Based on standard assumptions, these loans would have an initial term ranging up to 28 years, but the majority of loans are anticipated to have actual contractual terms of a much shorter maturity period (around two thirds of current customers will pay their loan off in under 20 years).

7. Housing Loans and Advances (continued)

The following table shows the breakdown of the loan portfolio for the individual schemes, with the provisions allocated.

	2004	2003
	\$'000	\$'000
HomeStart	789 614	684 309
Specific provisions for impairment	(644)	(1 027)
General provisions for impairment	(15 420)	(13 340)
Impaired loans unearned income	(263)	(697)
	773 287	669 245
H.O.M.E.	23 679	34 882
Specific provisions for impairment	-	(46)
General provisions for impairment	(297)	(403)
Impaired loans unearned income	-	(10)
	23 382	34 423
Other	5 442	7 670
Specific provisions for impairment	(17)	(20)
General provisions for impairment	(34)	(19)
Impaired loans unearned income	(18)	(40)
	5 373	7 591
Total Housing Loans after Provision for Doubtful Debts	802 042	711 259

Total loans approved but not settled at 30 June 2004 amounted to \$28 million (\$11.6 million).

8. Provision for Doubtful Debts

SPECIFIC PROVISION:

Opening Balance:

HomeStart	1 027	1 727
H.O.M.E.	46	19
Other	20	108
Total Opening Balance	1 093	1 854

Movement:

HomeStart doubtful debts expense	(383)	(690)
HomeStart bad debt write-offs	-	(18)
H.O.M.E. doubtful debts expense	(46)	27
Other doubtful debts expense	(3)	(26)
Other bad debt write-offs	-	(54)
Total Movement	(432)	(761)

Closing Balance:

HomeStart	644	1 027
H.O.M.E.	-	46
Other	17	20
Total Closing Balance	661	1 093

GENERAL PROVISION:

Opening Balance:

HomeStart	13 340	13 631
H.O.M.E.	403	102
Other	19	42
Total Opening Balance	13 762	13 775

Doubtful Debts Expense

HomeStart	2 080	(291)
H.O.M.E.	(106)	301
Other	15	(23)
Total Doubtful Debts Expense	1 989	(13)

Closing Balance:

HomeStart	15 420	13 340
H.O.M.E.	297	403
Other	34	19
Total Closing Balance	15 751	13 762

Total Provision for Doubtful Debts

16 412	14 855
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9. Asset Quality Disclosures

HomeStart provides for doubtful debts as discussed in Note 2(e). When management determines that loan recovery is doubtful, the principal amount and accrued interest on the obligation are written down to estimated realisable values. Interest and charges are no longer taken to profit when their payment is considered unlikely.

	2004	2003
	\$'000	\$'000
Non-Accrual Loans:		
With provision	3 289	5 932
Without provision	417	1 185
Total	3 706	7 117
Specific provision	661	1 046
Interest forgone on non-accrual loans	281	747
Real Estate Acquired:		
Balance of loans at 30 June	44	345
Specific provision	-	47
Past Due Loans:		
Balance at 30 June	4 626	5 033

10. Office and Computer Equipment

Computer hardware and software - At cost	1 654	1 469
Less: Accumulated depreciation	(1 231)	(1 150)
	423	319
Loan management systems - At cost	1 155	1 155
Less: Accumulated depreciation	(1 155)	(1 155)
	-	-
Office fitout - At cost	159	142
Less: Accumulated depreciation	(64)	(35)
	95	107
Furniture and equipment - At cost	411	376
Less: Accumulated depreciation	(289)	(236)
	122	140
Total Office and Computer Equipment	640	566

Reconciliations

Reconciliations of the carrying amounts for each class of office equipment are set out below:

Computer Hardware and Software:		
Carrying amount at 1 July	319	423
Additions	323	207
Disposals	(2)	-
Depreciation	(217)	(311)
Carrying Amount at 30 June	423	319
Loan Management Systems:		
Carrying amount at 1 July	-	44
Additions	-	-
Disposals	-	-
Depreciation	-	(44)
Carrying Amount at 30 June	-	-
Office Fit-out:		
Carrying amount at 1 July	107	61
Additions	17	80
Disposals	-	(1)
Depreciation	(29)	(33)
Carrying Amount at 30 June	95	107
Furniture and Equipment:		
Carrying amount at 1 July	140	158
Additions	36	35
Disposals	-	-
Depreciation	(54)	(53)
Carrying Amount at 30 June	122	140
Total Office and Computer Equipment	640	566

11. Other Assets

Accrued interest	208	145
Debtors	123	60
Accrued interest on derivatives	339	603
Total Other Assets	670	808

12. Borrowings	2004	2003
	\$'000	\$'000
Short-term interest bearing borrowings	80 700	168 890
Long-term interest bearing borrowings	610 275	424 801
Total Borrowings	690 975	593 691
Maturity Profile of HomeStart's Borrowings at 30 June 2004:		
At call	1 200	1 890
Not longer than three months	79 500	167 000
Longer than one year and not longer than five years	442 275	424 801
Longer than five years	168 000	-
Total Borrowings	690 975	593 691

- 13. Financing Arrangements**
HomeStart paid a guarantee fee of 0.75 percent (0.75 percent) of outstanding borrowings to the Department of Treasury and Finance in 2003-04.

HomeStart sources its borrowings from the South Australian Government Financing Authority and is subject to a currently approved gross borrowing limit of \$825 million (\$825 million).

14. Provisions	2004	2003
	\$'000	\$'000
Employee benefits	436	317
Total Provisions	436	317
15. Other Liabilities		
Accrued interest	2 358	2 954
Accrued loan manager fees	256	177
Creditors	412	326
Employee benefits	394	264
Aboriginal Loan security deposit	250	250
Adelaide New Owners Grant	48	510
Other	317	275
Total Other Liabilities	4 035	4 756

Adelaide New Owners Grant

The Corporation of the City of Adelaide (ACC) has provided a grant to HomeStart as part of a scheme known as 'Adelaide New Owners Grant'.

HomeStart must repay to ACC such amount of the grant that is not advanced by HomeStart to purchasers.

16. Retained Surplus		2004	2003
	Note	\$'000	\$'000
Retained surplus at 1 July		133 466	132 426
Profit from ordinary activities after related income tax expense		3 106	6 040
Dividend paid	5	(1 025)	(1 993)
Capital repatriation	5	(3 975)	(3 007)
Retained Surplus at 30 June		131 572	133 466

17. Additional Financial Instruments Disclosure

(a) Interest Rate Risk

Interest rate risk is managed through matching HomeStart's borrowings with its home loan assets portfolio. The resulting repricing mismatch is measured daily and monitored by the Finance Sub-Committee on a weekly basis and the Asset and Liability Committee on a monthly basis.

The following tables show the average balance for each of the major categories of interest-bearing assets and liabilities, the amount of interest income or expense and the average interest rate (which is calculated on average monthly balances over the year).

	2004			2003		
	Average Balance \$'000	Interest \$'000	Average Interest Rate Percent	Average Balance \$'000	Interest \$'000	Average Interest Rate Percent
Interest Revenue:						
Cash used for operating activities	552	18	3.26	604	16	2.65
Cash used for investing activities	1 296	69	5.32	2 007	94	4.68
Housing loans and advances	759 022	51 245	6.75	741 745	49 236	6.64
	760 870	51 332	6.75	744 356	49 346	6.63
Interest Expense:						
Interest on borrowings	626 156	32 358	5.17	604 453	29 516	4.88

(a) Interest Rate Risk (continued)

HomeStart's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2004 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			1 Year or Less \$'000	1 Year to 5 Years \$'000	More than 5 Years \$'000		
Financial Assets							
Cash used for operating activities	2.64	550	-	-	-	-	550
Cash used for investing activities	5.20	1 319	-	-	-	-	1 319
Composite Bond Index Investment	-	-	-	-	-	5 236	5 236
Investment - Property and Equity	-	-	-	-	-	8 659	8 659
Bank Bills	5.43	-	13 440	-	-	-	13 440
Housing loans and advances	6.93	713 682	20 003	85 049	-	1	818 735
Other assets	-	-	-	-	-	670	670
		715 551	33 443	85 049	-	14 566	848 609
Financial Liabilities:							
Borrowings	5.43	690 975	-	-	-	-	690 975
Interest rate swaps (notional principal amounts)	-	(112 500)	28 500	84 000	-	-	-
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2003 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
Financial Assets			1 Year or Less \$'000	1 Year to 5 Years \$'000	More than 5 Years \$'000		
Cash used for operating activities	3.65	640	-	-	-	-	640
Cash used for investing activities	4.70	2 610	-	-	-	-	2 610
Composite Bond Index Investment	-	-	-	-	-	4 989	4 989
Investment - Property and Equity	-	-	-	-	-	8 187	8 187
Bank Bills	4.79	-	9 958	-	-	-	9 958
Housing loans and advances	6.53	710 345	7 478	8 871	-	167	726 861
Other assets	-	-	-	-	-	808	808
		713 595	17 436	8 871	-	14 151	754 053
Financial Liabilities:							
Borrowings	4.72	593 691	-	-	-	-	593 691
Interest rate swaps (notional principal amounts)	-	(38 000)	8 500	29 500	-	-	-

The weighted average interest rate is calculated on the balances outstanding as at 30 June.

The effect of interest rate swaps and forward rate agreements has been incorporated into the weighted average interest rate.

Off-Balance Sheet Derivative Instruments*Forward Rate Agreements and Futures Contracts*

HomeStart enters into forward rate agreements and/or 90 day bank bill futures contracts with a maximum tenure of six months for forward rate agreements and maximum maturity of 12 months for both in order to hedge its interest exposure.

There were no forward rate agreements outstanding as at 30 June 2004 or 30 June 2003.

At 30 June 2004 HomeStart had no outstanding bank bill futures.

At 30 June 2003 HomeStart had a short net position of \$30 million bank bill futures. These futures contracts were settled in December 2003 with the price being 95.73 or 4.27 percent.

Interest Rate Swaps

At 30 June 2004 HomeStart had floating/fixed swaps with a total notional value of \$112.5 million with the fixed rates varying between 4.84 percent and 6.11 percent. HomeStart also had floating/floating swaps with a notional value of \$20 million with the rates set at 30 and 180 day bank bill swap reference rate (BBSW). This assists HomeStart in eliminating the mismatch between repricing of its assets with that of its liabilities.

At 30 June 2003 HomeStart had floating/fixed swaps with a total notional value of \$38 million with the fixed rates varying between 4.73 percent and 6.62 percent. HomeStart also had floating/floating swaps with a notional value of \$100 million with the rates set at 30 and 90 day BBSW.

(b) Credit Risk

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

The credit risk on financial assets has been recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

HomeStart manages its credit risk through compliance with credit policies and procedures. It also has registered mortgages over the security properties.

HomeStart is not materially exposed to any individual borrower.

HomeStart only lends in South Australia and is therefore exposed to the property market in this State.

HomeStart's composite bond index investment and investments in listed property and equity funds represent exposure to the broader Australian bond, property and equities markets.

(c) Net Fair Value

The carrying amounts of HomeStart's financial assets approximate net fair value and the financial liabilities are recorded at face value.

On-Balance Sheet Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	2004		2003	
	Carrying Value	Net Fair Value	Carrying Value	Net Fair Value
Assets:	\$'000	\$'000	\$'000	\$'000
Cash	1 869	1 869	3 250	3 250
Composite Bond Index Investment	5 236	5 236	4 989	4 989
Bank Bills	13 440	13 440	9 958	9 958
Housing loans and advances	802 042	805 612	711 259	712 080
Investments	8 659	8 659	8 187	8 187
Other assets	670	670	808	808
Liabilities:				
Borrowings	690 975	691 337	593 691	593 509

Cash

The carrying value of cash approximates its net fair value.

Housing Loans and Advances

The carrying value of loans and advances is net of specific and general provisions for impairment and impaired loans unearned income.

The carrying amount is a reasonable estimate of net fair value of variable rate loans. The net fair value of fixed rate loans has been calculated by discounting the future principal and interest cash flows using rates determined from the current yield curve and loan repricing dates.

Investment

The net fair value of investments is based on quoted market prices.

All Other Financial Assets

The carrying values of all other financial assets approximate their net fair values.

Borrowings

The net fair value of HomeStart's borrowings was determined based on the quoted market prices.

Off-Balance Sheet Financial Instruments

	2004 \$'000	2003 \$'000
The net fair value of off-balance sheet financial instruments held as at the reporting date are:		
Futures	-	4
Interest rate swaps	17	(290)

18. Commitments

Operating lease commitments:

Future operating lease rentals not provided for in the financial statements and payable:

Not later than one year	357	344
Later than one year but not longer than five years	23	378
Total Operating Lease Commitments	380	722

19. Contingent Liabilities

HomeStart has no material contingent liabilities.

20. Segment Reporting

HomeStart operates in one geographical segment, South Australia, and its principal activity is the provision of home finance to low income groups.

21. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

Cash at the end of the financial year, as shown in the Statement of Cash Flows, is reconciled to the related items in the Statement of Financial Position as follows:

	2004	2003
	\$'000	\$'000
Cash used for investing activities	1 319	2 610
Cash used for operating activities	550	640
Total Cash	1 869	3 250

(b) Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash Inflows from Operating Activities

Profit from ordinary activities after tax	3 106	6 040
<i>Add:</i> Items classified as investing or financing activities:		
Loss (Gain) on sale of fixed assets	(1)	(1)
Financial instruments	(8)	20
<i>Add:</i> Non-cash items:		
Depreciation expense	300	441
Unrealised change in market value of investments	(576)	3
Bad debts written off	22	126
Unearned income on bad debts written off	5	59
Fees applied directly to loan accounts	(2 151)	(660)
Net Cash Inflows from Operating Activities before changes in Assets and Liabilities	697	6 028
<i>Changes in assets and liabilities:</i>		
Decrease (Increase) in accrued interest income	(63)	21
Increase (Decrease) in provision for doubtful debts	1 557	(774)
Increase (Decrease) in provision for employee entitlements	119	43
Increase (Decrease) in other liabilities	(701)	426
Increase (Decrease) in unearned interest income	(466)	(1 102)
Increase (Decrease) in tax liability	(1 249)	55
Increase (Decrease) in debtors and other assets	207	(615)
Net Cash Inflows from Operating Activities	101	4 082

All cash flows are presented on a gross basis.

22. Remuneration and Retirement Benefits**(a) Board Members' Remuneration**

Number of HomeStart Board Members whose income from HomeStart was within the following bands:

	2004	2003
	Number of Board Members	Number of Board Members
\$10 000 - \$19 999	1	1
\$20 000 - \$29 999	3	3
\$30 000 - \$39 999	1	1

Five members received remuneration during the financial year.

	2004	2003
	\$'000	\$'000
Total income paid or payable or otherwise made available to all Board Members of HomeStart	127	132

The names of the Board Members who held office during the financial year are:

Samuel Walters	Claude Long
Jay Hogan	Kate Spargo (resigned 29 January 2004)
Stephen Mann	

No Board Member has entered into a material contract with HomeStart during the financial year.

(b) Executive Remuneration

The number of executive officers whose remuneration, including non-monetary benefits, on-costs and back pay for previous years, was within the specified bands, are as follows:

	2004	2003
	Number of Executives	Number of Executives
\$100 000 - \$109 999	2	-
\$120 000 - \$129 999	-	1
\$130 000 - \$139 999	2	1
\$160 000 - \$169 999	-	1
\$170 000 - \$179 999	1	-
\$180 000 - \$189 999	-	1
\$210 000 - \$219 999	1	-
	2004	2003
Total income paid or payable or otherwise made available to executive officers of HomeStart whose income is \$100 000 or more	\$'000	\$'000
	862	611

(c) Auditors' Remuneration

Amounts received or due and receivable by HomeStart's auditors for:

Auditing the accounts	83	81
Other services	-	-
	83	81

23. Related Parties

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

Identification of Related Parties

The Treasurer
The Minister for Housing
Department of Human Services
Department of Treasury and Finance
Board Members
South Australian Government Financing Authority

The names of the Board Members who held office during the financial year are identified in Note 22.

24. Economic Dependency

HomeStart has an economic dependency on the following suppliers of services:

Financing Services

South Australian Government Financing Authority (SAFA) is the sole provider of funds to HomeStart.

Loan Manager Services

HomeStart contracts out a significant proportion of its retailing services to BankSA, The Home Loan Centre, Home Loans Plus and Bernie Lewis Home Loans.

25. Employee Benefits**Employee Benefits and Related On-Cost Liabilities**

	2004	2003
	\$'000	\$'000
Included in other liabilities:		
Provision for annual leave	220	163
Accrued salaries	67	24
On-costs on employee benefits	107	77
Provision for employee benefits:		
Provision for long service leave	436	317
Aggregate Employee Benefits and Related On-Cost Liabilities	830	581

Employee Numbers

	2004	2003
	Number	Number
Number of employees at 30 June	78	62
Number of employees at 30 June - Full time equivalent	74.6	58.5

Superannuation

During 2003-04 HomeStart paid \$365 107 (\$278 677) with respect to HomeStart's superannuation obligations for employees in line with the requirements of the Commonwealth legislation.

\$262 672 (\$107 719) was paid to employees who made personal contributions to complying superannuation funds and \$102 435 (\$170 958) was paid to those employees who did not make personal superannuation contributions during 2003-04.

Superannuation contributions are charged against income as they are made.

26. Events Subsequent to Balance Date

Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

HomeStart has established a project team to manage the transition to Australian equivalents to IFRSs, including the training of staff and system and internal control changes necessary to gather all the required financial information. The project team comprises senior members of the finance and accounting team including the Chief Financial Officer. A detailed timetable has been prepared for managing the transition to Australian equivalents to IFRSs, and the project is currently on schedule.

HomeStart has graded impact areas as either high, medium or low, and has allocated project team members to address each of the areas in order of priority as represented by gradings. The Audit Committee is overseeing the progress of the transition project.

To date the project team has analysed most of the Australian equivalents to IFRSs, and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 'First time Adoption of Australian International Financial Reporting Pronouncements'. Some of these choices are still being analysed to determine the most appropriate accounting policy for HomeStart.

Major changes identified to date that will be required to HomeStart's existing accounting policies are summarised below. The summary should not be taken as an exhaustive list of all the changes required. HomeStart has not quantified the effects of the changes discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

(a) *Classification of Financial Instruments*

Under pending standard AASB 139 'Financial Instruments: Recognition and Measurement', financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. HomeStart's loan assets will most likely be classified as loans and receivables. This will result in a change in the current accounting policy that does not classify financial instruments.

(b) *Measurement of Financial Instruments*

Under pending standard AASB 139 'Financial Instruments: Recognition and Measurement', all loans will initially be required to be recognised at fair value. Fair value is measured by discounting the expected cash flows using a market interest rate. Where HomeStart provides subsidised loans, such as the Advantage Loan, at rates other than market interest rates, the initial recognition of these loans at fair value may result in an initial loss being generated in the Statement of Financial Performance being the difference between the amount disbursed and the fair value. Interest on these loans will then be brought to account using the amortised cost method noted below at the market rate of interest.

Loans will be carried at amortised cost instead of book value in the Statement of Financial Position. The calculation of amortised costs will require some fees and costs directly attributable to the loans to be capitalised and brought to account on an effective yield basis. These fees and costs are currently recognised in the Statement of Financial Performance when received or paid.

(c) *Derivative Financial Instruments*

Under pending standard AASB 139 'Financial Instruments: Recognition and Measurement', derivative financial instruments (mainly interest rate swaps) will be recognised in the Statement of Financial Position at fair value. Changes in the value of derivative financial instruments will be recognised in the Statement of Financial Performance. This may result in increased volatility in the Statement of Financial Performance. Currently the mark to market value of derivatives are not recognised in the Statement of Financial Performance or Statement of Financial Position.

(d) *Impairment of Assets*

Under pending standard AASB 139 'Financial Instruments: Recognition and Measurement', impairment provisions against loans can only be raised for 'incurred losses', that is, specific provisions will continue to be recorded. A provision for future losses, for example a general provision, cannot be recognised. The estimated losses on impaired loans are determined by discounting these cash flows to their present value. There is a resulting recognition of interest in the Statement of Financial Performance during the period between recognition of impairment and recovery of the written down amount. As a result, the overall provisioning methodology will need to be reassessed to conform with IFRS.

(e) *Changes in Accounting Policies*

Changes in accounting policies will be recognised by restating the comparatives rather than making current year adjustments with note disclosures of prior year impacts.

DEPARTMENT OF HUMAN SERVICES

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Human Services 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, housing and support and protection of people as members of families and communities. The Department performs a coordinating role for the Ministerial Portfolio of Human Services.

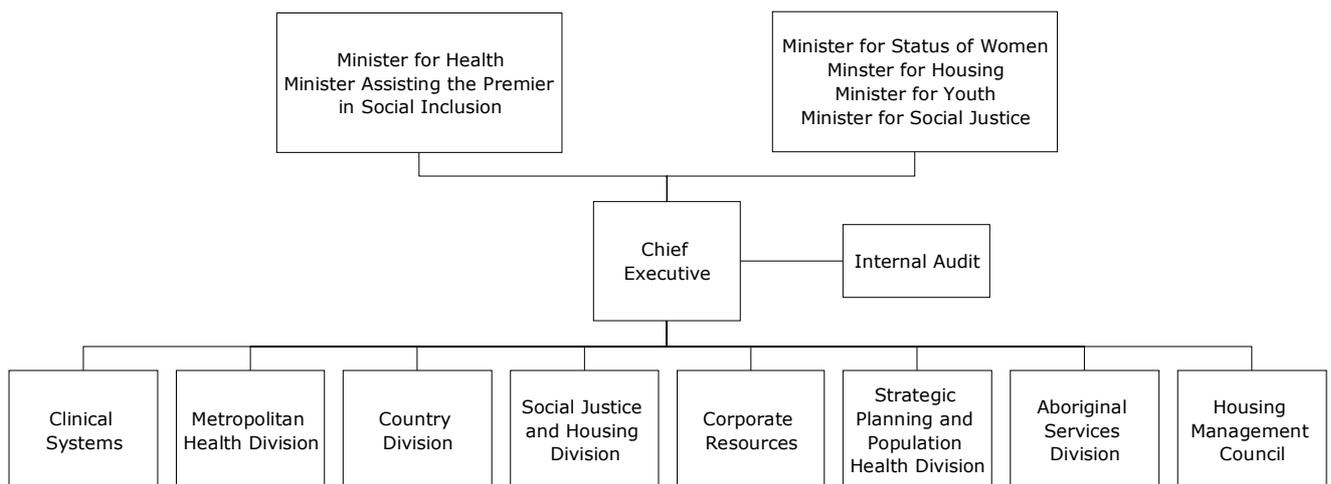
The Department has links with a range of entities including:

- the South Australian Health Commission and Incorporated Health Services (Units) established under the *South Australian Health Commission Act 1976*;
- Statutory Authorities established under specific legislation including the South Australian Housing Trust and the South Australian Community Housing Authority;
- Statutory Corporations established under the *Housing and Urban Development (Administrative Arrangements) Act 1995* including HomeStart Finance and the South Australian Aboriginal Housing Authority;
- other independent service providers.

The Department's role includes that as funder or service purchaser, policy setter and strategic planner and provider of services. The Department's role as service provider includes its role as the employer of staff who are assigned to statutory authorities and corporations; as provider of risk management, internal audit and insurance services; and in management of portfolio information systems.

Structure

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



Changes to Functions and Structure

Department of Human Services Restructure

In December 2003, Cabinet approved the restructure of the Department of Human Services (DHS) involving the creation of two new departments, one focussed on Health the other focussed on Social Justice and Housing.

On 5 March 2004 the Department for Families and Communities (DFC) was established by proclamation with effect from 1 July 2004 for financial accounting and reporting purposes. In addition, on 11 March 2004, the Governor proclaimed the transfer of the Department for Aboriginal Affairs and Reconciliation (a division of the Department for Administrative and Information Services) to the newly created DFC. For financial accounting and reporting purposes the transfer was effective 1 July 2004.

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

The name of DHS was changed to the Department of Health on 10 June 2004 by proclamation of the Governor effective 1 July 2004.

During 2003-04 DHS, as agent for DFC, processed transactions (ie remuneration costs of the DFC Chief Executive) which were the responsibility of the newly created Department. These transactions have been recognised as administered items in the Financial Statements of DHS for 2003-04. Refer to Note 35 of the Financial Statements of DHS.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

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

A discussion of the arrangements for the preparation and audit of financial statements for Incorporated Health Services (Hospitals, Health Centres and 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 DHS 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 2003-04, specific areas of audit attention included:

- payroll
- accounts payable
- funding to health services
- non-current assets
- revenue
- grants to non-government organisations
- Family and Youth Services financial operations.

At the time of preparing this Report, Audit was also in the process of finalising certain reviews relating to computing environments and operations of systems.

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 DHS's internal controls. Specific areas in which reliance was placed on internal audit work included review of financial operations of Family and Youth Services.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Human Services as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Department of Human Services in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Funding to Health Services, Funding to Non-Government Organisations, Payroll, Family and Youth Services Financial Operations, Concessions and Accounts Payable as outlined under 'Audit Communications to Management and Other Matters', are sufficient to provide reasonable assurance that the financial transactions of the Department of Human Services 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 2003-04 financial year. In March 2003 the committee charter and terms of reference were revised to include risk management.

The Department's Internal Auditors continued to conduct 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 review of:

- Family and Youth Services financial operations;
- Payroll Services processes and procedures;
- information systems including post implementation reviews;
- risk management in Metropolitan Health Units.

Internal Audit coverage of Family and Youth Services (FAYS) in 2003-04 included review of alleged misappropriations from Advance Accounts operated in FAYS district offices. The review undertaken by Internal Audit has highlighted concerns regarding the adequacy of processes, procedures and internal controls over Advance Accounts. Further commentary regarding Internal Audit's review of FAYS is provided under the heading 'Audit Communication to Management and Other Matters'.

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, with the exception of Payroll, were generally considered to be satisfactory. Major matters raised with the Department and the related responses are considered herein.

Budget and Financial Management Consultancy

In December 2003, Cabinet approved the engagement of accounting consultants to examine the budget and financial management practices of 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 review also included the identification of cost pressures and providing input with respect to determining the Department's Budget estimates for 2003-04.

The Cabinet approval provided for the Auditor-General to be fully informed about the review and its findings. At the time of preparation of this Report the report of the consultants review had not been completed or provided to the Auditor-General.

Funding to Health Services

Recurrent Funding to Health Services comprises Departmental expenditure which amounted to \$1.9 billion in 2003-04 (\$1.8 billion in 2002-03). 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.

Health Service Agreements

The Health Service Agreements between the Minister and Health Services provide the foundation on which effective control and accountability over funding to Health Services is based. In Audit's view, it is important that the Agreements are settled and signed by each party on a timely basis to ensure respective rights, roles and responsibilities are agreed and understood. Audit review found three major metropolitan Health Services had either not signed the Agreement or signed the agreement with qualifications to key funding conditions. Furthermore, the review found that, at the time of the audit, the Minister had not signed the Agreements.

Human Services

In Audits view the failure by all parties to settle Health Service Agreements reflects a fundamental breakdown in the control over this significant element of Departmental operations.

In response the Department indicated that a timeframe for 2004-05 has been established to enable the Health Service Agreements to be agreed and executed on a timely basis.

Health Service Deficits

Audit review of Health Service Agreements noted that they state that Health Services agree to achieve an end of year balanced budget. Many Health Services have incurred significant deficits (ie budget overruns) for a number of years.

Health Service deficits are recognised in the Department's financial statements as a receivable from Health Services. At each balance date the likelihood that Health Services may not be able to repay these amounts is assessed by the Department. As a consequence significant provisions for doubtful debts have been recognised in the Department's financial statements against Health Service receivable balances which reflect an assessment that there is no reasonable expectation that Health Services will be able to repay the monies owed with respect to budget overruns.

During the review, Audit was unable to identify the Department's strategic response to address the Health Services' continuing to incur expenditure in excess of their budget allocation. Audit sought advice as to what measures or strategies the Department has implemented to address the Departmental budgetary and cash position implications arising from Health Services incurring significant budget overruns.

In response the Department advised that it had written to Health Units seeking information on the strategies to address budget overruns, discussed the matters with hospital Chief Executives, engaged a consultant to review a specific issue at one hospital and implement specific reviews of hospitals.

Health Care Agreements

Audit review found that, at the time of the audit, the Australian Health Care Agreement grant acquittals for 2002-03 had yet to be signed and returned to the Commonwealth.

In response the Department indicated that the Commonwealth has been provided with the necessary acquittals and systems are now in place to ensure financial and performance reporting occurs on a timely basis.

Funding to Non-Government Organisations

The level of funding to Non-Government Organisations (NGOs) for 2003-04 was \$115 million (\$101 million in 2002-03). 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. In conducting the review Audit recognised that the Department was in the process of implementing a new Financial Grant Management System (FGMS) and related Management Control Framework. The FGMS will be subject to audit review in 2004-05.

Audit found a number of control deficiencies relating to the administration and management of grant funding. A number of these issues had been identified and raised by Audit in previous years.

The Department's response was considered by Audit to be positive and reflected a willingness to address the matters raised. The response noted that the implementation of the new FGMS will address many of the issues raised. The following commentary provides a summary of the more significant matters raised by Audit and the Department's response.

Alignment with Departmental Strategic Objectives

Audit noted a lack of evidence of formal analysis by the Department linking funding provided for specific programs to the Department's strategic objectives.

In response the Department advised that all services support the strategic directions of the Department and Government, which are generally reflected by the service agreements entered into with the funded agencies, however, the Department acknowledges that documentation outside the agreements has not fully reflected this practice. A Planning and Funding Framework is currently being developed to provide the context for a consistent approach to the planning of services delivered by NGOs which will provide a formal structure to identify the alignment of funding to NGOs with Departmental and Government Strategic objectives.

Central Contracts Register and Linkages Between Divisions

Audit found the Department had yet to implement a centralised Contracts Register. Furthermore, Audit noted that arrangements had not been implemented to share best practice across divisions or to develop and implement common policies, procedures and systems for management of grants.

In response the Department advised that the implementation of the FGMS will provide a central register of grants made by the Department of Health and DFC. The system will be rolled out progressively in 2004-05. Furthermore, the Department advised that the rollout of the FGMS will require the adoption of common procedures on data management across all funded programs and training will be provided to all users.

Program Evaluation

The Audit review identified a lack of formal/documented evaluation of service providers to assess whether there has been an effective use of resources and that objectives of the programs were met.

In response the Department advised that the evaluation of funded services is undertaken on an ongoing basis. The Department agreed, however, that this process is not well documented. Mechanisms which could improve this are being investigated. The establishment of structured links to the evaluation of programs objectives will be explored in the context of the Planning and Funding Framework.

Performance Monitoring

Audit review found that some agreements were rolled over from one year to the next without documentation to support an assessment of whether services have been provided in accordance with the agreement.

In response the Department indicated that services are monitored on an ongoing basis and any performance issues are raised with the provider as they arise. The Department acknowledged that establishment of more formal and documented processes to guide the evaluation of service provider performance would materially enhance this area.

Rollover of Agreements

Audit review noted that for existing agreements with service providers, the agreements were generally rolled over without going to tender. Audit noted that the Department's policies and procedures did not provide any guidance as to the circumstances in which agreements can be rolled over without going to tender or specify the approval required to roll over pre-existing contractual arrangements without going out to tender.

In response the Department indicated that procurement processes are currently required to be conducted in accordance with the State Supply Board's requirements and the Strategic Procurement Unit. The Department agrees that policies and procedures should be developed regarding the application of these and other relevant requirements including identifying the appropriate level of approval required.

Approval of Agreements

Audit review found that for some areas funding agreements were not executed notwithstanding that the grant funding had been provided.

In response the Department indicated that it supported the principle that funding agreements should be executed prior to release of funds.

Acquittal of Grants

The Audit review established Commonwealth Grant acquittals relating to the Home and Community Care Program were not signed off and returned to the Commonwealth on a timely basis.

The Department indicated that the issue will be addressed in the establishment of appropriate financial management systems for the newly created DFC.

Policies and Procedures

Audit review noted a lack of documented policies and procedures for a number of areas.

In response the Department indicated that the matters identified by Audit will be addressed by the Department.

Payroll

Salaries and Wages expenditure processed through the Payroll system represents a significant expenditure item for the Department. The Department is also directly responsible for processing payroll transactions for a number of housing portfolio agencies. Audit review included assessing system controls over transactions processed by the CHRIS payroll system. Coverage also included a follow up of the Department's progress in addressing issues raised by Audit in 2002-03.

The review indicated that the Department has made some progress in addressing issues raised previously. In particular, improvement was made in the development and distribution of Bona Fide reports. The audit review found, however, that for some areas the action taken by the Department to address control deficiencies previously identified was either inadequate or not effectively implemented and as a consequence control over payroll processing by the Department was not considered satisfactory. The more significant observations made by Audit during the course of its review included the following.

Bona Fide Certification Processes

The Bona Fide reports were not returned to Payroll in a timely manner. Also, these reports did not include details of all payments made to all employees in the pay period.

Leave Recording and Management Processes

There was no control to ensure leave was completely and accurately recorded in the Leave Recording Module of CHRIS.

Payroll Reconciliation Processes

Salaries and wages expenditure recorded in the Department's General Ledger was not reconciled to payroll expenditure processed through CHRIS and other systems (ie general ledger accruals).

In response the Department provided comments regarding the matters raised by Audit including the status of actions taken to address control deficiencies raised in the report and those previously identified by Audit. The Department's response indicated they did not accept the overall assessment provided by Audit but would address the detailed findings and recommendations.

Family and Youth Services (FAYS) Financial Operations

Internal Audit reviewed a number of aspects of FAYS (now named Child Youth and Family Services) business operations including a number of suspected frauds which have highlighted breakdowns in internal controls and financial management practices within FAYS.

External Audit review for 2003-04 included a high level review of FAYS business operations to assess the adequacy of controls over financial transactions processed by FAYS.

The result of External Audit's review was consistent with many of the observations made by Internal Audit. External Audit's review, together with the work undertaken by Internal Audit, highlighted fundamental control weaknesses over financial transactions processed by FAYS. As a consequence, it is External Audit's view, that control over FAYS financial operations and activity is unsatisfactory.

External Audit acknowledges that the Department has undertaken measures to address issues raised by Internal Audit from their reviews including the establishment of the FAYS Financial Accountability Project. In undertaking this project, External Audit considers it important that the Department continue to give focus to the following sound management practices:

- documenting a project plan which identifies key issues, proposed solutions, resources requirements and completion timeframes;
- formal monitoring and reporting arrangements;
- establishing processes to confirm whether proposed solutions effectively address identified issues.

Some of the more significant observations identified from the review included the following.

Planning Processes

Audit recognises that 2003-04 was a period of transition in which strategic planning processes were focussed on addressing the issues raised by the reviews conducted into the State's child protection system (including the Child Protection Review). It was noted, however, that Audit was unable to identify a documented strategic plan for FAYS or business plans for all FAYS business units/service units for 2003-04.

In response the Department acknowledged the importance of formalised strategic planning processes including evaluation, planning, implementation and feedback phases and indicated it had developed a strategic plan covering 2004-05.

Budgetary Control

In 2003-04 the Department identified significant concerns with the budgetary position of FAYS and past practices which were discussed with representatives of the Department of Treasury and Finance (DTF). These past practices included allocating out budgets which exceeded the approved allocation from DTF in an effort to meet demand on FAYS services. Audit recognises that there were significant practical issues resulting from this, including continuing to provide the community with services at previous levels, which the Department was required to address in responding to the identified problems.

Audit review of FAYS budgetary control practices recognised the matters raised by the Department and confirmed fundamental breakdowns in controls which have resulted in an unsatisfactory control environment over financial transactions processed by FAYS in 2003-04.

In reviewing the matters identified by the Department, Audit noted that the budget management practices adopted within FAYS following the identification of the problems reflected a significant departure from established Departmental budgetary control procedures.

In response the Department indicated that a range of practical issues constrained its response to the issues identified including the time taken for consideration and approval of additional funding and the limited flexibility available to reduce costs to meet approved budgets.

Further, the Department indicated that following the approval of an additional budget allocation of \$16 million the full 2004-05 budget has been allocated to cost centres. This budget has been reconciled with DTF allocations and stringent reconciliation protocols have been implemented. An internal and external project team, including members of DFC Internal Audit is currently reviewing and revising budgetary control practices to ensure they are consistent with Departmental Budgetary Control Policies and Procedures. Also, detailed reporting directly from Masterpiece is being made available to cost centre managers who will be required to report on variances on a monthly basis.

Risk Management Practices

Audit review found that FAYS had not implemented an appropriate risk management framework which supported the identification of risks, their evaluation and the development of strategies to manage the risks. Further, Audit was unable to identify arrangements for monitoring and reporting on risks or treatment strategies. Audit noted that FAYS was in the process of developing risk management policies and had undertaken certain activities to manage its risks including establishing a Special Investigations Unit, the appointment of a Risk Management Consultant and the allocation of staff resources to assist with the development of a Risk Register and Risk Management Framework.

In response the Department indicated that FAYS acknowledge the importance of a Risk Management Framework in the establishment of an effective and robust control framework. Also, FAYS have already taken steps in the implementation of a risk management framework and this process would proceed as a major priority and forms part of the overall FAYS strategic plan.

Internal Audit

Audit noted that the reviews completed by Internal Audit identified significant control and financial management deficiencies including:

- inappropriate money handling practices;
- inappropriate use of and control over advance accounts;
- system deficiencies that failed to identify budget variations;
- a lack of supporting documentation in Accounts Payable recoup batches;
- a lack of consistent financial policies and procedures across FAYS.

Work undertaken by Internal Audit included the investigation of three alleged frauds in FAYS District Centres. In investigating the matters Internal Audit found that controls over cash and advance accounts were ineffective. At the time Internal Audit finalised its review, four staff were suspended or resigned and were subject to ongoing investigation by the Anti Corruption Branch of South Australian Police.

The Department's response indicated that extensive work is being undertaken to ensure that all major issues arising from the Internal Audit reviews are addressed through the FAYS Financial Accountability Project. The project has recently been extended to ensure all policies and procedures amended and implemented as part of the review process are correctly implemented and that the mitigation of high risks is monitored.

Accounts Payable

Audit review of the Department's Purchase Order and Accounts Payable system highlighted a number of areas where it was considered that controls could be improved.

One of the significant matters arising from the review was the degree of use of the online purchase order system. 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.

Other areas where it was considered controls could be improved included:

- lack of system based controls to prevent or limit variations between requisitions and purchase orders;
- instances where users authority levels, per the online purchase order system, were not consistent with approved levels of authority;
- lack of formal procedure for removing user access from the purchase order system.

In response the Department advised it has put in place measures to address the matters raised including mandating the use of the Purchase Order System by the Chief Executive, continuing to promote its use and monitoring compliance.

Payment to the Crown Solicitor's Trust Account

In June 2004 the Department received funding, from the Department of the Premier and Cabinet, with respect to a specific FAYS initiative. Audit has reviewed documentation which indicates the Department was not able to implement the initiative within the 2003-04 year.

The funds received were paid by the Department to the Crown Solicitor's Trust Account in June 2004 and recognised in the Department's financial statements as an 'expense' in that year. Audit understands that in 2004-05 the funds were paid from the Trust Account to DFC which became responsible for FAYS from 1 July 2004.

For the reasons discussed herein the Department's action in paying the monies to the Crown Solicitor's Trust Account did not comply with requirements of the Public Finance and Audit Act 1987. The Department of Human Services Operating Account is the account, authorised by the Treasurer, to be used to hold the Department's unspent funds. The funds held on behalf of DFC should have been held in that account pending the establishment of separate accounting systems and records for DFC from 1 July 2004. In my opinion, it is not an authorised purpose of the Crown Solicitor's Trust Account to hold the unspent funds of Departments in a manner that is not transparent and accountable in accordance with the established Department of Treasury and Finance processes.

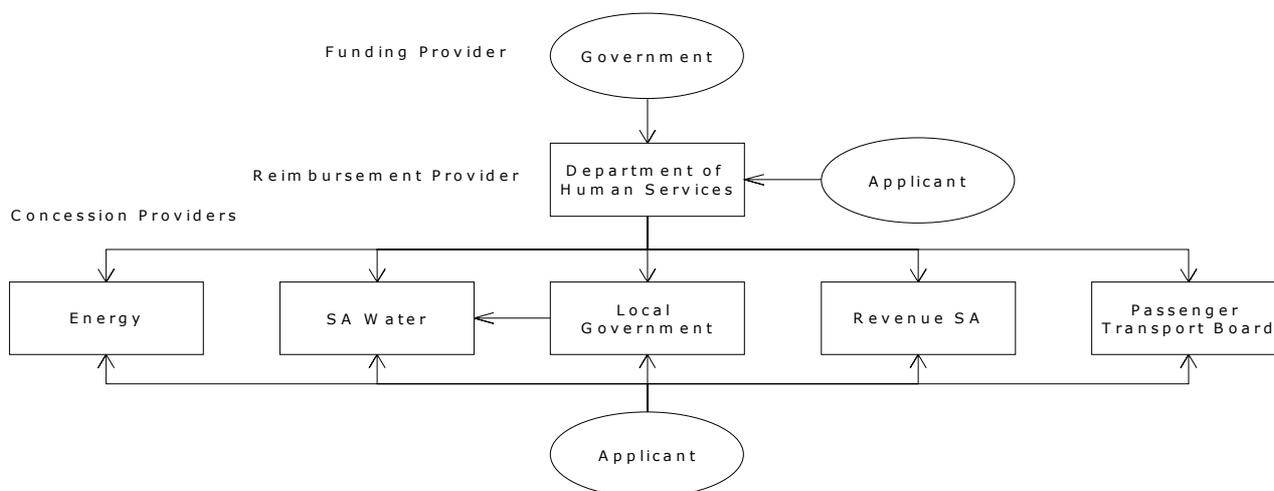
This transaction was identified and brought to my attention by the Chief Executive of the Attorney General's Department along with other related matters associated with that Department. Audit understands the payment of the funds to the Crown Solicitor's Trust Account and from the Trust Account to the DFC was arranged by and conducted with the knowledge of the Chief Executive of DFC. This is a matter which has been brought to the attention of the Treasurer and the Attorney-General by the Chief Executive of the Attorney General's Department.

Response from Chief Executive DFC

The DFC Chief Executive has advised, with hindsight, the appropriate course of action was to return the funds to the Department of the Premier and Cabinet because it was not possible to spend them on the approved program before 30 June 2004 and DFC ledgers were not established to account for and control these monies until 1 July 2004. The Chief Executive further advises the action taken reflected significant pressure to deliver on programs to address homelessness and school retention and holding the funds in the Crown Solicitor's Trust Account was a transparent procedure which allowed the funds to be held for later use for the approved purpose. With respect, in my opinion, the process was not transparent as the Trust Account was not subject to scrutiny through the Department of Treasury and Finance budget monitoring processes.

Concession Payments

The Department administers programs for provision of concessions to eligible recipients with respect to the Emergency Services Levy, water, sewer and council rates, electricity and transport charges. The value of concessions provided in the year to 30 June 2004 was \$86.6 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 a number of areas where controls could be improved. Matters raised with the Department included the:

- Department had not implemented appropriate documented agreements with the parties providing concessions which detail the respective roles, responsibilities and terms of arrangements;
- review of claimants entitlement to concessions was essentially a paper based process. Audit consider that the automation of these review processes would support increased efficiency and improved effectiveness.

Audit review for 2003-04 included ascertaining the progress achieved by the Department in addressing these and other matters raised. The following summarises the results of this follow-up.

Documentation of Service Level Agreements

Advice from the Department indicated it has formal agreements in place with the major electricity retailers in the form of the Customer Concession Scheme for Energy issued pursuant to section 21(1)(h) of the *Electricity Act 1996*. Formal agreements still are outstanding for small electricity providers, Water and Sewer, Council, Transport and Emergency Service Levy (ESL).

Entitlement Verification and Data Matching

The Department indicated it has developed a data base, the Concession and Rebate Tracking System (CARTS) which was implemented in March 2004. CARTS is an integrated and technology based approach to processing concession applications and the ongoing validation of concession entitlements.

The Department uses CARTS for energy concessions applications. It is anticipated that by June 2005, all energy concession eligible customers will be recorded in CARTS. Matching runs (validations) have been

operating on a continuous basis since February 2004. The Department has been able to validate all new customers of the electricity retailers, and existing customers except for AGL pensioner customers.

In relation to other concessions categories, the Department plans to load ESL into CARTS by November 2004 and negotiations are taking place which will enable CARTS to be used to validate water and council rates concession customers currently managed by SA Water. The Department is also preparing a project plan to introduce other concessions into CARTS over the next 12 months. This will include analysis and implementation of new business processes, agreements and modifications to CARTS to enable it to record concessions other than energy.

Policies and Procedures

The Department advised it has been reworking policies and procedures. The first to be completed will be the Energy Concession document. Staff vacancies and workload did not allow for all concession procedures to be developed, however this is a key priority for 2004-05.

Commentary on Computer Information Systems (CIS) Environments

Follow up Review of DHS Complete Human Resource Information System (CHRIS)

DHS is responsible for managing the contract and project implementation of the CHRIS HRMS application for DHS Central Office and all health units.

The CHRIS system is also contracted to the Department for Administration and Information Services (DAIS) as lead agency for use of the Shared HRMS sector agencies. The performance of the contracted bureau provider is subject to review by DAIS and DHS as lead agencies for their sectors.

With respect to DHS, last year's Supplementary Report to Parliament tabled in December 2003, namely 'Information and Communications Technology – Future Directions: Management and Control' included specific commentary with respect to certain project management aspects of the implementation of the CHRIS HRMS application.

At the time of preparation of this Report, Audit was in the process of completing a follow up review of the CHRIS HRMS.

Follow up Review of DHS Open Architecture Clinical Information System (OACIS) and HealthySA Web Site

The Oacis programme is a major initiative of DHS and government. The programme will give the metropolitan public hospitals a uniform clinical information system for the management of patient care and provides the platform for a comprehensive electronic patient record.

The HealthySA web site consists of a series of web site summaries and links provided under a range of specific health-related headings. The purpose of the web site is to provide health information relevant to South Australians.

Last year's Supplementary Report included specific commentary with respect to aspects of project management, achievements, and risk management arrangements for the Oacis programme, and matters of a legal and contractual nature for both the Oacis programme and the HealthySA web site facilities.

At the time of preparation of this Report, Audit was in the process of conducting a follow up review of the Oacis programme and HealthySA web site facilities.

Initiation of Reviews associated with Ministerial and Departmental Responsibilities

As reflected in my Report in 2002 and 2003, the Government has initiated reviews of key areas of Departmental responsibilities including provision of Health and Child Protection services. These reviews were the Generational Health Review and the Child Protection Review. Both reviews were completed in 2002-03. The following commentary outlines key developments regarding the Government's response to the Generational Health Review.

Generational Health Review (Changes to Regional Health Structure)

The Generational Health Review was commissioned by the State Government in May 2002 to consider a broad range of issues associated with provision of health services within the State and to 'develop a framework to

guide the South Australian health care system over the next 20 years'. The review was formally presented to the Minister in April 2003.

A summary of the findings of the review were included in last year's Report and the Government's response to the review including an overview of the 'First Steps Forward' reform package which focuses on three key themes, namely, building better governance, building better services and building better system support.

The Better Governance reform included establishing a Regional Health Structure which provide for better integration of services and a comprehensive system of care. Consistent with the reform package three new incorporated metropolitan Health Services were established on 26 February 2004 by proclamation pursuant to section 27 of the *South Australian Health Commission Act 1976*. The three new health services replaced a number of existing health services.

The three newly created health services and the health services they replaced are detailed below:

- The Central Northern Adelaide Health Service which includes the operations of the following former health services:
 - Adelaide Central Community Health Service
 - Northern Metropolitan Community Health Service
 - North Western Adelaide Health Service (including the Queen Elizabeth Hospital and the Lyell McEwin Health Service)
 - Modbury Hospital
 - Royal Adelaide Hospital
 - St Margaret's Rehabilitation Hospital
 - South Australian Dental Service.
- The Southern Adelaide Health Services which includes the operations of the following former health services:
 - Flinders Medical Centre
 - Noarlunga Health Services
 - Drug and Alcohol Services Council.
- The Children, Youth and Women's Health Service which includes the operations of the following former health services:
 - Child and Youth Health
 - Women's and Children's Hospital.

The governing bodies of the existing health services, whose functions were replaced by the newly created regional health services, were dissolved effective 1 July 2004. On the dissolution of the existing health services the real and personal property and rights and liabilities were transferred to the newly created health services.

This reform will give the new Boards responsibility and accountability for the health of the population in a defined geographic area.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Rent, fees and charges	142	138	3
South Australian Government appropriations	1629	1420	15
Commonwealth Government grants	970	978	(1)
Other	149	52	187
Total Operating Revenue	2890	2588	12
OPERATING EXPENDITURE			
Employee benefits	214	201	6
Supplies, services and other expenses	202	181	12
Grants, subsidies and client payments	2504	2315	8
Total Operating Expenses	2920	2697	8
Surplus (Deficit)	(30)	(109)	72
Net Cash Flows	10	(8)	

	2004 \$'million	2003 \$'million	Percentage Change
ASSETS			
Current assets	115	98	17
Non-current assets	167	137	22
Total Assets	282	235	20
LIABILITIES			
Current liabilities	78	63	24
Non-current liabilities	187	173	8
Total Liabilities	265	236	12
EQUITY	17	(1)	

Statement of Financial Performance

Operating Revenues

During the year ending 30 June 2004, total Operating Revenues increased by \$302 million (12 percent) to \$2 890 million. Notably, South Australian Government Appropriations increased by \$209 million (15 percent) to \$1 629 million and Other Revenues increased \$97 million to \$149 million.

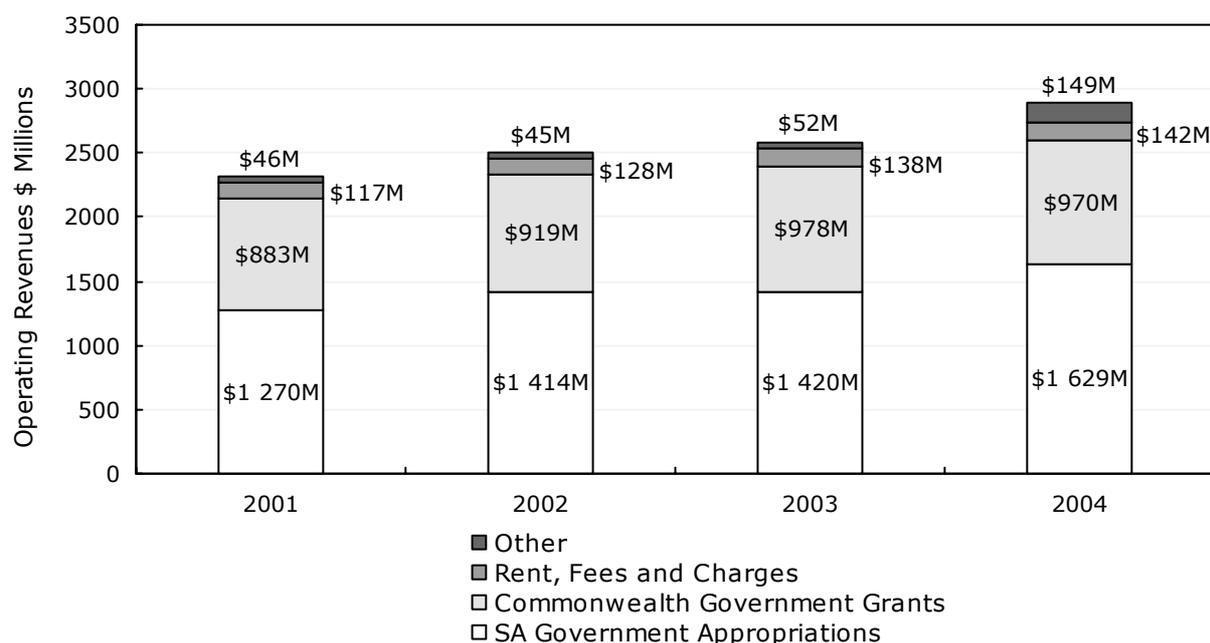
The increase in South Australian Government Appropriations was due predominately to a \$170 million increase in General Appropriation and an increase of \$12 million in the Land Tax - Tax Equivalent Regime Reimbursement funding received which was paid to the South Australian Housing Trust.

The increase in Other Revenues is due predominately to an increase of \$93 million in contingency funds received from the Department of Treasury and Finance in accordance with a process approved by Cabinet to ensure DHS has sufficient funding to meet its expenditure needs in 2003-04.

Commonwealth Government grants decrease by \$8 million primarily attributable to the Commonwealth no longer providing grant funding for GST Compensation and FBT Employee Remuneration.

For the four years to 2004 a structural analysis of Operating Revenues for the Department is presented in the following chart.

The chart highlights a steady increase in most revenue categories over the period of review. Notably, since 2001 South Australian Government Appropriation has increased by \$359 million (28 percent). The increase in Other Revenues in 2004 (\$97 million), as previously explained, was due largely to the provision of contingency funds.

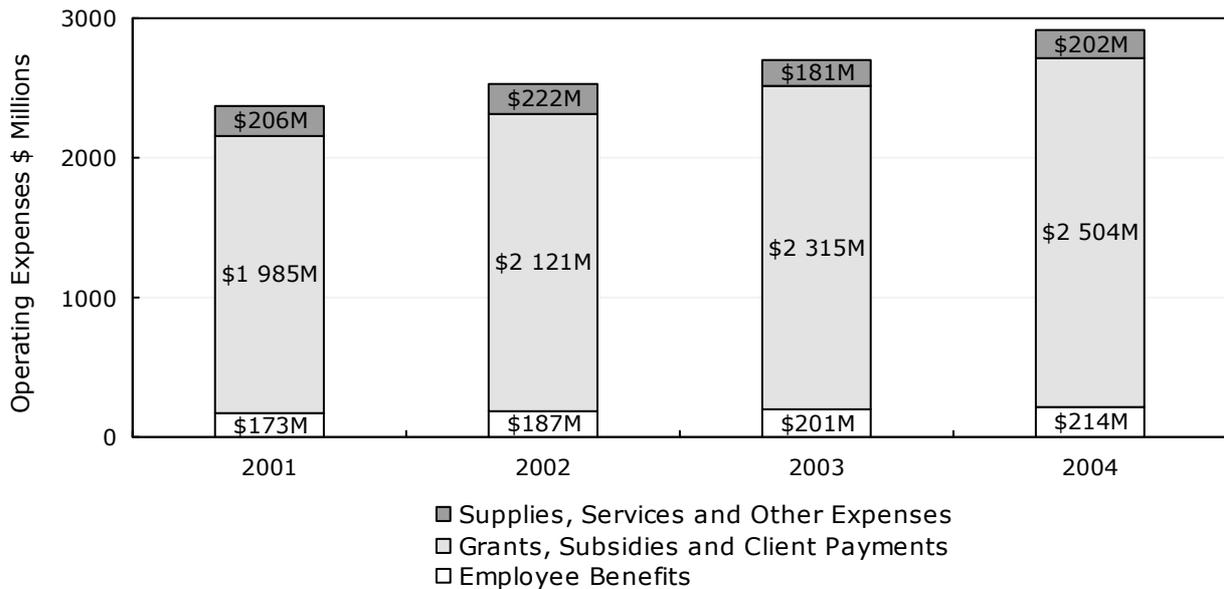


Operating Expenses

During the year ending 30 June 2004, total Operating Expenses increased by \$223 million (8 percent) from \$2 697 to \$2 920 million.

Grants, Subsidies and Client Payments increased by \$189 million due predominately to a \$147 million increase in recurrent funding provided to Health Services. Note 7.1 of the Department’s financial statements provides details of recurrent funding provided to Health Services.

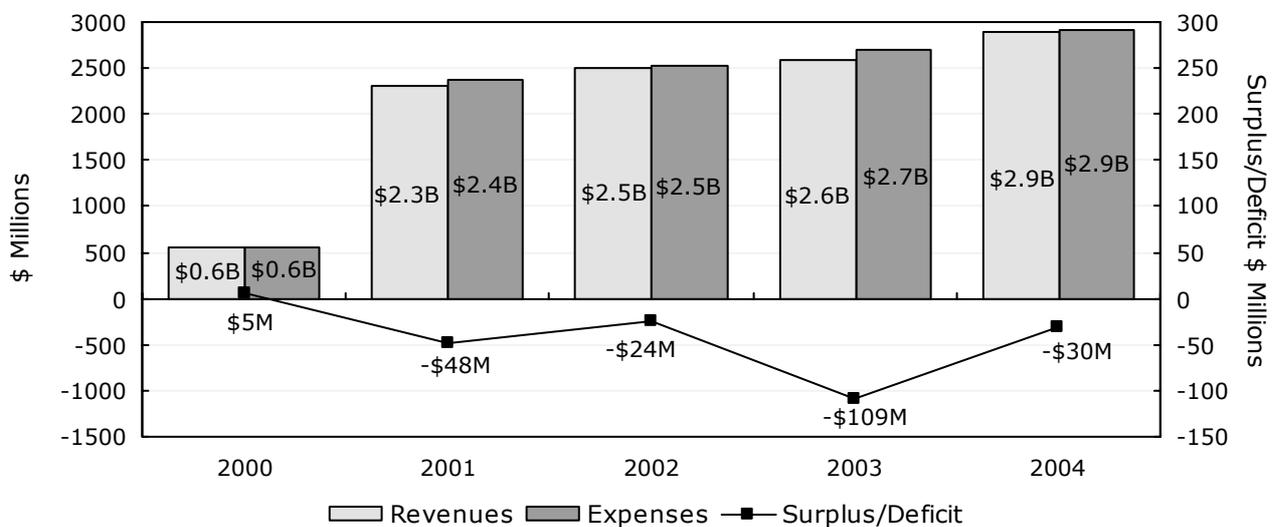
Other notable increases were a \$34 million increase in Housing Assistance grants and \$14 million increase in funding to NGOs. During the year the Department transferred \$35 million of Commonwealth State Housing Agreement funding to housing agencies which was held by the Department as at 30 June 2003.



The chart demonstrates that since 2001, in line with the trend observed for Operating Revenues, there has been a steady increase in most expense categories. Over the period of review Grants, Subsidies and Client Payments has increased by \$519 million (26 percent).

Operating Result

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the five years to 2004.



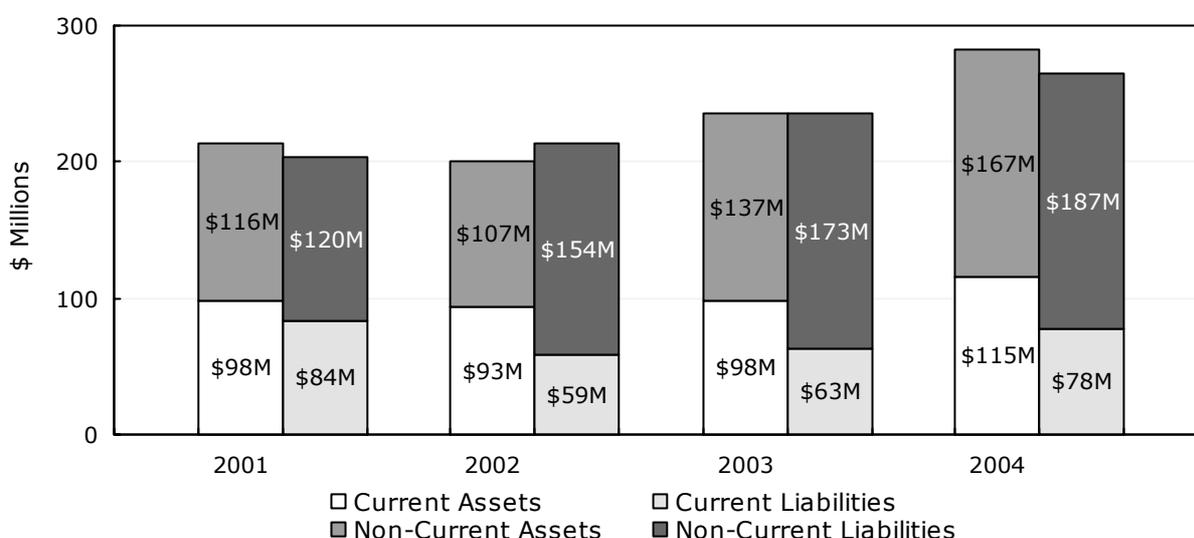
The chart demonstrates that, since 2001 the Department recorded deficits in each year. The deficit recorded in 2001 was due primarily to a \$41 million net loss on restructure resulting from the transfer of assets and liabilities from the South Australian Health Commission to the Department.

The deficit recorded in 2002 took into account an increase in Professional Indemnity insurance expense of \$30.7 million due to a change in accounting policy whereby the Department recognised for the first time a provision for claims incurred but not yet reported.

The deficit of \$30 million recorded by the Department in 2004 decreased by \$79 million in comparison to the deficit of \$109 recorded in 2003. The decrease was predominately due to a significant increase in funding from the South Australian Government in the form of Appropriations and Contingency Funds received from the Department of Treasury and Finance. Refer to commentary provided under the heading 'Operating Revenues' for further details.

Statement of Financial Position

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



The chart illustrates that for 2002 and 2003 the Department's total liabilities exceeded its total assets resulting in a negative equity position for those years of \$13 million and \$1 million respectively. The Department recorded a negative equity position for both years notwithstanding that it received equity contributions from the State Government of \$60 million in 2003 and \$28 million for 2002. In comparison, in 2004 the Department achieved a positive equity position with its total assets exceeding its total liabilities by \$17 million. The factors contributing to this position for 2004 included an equity contribution of \$26 million and an asset revaluation increment in land assets of \$23 million which were offset by the Department's operating deficit of \$30 million.

Assets

Total assets of the Department increased in 2004 by \$47 million (20 percent) due primarily to:

- the revaluation increment of \$23 million from the revaluation of land assets. Refer to Note 2.14 and 28 for further details;
- an increase in cash assets of \$10 million and receivables of \$9 million including increases in interstate patient transfer receivables and receivables from Health Services.

Amounts due to the Department include \$58 million with respect to Health Service budget over-runs which increased by \$4 million compared to the amount due as at 30 June 2003. The Department has recognised a provision for doubtful debts of \$49 million (\$46 million in 2003) against these receivables.

Interstate patient transfer receivables increase by \$8 million which is offset by a corresponding increase in amount owing to other States for interstate patient transfers.

Further analysis and commentary of the Department's cash position is provided under the analysis of the Department's 'Statement of Cash Flows'.

Liabilities

Total liabilities of the Department increased in 2004 by \$29 million (12 percent) attributable mainly to an increase in the provision relating to the Department's Medical Malpractice insurance of \$10 million, an increase in Employee Benefits of \$6 million and a \$7 million increase in amounts owing to other States with respect to interstate patient transfers.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004	2003	2002	2001
	\$'million	\$'million	\$'million	\$'million
Net Cash Flows				
Operations	(8.1)	(66.8)	24.4	11.0
Investing	(7.7)	(1.5)	0.2	(4.6)
Financing	25.4	60.7	(0.1)	0.5
Change in Cash	9.6	(7.6)	24.5	6.9
Cash at 30 June	63.3	53.7	61.3	36.8

In 2004 the Department recorded a net cash inflow of \$9.6 million (\$7.6 million outflow in 2003), representing a net cash inflow from financing activities of \$25.4 million (being mainly an equity contribution from the State Government), offset by cash outflows from operating and investing of \$8.1 million and \$7.7 million respectively.

Analysis of the Department's cash flows shows that in 2004 the Department's sources of funds (including the equity injection from the State Government) were sufficient to meet the Department's operating cash requirements for 2004 resulting in its cash reserves increasing by \$9.6 million.

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 2004 the value of unexpended funding commitments totalled \$61.3 million and its cash reserves were \$63.3 million. This compares to unexpended funding commitments of \$91.6 million and cash reserves of \$53.7 million in 2003.

**Statement of Financial Performance
for the year ended 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits	5	213 611	200 930
Supplies and services	6	191 569	175 747
Grants, subsidies and client payments	7	2 504 283	2 315 036
Depreciation and amortisation	8	2 910	817
Borrowing costs	9	3 033	3 034
Other	10	4 732	-
Total Expenses from Ordinary Activities		2 920 138	2 695 564
REVENUES FROM ORDINARY ACTIVITIES:			
Rent, fees and charges	11	142 242	137 555
Commonwealth Government grants	15	970 447	978 217
Dividends - HomeStart Finance	2.8	5 000	5 000
Interest	12	5 865	6 726
Net gain from disposal of non-current assets	13	935	19
Other	14	5 902	5 236
Total Revenue from Ordinary Activities		1 130 391	1 132 753
Net Cost of Services from Ordinary Activities		(1 789 747)	(1 562 811)
REVENUES FROM/PAYMENTS TO SA GOVERNMENT:			
South Australian Government Appropriations	16	1 628 516	1 420 460
Grants from South Australian Government Agencies	16	131 716	34 515
Net Result from Ordinary Activities		(29 515)	(107 836)
NET RESULT FROM RESTRUCTURING:			
Increase (Decrease) in net assets due to administrative restructure	31	-	(1 011)
Net Result after Restructuring	28	(29 515)	(108 847)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Increase (Decrease) in asset revaluation reserve	28	22 774	31 909
Net effect of the adoption of a new accounting standard(s):			
Net amount of each revenue, expense valuation or other adjustment not disclosed as a direct adjustment to equity	28	-	(63)
Total Revenues, Expenses and Valuation Adjustments Recognised in Equity		22 774	31 846
TOTAL CHANGES IN EQUITY INCLUDING THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		(6 741)	(77 001)

**Statement of Financial Position
as at 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	18	63 307	53 712
Receivables	19	47 422	39 538
Inventories	20	1 847	2 484
Other	21	2 932	2 040
Total Current Assets		115 508	97 774
NON-CURRENT ASSETS:			
Receivables	19	40 080	38 711
Property, plant and equipment	22(a)	123 108	96 028
Capital works in Progress	22(b)	3 150	2 143
Other	21	531	564
Total Non-Current Assets		166 869	137 446
Total Assets		282 377	235 220
CURRENT LIABILITIES:			
Payables	23	35 677	33 243
Employee benefits	24(a)	18 517	14 746
Borrowings	25	396	267
Provisions	26	14 033	13 361
Other	27	9 110	1 244
Total Current Liabilities		77 733	62 861
NON-CURRENT LIABILITIES:			
Payables	23	26 272	25 646
Employee benefits	24(a)	31 411	29 571
Borrowings	25	29 843	29 959
Provisions	26	99 051	87 959
Other	27	467	501
Total Non-Current Liabilities		187 044	173 636
Total Liabilities		264 777	236 497
NET ASSETS		17 600	(1 277)
EQUITY:			
Contributed capital	28	114 340	88 722
Accumulated deficit	28	(160 220)	(131 595)
Asset revaluation reserve	28	63 480	41 596
TOTAL EQUITY		17 600	(1 277)
Unexpended Funding Commitments	17		
Commitments for Expenditure	30		
Contingent Liabilities	32		

Statement of Cash Flows for the year ended 30 June 2004

	2004	2003
	Inflows	Inflows
	(Outflows)	(Outflows)
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
OUTFLOWS:		
Employee payments	(208 216)	(194 241)
Supplies and services	(176 615)	(168 005)
Grants, subsidies and client payments	(2 500 199)	(2 312 389)
Borrowing costs	(19)	(46)
Goods and services tax payments on purchases	(48 112)	(51 301)
Goods and services tax paid to other grouped members	(1 142)	(1 208)
Interest on loans	(2 243)	(2 659)
New loans	(507)	(1 936)
Total Outflows	(2 937 053)	(2 731 785)
INFLOWS:		
South Australian Government appropriations	1 628 516	1 445 496
Grants from South Australian Government agencies	131 716	34 515
Receipts from Commonwealth	973 723	974 319
Dividends received - HomeStart Finance	5 000	5 000
Rent, fees and charges	129 241	140 839
Interest received	2 428	3 649
Goods and services tax receipts on receivables	5 341	4 789
Goods and services tax refund from the ATO	41 893	48 991
Goods and services tax collected from other grouped members	1 684	633
Loan principal repayments	878	603
Interest on loans	2 820	2 757
Other	5 722	3 348
Total Inflows	2 928 962	2 664 939
Net Cash Outflows from Operating Activities	(8 091)	(66 846)
	33	
CASH FLOWS FROM INVESTING ACTIVITIES:		
OUTFLOWS:		
Purchase of Property, plant and equipment	(11 272)	(2 260)
Total Outflows	(11 272)	(2 260)
INFLOWS:		
Proceeds from sale of property, plant and equipment	3 607	728
Total Inflows	3 607	728
Net Cash Outflows from Investing Activities	(7 665)	(1 532)
CASH FLOWS FROM FINANCING ACTIVITIES:		
OUTFLOWS:		
Repayment of borrowings	(267)	(161)
Total Outflows	(267)	(161)
INFLOWS:		
Capital contributions from Government	25 618	60 879
Proceeds from restructuring activities	-	94
Total Inflows	25 618	60 973
Net Cash Inflows from Financing Activities	25 351	60 812
NET INCREASE (DECREASE) IN CASH HELD	9 595	(7 566)
CASH AT 1 JULY	53 712	61 278
CASH AT 30 JUNE	63 307	53 712
	33	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives And Functions of the Department

The vision of the Department of Human Services (the Department) is to significantly enhance the quality of life and safeguard the health and well-being of South Australians by leading the development of high performing integrated health, housing and community services for individuals, families and communities.

To achieve this vision, the Department will:

- provide a co-ordinated response to human services needs with a focus on well-being, illness prevention, safety, early intervention and the provision of quality care;
- foster strong partnerships with the community and service providers to promote resilient, caring and productive communities;
- encourage individuals, families and communities to take responsibility for their own health and well-being;
- take a holistic approach based on principles of justice and equality.

The Department is responsible for policy formulation and planning for the Human Services portfolio and also controls and co-ordinates portfolio funding arrangements. It has responsibility for the administration and co-ordination of portfolio Human Resources Management and provides Corporate and Business Service functions to the portfolio agencies. The Department has the 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*, delegated by the Minister for Health, Minister for Social Justice, Minister for Housing, Minister for Youth, Minister for Status of Women (the Ministers) to the Chief Executive of the Department.

Effective 1 July 2004, the Department ceased to operate in its current form. 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. Certain assets and liabilities were transferred from the Department to DFC effective 1 July 2004. On 10 June 2004, the Governor proclaimed that the title of the Department of Human Services would be altered to the Department of Health (DH). The proclamation came into effect on 1 July 2004. This is discussed under Note 34 'After Balance Day Events.'

On 11 March 2004, the division of the Department for Administrative and Information Services known as the of Department of Aboriginal Affairs and Reconciliation (DAARE) transferred to DFC. For financial accounting and reporting purposes the transfer is taken to occur on 1 July 2004.

1.1 Departmental Functions

One of the functions of the Chief Executive of the Department under the amendments to 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. Hospitals, Health Centres and Health Services are either incorporated as body corporates under the *South Australian Health Commission Act 1976* (Incorporated Health Services) or are unincorporated (Unincorporated Health Services).

The financial affairs of Incorporated Health Services do not form part of the Department's financial report. Under the *South Australian Health Commission Act 1976* Incorporated Health Services 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.

1.2 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 35.

1.3 Administrative Restructures

During the financial year, the Department was not subject to any administrative restructures.

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 from portfolio agencies for Business Service and Human Resource Management 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 and dividends from portfolio agencies.

1.4 Funding for the Department (continued)

As a result of the utilisation of common systems across the portfolio, the Department processes transactions on behalf of other agencies within the portfolio resulting in timing differences between the incurring of expenditure, earning of revenue and the associated cash flows. Additional timing differences arise from the final determination of Service Fees payable between these agencies. These timing differences give rise to the recognition of receivables and payables within the portfolio.

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 Statements promulgated under the provision of the *Public Finance and Audit Act 1987*;
- applicable Australian Accounting Standards;
- other mandatory professional reporting requirements in Australia.

The 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. As stated in Note 1 the Department will be restructured effective 1 July 2004 and the programs will be divided between the Department of Health and the Department for Families and Communities.

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

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

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

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

2.6 Revenues and Expenses

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

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

Revenue from 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 revenue/expenditure in the Statement of Financial Performance 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, Non-Government Organisations. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

2.6 Revenues 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/Payments to 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

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 entities consistent with Departmental strategic plans. Revenue is recognised upon agreement between the Minister for Housing and the HomeStart Board.

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

For the purposes of the Statement of Cash Flows, 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. The definition of cash in relation to the Statement of Financial Position 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.

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

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. Net realisable value is determined using the estimated sale proceeds less costs incurred in marketing, selling and distribution to customers.

2.13 Non-Current Asset Acquisition and Recognition

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

The Department capitalises all non-current physical assets with a value of \$5 000 or greater in accordance with Accounting Policy Statement 2 'Asset Recognition'.

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

- all non-current physical assets are valued at written down current cost (a proxy for both the fair value and deprival method of valuation);
- 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 last revalued using the fair value methodology, as at 30 June 2003, based on independent valuations performed by:

- Rob Taylor - Associate Australian Property Institute (AAPI), Certified Practising Valuer (CPV), FPD Savills (SA) Pty Limited
- Adrian Rowse - AAPI, CPV, FPD Savills (SA) Pty Limited
- Helen Dowling - Graduate Australian Property Institute (GAPI), Qualified Valuer, FPD Savills (SA) Pty Limited
- Alex Thamm - AAPI, Qualified Valuer, McGees Valuation and Advisory Services
- Neil Bray - Valuer-General, Valuation SA
- Clinton Ramm - B. Bus. Prop. (Val), AAPI, Valuer, Knight Frank
- Jason Oster - B. Bus. Prop. (Val), GAPI, Valuer, Knight Frank
- Nick Bell - B. Bus. Prop. (Val), AAPI, CPV, Knight Frank

During the current financial year, management considered that land prices had materially appreciated 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 38 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 Accounting Policy Statement 3 'Revaluation of Non-Current Assets' have not been met, these classes of non-current assets are deemed to be at fair value as determined by Accounting Policy Statement 3 'Revaluation of Non-Current Assets' 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
- Medical, Surgical, Dental and Biomedical Equipment
- Computing Equipment/Systems Development
- 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:

Class of Asset	Deprecation Method	Useful Life (Years)
Buildings and improvements	Straight Line	25-50
Leasehold improvements	Straight Line	Life of lease
Computer equipment/systems development	Straight Line	3
Medical, surgical, dental and biomedical equipment	Straight Line	5-10
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 Accounting Policy Statement 2 'Asset Recognition', paragraph 23.

Capitalised software is amortised over the useful life of the asset, with a maximum time limit of three years. At 30 June 2004, all capitalised software was amortised to zero.

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 2004 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 1028 'Employee Benefits'. The following assumptions were made by the actuary when performing the assessment:

- salary increases of 3.5 percent per annum based on the current enterprise bargaining agreement and short-term forecasts;
- discounting of 5.87 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 'Financial Reporting of General Insurance Activities' 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 2003-04 financial year the Department has reflected a workers compensation provision of \$10.18 million (\$9.02 million). Refer Note 26.

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 'Financial Reporting for General Insurance Activities' 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.

In accordance with the Department of Treasury and Finance's Model Financial Statements the Department has disclosed the Workers Compensation liability as a provision. Previously this liability was disclosed under Employee Benefits.

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 2004 is \$30.68 million (\$29.92 million). Refer Note 23.

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 Statement of Financial Performance on a basis which is representative of the pattern of benefits derived from the leased assets.

3. Change in Accounting Policy

3.1 Administered Items

In adopting the Department of Treasury and Finance's Model Financial Statements the Schedule of Administered Items now includes a Statement of Cash Flows.

3.2 International Financial Reporting Standards

The adoption of Australian equivalents to International Financial Reporting Standards in 2005 will not have a significant impact on the accounting policies of the Department and the reported financial performance and position. The potential impacts are not perceived to be material and relate mainly to the format of the Statement of Cash Flows, recognition of intangible assets, the classification of non-current assets held for sale, the revaluation of non-current assets and the treatment of revaluation decrements and increments within a class of asset.

The Department is managing the transition through consultation with the Department of Treasury and Finance, training seminars provided by CPA Australia and external providers, and the Department's own internal review.

4. Programs of the Department

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

Programs reported under the Minister for Health:

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.

4. Programs of the Department (continued)

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.

Programs reported under the Minister For Social Justice, Minister for Housing, Minister for Youth, Minister for the Status of Women:

Program K1: Aboriginal Social Services

Policy advice, programs and services, community development and workforce support and advice to the Department, Minister and the Aboriginal Community on aboriginal social and emotional well-being matters.

Program K2: 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.

Program K3: 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 policy advice to Government. Providing high quality, state-wide information and referral services through the Women's Information Service.

Program K4: Housing Management Council

The Housing Management Council provides for the management of grants for housing services and supported accommodation assistance to low-income households and people in crisis. This includes grants for the provision of public housing and private rental services by the South Australian Housing Trust, the provision of public housing and community managed housing by the Aboriginal Housing Authority, the funding and regulation of community housing by the South Australian Community Housing Authority, crisis accommodation and supported assistance programs managed by the South Australian Housing Trust and the provision of supported accommodation and community capacity building programs managed by the Department.

Program K5: Disability Services

Provision and management of grants for the delivery of a range of services for people with a disability, their carers and families. This includes accommodation services, community support services to enable living in a non-institutional setting, community access services, respite care, advocacy and information services.

Program K6: Ageing Services

Provision and management of grants for the delivery of services to support frail older people, younger people with disabilities and their carers. This includes assessment for and provision of a comprehensive, co-ordinated, flexible and integrated range of home and community care services to assist in promoting independence within the community and avoid premature or inappropriate admission to long term residential care. Home and Community Care services (including the associated Commonwealth revenue) which are provided by health and disability services are included also in the relevant programs, that is Disability Services, Country Health Services, Metropolitan Health Services and Aboriginal Health Services.

Program K7: Community Based Services

Community Based Care Services to protect the health, social well-being and quality of life of the community.

Program K8: Family and Youth Services

Services provided to promote the safety and well-being of vulnerable families, children and young people.

Program K9: Shared Services - Social Justice

Shared Services support program delivery across the portfolio and do not directly relate to the provision of services to the public.

Program Schedule of Revenue and Expenses for the year ended 30 June 2004

Program	2004							
	S1 \$'000	S2 \$'000	S3 \$'000	S4 \$'000	S5 \$'000	K1 \$'000	K2 \$'000	K3 \$'000
EXPENSES FROM ORDINARY ACTIVITIES:								
Employee benefits	16 328	11 295	3 671	2 545	23 587	646	1 402	1 045
Supplies and services	20 592	24 187	2 506	879	80 925	214	847	651
Grants, subsidies and client payments	10 807	1 529 828	330 993	8 853	87 365	1 473	1 228	131
Depreciation and amortisation	651	8	6	1	197	-	9	-
Borrowing costs	-	3 013	-	-	10	-	-	-
Other expenses	-	-	-	-	2 366	-	-	-
Total Ordinary Expenses	48 378	1 568 331	337 176	12 278	194 450	2 333	3 486	1 827
REVENUES FROM ORDINARY ACTIVITIES:								
Rent, fees and charges	780	28 419	576	67	40 370	79	4	29
Interest	-	-	-	-	6 271	-	-	-
Dividends - HomeStart Finance	-	-	-	-	-	-	-	-
Commonwealth Government grants	23 380	611 984	146 907	356	1 516	6	-	-
Net gain (loss) from disposal of non-current assets	(14)	-	-	-	(173)	-	-	-
Other	1 103	47	30	40	3 167	13	29	-
Total Ordinary Revenue	25 249	640 450	147 513	463	51 151	98	33	29
NET COST OF SERVICES	(23 129)	(927 881)	(189 663)	(11 815)	(143 299)	(2 235)	(3 453)	(1 798)
REVENUES FROM GOVERNMENT:								
South Australian Government appropriations	22 176	828 510	180 613	11 049	137 882	2 154	3 134	1 733
Grants from other SA Government agencies	548	83 404	5 796	570	2 932	43	263	35
NET RESULT FROM ORDINARY ACTIVITIES	(405)	(15 967)	(3 254)	(196)	(2 485)	(38)	(56)	(30)
Loss from Restructure	-	-	-	-	-	-	-	-
NET RESULT AFTER RESTRUCTURING	(405)	(15 967)	(3 254)	(196)	(2 485)	(38)	(56)	(30)

Program	2004							2004 Total \$'000
	K4 \$'000	K5 \$'000	K6 \$'000	K7 \$'000	K8 \$'000	K9 \$'000		
EXPENSES FROM ORDINARY ACTIVITIES:								
Employee benefits	50 790	3 651	2 271	4 883	71 056	20 441	213 611	
Supplies and services	2 400	2 809	1 311	1 076	17 796	35 376	191 569	
Grants, subsidies and client payments	248 122	208 151	31 974	27 350	15 883	2 125	2 504 283	
Depreciation and amortisation	903	11	1	2	986	135	2 910	
Borrowing costs	-	-	-	-	-	10	3 033	
Other expenses	-	-	-	-	-	2 366	4 732	
Total Ordinary Expenses	302 215	214 622	35 557	33 311	105 721	60 453	2 920 138	
REVENUES FROM ORDINARY ACTIVITIES:								
Rent, fees and charges	50 503	24	15	164	1 151	20 061	142 242	
Interest	(480)	-	-	-	-	74	5 865	
Dividends - HomeStart Finance	5 000	-	-	-	-	-	5 000	
Commonwealth Government grants	71 601	70 407	24 515	16 069	3 680	26	970 447	
Net gain (loss) from disposal of non-current assets	-	-	-	-	-	1 122	935	
Other	10	4	290	4	286	879	5 902	
Total Ordinary Revenue	126 634	70 435	24 820	16 237	5 117	22 162	1 130 391	
NET COST OF SERVICES	(175 581)	(144 187)	(10 737)	(17 074)	(100 604)	(38 291)	(1 789 747)	
REVENUES FROM GOVERNMENT:								
South Australian Government appropriations	167 393	137 470	8 443	11 782	79 586	36 591	1 628 516	
Grants from other SA Government agencies	6 409	4 239	2 143	4 997	19 292	1 045	131 716	
NET RESULT FROM ORDINARY ACTIVITIES	(1 779)	(2 478)	(151)	(295)	(1 726)	(655)	(29 515)	
Loss from Restructure	-	-	-	-	-	-	-	
NET RESULT AFTER RESTRUCTURING	(1 779)	(2 478)	(151)	(295)	(1 726)	(655)	(29 515)	

Program Schedule of Revenue and Expenses for the year ended 30 June 2003

Program	2003							
	S1	S2	S3	S4	S5	K1	K2	K3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:								
Employee benefits	15 683	10 256	3 535	3 043	25 225	595	1 063	914
Supplies and services	23 037	19 468	1 993	1 016	79 696	174	677	508
Grants, subsidies and client payments	6 691	1 410 824	311 101	7 203	108 414	511	1 971	48
Depreciation and amortisation	(960)	13	6	1	168	-	3	-
Borrowing costs	-	2 989	-	-	14	-	-	-
Total Ordinary Expenses	44 451	1 443 550	316 635	11 263	213 517	1 280	3 714	1 470
REVENUES FROM ORDINARY ACTIVITIES:								
Rent, fees and charges	975	29 519	539	563	38 231	132	(4)	67
Interest	-	-	-	-	5 476	-	-	5
Dividends - HomeStart Finance	-	-	-	-	-	-	-	-
Commonwealth Government grants	25 928	615 814	140 918	297	9 110	4	-	-
Net gain (loss) from disposal of non-current assets	28	-	-	-	4	-	-	-
Other	339	202	49	28	3 543	24	56	6
Total Ordinary Revenue	27 270	645 535	141 506	888	56 364	160	52	78
NET COST OF SERVICES	(17 181)	(798 015)	(175 129)	(10 375)	(157 153)	(1 120)	(3 662)	(1 392)
REVENUES FROM GOVERNMENT:								
South Australian Government appropriations	15 324	720 052	160 646	9 587	144 639	4 842	-	1 410
Grants from other SA Government agencies	813	22 745	2 160	56	1 416	28	3	(1)
NET RESULT FROM ORDINARY ACTIVITIES	(1 044)	(55 218)	(12 323)	(732)	(11 098)	3 750	(3 659)	17
Loss from Restructure	132	-	-	-	-	-	462	-
NET RESULT AFTER RESTRUCTURING	(1 176)	(55 218)	(12 323)	(732)	(11 098)	3 750	(4 121)	17

Program	2003							Total
	K4	K5	K6	K7	K8	K9		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
EXPENSES FROM ORDINARY ACTIVITIES:								
Employee benefits	46 119	3 323	2 322	5 033	65 349	18 470	200 930	
Supplies and services	287	2 098	771	2 742	15 828	27 452	175 747	
Grants, subsidies and client payments	179 915	195 715	25 732	43 147	14 480	9 284	2 315 036	
Depreciation and amortisation	-	13	-	561	913	99	817	
Borrowing costs	-	-	-	-	11	20	3 034	
Total Ordinary Expenses	226 321	201 149	28 825	51 483	96 581	55 325	2 695 564	
REVENUES FROM ORDINARY ACTIVITIES:								
Rent, fees and charges	45 737	1	157	885	598	20 155	137 555	
Interest	878	-	-	-	-	367	6 726	
Dividends - HomeStart Finance	5 000	-	-	-	-	-	5 000	
Commonwealth Government grants	81 997	68 628	19 389	15 873	251	8	978 217	
Net gain (loss) from disposal of non-current assets	-	-	-	-	(13)	-	19	
Other	-	23	345	14	252	355	5 236	
Total Ordinary Revenue	133 612	68 652	19 891	16 772	1 088	20 885	1 132 753	
NET COST OF SERVICES	(92 709)	(132 497)	(8 934)	(34 711)	(95 493)	(34 440)	(1 562 811)	
REVENUES FROM GOVERNMENT:								
South Australian Government appropriations	85 518	121 486	6 428	31 400	87 662	31 466	1 420 460	
Grants from other SA Government agencies	630	2 207	2 012	902	1 106	438	34 515	
NET RESULT FROM ORDINARY ACTIVITIES	(6 561)	(8 804)	(494)	(2 409)	(6 725)	(2 536)	(107 836)	
Loss from Restructure	-	517	-	-	-	(100)	1 011	
NET RESULT AFTER RESTRUCTURING	(6 561)	(9 321)	(494)	(2 409)	(6 725)	(2 436)	(108 847)	

5. Employee Benefits

	2004	2003
	\$'000	\$'000
Salaries and wages	152 843	141 391
TVSP (refer below)	2 198	2 715
Long service leave	6 269	8 236
Annual leave	14 733	12 924
Employment on-costs (superannuation and payroll tax)	29 371	27 740
Workers compensation	4 823	5 227
Other	3 374	2 697
Total Employee Benefits	213 611	200 930
Targeted Voluntary Separation Packages (TVSPs):		
TVSPs paid to employees during the reporting period	2 198	2 715
Recovery from the Department of the Premier and Cabinet	1 731	2 195
Annual leave and long service leave accrued over the period	675	934
Number of employees that were paid TVSPs during the reporting period	39	37

Employee whose Remuneration was greater than \$100 000

For the purpose of this note remuneration means money including board fees, consideration or benefit but does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity.

	2004	2003
	Number of Employees	Number of Employees
\$100 000 - \$109 999	19	9
\$110 000 - \$119 999	10	9
\$120 000 - \$129 999	10	7
\$130 000 - \$139 999	7	12
\$140 000 - \$149 999	8	5
\$150 000 - \$159 999	5	5
\$160 000 - \$169 999	3	3
\$170 000 - \$179 999	5	3
\$180 000 - \$189 999	2	-
\$190 000 - \$199 999	2	2
\$200 000 - \$209 999	-	2
\$210 000 - \$219 999	2	-
\$220 000 - \$229 999	-	-
\$230 000 - \$239 999	3	-
\$240 000 - \$249 999	1	-
\$250 000 - \$259 999	-	-
\$260 000 - \$269 999	-	1
\$270 000 - \$279 999	-	-
\$280 000 - \$289 999	1	-
\$290 000 - \$299 999	1	1
\$300 000 - \$309 999	-	-
\$310 000 - \$319 999	1	-
	80	59
Total remuneration received or due and receivable by employees whose remuneration exceeds \$100 000		
	\$'000	\$'000
	11 641	8 312

The table above discloses the number of employees of the Department whose remuneration exceeded \$100 000. This includes Departmental employees assigned to the SAHT, AHA and SACHA.

The remuneration includes salary, employer's superannuation costs, use of motor vehicles in accordance with prescribed conditions and associated FBT and contract termination payments, and includes amounts payable due to retirement under the TVSP arrangements, where the employee's substantive remuneration was \$100 000 or more.

The increase in the number of employees receiving remuneration greater than \$100 000 is due to an increase in the number of Executive positions and some bracket creep for employees in the administrative officers stream.

6. Supplies and Services	2004	2003
	\$'000	\$'000
Accommodation and property related	19 439	19 325
Advertising and promotions	1 500	1 179
Bad and doubtful debts	3 122	(8 450)
Client related expenses	1 887	1 972
Communication and computing	44 636	50 390
Contractors and agency staff	20 985	16 951
Consultants	2 183	1 501
Drugs and medical supplies	15 087	14 617
Insurance	34 006	37 349
Interpreter and translator fees	103	86
Interstate patient transfers	16 457	11 125
Managed payments	2 284	2 026
Minor equipment	2 393	1 256
Motor vehicles	3 880	3 918
Printing, stationery, postage and periodicals	4 314	4 910
Seminars, courses and training	2 915	2 171
Travel and accommodation	3 222	2 947
Other administration	12 788	12 247
	191 201	175 520
Audit fees-auditing financial services	368	227
Total Supplies and Services	191 569	175 747

Other Services

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

The number and dollar amount of consultancies paid/payable that fell within the following band:	2004	2004	2003	2003
	Number	\$'000	Number	\$'000
Below \$10 000	17	62	13	65
Between \$10 000 and \$50 000	29	679	19	427
Above \$50 000	9	1 442	8	1 009
Total Paid/Payable to the Consultants Engaged	55	2 183	40	1 501

7. Grants, Subsidies and Client Payments

	Note	2004	2003
		\$'000	\$'000
Recurrent funding to Incorporated Health Services	7.1	1 911 437	1 764 234
Housing assistance		144 343	110 137
Capital funding to Incorporated Health Services	7.2	81 846	106 042
Funding to non-government organisations	7.3	115 014	100 810
SAHT - Tax equivalent regime		71 466	58 429
Community accommodation and respite services		29 475	28 076
Supported accommodation assistance		27 857	24 804
Home and Community Care		29 713	24 261
GST compensation		3 423	12 940
Children's payments		13 633	11 742
Family and community development		7 039	6 852
Alternative care		7 413	6 680
Patient assisted transport scheme		5 270	4 507
HIV/AIDS and related diseases		3 164	3 170
Emergency financial assistance		2 048	2 354
Community Cultural Recreation Centre		1 790	1 746
Concessions		1 189	1 129
Sensory Options Co-ordination		-	1 097
Funds for seniors		582	581
Other		47 581	45 445
		2 504 283	2 315 036

7.1 Recurrent Funding to Incorporated Health Services

Royal Adelaide Hospital	403 672	374 134
North Western Adelaide Health Service	303 316	275 305
Flinders Medical Centre	230 707	208 175
Women's And Children's Hospital	170 813	156 601
Repatriation General Hospital	87 104	77 745
Intellectual Disability Services Council	89 258	84 741
Northern And Far Western Regional Health Service	63 702	60 846
Modbury Hospital	61 142	56 283
Hills Mallee Southern Regional Health Services	57 336	53 779
South East Regional Health Service	51 395	52 427
Wakefield Regional Health Service	39 303	37 117
South Australian Dental Service	40 296	39 500

	2004	2003
	\$'000	\$'000
7.1 Recurrent Funding to Incorporated Health Services		
Noarlunga Health Service	38 992	35 426
Mid North Regional Health Service	34 626	32 862
Eyre Regional Health Service	30 883	29 402
Riverland Health Authority	29 634	27 632
Julia Farr Service	24 631	23 668
Child And Youth Health	26 136	21 630
Institute Of Medical And Veterinary Science	26 806	23 014
Drug And Alcohol Services Council	17 544	16 001
Other	84 141	77 946
	1 911 437	1 764 234
7.2 Capital Funding to Incorporated Health Services		
North Western Adelaide Health Service	31 286	49 446
Royal Adelaide Hospital	22 913	27 621
Flinders Medical Centre	5 567	2 293
Northern and Far Western Regional Health Service	1 004	2 670
Modbury Hospital	370	2 144
Intellectual Disability Services Council	567	2 550
South East Regional Health Service	1 230	2 818
Noarlunga Health Service	586	152
Child and Youth Health	(9)	300
South Australian Dental Service	1 061	1 492
Hills Mallee Southern Regional Health Services	1 571	1 084
Mid North Regional Health Service	853	3 314
Adelaide Central Community Health Service	701	909
Wakefield Regional Health Service	1 610	2 692
Northern Metropolitan Community Health Service	585	162
Women's and Children's Hospital	3 766	766
Riverland Health Authority	2 558	360
Repatriation General Hospital	2 673	1 933
Institute of Medical and Veterinary Science	1 018	581
Eyre Regional Health Service	729	2 253
Other	1 207	502
	81 846	106 042
7.3 Funding to Non-Government Organisations		
Australian Red Cross	30	21 430
Minda Incorporated	26 597	24 215
Royal District Nursing Service of SA Inc.	21 317	20 875
Crippled Children's Association	9 015	9 404
Anglicare SA	4 893	-
Uniting Care Wesley	2 171	-
Anagu Pitjantjatjara Council	1 650	-
Cancer Council SA	3 093	33
Barkuma Inc	1 016	-
Centacare	1 233	1 642
National blood Authority	16 141	-
SHINE SA	3 528	3 069
Guide Dogs Association	1 731	563
Aboriginal Health Council	2 708	2 106
SA Amputee Service	1 895	1 957
Royal Society for the Blind	2 020	1 952
SA Rural and Remote Medical Support Agency	1 612	1 826
Nganampa Health Council	1 521	1 340
Royal Flying Doctor Service	1 233	1 202
Southern District War Memorial Hospital	1 182	1 154
Calvary Hospital	933	911
Southern Cross Care	798	778
Port Adelaide Central Mission	294	290
Other	8 403	6 063
	115 014	100 810
8. Depreciation and Amortisation		
Depreciation:		
Buildings and improvements	1 768	1 231
Medical, surgical, dental and biomedical equipment	359	307
Other plant and equipment	211	272
Computing equipment/Systems development	62	68
Vacant buildings	-	4
	2 400	1 882

8. Depreciation and Amortisation (continued)		2004	2003
Amortisation:	Note	\$'000	\$'000
Leasehold improvements		510	1 305
Leasehold improvements adjustment		-	(2 370)
		510	(1 065)
Total Depreciation and Amortisation		2 910	817
9. Borrowing Costs			
Interest on borrowings		3 014	3 014
Other		19	20
		3 033	3 034
10. Other Expenses			
Prior period adjustments not assignable		4 732	-
11. Rent, Fees and Charges			
Employee Services*		50 019	46 045
Interstate patient transfers		27 736	28 930
Insurance recoveries from health services		26 084	26 273
Recoveries		21 613	19 144
Business services		14 400	15 295
Fees, fines and penalties		1 800	1 351
Rent		590	517
		142 242	137 555
* Represents the recovery of costs for the provision of employee related services to the SAHT, SACHA and AHA.			
12. Interest Income			
Interest on funds held		2 630	3 613
Interest on loans		3 235	3 113
		5 865	6 726
13. Net Gain/Loss from Disposal of Non-Current Assets			
Land and Buildings:			
Proceeds from disposal		3 650	887
Less: Net book value of assets disposed		2 511	856
Less: Other costs of disposal		175	12
Net Gain from Disposal of Land and Buildings		964	19
General Plant and Equipment:			
Proceeds from disposal		1	-
Net book value of assets disposed		30	-
Net Loss from Disposal of General Plant and Equipment		(29)	-
Total Assets:			
Total proceeds from disposal		3 651	887
Total Value of assets disposed		2 541	856
Total Other costs of disposal		175	12
Total Net Gain/Loss from Disposal of Non-Current Assets		935	19
14. Other Revenue			
Capital contributions		2 198	1 894
Assets received for nil consideration	14.1	180	1 733
Prior period adjustments not assignable		-	155
Other		3 524	1 454
		5 902	5 236
14.1 Assets Received for Nil Consideration			
During the reporting period the Department received the following assets free of charge or for nominal consideration:			
Site land		130	1 163
Vacant buildings		50	570
Other Plant and equipment		-	-
		180	1 733

15. Commonwealth Government Grants	2004	2003
	\$'000	\$'000
Australian Health Care Agreement - Base Funding Arrangement	632 568	605 632
Housing Assistance	73 688	73 169
Department of Veteran Affairs	63 720	66 555
Commonwealth State Disability Agreement	61 347	59 568
Home and Community Care	63 086	58 556
Highly Specialised Drugs	24 990	25 011
Supported Accommodation Assistance Program	16 069	15 873
Public Health Outcome Funding Agreement	11 761	11 429
GST Compensation	-	9 517
FBT Employee Remuneration	-	9 405
Red Cross Blood Transfusion Service	39	8 942
Meningococcal C Vaccine	4 556	7 714
National Health Development Funding	-	6 571
Essential Vaccines	6 274	6 442
Police Diversion	-	4 584
Aged Care Assessment Program	4 389	3 888
Woomera Hospital	1 100	1 077
General	127	491
Mental Health Information	340	255
Other	6 393	3 538
	970 447	978 217

16. Revenue from/Payments to SA Government		
South Australian Government Appropriations:		
Appropriations from consolidated account pursuant to the <i>Appropriation Act</i>		
General appropriation	1 521 199	1 351 526
Prior period equity contribution adjustment ⁽ⁱ⁾	-	(27 843)
Tax equivalent regime reimbursement - SAHT	70 616	58 429
Tax equivalent regime reimbursement - HomeStart Finance	2 551	2 525
State housing assistance funds	34 150	35 823
Total South Australian Government Appropriations	1 628 516	1 420 460

- (i) In the 2001-02 reporting period the Department recognised the Equity Contribution Appropriation of \$27.843 million as a component of the 2002 'General Appropriation' figure. In the 2002-03 reporting period, an adjustment for the 2001-2002 Equity Contribution Appropriation was processed to remove the Equity Contribution Appropriation from revenue and recognise it as a contribution of equity by the Government of South Australia. This adjustment is disclosed above as 'Prior Period Equity Contribution Adjustment' to maintain comparability across the two reporting periods and to improve user understandability.

Grants from South Australian Government Agencies:	2004	2003
	\$'000	\$'000
Community Development Fund	9 900	9 900
Department of Treasury and Finance - Contingency Funds	113 206	20 338
TVSP recoveries	1 731	2 195
Other	6 879	2 082
Total Grants from South Australian Government Agencies	131 716	34 515
Total Revenue from South Australian Government	1 760 232	1 454 975

Refer to Note 17 'Unexpended Funding Commitments'.

Payments to SA Government

There have been no payments to SA Government for the 2003-04 financial year.

17. Unexpended Funding Commitments	2004	2003
	\$'000	\$'000
Commonwealth State Housing Agreement ⁽ⁱ⁾	3 986	35 345
Nurses Recreation Leave Loading	13 300	13 300
Salaried and VMS Medical Benefit Pool	11 800	-
Home and Community Care	8 000	7 589
27th Pay Funding	6 438	-
Public Health Outcome Funding Agreement	5 368	838
Clinical Academics Funding	3 426	3 426
Mental Health Programs	1 800	2 673
Veteran Homecare Program	1 270	1 401

17. Unexpended Funding Commitments (continued)	Note	2004	2003
		\$'000	\$'000
Funding for Elective Surgery Initiatives		1 200	-
Service Excellence Programs		1 194	583
Police Diversion		1 010	4 119
Social Inclusion and Child Protection Programs		890	-
Quality Development Funding		448	3 236
National Health Development Fund		210	711
Industrial Relations Award Back Payments		-	3 274
Commonwealth State Disability Agreement		-	3 544
Supported Accommodation Assistance Program		-	1 890
Childhood Immunisation Vaccines		-	1 772
Meningococcal C		-	1 675
Diabetes Review and Education		-	1 180
MMR Vaccination Campaign		-	910
Aboriginal Kinship		-	675
Catherine House		-	650
Enrolled Nurses Cadetship Initiative		-	605
Nosocomial Infection Unit		-	566
Health Promotions		-	13
Other		910	1 637
		61 250	91 612

(i) In 2003-04 the Department transferred to housing agencies \$35 million of Commonwealth State Housing Agreement funding that was held by the Department as at 30 June 2003.

18. Cash		62 168	52 583
Special Deposit Account		1 104	1 095
Advance Account		33	25
Other deposits		2	9
Cash on hand		63 307	53 712
Total Cash		63 307	53 712

19. Receivables			
Current:			
Debtors		14 565	9 836
Health service budget over-runs		7 882	8 182
Employee related services recoverable		7 413	5 262
Grants		1 807	5 083
Tax equivalent regime (Treasury Appropriation)		-	4 732
Interstate patient transfers		8 948	1 327
Loans	19.1	869	747
Interest		745	554
Overpaid salaries		116	210
Property sales		-	130
Sundry		684	5
Goods and services tax receivable		4 751	4 415
Less: Provision for doubtful debts		358	945
Total Current Receivables		47 422	39 538
Non-Current:			
Health service budget over-runs		50 312	45 859
Loans	19.1	38 644	38 711
Sundry		156	-
Less: Provision for doubtful debts		49 032	45 859
Total Non-Current Receivables		40 080	38 711
Total Receivables		87 502	78 249

19.1 Reconciliation of Inter-Health Loans

As at 30 June 2004 the balance of loans to Health Services and related movements is as follows:

Balance at 1 July	39 458	37 762
Add: Advances to health services	507	1 936
Capitalised interest charges	426	363
Total Repayable	40 391	40 061
Less: Principal repayments received	878	603
Balance at 30 June	39 513	39 458

The Department to 30 June 2004 has financed the Health Services with loans amounting to \$9.56 million (\$9.52 million) from Department funds and \$29.95 million (\$29.94 million) from back to back loan arrangements with the Department of Treasury and Finance.

19.1 Reconciliation of Inter-Health Loans (continued)

The movements and status of the back to back loan arrangements are as follows:

	2004	2003
	\$'000	\$'000
Balance at 1 July	29 941	29 739
Add: Capitalised interest charges	280	363
Total Repayable	30 221	30 102
Less: Principal Repayments	267	161
Balance at 30 June	29 954	29 941
20. Inventories		
Drug supplies	1 798	2 437
Other	49	47
	1 847	2 484
21. Other Assets		
Current:		
Prepayments	2 932	2 040
Total Current	2 932	2 040
Non-Current:		
Prepayments	531	564
Total Non-Current	531	564
Total Other Assets	3 463	2 604
22. (a) Property, Plant and Equipment		
Land and Buildings:		
Vacant land at fair value	20 336	16 974
Site land at fair value	53 642	36 445
Vacant buildings at fair value	9 671	376
Less: Accumulated depreciation - Vacant Buildings at fair value	-	-
Buildings and improvements at fair value	73 555	73 555
Less: Accumulated depreciation - Buildings and improvements at fair value	37 981	36 214
Total Land and Buildings	119 223	91 136
Leasehold Improvements:		
Leasehold improvements at cost (deemed fair value)	10 236	10 236
Less: Accumulated amortisation	8 275	7 765
Total Leasehold Improvements	1 961	2 471
Total Property and Leasehold Improvements	121 184	93 607
Plant and Equipment:		
Medical, surgical, dental and biomedical equipment at cost (deemed fair value)	3 618	3 618
Less: Accumulated depreciation - Medical, surgical and biomedical equipment	2 855	2 496
Computing equipment/systems development at cost (deemed fair value)	3 238	3 351
Less: Accumulated depreciation - Computing equipment/systems development at cost	3 187	3 269
Other plant and equipment at cost (deemed fair value)	2 628	2 567
Less: Accumulated depreciation - Other plant and equipment	1 518	1 350
Total Plant and Equipment	1 924	2 421
Total Property, Plant and Equipment	123 108	96 028
(b) Capital Works in Progress		
Buildings and improvements in progress at cost (deemed fair value)	3 150	2 143
Plant and equipment in progress at cost (deemed fair value)	-	-
Total Capital Works in Progress	3 150	2 143

Reconciliation of Property and Leasehold Improvements

The following table shows the movement of land, buildings and improvements, and leasehold improvements during 2003-04:

	Vacant Land	Site Land	Vacant Buildings	Buildings & Improvmts	Leasehold Improvmts	Total Property & Leasehold Improvmts
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at the beginning of the year	16 974	36 445	376	37 341	2 471	93 607
Purchases	-	-	9 412	-	-	9 412
Assets received for nil consideration	50	-	130	-	-	180
Disposals	(2 265)	-	(247)	-	-	(2 512)
Revaluation Increment (Decrement)	5 577	17 197	-	-	-	22 774
Depreciation and amortisation for the year	-	-	-	(1 767)	(510)	(2 277)
Carrying Amount at 30 June 2004	20 336	53 642	9 671	35 574	1 961	121 184

Reconciliation of Plant and Equipment

The following table shows the movement of plant and equipment improvements during 2003-04:

	Medical Surgical, Dental and Biomedical Equipment \$'000	Computing Equipment /CSD \$'000	Other Plant and Equipment \$'000	Total Plant and Equipment \$'000
Carrying amount at the beginning of the year	1 122	82	1 217	2 421
Purchases	-	30	144	174
Disposals	-	-	(30)	(30)
Write-off non-current assets	-	-	(2)	(2)
Depreciation and amortisation	(359)	(62)	(211)	(632)
Other movements	-	-	(7)	(7)
Carrying Amount at 30 June 2004	763	50	1 111	1 924

23. Payables	2004	2003
Current:	\$'000	\$'000
Creditors	11 353	15 956
Health service workers compensation	9 242	9 006
Health service budget under-runs	4 650	2 542
Grants to non-government organisations	6 067	3 145
Grants to SAHT - Tax equivalent regime	624	52
Interest	783	292
Other accrued expenses	192	25
Employee benefit on-costs	2 766	2 225
Total Current Payables	35 677	33 243
Non-Current:		
Health service workers compensation	21 435	20 909
Grants to non-government organisations	1 294	1 342
Employee benefit on-costs	3 543	3 395
Total Non-Current Payables	26 272	25 646
Total Payables	61 949	58 889

24. (a) Employee Benefits		
Current:		
Annual leave	11 387	9 546
Long service leave	5 037	3 933
Accrued salaries and wages	2 109	1 186
Other	(16)	81
Total Current Employee Benefits	18 517	14 746
Non-Current:		
Long service leave	31 391	29 562
Other	20	9
Total Non-Current Employee Benefits	31 411	29 571
Total Employee Benefits	49 928	44 317

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 23 as they do not accrue to employees.

(b) Employee Benefits and Related On-costs	2004	2003
Accrued Salaries:	\$'000	\$'000
On-costs included in payables - Current (Note 23)	313	206
Provision for employee benefits (accrued salaries and wages) - Current (Note 24(a))	2 109	1 186
	2 422	1 392
Annual Leave:		
On-costs included in payables - Current (Note 23)	1 818	1 565
Provision for employee benefits (annual leave) - Current (Note 24(a))	11 387	9 546
	13 205	11 111
Long Service Leave:		
On-costs included in payables - Current (Note 23)	636	454
Provision for employee benefits (long service leave) - Current (Note 24(a))	5 037	3 933
	5 673	4 387
On-costs included in payables - Non-current (Note 23)	3 543	3 395
Provision for employee benefits (long service leave) - Non-current (Note 24(a))	31 391	29 562
	34 934	32 957

(b) Employee Benefits and Related On-costs (continued)		2004	2003
Other:		\$'000	\$'000
	Note		
On-costs included in payables - Current (Note 23)		-	-
Provision for employee benefits (other) - Current (Note 24(a))		(16)	81
		(16)	81
On-costs included in payables - Non-current (Note 23)		-	-
Provision for employee benefits (other) - Non-current (Note 24(a))		20	9
		20	9
Total Employee Benefit and Related On-Costs		56 238	49 937
25. Borrowings			
Current:			
Department of Treasury and Finance - Loans		396	267
Total Current Borrowings		396	267
Non-Current:			
Department of Treasury and Finance - Loans		29 558	29 674
Advance - Treasury imprest account		285	285
Total Non-Current Borrowings		29 843	29 959
Total Borrowings		30 239	30 226
Repayable:			
Not later than one year		396	267
Later than one year but not later than five years		4 914	2 642
Later than five years		24 929	27 317
		30 239	30 226
26. Provisions			
Current:			
Insurance	26.1	10 347	10 119
Workers compensation	26.2	3 308	2 952
Other		378	290
Total Current Provisions		14 033	13 361
Non-Current:			
Insurance	26.1	92 183	81 887
Workers compensation	26.2	6 868	6 072
Total Non-Current Provisions		99 051	87 959
Total Provisions		113 084	101 320

26.1 Reconciliation of Insurance

The following table shows the movement of insurance during 2003-04:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	Total \$'000
Carrying amount at 1 July	89 917	1 098	991	92 006
Increase to provision due to new claims	15 003	340	858	16 201
Reduction due to payments	(6 757)	(1 344)	(559)	(8 660)
Net revision of estimates	1 484	1 430	69	2 983
Carrying Amount at 30 June	99 647	1 524	1 359	102 530

The following table shows the movement of insurance during 2002-03:

	Medical Malpractice \$'000	Public Liability \$'000	Property \$'000	Total \$'000
Carrying amount at 1 July	76 225	888	768	77 881
Increase to provision due to new claims	19 028	378	1 155	20 561
Reduction due to payments	(4 709)	(1 087)	(820)	(6 616)
Net revision of estimates	(627)	919	(112)	180
Carrying Amount at 30 June	89 917	1 098	991	92 006

26.2 Reconciliation of Workers Compensation

The following table shows the movement of workers compensation during 2003-04:

	2004 \$'000	2003 \$'000
Carrying amount at 1 July	9 024	6 730
Increase to provision due to revision of estimates	4 823	5 227
Reduction due to payments	(3 671)	(2 933)
	10 176	9 024

27. Other Liabilities	2004	2003
Current:	\$'000	\$'000
Unclaimed monies	906	871
Interstate patient transfers	7 701	247
Unearned revenue	412	35
Other	91	91
Total Current Other Liabilities	9 110	1 244
Non-Current:		
Unearned revenue	467	501
Total Non-Current Other Liabilities	467	501
Total Other Liabilities	9 577	1 745
28. Equity		
Contributed capital	114 340	88 722
Accumulated deficit	(160 220)	(131 595)
Asset revaluation reserve	63 480	41 596
Total Equity	17 600	(1 277)
Contributed Capital:		
Balance at beginning of the financial year	88 722	-
Receipts of equity contribution from the Department of Treasury and Finance	25 618	88 722
Balance at End of Financial Year	114 340	88 722
Accumulated Deficit:		
Balance at beginning of the financial year	(131 595)	(22 890)
Net result after restructuring	(29 515)	(108 847)
Decrement due to devaluation of vacant buildings	-	(63)
Transfers from asset revaluation reserve	890	205
Balance at End of Financial Year	(160 220)	(131 595)
Asset Revaluation Reserve:		
Balance at beginning of the financial year	41 596	9 892
Increment in site land due to revaluation	17 197	21 404
Increment in vacant land due to revaluation	5 577	7 970
Increment in buildings and improvements	-	2 535
Transfers from asset revaluation reserve	(890)	(205)
Balance at End of Financial Year	63 480	41 596

29. 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 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.

(b) Interest Rate Risk Exposure

	Weighted Average Effective Rate	2004 Fixed Interest Rate					Non-Interest Bearing	Total \$'000
		Floating Interest Rate	1 Year or Less \$'000	1 to 5 Years \$'000	More Than 5 Years \$'000	Interest Bearing \$'000		
Financial Assets:	Percent							
Cash and deposits	5.02	63 307	-	-	-	-	63 307	
Loans	9.75	2 407	828	4 747	29 343	2 188	39 513	
Health service budget over-runs	N/A	-	-	-	-	9 162	9 162	
Debtors	N/A	-	-	-	-	38 827	38 827	
		<u>65 714</u>	<u>828</u>	<u>4 747</u>	<u>29 343</u>	<u>50 177</u>	150 809	
Financial Liabilities:								
Creditors and accruals	N/A	-	-	-	-	26 622	26 622	
Borrowings	10.04	-	396	3 470	26 088	285	30 239	
Health service budget under-runs	N/A	-	-	-	-	4 650	4 650	
Health service workers compensation	N/A	-	-	-	-	30 677	30 677	
		<u>-</u>	<u>396</u>	<u>3 470</u>	<u>26 088</u>	<u>62 234</u>	92 188	

	Weighted Average Effective Rate	2003 Fixed Interest Rate					Non-Interest Bearing	Total \$'000
		Floating Interest Rate	1 Year or Less \$'000	1 to 5 Years \$'000	More Than 5 Years \$'000	Interest Bearing \$'000		
Financial Assets:	Percent							
Cash and deposits	4.70	53 712	-	-	-	-	53 712	
Loans	9.59	1 929	703	4 215	30 422	2 189	39 458	
Health service budget over-runs	N/A	-	-	-	-	8 182	8 182	
Debtors	N/A	-	-	-	-	30 609	30 609	
		<u>55 641</u>	<u>703</u>	<u>4 215</u>	<u>30 422</u>	<u>40 980</u>	<u>131 961</u>	
Financial Liabilities:								
Creditors and accruals	N/A	-	-	-	-	26 432	26 432	
Borrowings	10.10	-	267	2 642	27 032	285	30 226	
Health service budget under-runs	N/A	-	-	-	-	2 542	2 542	
Health service workers compensation	N/A	-	-	-	-	29 915	29 915	
		<u>-</u>	<u>267</u>	<u>2 642</u>	<u>27 032</u>	<u>59 174</u>	<u>89 115</u>	

(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.

	2004		2003	
	Carrying Amount \$'000	Net Fair Value \$'000	Carrying Amount \$'000	Net Fair Value \$'000
Financial Assets:				
Cash	63 307	63 307	53 712	53 712
Loans	39 513	43 755	39 458	49 432
Health service budget over-runs	9 162	9 162	8 182	8 182
Receivables	38 827	38 827	30 609	30 609
	<u>150 809</u>	<u>155 051</u>	<u>131 961</u>	<u>141 935</u>
Financial Liabilities				
Payables	26 622	26 622	26 432	26 432
Borrowings	30 239	41 676	30 226	41 391
Health service budget under-runs	4 650	4 650	2 542	2 542
Health service workers compensation	30 677	30 677	29 915	29 915
	<u>92 188</u>	<u>103 625</u>	<u>89 115</u>	<u>100 280</u>

(d) 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.

(e) 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 Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

30. Commitments for Expenditure**(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:

	2004	2003
	\$'000	\$'000
Not later than one year	12 437	12 895
Later than one year but not later than five years	-	10 156
Later than five years	-	-
Total Capital Commitments (including GST)	12 437	23 051

Included in the Capital expenditure commitments above is \$1.131 million (\$1.943 million) which is the GST component of the Capital expenditure commitments.

(b) 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:

	2004	2003
	\$'000	\$'000
Not later than one year	34 874	57 285
Later than one year but not later than five years	2 063	12 021
Later than five years	-	-
Total Other Commitments (including GST)	36 937	69 306

Included in the Other expenditure commitments above is \$3.357 million (\$5.528 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 2004 has not been quantified.

(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:

	2004	2003
	\$'000	\$'000
Not later than one year	10 457	13 204
Later than one year but not later than five years	27 702	23 694
Later than five years	4 642	10 730
Total Operating Lease Commitments (including GST)	42 801	47 628

Included in the operating lease commitments above is \$3.89 million (\$4.33 million) which is the GST component of the operating lease payments.

The Department has over 50 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.

31. Transferred Functions

There were no transferred functions between the Department and other Government Departments in the 2003-04 financial period.

32. Contingent Liabilities

The Department has two disagreements that are subject to arbitration. An unfavourable outcome could result in outflows from the department of approximately \$150 000.

33. Cash Flow Reconciliations

Reconciliation of Cash - At year end as per:

	2004	2003
	\$'000	\$'000
Statement of Cash Flows	63 307	53 712
Statement of Financial Position	63 307	53 712

Reconciliation of Net Cash Inflows (Outflows) from Operating Activities to Net Cost of Services	2004	2003
	\$'000	\$'000
Net cash inflows (outflows) from operating activities	(8 091)	(66 846)
South Australian Government Appropriations	(1 628 516)	(1 445 496)
Grants from South Australian Government Agencies	(131 716)	(34 515)
	(1 768 323)	(1 546 857)
Add/Less Non-Cash Items:		
Depreciation and amortisation	(2 910)	(817)
Assets received for nil consideration	180	1 733
Bad and doubtful debts	-	-
Assets written off/expensed	(601)	(930)
First time recognition	-	154
Prior period adjustment unassignable	(4 732)	155
Gain on sale of assets	935	19
Capitalised interest on borrowings	(280)	(2 105)
Capitalised interest on loans	426	-
Changes in Assets and Liabilities:		
Increase in receivables	13 689	7 448
Increase in other assets	222	2 541
(Increase) in payables	(3 146)	(599)
(Increase) in employee benefits	(5 611)	(8 813)
(Increase) in other liabilities	(7 832)	(626)
(Increase) in provisions	(11 764)	(14 114)
Net Cost of Services from Ordinary Activities	(1 789 747)	(1 562 811)

34. Events After Balance Date

Effective 1 July 2004, the Department ceased to operate in its current form. 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. Certain assets and liabilities were transferred from the Department to DFC. On 10 June 2004, the Governor proclaimed that the title of the Department of Human Services is altered to the Department of Health (DH). The proclamation came into effect on 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 DFC. For financial accounting and reporting purposes the transfer is taken to occur on 1 July 2004.

As at 1 July 2004, the assets and liabilities of both the Office for the Public Advocate and the Guardianship Board will be transferred from the Department of Health to the Attorney-General's Department.

35. Schedules of Administered Funds

The following Revenues, 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.

They include activities associated with the establishment of the 3 new health services and the salary of the Chief Executive of DFC. The health services are Central Northern Adelaide Health Service, Southern Adelaide Health Service and Children, Youth and Women's Health Service.

Schedule of Administered Assets and Liabilities

	2004							2004 Total
	HCSMCS \$'000	Gambler's Rehab \$'000	Concessions \$'000	Minister's Salary \$'000	Commnty Service Obligatns \$'000	Charitable and Social Welfare \$'000	Other \$'000	
Administered Current Assets:								
Cash	8 455	915	27 149	-	-	2 405	621	39 545
Receivables	-	-	-	33	-	-	-	33
Total Administered Current Assets	8 455	915	27 149	33	-	2 405	621	39 578
Administered Non-Current Assets:								
Plant and equipment	6	-	-	-	-	-	-	6
Total Administered Non-Current Assets	6	-	-	-	-	-	-	6
Total Administered Assets	8 461	915	27 149	33	-	2 405	621	39 584
Administered Current Liabilities:								
Payables	188	-	132	-	-	-	45	365
Borrowings	-	-	-	33	-	-	6	39
Employee benefits	107	-	-	5	-	-	-	112
Other current provisions	7	-	1 185	-	-	-	2	1 194
Total Administered Current Liabilities	302	-	1 317	38	-	-	53	1 710
Total Administered Liabilities	302	-	1 317	38	-	-	53	1 710
NET ADMINISTERED ASSETS	8 159	915	25 832	(5)	-	2 405	568	37 874

Schedule of Administered Assets and Liabilities

	HCSMCS	Gambler's Rehab	Concessions	2003 Minister's Salary	Commnty Service Obligatns	Charitable and Social Welfare	Other	2003 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Current Assets:								
Cash	5 457	972	7 415	-	-	1 879	690	16 413
Receivables	7	-	-	67	-	-	185	259
Total Administered Current Assets	5 464	972	7 415	67	-	1 879	875	16 672
Administered Non-Current Assets:								
Plant and equipment	7	-	-	-	-	-	-	7
Total Administered Non-Current Assets	7	-	-	-	-	-	-	7
Total Administered Assets	5 471	972	7 415	67	-	1 879	875	16 679
Administered Current Liabilities:								
Payables	119	-	-	-	-	-	-	119
Borrowings	-	-	-	64	-	-	185	249
Employee benefits	99	-	-	3	-	-	-	102
Other provisions	7	-	-	-	-	-	-	7
Total Administered Current Liabilities	225	-	-	67	-	-	185	477
Total Administered Liabilities	225	-	-	67	-	-	185	477
NET ADMINISTERED ASSETS	5 246	972	7 415	-	-	1 879	690	16 202

Schedule of Administered Revenues and Expenses

	HCSMCS	Gambler's Rehab	Concessions	2004 Minister's Salary	Commnty Service Obligatns	Charitable and Social Welfare	Other	2004 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Expenses:								
Employee benefits	331	3	-	404	-	18	538	1 294
Supplies and services	405	433	-	-	-	187	238	1 263
Grants, subsidies and client payments	6 012	3 073	86 586	-	9 017	3 290	564	108 542
Depreciation and amortisation	1	-	-	-	-	-	-	1
Total Administered Expenses	6 749	3 509	86 586	404	9 017	3 495	1 340	111 100
Administered Revenues:								
Department appropriation	-	1 800	103 163	-	9 017	-	70	114 050
Commonwealth grants	-	-	-	-	-	-	162	162
Grants and contributions	-	1 630	1 840	399	-	4 015	714	8 598
User charges and fees	9 097	-	-	-	-	-	172	9 269
Interest	535	23	-	-	-	-	45	603
Other revenues	30	-	-	-	-	5	55	90
Total Administered Revenues	9 662	3 453	105 003	399	9 017	4 020	1 218	132 772
ADMINISTERED REVENUES LESS EXPENSES	2 913	(56)	18 417	(5)	0	525	(122)	21 672

Schedule of Administered Revenues and Expenses

	HCSMCS	Gambler's Rehab	Concessions	2003 Minister's Salary	Commnty Service Obligatns	Charitable and Social Welfare	Other	2003 Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered Expenses:								
Employee benefits	498	1	-	385	-	16	236	1 136
Supplies and services	473	232	-	-	-	139	1 339	2 183
Grants, subsidies and client payments	7 329	2 359	87 546	-	9 017	2 783	281	109 315
Depreciation and amortisation	3	-	-	-	-	-	-	3
Total Administered Expenses	8 303	2 592	87 546	385	9 017	2 938	1 856	112 637
Administered Revenues:								
Department appropriation	-	3 300	93 678	-	9 017	3 500	(1 686)	107 809
Commonwealth grants	-	-	-	-	-	-	-	-
Grants and contributions	-	-	39	385	-	-	308	732
User charges and fees	5 280	-	-	-	-	4	1 257	6 541
Interest	418	4	-	-	-	-	31	453
Other revenues	21	-	-	-	-	2	152	175
Investment income	-	-	-	-	-	-	-	-
Total Administered Revenues	5 719	3 304	93 717	385	9 017	3 506	62	115 710
ADMINISTERED REVENUES LESS EXPENSES	(2 584)	712	6 171	-	-	568	(1 794)	3 073

Schedule of Administered Cash Flows

	2004							2004
	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	Commnty Service Obligatns	Charitable and Social Welfare	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Inflows:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from SA Government	-	1 800	103 163	433	9 017	-	783	115 196
Taxes, fees and charges	9 133	-	-	-	-	-	360	9 493
Grants and contributions	-	1 630	1 840	-	-	4 015	162	7 647
Interest revenue	535	23	-	-	-	-	45	603
Other revenue	-	-	-	-	-	5	54	59
Total Cash Inflows	9 668	3 453	105 003	433	9 017	4 020	1 404	132 998
Cash Outflows:								
Employee payments	322	3	-	402	-	18	492	1 237
Concessions	-	-	85 269	-	-	-	-	85 269
Grants and subsidies	5 956	3 073	-	-	9 017	3 290	564	21 900
Goods and services	392	433	-	-	-	187	238	1 250
Payments to the consolidated account	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Cash Outflows	6 670	3 509	85 269	402	9 017	3 495	1 294	109 656
NET CASH INFLOWS/CASH OUTFLOWS - OPERATING ACTIVITIES	2 998	(56)	19 734	31	-	525	110	23 342
NET CASH INFLOWS/CASH OUTFLOWS - INVESTING AND FINANCING ACTIVITIES	-	-	-	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH HELD	2 998	(56)	19 734	31	-	525	110	23 342
CASH AT 1 JULY	5 457	972	7 415	(64)	-	1 879	505	16 164
CASH AT 30 JUNE	8 455	916	27 149	(33)	-	2 404	615	39 506

Schedule of Administered Cash Flows

	2003							2003
	HCSMCS	Gambler's Rehab	Concessions	Minister's Salary	Commnty Service Obligatns	Charitable and Social Welfare	Other	Total
CASH FLOWS FROM OPERATING ACTIVITIES:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash Inflows:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receipts from SA Government	-	3 300	93 678	444	9 017	3 500	(1 398)	108 541
Taxes, fees and charges	6 128	-	-	-	-	-	1 178	7 306
Interest revenue	418	4	-	-	-	-	111	533
Other revenue	21	-	39	-	-	6	171	237
Total Cash Inflows	6 567	3 304	93 717	444	9 017	3 506	62	116 617
Cash Outflows:								
Employee payments	457	1	-	382	-	16	237	1 093
Concessions	-	-	87 706	-	-	-	-	87 706
Grants and subsidies	7 349	2 359	-	-	9 017	2 784	310	21 819
Goods and services	467	232	-	-	-	139	1 309	2 147
Payments to the consolidated account	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Cash Outflows	8 273	2 592	87 706	382	9 017	2 939	1 856	112 765
NET CASH INFLOWS/CASH OUTFLOWS - OPERATING ACTIVITIES	(1 706)	712	6 011	62	-	567	(1 794)	3 852
NET CASH INFLOWS/CASH OUTFLOWS - INVESTING AND FINANCING ACTIVITIES	-	-	-	-	-	-	-	-
NET INCREASE (DECREASE) IN CASH HELD	(1 706)	712	6 011	62	-	567	(1 794)	3 852
CASH AT 1 JULY	7 163	260	1 404	(126)	-	1 312	2 299	12 312
CASH AT 30 JUNE	5 457	972	7 415	(64)	-	1 879	505	16 164

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 Revenues 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 revenues and administered cash inflows.

Administered Contingent Assets and Liabilities

The Department has no administered contingent assets and liabilities.

Other

Alternative Care Fund
Beyond Blue
Central Northern Adelaide Health Service
CEO Families and Communities
Children, Youth and Women's Health Service
Community Residential Care Trust
Dame Roma Mitchell Trust Fund
Duke of Edinburgh Trust
Family Maintenance Orders
Medical Defence Association
Public Health and Information Development Unit
SAICORP
Southern Adelaide Health Service
Supported Residential Trust Fund

COMMENTARY ON HEALTH SERVICES ACTIVITIES**Health Sector Staffing Statistics**

The following table illustrates the trend in staffing levels in the health sector, excluding staff of the Department of Human Services, over the past four years.

Health Sector FTE Mix (unaudited)

Staff Categories:	2004 Number	2003 Number	2002 Number	2001 Number
Nurses	8 283	8 196	8 117	7 904
Medical Staff	1 545	1 484	1 475	1 423
Scientific and Technical	1 037	1 078	1 113	1 160
Administrative and Clerical	4 170	4 052	4 024	3 958
Allied Health, Hotel, and other staff	6 641	6 518	6 607	6 472
Total Staff	21 676	21 328	21 336	20 917
Increase (Decrease)	348	(8)	419	(62)
Percentage Increase (Decrease)	1.6	(0.3)	2	(0.2)

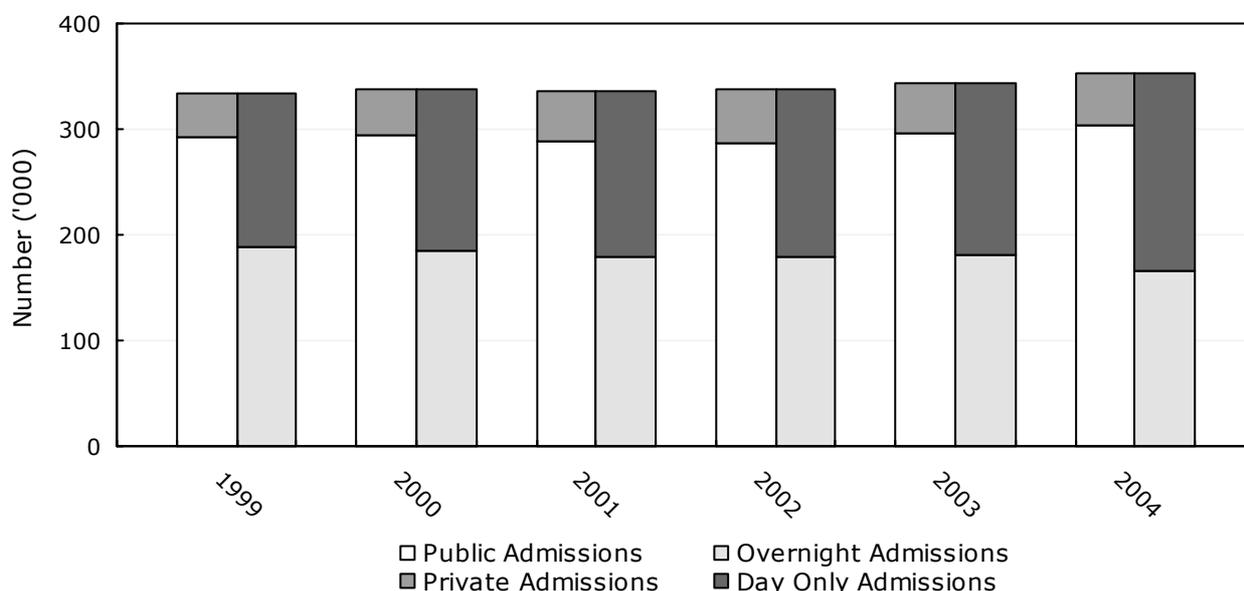
The increase in staffing numbers for the year ended 30 June 2004 reflects an increase in Nurses (87); Medical (61); Administrative and Clerical (118); and Allied Health, Hotel, and Other Staff categories (123). These increases were offset by a decrease in Scientific and Technical (41).

Hospital Activity Statistics

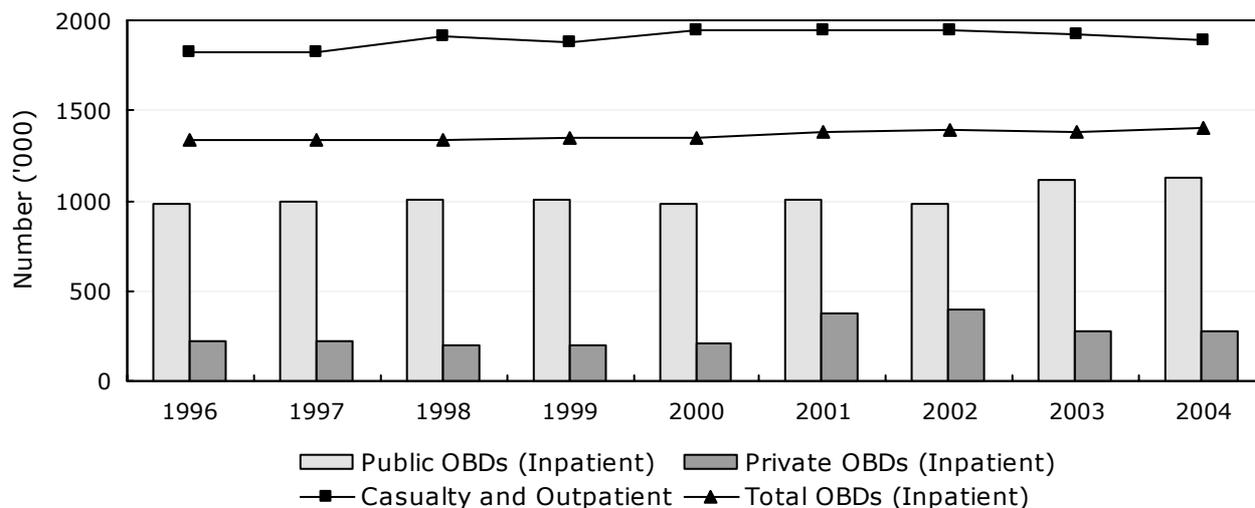
The charts below indicate the trends over past years in respect of patient admissions, the change in the patient mix, length of hospital stay, and bed utilisation at hospitals.

The charts illustrate:

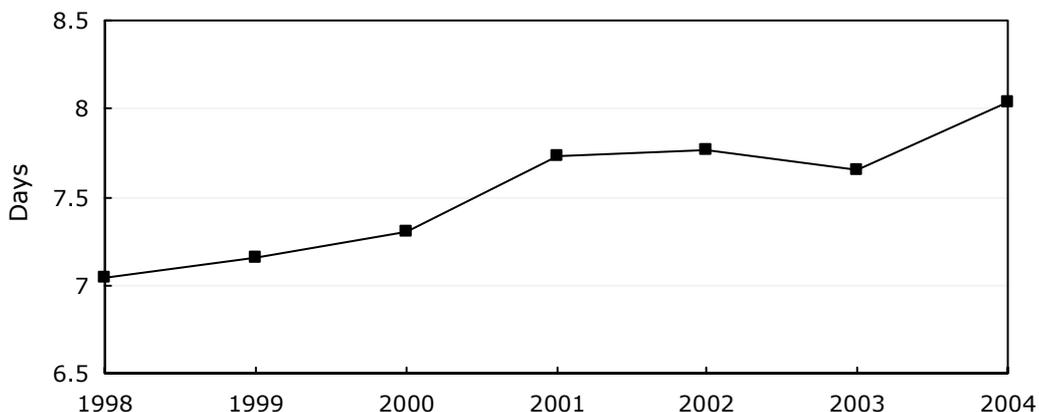
- an increased number of attendances at hospitals;
- an increased level of public admissions and private admissions;
- an increase in public Occupied Bed Days and private Occupied Bed Days;
- an increase in the Average Patient Length of Overnight Hospital Stay; and
- a small decrease in Daily Average Occupied Beds.

Patient Admissions (Unaudited)

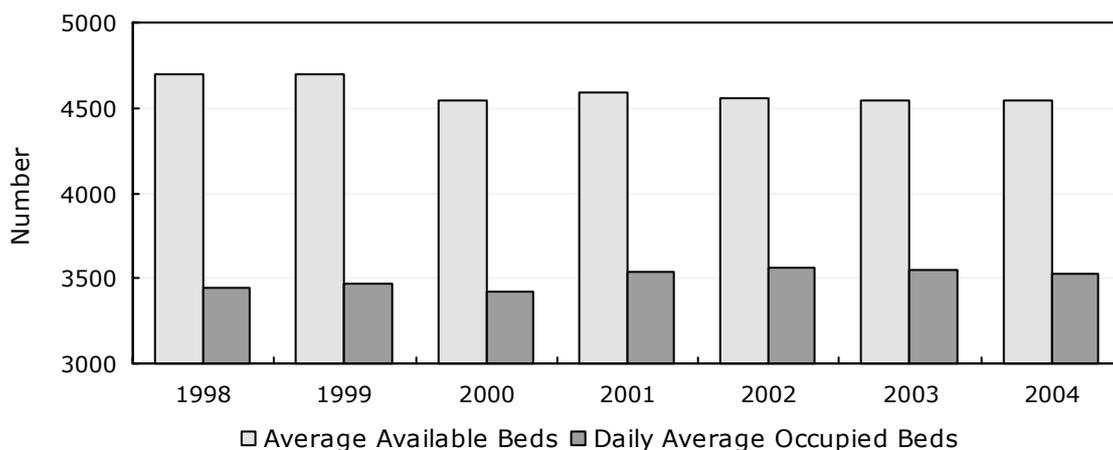
Patient Mix and Activity (Unaudited)



Average Patient Length of Overnight Hospital Stay (Unaudited)



Hospital Bed Utilisation (Unaudited)



Audit Mandate and Coverage - Health Services (Units)

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, 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 Unit management for consideration and comment regarding action proposed or taken.

In respect of the audit verification of financial statements of Health Units, audits are generally in progress, at the time of finalising this Report to Parliament.

SA ST JOHN AMBULANCE SERVICE INC

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

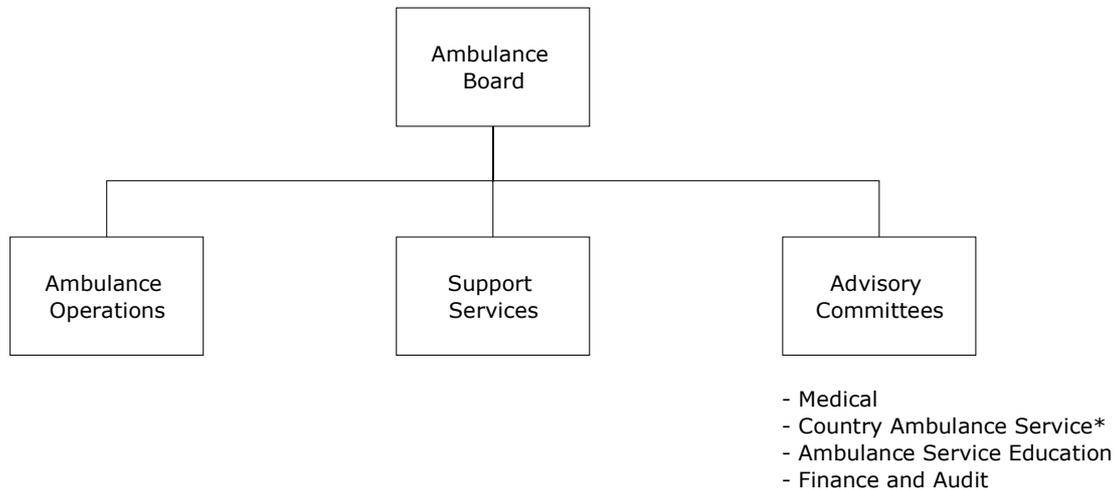
SA St John Ambulance Service Inc (the Ambulance Service), is an incorporated association established pursuant to section 11 of the *Ambulance Services Act 1992* (the Act) as a result of a joint venture agreement between the Priory in Australia of the Order of St John and the Minister for Health for the Government of South Australia. In January 1999 the Priory's authority to nominate and appoint directors to the Ambulance Board was delegated to the Minister for Health.

Functions

The functions of the Ambulance Service are to provide pre-hospital patient care and ambulance transport as part of the State's health and emergency services.

Structure

The structure of the Ambulance Service is illustrated in the following organisation chart.



* A requirement under the *Ambulance Services Act 1992*.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 14(2) of the *Ambulance Services Act 1992* provides for the Auditor-General to audit the accounts of the Ambulance Service in respect of each financial year. Furthermore, subsection 14(3) of the Act provides for the application of Part III of the *Public Finance and Audit Act 1987* (ie Audit Provisions) to the Ambulance Service, as if it were a public authority within the meaning of the Act. Subsection 14(4) of the Act provides that Division II (Accounts and Audit of Certain Incorporated Associations) of Part IV of the *Associations Incorporation Act 1985* does not apply to the Ambulance Service.

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 Ambulance Service 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 2003-04, specific areas of audit attention included:

- budgetary control and management reporting
- accounts payable
- payroll
- ambulance transport revenue
- Ambulance Cover revenue
- strategic planning and risk management.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable accounting standards and other mandatory professional reporting requirements in Australia, the financial position of the SA St John Ambulance Service Inc as at 30 June 2004, its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the SA St John Ambulance Service Inc 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 SA St John Ambulance Service Inc 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 Officer. The response to the management letter was considered to be satisfactory.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004 \$'million	2003 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	43.9	36.9	19
Ambulance transport fees	32.8	28.0	17
Ambulance cover	15.1	13.6	11
Other	3.1	2.7	15
Total Operating Revenue	94.9	81.2	17
OPERATING EXPENDITURE			
Employment expenses	59.9	52.9	13
Goods and services	24.0	23.5	2
Depreciation and other expenses	8.1	6.7	21
Total Operating Expenses	92.0	83.1	11
Surplus (Deficit)	2.9	(1.9)	
Net Cash Flows from Operations	12.5	6.4	95

	2004	2003	Percentage
	\$'million	\$'million	Change
ASSETS			
Current assets	31.9	23.1	38
Non-current assets	33.5	32.4	3
Total Assets	65.4	55.5	18
LIABILITIES			
Current liabilities	12.0	8.6	40
Non-current liabilities	9.8	8.6	14
Total Liabilities	21.8	17.2	27
EQUITY	43.6	38.3	14

Statement of Financial Performance

Operating Revenues

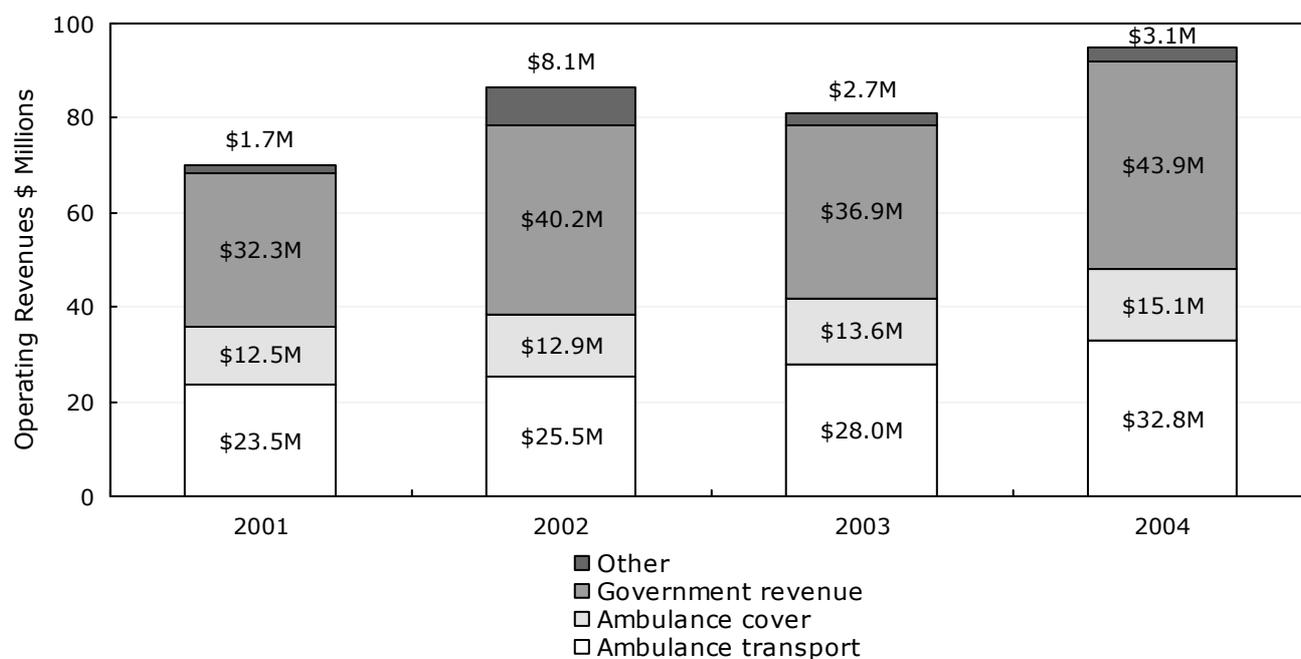
Government revenues has comprised approximately 46 percent of operating revenues for each of the last four years. This demonstrates the dependency of the Ambulance Service on government funding.

Government revenue increased by \$7.0 million in 2004 due partly to the need to fund the increasing cost of employee benefits. The decrease in government revenue in 2003 was due mainly to a one-off increase of \$4.2 million in the previous year to fund expenditure associated with the South Australian Government Radio Network.

Ambulance transport revenue for 2004 increased by 17 percent to \$32.8 million mainly as a result of an increase in the rates for ambulance services.

Other revenues increased in 2002 due mainly to a one-off transfer of \$5.9 million in properties from St John to the Ambulance Service.

A structural analysis of operating revenues for the Ambulance Service in the four years to 2004 is presented in the following chart.



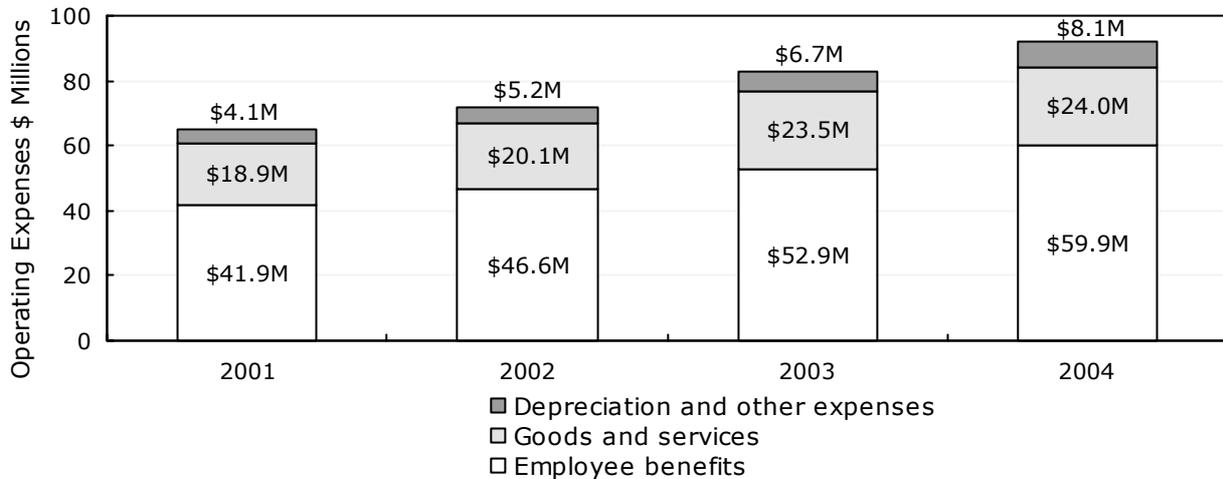
Operating Expenses

Employee benefit expenses have ranged between 64 to 67 percent of total operating expenses each year for the last four years.

During 2004 employee benefit expenses increased by 13 percent to \$59.9 million. This represents a 43 percent increase in employee benefit expenses since 2001, with the most significant increases experienced in the past two years. These increases are largely attributable to a 16 percent increase in total full time equivalent employees since 2002. The increase in staff is consistent with maintaining standards of service provision and response times. A \$1.0 million increase in the provision for workers compensation in 2004 and increases in rates of pay have also contributed to increasing employee benefits expenses.

Goods and services expenses increased in 2003 due mainly to expenditure on the South Australian Government Radio Network.

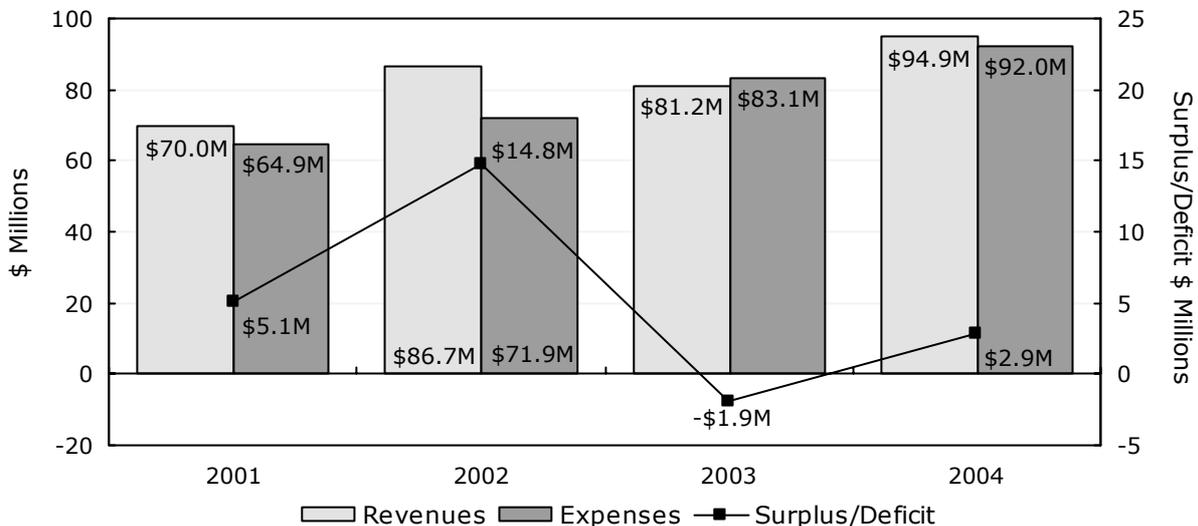
For the four years to 2004, a structural analysis of the main operating expense items for the Ambulance Service is shown in the following chart.



Operating Result

The large fluctuation in the Ambulance Service’s operating result during 2002 and 2003 was significantly impacted by the one-off transfer of properties from St John of \$5.9 million in 2002 and advanced funding received in 2002 of \$4.2 million for the purchase of communication equipment for the Government Radio Network in 2003.

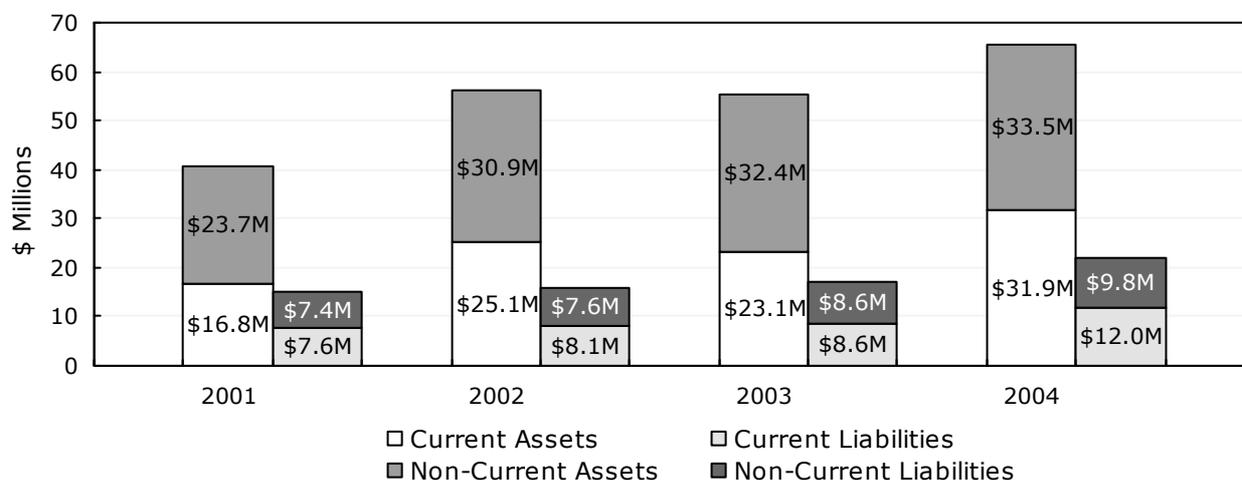
The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.



Statement of Financial Position

Total assets increased by \$9.9 million due mainly to a \$6.5 million increase in cash and investments and a \$2.5 million increase in receivables. The increase in the Ambulance Service's receivables is largely attributable to outstanding government grants which in previous years have been received prior to balance date.

For the four years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	12.5	6.4	13.5	8.8
Investing	(6.0)	(8.3)	(6.6)	(7.9)
Change in Cash	6.5	(1.9)	6.9	0.9
Cash at 30 June	23.8	17.3	19.2	12.3

The analysis of cash flows shows that cash increased by \$6.5 million in 2004. This increase is due mainly to the \$10.2 million increase in fees, charges and government funding offset by a \$5.5 million increase in payments to employees.

The increase in fees and charges was largely the result of an increase in the rates charged by the Ambulance Service per ambulance transport.

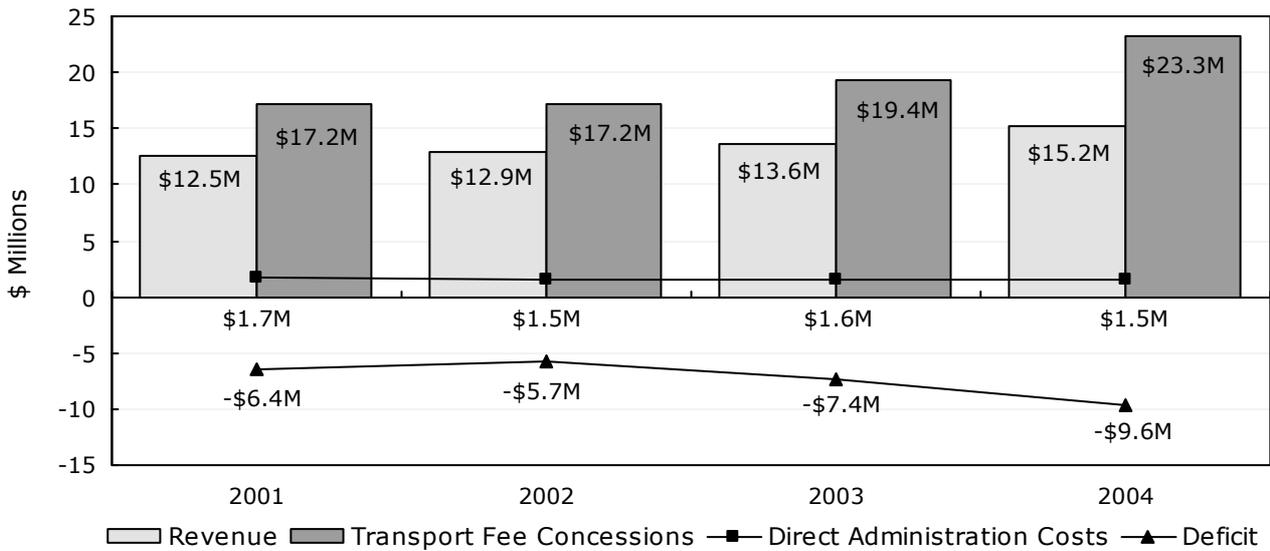
FURTHER COMMENTARY ON OPERATIONS

Ambulance Cover Scheme

The Ambulance Cover Scheme has a significant impact on the Service's operating result as premiums charged do not cover the cost of transport concessions provided to subscribers.

Premiums received for 2003-04 of \$15.2 million were \$1.6 million higher than for 2003-03 while concessions provided to subscribers increased by \$3.8 million to \$23.3 million. The increase in concessions provided is largely attributable to increased transport fee rates.

The following chart reflects the movement in revenues, expenses and deficit of the Ambulance Cover Scheme over the past four years and underlines the increasing trend in Transport Fee Concessions.



Review of Ambulance Service

As commented in last year’s Report, the State Government commissioned a review during 2002-03 of the efficiency and effectiveness of the Ambulance Service, including the appropriateness of its governance systems.

During 2003-04 the following actions have been taken by the Government and the Ambulance Service to address key recommendations from the review:

- Administrative responsibility for the Ambulance Service was transferred from the Minister for Emergency Services to the Minister for Health on 29 April 2004;
- The Ambulance Service undertook a review of its management structure and reporting lines during 2003-04 resulting in a new organisational portfolio ‘Strategy and Organisational Development’ being established in September 2004;
- A revised strategic plan was adopted in February 2004. Five key areas for development have been identified which are broadly consistent with the recommendations from the government review. Key projects identified within the strategic plan include the:
 - review and development of a new funding model that supports improved service provision;
 - development of a new service delivery model that is appropriate, funded and integrates into the broader health system.

The 2002-03 government review also recommended a reconfiguration of the current governance arrangements for the Ambulance Service, with a preference for the Ambulance Service to be established as an administrative unit pursuant to the *Public Sector Management Act 1995*. Discussions between the Minister for Health, the Department of Health and the Ambulance Service are continuing in regard to this issue.

Previous reports have noted the intention of the Priory in Australia of the Order of St John (the Priory) to withdraw from the provision of ambulance services in South Australia. Until the future governance arrangements for the Ambulance Service are resolved and relevant amendments made to the *Ambulance Services Act 1992*, the Priory will remain a Member of the Ambulance Service.

**Statement of Financial Performance
for the year ended 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Operating Revenues:			
Sales of goods and services:			
Ambulance transport	3	32 822	27 947
Ambulance Cover	4	15 168	13 627
Call Direct		1 525	1 242
Other operating revenues	5	1 210	1 023
Total Operating Revenues		50 725	43 839
Revenues from Government	1(k), 6	43 868	36 898
Non-operating revenues		370	472
Total Revenues		94 963	81 209
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee benefits expense	7	59 901	52 893
Goods and services	8	24 044	23 560
Depreciation	10	6 473	6 179
Other expenses	11	1 605	515
Total Expenses		92 023	83 147
SURPLUS (DEFICIT) FROM ORDINARY ACTIVITIES		2 940	(1 938)
NET INCREASE IN ASSET REVALUATION RESERVE		2370	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS	17(c)	5 310	(1 938)

**Statement of Financial Position
as at 30 June 2004**

	Note	2004 \$'000	2003 \$'000
ASSETS:			
CURRENT ASSETS:			
Cash assets	1(j), 21(a)	13 868	9 340
Investments	1(j), 21(a)	10 000	8 000
Receivables	12	7 298	4 776
Inventories		307	341
Other	13	474	624
Total Current Assets		31 947	23 081
NON-CURRENT ASSETS:			
Property, plant and equipment	14	33 461	32 463
Total Non-Current Assets		33 461	32 463
Total Assets		65 408	55 544
LIABILITIES:			
CURRENT LIABILITIES:			
Payables	15(a)	5 161	2 820
Provision for employee benefits	16(a)	6 855	5 825
Total Current Liabilities		12 016	8 645
NON-CURRENT LIABILITIES			
Payables	15(b)	422	374
Provision for employee benefits	16(b)	9 341	8 206
Total Non-Current Liabilities		9 763	8 580
Total Liabilities		21 779	17 225
NET ASSETS		43 629	38 319
EQUITY:			
Capital		6 298	6 298
Reserves	17(a)	12 065	8 459
Accumulated surplus	17(b)	25 266	23 562
TOTAL EQUITY	17(c)	43 629	38 319
Commitments	19		
Contingent Liabilities and Contingent Assets	20		

**Statement of Cash Flows
for the year ended 30 June 2004**

	Note	2004 Inflows (Outflows) \$'000	2003 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
CASH OUTFLOWS:			
Payments to suppliers		(22 420)	(22 899)
Payments to employees		(52 521)	(47 067)
GST payments on purchases		(2 441)	(2 701)
GST remitted to Australian Taxation Office		(5 430)	(728)
Total Outflows from Operating Activities		(82 812)	(73 395)
CASH INFLOWS:			
Receipts from government		41 975	36 898
Fees and charges		44 177	39 063
Interest received		1 042	896
GST receipts on sales		5 548	457
GST input tax credits		2 565	2 434
Total Inflows from Operating Activities		95 307	79 748
Net Cash inflows from Operating Activities	21(b)	12 495	6 353
CASH FLOWS FROM INVESTING ACTIVITIES:			
CASH OUTFLOWS:			
Payments for property, plant and equipment		(7 175)	(9 721)
Total Outflows from Investment Activities		(7 175)	(9 721)
CASH INFLOWS:			
Proceeds from sale of plant and equipment		1 208	1 471
Total Inflows from Investing Activities		1 208	1 471
Net Cash outflows from Investing Activities		(5 967)	(8 250)
NET INCREASE (DECREASE) IN CASH HELD		6 528	(1 897)
CASH AT 1 JULY		17 340	19 237
CASH AT 30 JUNE	21(a)	23 868	17 340

The Statement of Cash Flows is to be read in conjunction with the Notes to and forming part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

The significant accounting policies adopted in the preparation of this financial report are detailed below:

(a) Entity Definition

SA St John Ambulance Service Inc. (trading as SA Ambulance Service) is an incorporated association formed by the Minister for Health for the Government of South Australia and the Priory in Australia of the Order of St John (Priory) under the *Associations Incorporation Act 1985 (SA)*. SA Ambulance Service operates in accordance with the *Ambulance Services Act 1992* and under a licence issued on 1 March 1993 by the Minister for Health, Family and Community Services.

In January 1999 Priory's authority to nominate and appoint directors to the Ambulance Board was delegated to the Minister.

The registered office is located at 216 Greenhill Road, Eastwood, South Australia.

The principal activities of SA Ambulance Service are the provision of high-quality pre-hospital care and patient transport.

(b) Basis of Preparation

The financial report is a general-purpose financial report that has been drawn up in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group (UIG) Consensus Views, other mandatory professional reporting requirements, Department of Treasury and Finance Accounting Policy Statements, Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*, and the *Associations Incorporation Act 1985 (SA)*. The financial statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention except for certain assets that have been revalued.

(c) Revenue Recognition

Ambulance Transport Revenue

Ambulance transport revenue comprises revenue earned, net of discounts and allowances from the provision of patient transport, and is recognised when the service is provided or when the fee in respect of services provided is receivable.

Ambulance Cover Revenue

SA Ambulance Service operates an Ambulance Cover scheme whereby members pay a premium to cover themselves against the cost of ambulance transport. Ambulance Cover revenue is recognised upon receipt of the premium.

Call Direct Revenue

Call Direct revenue comprises the sale of alarm monitoring units and accessories, and monitoring income. Units and accessories revenue are recognised at point of sale. Monitoring income is brought to account when accrued.

Other Operating Revenues

Other operating revenues comprise interest received and donations. Donations are recognised when received, and interest when accrued.

Revenues from Government

Revenues from the State Government comprise contributions to meet the costs of Government's community service obligations, for which services are provided by SA Ambulance Service, and funds for a motor vehicle replacement program. Government revenues are recognised on receipt.

Non-Operating Revenues

Non-operating revenues represent rental, commissions and discounts received, and sundry revenue.

(d) Taxation

SA Ambulance Service is a public ambulance service and is exempt from income tax and endorsed to receive deductible gifts pursuant to the *Income Tax Assessment Act 1997 (Cwlth)*. SA Ambulance Service is exempted under the *Fringe Benefits Tax Assessment Act 1986 (Cwlth)* for up to \$17 000 of grossed-up taxable value per employee and for remote housing benefit.

(e) Inventories

Inventories are carried at the lower of cost and net realisable value.

(f) Non-Current Assets

All items of non-current assets, with the exception of land, have a limited useful life, which is reviewed annually.

These are systematically depreciated in a manner that reflects the consumption of service potential.

The major asset categories are subject to straight-line depreciation over the following estimated useful lives:

	Years
Buildings and leasehold improvements	10 to 40
Motor vehicles	1 to 8
Medical equipment	4 to 5
Plant and equipment*	1 to 25
Communication equipment	3 to 32

* Comprises information technology, office furniture and equipment, fixtures and fittings and training equipment.

Refer to Note 14 for the basis of valuation for each major asset category.

(g) Operating Leases

Operating lease assets are not capitalised, and lease payments are charged as operating expenses in the period in which they are incurred.

(h) Employee Benefits

Provision has been made in the financial report for SA Ambulance Service's liability for employee benefits for services rendered to balance date.

In determining the liability for employee benefits, consideration has been given to possible future increases in wage and salary rates and SA Ambulance Service's experience with staff attrition.

Annual Leave

The provision for employee benefits for annual leave is based on legal contractual benefits at balance date. The rates of pay expected to be paid when the leave is taken have been used in calculating the provision.

Sick Leave

No provision has been made for sick leave because entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlements.

Accrued Days Off

The provision for employee benefits for accrued days off is based on legal contractual benefits at balance date. The rates of pay expected to be paid when the leave is taken have been used in calculating the provision.

Long Service Leave

The liability for employee benefits for long service leave represents the amount SA Ambulance Service has a present obligation to pay resulting from employees' services provided up to the balance date.

The provision has been calculated at nominal amounts based on current salaries and wages rates using an assessed benchmark of seven years service. The benchmark is based upon an actuarial assessment conducted by Brett & Watson Pty Ltd (members of the Institute of Actuaries of Australia) at 30 June 2002, in accordance with Australian Accounting Standard AASB 1028 'Employee Benefits'.

Workers Compensation

SA Ambulance Service is recognised as an exempt employer under section 61 of the Workers Rehabilitation and Compensation Act 1986 (SA). The liability for employee benefits for workers compensation is based upon an actuarial assessment conducted by Taylor Fry Consulting Actuaries at 30 June 2004. The valuation has been performed across the whole of government and apportioned to each agency based on actuarial methodology and specific economic assumptions. In prior years SA Ambulance Service commissioned its own independent actuarial assessment.

Superannuation Funds

SA Ambulance Service contributes to two superannuation funds for the benefit of its employees. Contributions are charged as expenditure as they are made. There is no liability for payments to beneficiaries, as this is the responsibility of the superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the superannuation schemes. Further information is set out in Note 18.

(i) Reserves

The amounts recorded as reserves, excluding asset revaluation, are represented by actual funds set aside for express purposes as follows:

Country Branch Reserves

These reserves are under the control of country branch committees in accordance with the provisions of SA Ambulance Service Country Branch Regulations and are applied to meet branch requirements.

Country Capital Reserve Fund

This fund is specifically applied for the purchase of capital items deemed necessary for the effective operation of country branches. Allocations from this fund are controlled by the Country Ambulance Services Advisory Committee (CASAC). Revenues are received from transfers from the Country Operating Reserve Fund, interest earnings, and transfers from Country Branch Reserves towards capital projects.

Country Operating Reserve Fund

The Country Operating Reserve Fund (CORF) was established to meet operating costs that relate to the operations of country branches. Allocations from the fund are controlled by CASAC. Revenues are received from volunteer branch operating surpluses as defined in the SA Ambulance Service Country Branch Regulations.

(j) Financial Instruments

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

SA Ambulance Service's accounting policies, including the terms and conditions of each class of financial asset and financial liability recognised at 30 June 2004, are as follows:

Financial Assets

Cash assets are comprised mainly of deposits at call with the Commonwealth Bank of Australia (CBA). The interest rate prevailing on deposits totalling \$13.87 million (\$9.34 million) with the CBA at 30 June 2004 varied from 4.5 percent to 5 percent (4 percent to 4.5 percent).

Investments totalling \$10 million (\$8 million) constitute term deposits with the CBA. As at 30 June 2004 the average prevailing interest rate was 5.35 percent (4.62 percent).

Receivables are recognised when the service is provided and are reported at amounts due that are net of discounts and doubtful debts.

Financial Liabilities

Payables are raised for amounts billed or billable but unpaid and are normally paid within trading terms.

(k) Economic Dependency

A significant proportion of revenue is derived from government, without which SA Ambulance Service would not be able to provide community service obligations. Revenue from government was \$43.9 million in 2004 (\$36.9 million).

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

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

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

The net GST receivable/payable to the Australian Taxation Office has been recognised as a receivable/payable in the Statement of Financial Position.

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

2. Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', SA Ambulance Service's Chief Executive is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). SA Ambulance Service has analysed the exposure drafts issued by the AASB and has identified a number of potential issues that may need to be addressed. SA Ambulance Service will develop a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial statements;
- key dates for monitoring and reviewing progress.

SA Ambulance Service is keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending information forums organised by the Department of Treasury and Finance (DTF) and professional accounting bodies.

Expected Differences in Accounting Policy

Changes in Accounting Policy

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Non-Current Asset Acquisition and Recognition

The Australian equivalent to IAS 16 'Property, Plant and Equipment' is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than three years) will continue to apply.

Employee Benefits

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

Defined Benefits Superannuation

AASB 119 will require entities that sponsor defined benefit superannuation plans to report an asset (if the fund is in surplus) or a liability (if the fund is in deficit) in its statement of financial position. The amount will be equal to the surplus or deficit in its defined benefit superannuation fund at the balance sheet date, increased to allow for the impact of contributions tax. SA Ambulance Service will also include in its statement of financial performance a superannuation expense calculated as:

- the actuarial cost of benefits accrued during the year, plus or minus;
- the change in surplus over the year.

The expense under AASB 119 can differ significantly from the actual cash contribution, and could be very volatile from year to year.

3. Ambulance Transport

	2004	2003
	\$'000	\$'000
Fees raised	71 969	60 671
Less: Concessions - Ambulance Cover	23 264	19 427
- Pensioners	15 883	13 297
	32 822	27 947

4. Ambulance Cover	2004	2003
	\$'000	\$'000
Ambulance Cover revenue	15 168	13 627
Less: Transport fee concessions	23 264	19 427
Direct administration costs	1 499	1 564
Ambulance Cover Deficit	(9 595)	(7 364)
<hr/>		
5. Other Operating Revenues		
Interest	1 099	890
Donations	111	133
	1 210	1 023
<hr/>		
6. Revenues from Government		
Funding was received from the State Government for:		
Operations*	38 132	33 791
South Australian Government Radio Network**	1 071	209
Capital works	4 665	2 898
	43 868	36 898
<hr/>		
* Includes \$822 000 in 2003-04 from the Community Emergency Services Fund towards operations (\$802 000).		
** Comprises, in 2003-04, \$209 000 from the Community Emergency Services Fund (\$209 000).		
<hr/>		
7. Employee Benefits Expense		
Salaries and wages, annual and sick leave	51 823	46 077
Superannuation	3 641	3 224
Workers compensation	3 631	2 628
Long service leave	806	964
	59 901	52 893
<hr/>		
8. Goods and Services		
Bad and doubtful debts	4 684	4 113
Professional and administrative expenses	3 870	3 212
Training, travel, uniforms and other staff expenses	3 171	3 277
Communication	2 897	3 678
Medical	2 385	2 639
Vehicle operating	1 937	1 935
Occupancy	1 889	1 608
Information technology	1 483	1 341
Marketing	662	668
Discounts on ambulance transports	434	439
Consultancies	133	236
Other	499	414
	24 044	23 560
<hr/>		
9. Auditors' Remuneration		
Amounts paid and payable to the auditors for auditing the financial report	55	45
<hr/>		
The auditors provided no other services.		
<hr/>		
10. Depreciation		
Buildings	515	417
Leasehold improvements	158	204
Motor vehicles	4 242	3 854
Medical equipment	533	562
Plant and equipment	734	853
Communication equipment	291	289
	6 473	6 179
<hr/>		
11. Other Expenses		
Asset Disposals:		
Revenue from the disposal of assets	1 228	1 378
Less: Written-down value of disposed assets	1 731	1 693
Net Expense from Disposal of Assets	503	315
Decrement on revaluation of non-current assets	346	-
Grant to Department of Health	756	200
	1 605	515
<hr/>		
12. Receivables		
Debtors	9 516	6 677
Less: Provision for doubtful debts	2 218	1 901
	7 298	4 776
<hr/>		

13. Other Current Assets	2004	2003
	\$'000	\$'000
Prepayments	319	559
Accrued revenue	155	65
	474	624
14. Property, Plant and Equipment		
Land:		
Opening balance	2 793	2 804
Disposals	(4)	-
Other movements	-	(11)
Revaluation increment	2 932	-
Closing Balance	5 721	2 793
Net Book Value **	5 721	2 793
Buildings:		
Opening balance	18 285	17 060
Additions	1 472	1 225
Disposals	(57)	-
Revaluation write-back	(11 495)	-
Revaluation decrement	(956)	-
Closing Balance	7 249	18 285
Accumulated Depreciation:		
Opening balance	11 012	10 595
Depreciation for the year	515	417
Disposals	(32)	-
Revaluation write-back	(11 495)	-
Closing Balance	-	11 012
Net Book Value **	7 249	7 273
Leasehold Improvements:		
Opening balance	6 006	5 889
Additions	265	117
Disposals	(86)	-
Revaluation write-back	(2 384)	-
Revaluation increment	48	-
Closing Balance	3 849	6 006
Accumulated Depreciation:		
Opening balance	2 271	2 067
Depreciation for the year	158	204
Disposals	(45)	-
Revaluation write-back	(2 384)	-
Closing Balance	-	2 271
Net Book Value **	3 849	3 735
Motor Vehicles:		
Opening balance	25 862	23 260
Additions	4 566	7 040
Disposals	(3 504)	(4 438)
Closing Balance	26 924	25 862
Accumulated Depreciation:		
Opening balance	10 872	9 786
Depreciation for the year	4 242	3 854
Disposals	(1 952)	(2 768)
Closing Balance	13 162	10 872
Net Book Value ***	13 762	14 990
Medical Equipment:		
Opening balance	5 370	5 070
Additions	153	300
Closing Balance	5 523	5 370
Accumulated Depreciation:		
Opening balance	3 950	3 388
Depreciation for the year	533	562
Closing Balance	4 483	3 950
Net Book Value ***	1 040	1 420

14. Property, Plant and Equipment (continued)	2004	2003
Plant and Equipment:	\$'000	\$'000
Opening balance	4 625	4 357
Additions	635	710
Disposals	(666)	(442)
Closing Balance	4 594	4 625
Accumulated Depreciation:		
Opening balance	2 971	2 537
Depreciation for the year	734	853
Disposals	(557)	(419)
Closing Balance	3 148	2 971
Net Book Value ***	1 446	1 654
Communication Equipment:		
Opening balance	3 813	3 797
Additions	87	16
Disposals	(9)	-
Closing Balance	3 891	3 813
Accumulated Depreciation:		
Opening balance	3 215	2 926
Depreciation for the year	291	289
Disposals	(9)	-
Closing Balance	3 497	3 215
Net Book Value ****	394	598
Total Net Book Value	33 461	32 463
** Land, buildings and leasehold improvements were independently revalued on a fair value basis at 30 June 2004 by Liquid Pacific Holdings Pty Ltd.		
*** Motor vehicles, medical equipment, and plant and equipment are recorded at cost.		
**** Communication equipment was revalued on a deprival basis at 30 June 2001 by Ambulance Service Management.		
15. Payables	2004	2003
(a) Current:	\$'000	\$'000
Trade creditors	4 589	2 305
Employment on-costs	374	344
Other creditors	198	171
	5 161	2 820
(b) Non-Current:		
Employment on-costs	422	374
	5 583	3 194
16. Provision for Employee Benefits		
(a) Current:		
Annual leave	3 428	3 148
Accrued days off	1 317	1 110
Workers compensation	1 273	730
Accrued salaries and wages	539	526
Long service leave	298	311
	6 855	5 825
(b) Non-Current:		
Long service leave	3 879	3 452
Workers compensation	2 607	2 200
Annual leave	2 202	2 063
Accrued days off	653	491
	9 341	8 206
Total Provision for Employee Benefits	16 196	14 031
(c) Employee Benefits and Related On-Cost Liabilities		
Annual Leave:		
Included in current payables (Note 15(a))	261	244
Provision for employee benefits - Current (Note 16(a))	3 428	3 148
Total liability for current annual leave benefit	3 689	3 392
Included in non-current payables (Note 15(b))	175	160
Provision for employee benefits - Non-current (Note 16(b))	2 202	2 063
Total liability for non-current annual leave benefit	2 377	2 223

(c) Employee Benefits and Related On-Cost Liabilities (continued)	2004	2003
Accrued Days Off:	\$'000	\$'000
Included in current payables (Note 15(a))	98	83
Provision for employee benefits - Current (Note 16(a))	1 317	1 110
Total liability for current accrued days off benefit	1 415	1 193
Included in non-current payables (Note 15(b))	49	37
Provision for employee benefits - Non-current (Note 16(b))	653	491
Total liability for non-current accrued days off benefit	702	528
Long Service Leave:		
Included in current payables (Note 15(a))	15	17
Provision for employee benefits - Current (Note 16(a))	298	311
Total liability for current long service leave benefit	313	328
Included in non-current payables (Note 15(b))	198	177
Provision for employee benefits - Non-current (Note 16(b))	3 879	3 452
Total liability for non-current long service leave benefit	4 077	3 629
17. Movement in Equity		
(a) Reserves		
Asset Revaluation Reserve:		
Balance at 1 July	3 275	3 275
Revaluation increment	2 370	-
Balance at 30 June	5 645	3 275
Country Branch Reserves:		
Balance at 1 July	690	725
Transfers to accumulated surplus	-	(35)
Transfers from accumulated surplus	13	-
Transfers to Country Capital Reserve Fund	(19)	-
Balance at 30 June	684	690
Country Capital Reserve Fund:		
Balance at 1 July	4 494	3 623
Transfers to accumulated surplus	(1 055)	(790)
Transfers from Country Branch Reserves	19	-
Transfer from Country Operating Reserve Fund	2 278	1 661
Balance at 30 June	5 736	4 494
Country Operating Reserve Fund:		
Balance at 1 July	-	-
Transfers from accumulated surplus	2 278	1 661
Transfer to Country Capital Reserve Fund	(2 278)	(1 661)
Balance at 30 June	-	-
Total Reserves	12 065	8 459
(b) Accumulated Surplus		
Balance at 1 July	23 562	26 336
Surplus (Deficit) from ordinary activities	2 940	(1 938)
Transfers from reserves to accumulated surplus	1 055	825
Transfers to reserves from accumulated surplus	(2 291)	(1 661)
Balance at 30 June	25 266	23 562
(c) Total Equity		
Balance at 1 July	38 319	40 257
Surplus (deficit) from ordinary activities	2 940	(1 938)
Revaluation increment	2 370	-
Balance at 30 June	43 629	38 319
18. Superannuation Funds		
(a) SA Ambulance Service Superannuation Fund		
All but a few of the SA Ambulance Service's employees are members of the SA Ambulance Service Superannuation Fund (the 'Fund'). These employees are eligible to receive a benefit from the Fund. A benefit is payable on retirement, death, disablement or leaving SA Ambulance Service, in accordance with the Fund's trust deed and rules. The Fund is a resident regulated superannuation fund that complies with superannuation laws.		

(a) SA Ambulance Service Superannuation Fund (continued)

The Fund provides lump-sum benefits for contributory and non-contributory members. For contributory members the retirement, death and disablement benefits are calculated either on a defined-benefit basis or on an accumulation-style basis, if higher. In contrast, the resignation benefit is calculated on an accumulation-style basis. Defined benefits reflect a member's period of Fund membership and final average salary. Contributory members of the Fund make mandatory contributions at a rate of 5 percent of salary. If it has agreed to do so, SA Ambulance Service may make additional contributions at the rate of 5.9 percent of salary in lieu of these contributions. Non-contributory members are not required to make contributions and they receive accumulation style benefits.

SA Ambulance Service contributes towards the Fund's defined benefits in accordance with the recommendation of the actuary. In respect of all but a small proportion of the membership, it also contributes to the Fund in accordance with the relevant employee award. By contributing, SA Ambulance Service avoids incurring a charge in respect of the members, in accordance with superannuation guarantee legislation. Contributions are charged as expenditure as they are made.

Mercer Human Resource Consulting Pty Ltd carried out the most recent actuarial investigation of the Fund as at 30 June 2002. The investigation confirmed that the Fund's assets were sufficient for it to meet the benefits that would have been vested under it in the event of its termination or on the voluntary or compulsory termination of the employment of each member.

	\$'000
Net market value of Fund's assets as at 30 June 2002	55 559
Value of accrued benefits as at 30 June 2002	54 451
Excess of net market value of Fund assets over value of accrued benefits as at 30 June 2002	<u>1 108</u>
Net market value of Fund's assets as at 30 June 2003	56 892
Total of vested benefits as at 30 June 2003	55 081
Excess of net market value of Fund assets over value of accrued benefits as at 30 June 2003	<u>1 811</u>

(b) Statewide Superannuation Trust

In respect of a small proportion of the workforce, SA Ambulance Service pays its contributions in accordance with the relevant employee award to the Statewide Superannuation Trust. By making these contributions, SA Ambulance Service avoids incurring a charge for members in accordance with superannuation guarantee legislation. Contributions are charged as expenditure as they are made.

The Statewide Superannuation Trust provides lump-sum benefits on leaving employment for any reason, calculated on an accumulated basis. Members are not required to make contributions to the trust.

19. Commitments	2004	2003
(a) Lease Commitments (excludes GST)	\$'000	\$'000
Operating lease expenditure contracted for is payable as follows:		
Not later than one year	163	121
Later than one year but not later than five years	308	167
Later than five years	217	260
	688	548

SA Ambulance Service has operating lease arrangements for the use of properties at Ashford Hospital, Camden Park, Eastwood and Murray Bridge. Total rental expenditure for 2003-04 was \$259 000 (\$208 000). Future operating lease commitments represent the present value of future cash outflows to be made as per the lease agreements. Terms of renewal are as mutually agreed by SA Ambulance Service and the lessor.

SA Ambulance Service has a number of other operating leases for the use of property. The value of these leases is immaterial.

(b) Capital Commitments (excludes GST)	2004	2003
Agreements outstanding as at 30 June 2004:	\$'000	\$'000
Purchase of ambulances at estimated cost less payments made:		
Not later than one year	1 456	215
Construction and fitout of buildings at estimated cost less payments made:		
Not later than one year	304	170
	1 760	385

20. Contingent Liabilities and Contingent Assets**(a) Contingent Liabilities**

The nature of operations is such that potential exposures to litigation and other incidents giving rise to financial liability is considered by SA Ambulance Service to be less than likely. Following a consideration of all relevant factors, the Ambulance Board is of the opinion that no liability is required to be disclosed as being contingent.

(b) Contingent Assets**AMS Project**

The Audio Management System (AMS) project encompasses the replacement of the telephone call-handling and radio dispatch systems in the communications centres of the SA Ambulance Service, SA Police and SA Metropolitan Fire Service. The AMS project is administered by the Department of Justice on behalf of these agencies. The SA Ambulance component was completed in May 2004.

It is understood that the total AMS project costs should not exceed \$12 million. As at the reporting date information on the SA Ambulance Service share of the total project costs cannot be reliably estimated. It is anticipated that this information will be available early in 2004-05. The SA Ambulance share of the AMS project costs will be capitalised in the Statement of Financial Position of SA Ambulance Service during 2004-05.

21. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand, at bank and investments. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2004	2003
	\$'000	\$'000
Cash assets	13 868	9 340
Investments	10 000	8 000
	23 868	17 340

(b) Reconciliation of Surplus (Deficit) from Ordinary Activities to Net Cash inflows from Operating Activities

Surplus (deficit) from Ordinary Activities	2 940	(1 938)
Less: Items classified as investing activities:		
Net expense on the sale of non-current assets	503	315
Add: Non-cash items:		
Depreciation	6 473	6 179
Decrement on revaluation of non-current assets	346	-
Net Cash provided by Operating Activities before change in Assets and Liabilities	10 262	4 556
Change in assets and liabilities affecting the Statement of Financial Performance during the financial year:		
(Increase) Decrease in receivables	(2 522)	131
Decrease (Increase) in inventory	34	(105)
Decrease in other current assets	150	36
Increase (Decrease) in accrued revenue for non-current assets disposals	20	(93)
Increase (Decrease) payables	2 389	(78)
(Increase) Decrease in payables for non-current asset purchases	(3)	324
Increase in provision for employee benefits	2 165	1 582
Net Cash inflows from Operating Activities	12 495	6 353

22. Remuneration of Employees

The number of employees whose remuneration, inclusive of superannuation and other benefits, from SA Ambulance Service fell within the following bands was:

	2004	2004*	2003*
	Number of	Number of	Number of
	Employees	Employees	Employees
\$100 001 - \$110 000	19	21	14
\$110 001 - \$120 000	6	4	-
\$120 001 - \$130 000	1	1	1
\$130 001 - \$140 000	-	-	1
\$140 001 - \$150 000	2	2	-
\$150 001 - \$160 000	-	-	-
\$160 001 - \$170 000	1	1	1
\$170 001 - \$180 000	1	1	-

The total remuneration received, or due and receivable, from the SA Ambulance Service by the employees whose remuneration exceeded \$100 000 was:

	2004	2004*	2003*
	\$'000	\$'000	\$'000
	3 411	3 399	1 873

* Excludes payments made to employees in lieu of taking long service leave.

23. Remuneration of Directors of the Board

The directors of the Ambulance Board during the period were:

Ms R M Pak-Poy (Chairman)	Mr G Hockley
Mr D R Hawking	Ms L Reed
Mr P L Palmer	Dr C Baggoley
Mr M Scott	Dr S Cole
Mr L Gregurke	Mr D O'Shea

All persons served for the entire period unless otherwise indicated. During the year, a total of \$102 000 (\$107 000) in directors' fees and other benefits, and \$9 000 (\$9 000) in superannuation benefits were payable.

23. Remuneration of Directors of the Board (continued)

The number of Directors whose remuneration paid or payable by the SA Ambulance Service within the following bands was:

	2004	2003
	Number of	Number of
	Directors	Directors
\$1 - \$10 000	5	4
\$10 001 - \$20 000	5	6

24. Related Party Disclosures

Directors of the board, or their director-related entities, conduct transactions with SA Ambulance Service within a normal supplier relationship, on terms no more favourable than those with which it is reasonable to expect SA Ambulance Service would have adopted with the director or director-related entity at arms-length in similar circumstances.

Related party disclosures comprise the provision of legal advice and services by Minter Ellison (a firm in which Ms R M Pak-Poy was a partner) of \$37 000 (\$134 000). This disclosure relates to the period from 1 July 2003 to 31 March 2004 prior to Ms Pak-Poy's retirement from Minter Ellison.

SOUTH AUSTRALIAN ABORIGINAL HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Aboriginal Housing Authority (the Authority) was established in October 1998 as a statutory corporation under the *Housing and Urban Development (Administrative Arrangements) Act 1995*.

Functions

The functions of the Authority are:

- The development of strategies, policies and guidelines for the provision, management and maintenance of appropriate housing for Aboriginal people.
- To liaise with other agencies providing assistance to Aboriginal people to achieve a coordinated response.
- To receive and allocate resources for Aboriginal housing programs.

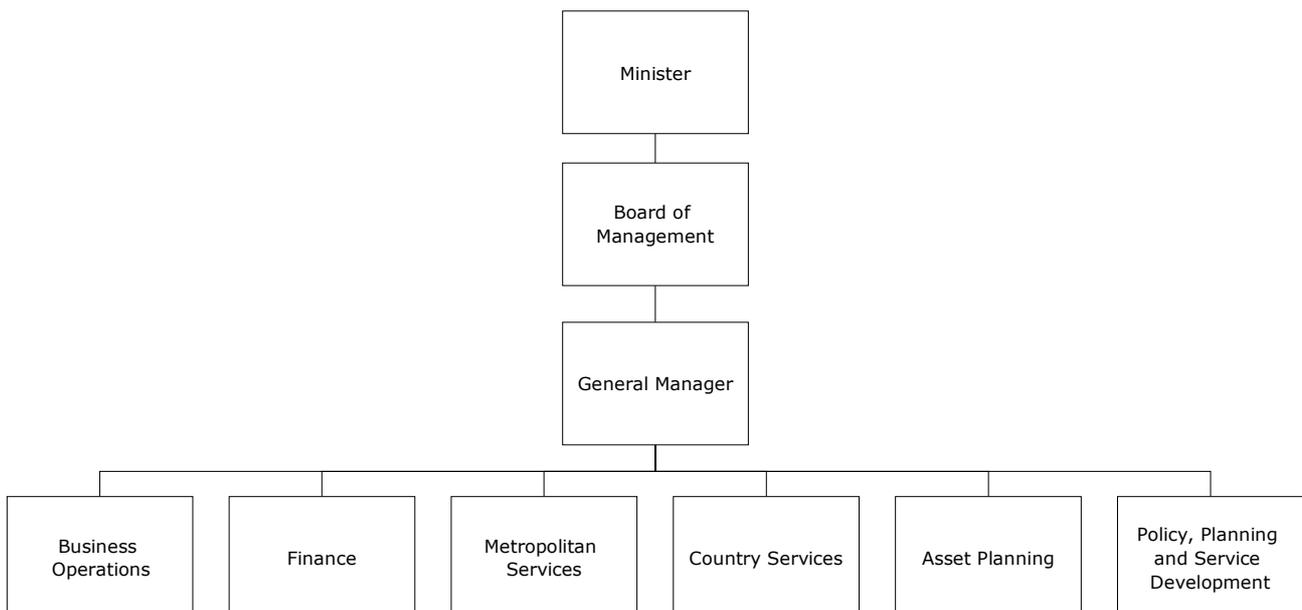
The Authority provides these functions through the rental of State Government owned housing to Aboriginal people and the provision of grants to fund housing owned by Aboriginal communities.

Structure

The Authority is established with a Board of Management comprising members and deputy members. All members and their deputies must be Aboriginal people and are appointed by the Governor with five members, including the presiding member, nominated by the Minister and four nominated by the Aboriginal and Torres Strait Islander Commission.

The staff of the Authority are employees of the Department of Human Services assigned to work for the Authority. The Department and the South Australian Housing Trust (the Trust) provide management, accounting and systems services to the Authority. The Authority uses the Trust's systems to record and account for assets, raise and follow up rents and other charges, to manage the maintenance of properties and to control costs associated with properties.

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 28 of the *Housing and Urban Development (Administrative Arrangements) Act 1995* and subsection 31(1)(b) of the *Public Finance and Audit Act 1987* provide for the Auditor-General to audit the accounts of the Authority 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 South Australian Aboriginal Housing Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

This assessment also considers whether 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 2003-04, specific areas of audit attention included:

- budgetary control and management reporting
- raising and recovery of rent and other tenant charges
- grant expenditure for the Community Housing Program
- capital expenditure
- repairs and maintenance of rental housing properties
- purchase and sale of properties.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the South Australian Aboriginal Housing Authority as at 30 June 2004, its financial performance and cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the South Australian Aboriginal Housing Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to Budgetary Control and Management Reporting are sufficient to provide reasonable assurance that the financial transactions of the South Australian Aboriginal Housing Authority have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the General Manager. Major matters raised with the Authority and the related responses are considered herein.

Budgetary Control

In February 2004 the Authority identified that it had not taken into account \$2.0 million worth of commitments for capital upgrades carried forward from the 2002-03 financial year when developing its capital budget for 2003-04. Whilst the Authority took action to reduce its capital expenditure for the remainder of the 2003-04 year, this omission contributed significantly to the capital upgrade budget for 2003-04 being overspent by \$3.6 million.

Audit recommended that the Authority develop procedures to ensure outstanding commitments are accounted for when developing annual budget forecasts.

The Authority responded that it will implement procedures to monitor the capital budget on a weekly basis.

Management Reporting

A review of the controls adopted by the Authority for the management of the capital upgrade and recurrent maintenance programs concluded that the Authority had not developed and implemented mechanisms which support effective financial reporting of project to date expenditure against budget for:

- capital upgrade projects;
- the major maintenance categories of responsive, programmed and vacancy maintenance.

The Authority responded that the implementation of a project database, which records all capital expenditure by project, will allow the Authority to monitor the financial performance of individual projects.

The project database was implemented on a limited basis by the Authority in July 2004.

Further, the Authority commented that it will develop management reports which report the financial performance of each major maintenance program.

Key Service Providers

Audit noted that the Authority's Service Level Agreement with the SA Housing Trust (SAHT) did not effectively support control of key services provided to the Authority by SAHT sub-contractors.

Key services provided by SAHT sub-contractors include:

- issue of maintenance orders;
- monitoring of work performed to ensure that it has been performed in accordance with the order;
- processing of disbursements to maintenance sub-contractors.

In response the Authority acknowledged the need to review the nature of its contractual relationships with key service providers.

Risk Management

The audit of the Authority for 2001-02 and 2002-03 identified opportunities to improve the management of risk through the establishment of a risk management plan. In 2003-04 Audit noted that whilst the Authority had developed a risk management plan, it remained in a draft format.

Audit recommended that the Authority finalise and implement the risk management plan.

The Authority responded that a final risk management plan would be tabled at its Audit and Finance sub-committee meeting in October 2004.

Strategic Asset Management Plan

Last year's Audit noted that the Authority had not established a strategic asset management plan for the maintenance, upgrade, acquisition and disposal of houses controlled by the Authority.

The Authority responded that the task of progressively determining the condition of each house was substantially completed and that a strategic asset management plan would be finalised during 2003-04.

In August 2004 Audit observed that a strategic asset management plan had not been established.

The Authority responded that a strategic asset management plan would be completed by December 2004.

Community Housing Program Reporting

Audit noted an opportunity to improve reporting to the Board on the financial performance of the Community Housing Program (CHP) by including the following information in regular reporting to the Board:

- Budget and actual expenditure for individual CHP projects which have exceeded budget
- Explanations of the cause of variances between budgeted and actual expenditure

- The number of outstanding CHP projects
- Estimates of project completion dates.

In response the Authority stated that the status of individual CHP projects would be reported to the Board on an exception basis.

Levels of Authority

Audit recommended the Authority improve control over project expenditure by amending the Board Levels of Authority to require specific authorisation of expenditure for individual projects where actual expenditure was greater than the Board approved project budget by a specified amount.

The Authority has indicated that it will review its Levels of Authority.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2004	2003	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Government revenues	29.3	21.4	37
Other	10.7	10.5	2
Total Operating Revenue	40.0	31.9	25
OPERATING EXPENDITURE			
Rental House Ownership Costs	10.3	9.1	13
Grants	7.7	8.5	(9)
Staffing Costs	4.9	4.4	11
Other expenses	5.8	5.6	4
Total Operating Expenses	28.7	27.6	3
Surplus	11.2	4.3	160
Net Cash Flows from Operations	13.8	7.9	75
ASSETS			
Current assets	11.8	10.3	15
Non-current assets	217.6	179.5	21
Total Assets	229.4	189.8	21
LIABILITIES			
Current liabilities	2.7	4.1	(34)
Non-current liabilities	0.5	0.5	0
Total Liabilities	3.2	4.6	(30)
EQUITY	226.2	185.2	22

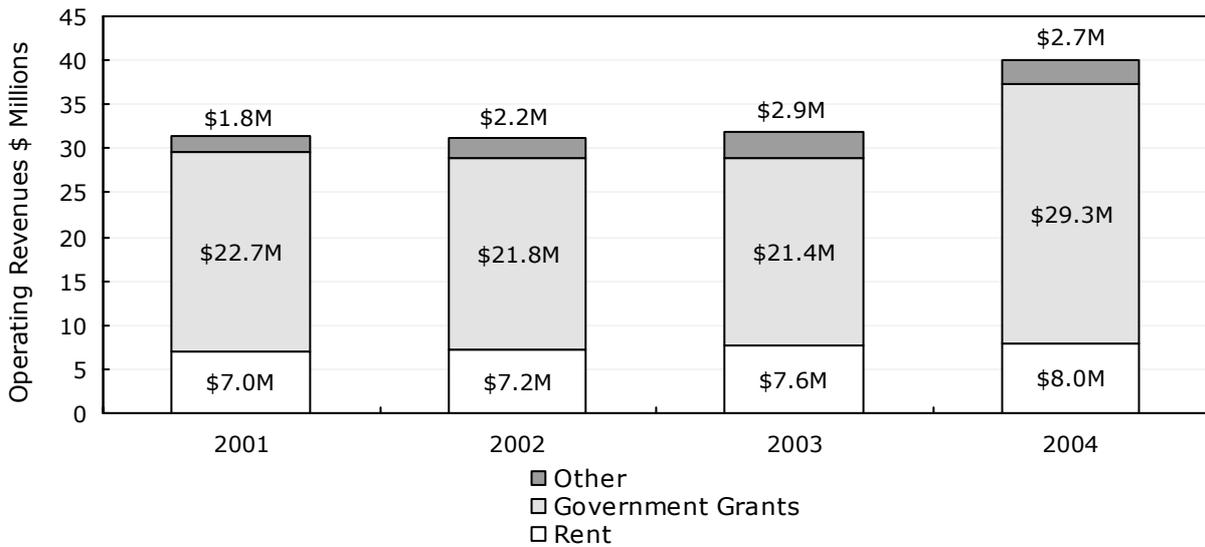
Statement of Financial Performance

Operating Revenues

Government grants have represented between 67 and 73 percent of the Authority's revenue in each year for the last four years and reflects the dependency of the Authority on this source of revenue. Government grants increased by \$7.8 million due mainly to additional funding from Aboriginal and Torres Strait Islander Services for future projects.

Rent from tenants represent 20 percent of the Authority's revenue in 2004; an increase of 5 percent.

A structural analysis of operating revenues for the Department in the four years to 2004 is presented in the following chart.



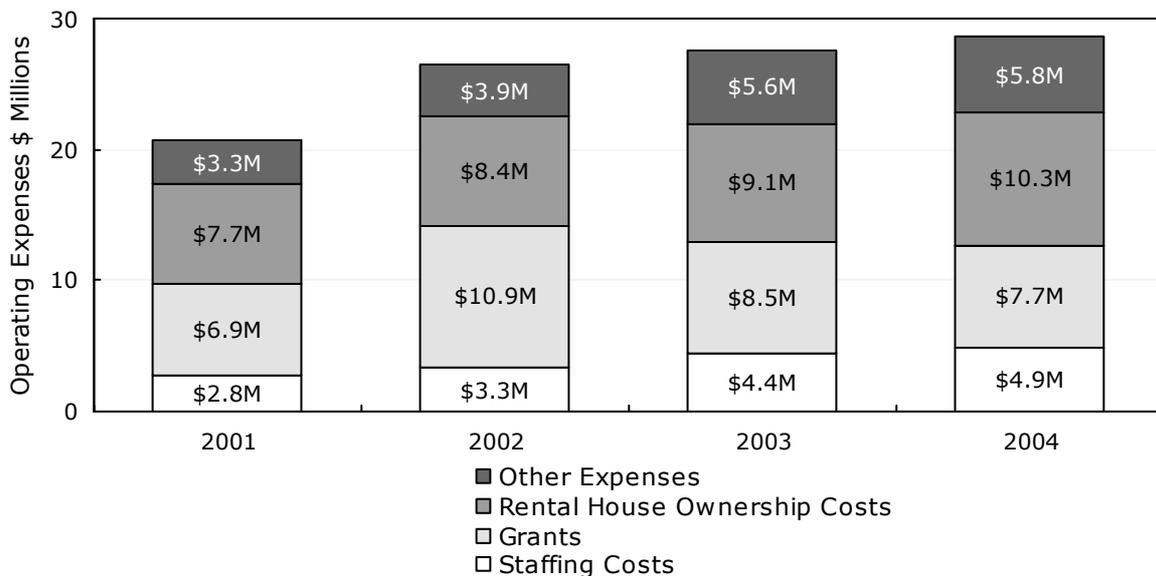
Operating Expenses

Rental house ownership costs increased in 2004 by \$1.2 million (13 percent) due mainly to an increase of \$800 000 (16 percent) in maintenance expense.

Grants expense decreased by \$0.8 million (9 percent) in 2004 reflecting reduced grants provided under the Community Housing Program.

Staffing costs have increased significantly over the last three years. These costs increased by \$0.5 million (11 percent) in 2004. This increase was due mainly to increases in the number of employees involved in the Community Housing Program.

A structural analysis of the main operating expense items for the Authority is shown in the following chart.

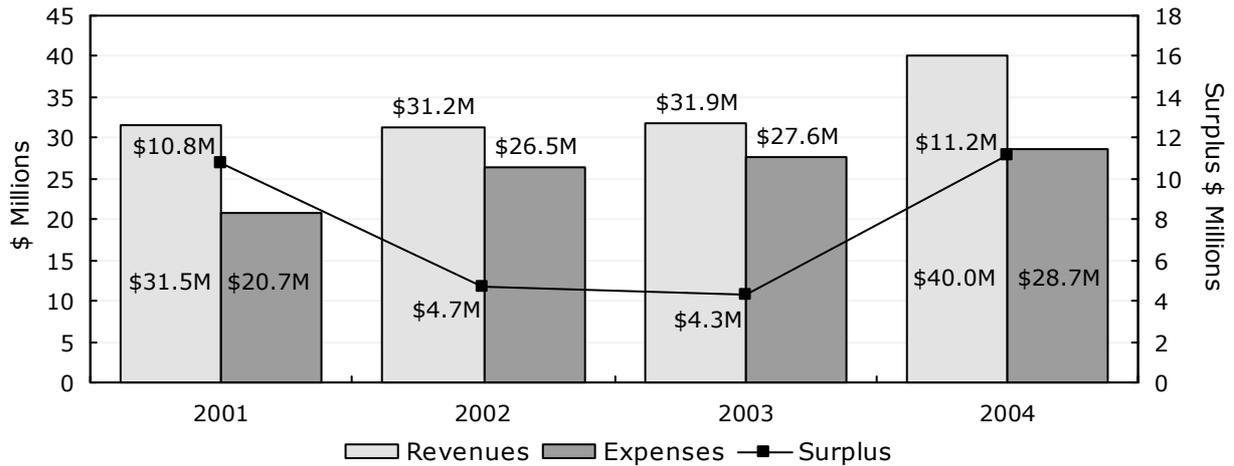


Rental house ownership costs include maintenance, council and water rates, depreciation and insurance.

Operating Result

The operating surplus increased by \$6.9 million in 2004 due mainly to the increase in government revenue.

The following chart shows the operating revenues, operating expenses and surpluses/deficits for the four years to 2004.

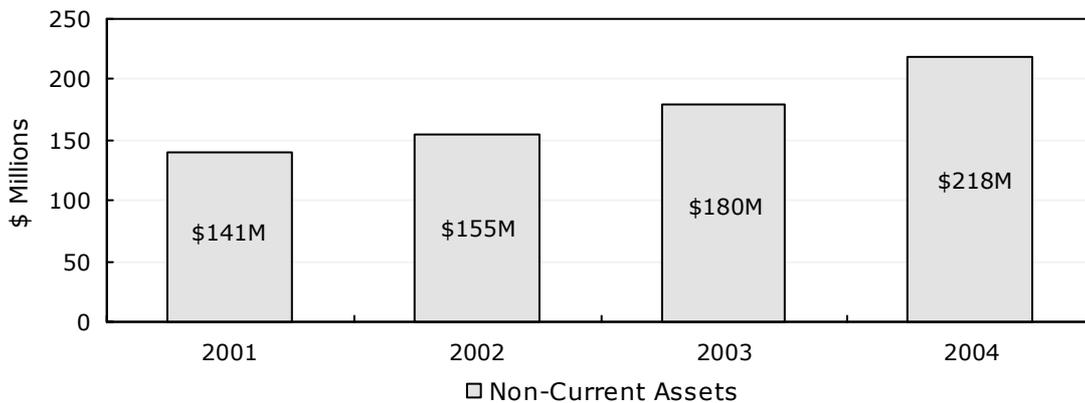


Statement of Financial Position

The operations of the Authority are capital intensive as is reflected in the investment in non-current assets which principally reflect rental properties. The Authority's rental properties were transferred to it from the Housing Trust on the Authority's establishment or were acquired subsequently using funds from operations.

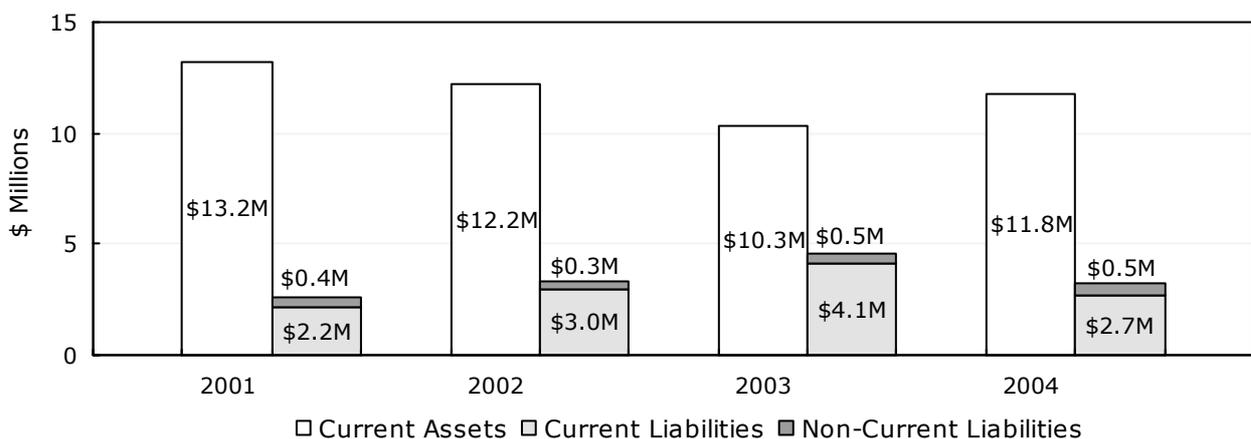
The increase in non-current assets since the Authority's establishment reflect the acquisition of new and the upgrading of existing properties and the increase in the value of assets held in line with increases in market values.

Analysis of non-current assets for the four years to 2004 is shown in the following chart.



Current assets increased in 2004 due mainly to funding received from the Aboriginal and Torres Strait Islander Services in advance for future projects.

A structural analysis of current assets and both current and non-current liabilities for the four years to 2004 is shown in the following chart.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	13.7	7.9	10.2	8.1
Investing	(11.2)	(9.5)	(7.4)	(6.2)
Change in Cash	2.5	(1.6)	2.8	1.9
Cash at 30 June	8.2	5.7	7.3	4.5

The analysis of cash flows reflects the impact of grant funding, recognised as an operating cash flow, being applied to meet investing cash flows associated with the purchase, construction and upgrade of rental houses.

At 30 June 2004 the Authority had recurrent and capital expenditure commitments of \$5.0 million.

FURTHER COMMENTARY ON OPERATIONS

State Government Owned Housing

At 30 June 2004 there were 1836 lettable houses owned by the State Government and controlled by the Authority for rental to Aboriginal people. The Authority is responsible for the acquisition and maintenance of these properties and obtains funding for this purpose through Government grants, sale of properties and collection of rents from tenants.

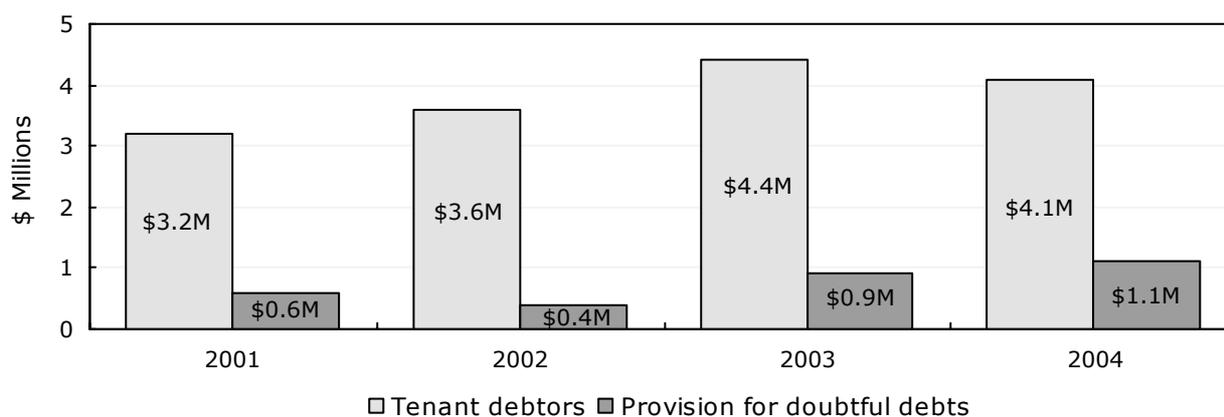
Rent Revenue

Tenants meeting specified criteria, for instance those with low household income, are provided with a rebate and charged a reduced rent. Rent charged to tenants was \$8.0 million (\$7.6 million) and the rental rebates were \$5.3 million (\$4.9 million).

The number of tenancies at 30 June 2004 was 1772 (1715). The percentage of tenancies receiving rebates at 30 June 2004 was 78 percent (78 percent).

Tenant Debtors

The following chart reflects the increase in gross tenant debt. The provision for doubtful debts was reduced in 2001-02 reflecting a change to the method for calculating the provision and was increased in 2003-04 reflecting another change to the method. Bad debts written off in 2003-04 amounted to \$908 000 (\$601 000).



Community Owned Housing

Community housing grants provided by the Authority fund the acquisition of housing for Aboriginal communities. Ownership of the housing is transferred to the Aboriginal communities, who are responsible for the repair and maintenance of the properties. Community housing grants are also provided to assist in funding repairs and maintenance. Refer to Note 3(b) to the Financial Statements.

**Statement of Financial Performance
for the year ended 30 June 2004**

		2004	2003
		\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:	Note		
Rent	4(a)	7 991	7 608
Recoveries	4(b)	1 913	1 635
Interest		77	248
Net revenue from disposal of non-current assets	4(c)	132	523
Other revenue		572	442
Total Ordinary Revenues		10 685	10 456
CONTRIBUTIONS FROM GOVERNMENT:			
Grants programs	4(d)	29 271	21 436
Total Contributions from Government		29 271	21 436
Total Revenues		39 956	31 892
EXPENSES FROM ORDINARY ACTIVITIES:			
Grants		7 745	8 462
Maintenance		5 631	4 866
Staffing costs	5(a)	4 863	4 415
Depreciation	5(b)	2 362	2 094
Council and water rates		2 255	2 037
Business services fees	5(c)	1 229	1 346
Bad and doubtful debts	5(d)	1 075	1 070
Buildings written off		713	485
Rent		406	411
Insurance		98	94
Other	5(e)	2 360	2 304
Total Expenses		28 737	27 548
Surplus from Ordinary Activities		11 219	4 308
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net increase in asset revaluation reserve		29 715	16 727
Total Revenues, Expenses and Valuation Adjustments Recognised directly in Equity		29 715	16 727
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		40 934	21 035

**Statement of Financial Position
as at 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	12(a)	8 219	5 702
Receivables	6	3 572	4 595
Inventories	7	25	29
Total Current Assets		11 816	10 326
NON-CURRENT ASSETS:			
Property, plant and equipment	8	217 571	179 549
Total Non-Current Assets		217 571	179 549
Total Assets		229 387	189 875
CURRENT LIABILITIES:			
Payables	9	2 376	3 840
Other	10	323	295
Total Current Liabilities		2 699	4 135
NON-CURRENT LIABILITIES:			
Payables	9	511	497
Total Non-Current Liabilities		511	497
Total Liabilities		3 210	4 632
NET ASSETS		226 177	185 243
EQUITY:			
Accumulated surplus	14	168 002	156 532
Asset revaluation reserve	14	58 175	28 711
TOTAL EQUITY		226 177	185 243
Commitments	11		

**Statement of Cash Flows
for the year ended 30 June 2004**

		2004	2003
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
PAYMENTS:			
Supplies and services		(13 661)	(10 054)
Staffing costs		(4 789)	(4 166)
Grants		(7 745)	(8 462)
Goods and services tax remitted to the Department of Human Services		(791)	(494)
Goods and Services Tax paid to suppliers		(867)	(877)
RECEIPTS:			
Receipts from customers		10 433	8 208
Goods and Services Tax received from the Department of Human Services		890	1 126
Goods and Services Tax received from customers		945	385
Cash flows from Government		29 271	22 011
Interest received		77	248
Net Cash provided by Operating Activities	12(b)	13 763	7 925
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment		(12 580)	(12 026)
Proceeds from sale of property, plant and equipment		1 334	2 453
Net Cash used in Investing Activities		(11 246)	(9 573)
NET INCREASE (DECREASE) IN CASH HELD		2 517	(1 648)
CASH AT 1 JULY		5 702	7 350
CASH AT 30 JUNE	12(a)	8 219	5 702

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Aboriginal Housing Authority (AHA) is the State's Aboriginal public housing authority. The AHA's strategic goals are to enhance the quality of life and safeguard the health and well being of South Australian Aboriginal people through the provision of housing and housing related services to customers in need. The AHA principal sources of funds include grants from the Commonwealth and State Governments, rent and other payments by tenants, and the proceeds from the sale of houses and other assets.

The AHA objectives are to:

- promote self determination and self management;
- expand the level of housing provision;
- analyse and develop a program that is responsive to Aboriginal housing needs;
- expand training and employment opportunities for Aboriginal people in the housing sector;
- improve housing management in the rural and remote areas;
- integrate the provision of Aboriginal housing;
- improve access to home ownership for Aboriginal people;
- maintain and improve efficiency of Aboriginal housing administration.

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation of the Financial Statements

The AHA's financial statements are a general purpose financial report which have been prepared on an accrual basis and in accordance with:

- Statements of Accounting Concepts;
- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views;
- Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

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

In the absence of a specific Accounting Standard, other authoritative pronouncements of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in Accounting Standard AASB 1001 'Accounting Policies' is considered.

All amounts are rounded to the nearest thousand dollars and are expressed in Australian currency.

(b) Revenue Recognition

Rental Income

Residential rents are recognised as revenue and charged to tenants weekly, in advance.

Market rents are set for each property, however assistance by way of a rental rebate to provide a reduced rent is offered to low income tenants by means of an income based reduced rent formula.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the AHA when settlements are completed. Refer to Note 4(c) for further details.

Recoveries

Recoveries for costs on-charged by the AHA are included in revenue.

Grants

Grants for all purposes have been recognised as revenue when received.

(c) Property, Plant and Equipment

The Statement of Financial Position includes all land, buildings, plant and equipment controlled by the AHA.

The AHA has set a policy that all land and buildings are to be revalued annually at each respective 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Valuation of Non-Current Assets'.

Plant, equipment and leasehold improvements not revalued as at 30 June 2004 are reflected at replacement cost (or historic cost where replacement cost is not available) less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired, that is, written down replacement cost (or depreciated historic cost).

All land, buildings, plant and equipment acquired since the last revaluation of a class of non-current asset are accounted for at cost.

(i) Rental Properties

All land and buildings have been revalued to reflect the Valuer General's values (for rating purposes) as at 30 June 2003.

(ii) Vacant Land

All vacant land, which is held for future development and AHA use, has been revalued to reflect the Valuer General's values (for rating purposes) as at 30 June 2003.

Items of plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

(d) Inventories

The AHA has a policy that annually at 31 October the carrying amount of real property inventories other than those subject to development as capital work in progress are compared with an independent valuation and where the carrying amount exceeds the independent valuation, the carrying amount is adjusted to reflect the independent valuation.

Inventories of Stores are carried at cost.

(e) Depreciation

Property, plant and equipment are depreciated from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The AHA's property, plant and equipment are depreciated over their estimated useful life using the straight line basis.

Major depreciation periods are:	Years
Rental properties (dwellings)*	50
Administrative land and buildings	10-75
Plant and equipment	3-10

* An estimated useful life of 50 years is assumed for rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State Housing Authorities and ensures consistency and comparability between these authorities.

(f) Leased Property, Plant and Equipment

Operating lease payments are charged to the Statement of Financial Performance in the periods in which they are incurred. These leases are identified in Note 11.

(g) Employee Benefits as Staffing Costs

Employees of the Department of Human Services are assigned to staff the AHA. The accruing entitlement of Department of Human Services' employees assigned to the AHA has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

The amount payable for annual leave and long service leave represents the amount which the AHA has a present obligation to pay resulting from employee's services provided up to the reporting date. In respect of long service leave the payable was estimated using the short hand method in accordance with Accounting Standard AASB 1028 'Employee Benefits'. The Department of Treasury and Finance advised benchmark of seven years service was used. A payable has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs. Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

The AHA has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the employer's superannuation contributions thereon. This provision, relating to employee entitlements of Department of Human Services employees assigned to the AHA, has been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

(h) Superannuation

The accruing on-costs relating to employee entitlements of the Department of Human Services employees assigned to the AHA have been recognised in the Statement of Financial Position as an amount payable by the AHA to the Department of Human Services.

During the year the AHA has provided for employer superannuation contributions, at the rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 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.

Contributions are made by the AHA to several superannuation schemes operated by the South Australian Government. 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. Any liability outstanding at balance date relates to any contribution due but not yet paid to the superannuation schemes, and such amounts will be treated as a payable not an employee related entitlement.

(i) Insurance

The AHA has an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) in which the Treasurer indemnifies the AHA against damage suffered to the AHA's property or claims made against the AHA. The AHA pays a contribution to SAICORP for this cover which, in the case of rental properties, is without limit. The AHA assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance expense item 'Insurance' reflects the cost of the contribution to SAICORP.

(j) Provisions***Doubtful Debts***

Specific provision has been made for any doubtful debts identified. In addition, a general provision based on the profile of the AHA's debt and its debt write-off history has also been raised.

(k) Unearned Revenue

Lump sums received for leases assigned on AHA properties are progressively brought to account as income on a straight line basis over the term of their respective agreements.

(l) Receivables

Receivables are recognised and carried at the original invoiced amount less a provision for any doubtful debts identified. Bad debts are written off as incurred.

(m) Payables

Those amounts which represent liabilities for goods and services provided to the AHA and other amounts, including interest are identified as payables.

(n) Tax Status

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

(o) Accounting for Goods and Services Tax (GST)

The AHA is part of a GST group. The nominated representative (Department of Human Services) of the GST group is responsible to pay GST and is entitled to claim input tax credits.

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

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

The net GST receivable/payable to the Department of Human Services has been recognised as a receivable/payable in the Statement of Financial Position.

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

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

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

In accordance with Treasurer's Instruction 19 'Financial Reporting', the Authority is responsible for ensuring that the annual financial statements ended 30 June 2004 comply with Generally Accepted Accounting Principles (GAAP). The Authority is in the process of developing a plan to manage the transition to the new standards.

3. Report by Major Activities

(a) Tenant/Client Services Public Rental

Statewide AHA program incorporating the management of public rental housing.

General administrative activities have been apportioned suitably between Tenant/Client Services Public Rental and Community Housing Program.

(b) Community Housing Program

The Community Housing Program provides funding support to Indigenous Community Housing Organisations across South Australia, for new housing, housing upgrades, insurance, community administration assistance and repairs and maintenance subsidies.

General administrative activities have been apportioned suitably between Tenant/Client Services Public Rental and Community Housing Program.

	Tenant/Client Services Public Rental		Community Housing Program		Total	
	2004	2003	2004	2003	2004	2003
Revenues from Ordinary Activities:	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rent	7 991	7 608	-	-	7 991	7 608
Recoveries	1 514	1 516	399	119	1 913	1 635
Interest	40	129	37	119	77	248
Net revenue from disposal of non-current assets	132	523	-	-	132	523
Other revenue	301	233	271	209	572	442
Total Ordinary Revenues	9 978	10 009	707	447	10 685	10 456
Contributions from Government:						
Grant Programs	13 369	10 428	15 902	11 008	29 271	21 436
Total Contributions from Government	13 369	10 428	15 902	11 008	29 271	21 436
Total Revenues	23 347	20 437	16 609	11 455	39 956	31 892

(b) Community Housing Program (continued)	Tenant/Client Services		Community		Total	
	Public Rental		Housing Program			
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses from Ordinary Activities:						
Grants	-	-	7 745	8 462	7 745	8 462
Maintenance	5 617	4 866	14	-	5 631	4 866
Staffing costs	2 519	2 291	2 344	2 124	4 863	4 415
Depreciation	2 299	1 977	63	117	2 362	2 094
Council and water rates	2 255	2 037	-	-	2 255	2 037
Business services fees	639	700	590	646	1 229	1 346
Bad and doubtful debts	1 075	1 070	-	-	1 075	1 070
Buildings Written Off	713	485	-	-	713	485
Rent	211	214	195	197	406	411
Insurance	51	94	47	-	98	94
Other	1 061	914	1 299	1 390	2 360	2 304
Total Expenses	16 440	14 648	12 297	12 936	28 737	27 584
Surplus (Deficit) from Ordinary Activities	6 907	5 789	4 312	(1 481)	11 219	4 308
Transfers to Accumulated Surplus						
Increment on sale of properties	251	247	-	-	251	247
OPENING ACCUMULATED SURPLUS	154 315	148 279	2 217	3 698	156 532	151 977
CLOSING ACCUMULATED SURPLUS	161 473	154 315	6 529	2 217	168 002	156 532
Outstanding Commitments	2 981	2 504	2 037	4 634	5 018	7 138
4. Revenues from Ordinary Activities						
(a) Rent						
Gross rent					13 249	12 535
Rental rebates					(5 258)	(4 927)
					7 991	7 608
(b) Recoveries						
Maintenance					551	506
Bad debts					192	193
Water charges					234	220
Salary and wages					116	332
Other					820	384
					1 913	1 635
(c) Net Revenue from Disposal of Non-Current Assets						
Proceeds from disposal of non-current assets					1 334	2 442
Less: Cost of sales					1 202	1 919
					132	523
(d) Grant Programs						
Commonwealth State Housing Agreement					20 190	18 028
Aboriginal and Torres Strait Islander Services					7 835	3 408
Fixing Homes for Better Health					1 054	-
Other					192	-
					29 271	21 436
5. Expenses from Ordinary Activities						
(a) Staffing Costs						
Salaries and wages					3 753	3 161
Superannuation					402	333
Annual leave					350	306
Payroll tax					297	330
Long service leave					67	280
Workers compensation					(6)	5
					4 863	4 415
(b) Depreciation						
Freehold buildings					2 233	1 851
Leasehold improvements					89	85
General plant and equipment					21	16
Administration buildings					10	1
Computing equipment					9	141
					2 362	2 094
(c) Business Services Fees						
The AHA engages the services of other units within the Department of Human Services to deliver a range of business services to the AHA. Service Level Agreements outline the nature of this service and the fee charged to the AHA.						

(d) Bad and Doubtful Debts	2004	2003
	\$'000	\$'000
Bad debts written off	908	601
Doubtful debts expense	167	469
	1075	1 070
(e) Other		
Accommodation and travel	421	422
Communication and computing	380	560
Contractors fees	378	222
Vehicle expenses	374	359
Printing, stationery, postage and periodicals	220	158
Occupancy expenses	175	115
Training	101	60
Audit remuneration*	58	61
Minor equipment	37	55
Consultancies	37	26
Bank charges	4	15
Other	175	251
	2 360	2 304

* Includes remuneration of \$55 000 paid or payable to the auditors for the audit of the financial report of the AHA for the year ending 30 June 2004. No other services were provided by the auditors.

6. Receivables	2004	2003
	\$'000	\$'000
Debtors	4 567	5 405
Excess water	23	18
GST recoverable from the Department of Human Services	53	76
Provision for doubtful debts	(1 071)	(904)
	3 572	4 595
7. Inventories		
Vacant land	23	27
Stores	2	2
	25	29
8. Property, Plant and Equipment		
Freehold land and buildings (At valuation)	211 571	172 841
Accumulated depreciation	(1 590)	(1 309)
	209 981	171 532
Vacant land (At cost)	2 041	888
Leasehold improvements (At cost)	887	887
Accumulated depreciation	(464)	(375)
	423	512
Administration Land and Buildings (At cost)	442	63
Accumulated depreciation	(9)	(1)
	433	62
Capital works in progress	4 513	6 384
General plant and equipment (At cost)	209	216
Accumulated depreciation	(67)	(53)
	142	163
Computing equipment (At cost)	667	628
Accumulated depreciation	(629)	(620)
	38	8
Total Property, Plant and Equipment	217 571	179 549

8. Property, Plant and Equipment (continued)**Reconciliation**

Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital works in progress at the beginning and end of the current financial year are displayed in the table below:	2004			
	Freehold Land and Buildings \$'000	Vacant Land \$'000	Leasehold Improvements \$'000	Administration Land and Buildings \$'000
Carrying amount at 1 July	171 532	888	512	62
Additions	14 617	1 134	-	405
Disposals/scrapped	(2 712)	-	-	-
Transfers to works in progress	(712)	-	-	-
Transfers to completed works	-	-	-	-
Net revaluation increment less revaluation decrements	29 489	-	-	(25)
Other Movements	-	19	-	1
Depreciation expense	(2 233)	-	(89)	(10)
Carrying Amount at 30 June	209 981	2 041	423	433

Reconciliations of the carrying amount of each class of land, buildings, leasehold improvements and capital works in progress at the beginning and end of the current financial year are displayed in the table below:	2004			2004 Total \$'000
	Capital Works in Progress \$'000	General Plant and Equipment \$'000	Computing Equipment \$'000	
Carrying amount at 1 July	6 384	163	8	179 549
Additions	5 641	-	39	21 836
Disposals/scrapped	-	(7)	-	(2 719)
Transfers to works in progress	712	-	-	-
Transfers to completed works	(8 224)	-	-	(8 224)
Net revaluation increment less revaluation decrements	-	-	-	29 464
Other Movements	-	7	-	27
Depreciation expense	-	(21)	(9)	(2 362)
Carrying Amount at 30 June	4 513	142	38	217 571

9. Payables

	2004 \$'000	2003 \$'000
Current Payables:		
Creditors	1 436	3 128
Staffing benefits	427	367
GST payable to the Department of Human Services	448	294
Council and water rates	65	51
	2 376	3 840
Non-Current Payables:		
Staffing benefits	511	497
	511	497

10. Other Liabilities

Current Liabilities:		
Insurance provisions	209	213
Unearned revenue	114	82
	323	295

11. Commitments**Capital Expenditure**

The total value of outstanding capital projects inclusive of GST as at the end of the reporting period for specific projects are detailed below.

These amounts have not been brought to account in the financial statements:

Not later than one year	2 294	1 936
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Recurrent Expenditure

The total value of outstanding recurrent expenditure inclusive of GST commitments as at the end of the reporting period. These amounts have not been brought to account in the financial statements:

Not later than one year	2 031	4 107
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Operating Lease Commitments	2004	2003
Future non-cancellable operating lease rentals not provided for and payable inclusive of GST:	\$'000	\$'000
Not later than one year	416	406
Later than one year but not later than five years	277	689
	693	1 095

The operating leases disclosed above are for administrative properties 153 Wakefield Street and 15 Cypress Street, Adelaide and are for terms of 10 and 4 years respectively. The leases for 153 Wakefield Street and 15 Cypress Street have two years remaining. Both leases contain renewal options for both the lessee and lessor.

12. Notes to the Statement of Cash Flows	2004	2003
(a) Reconciliation of Cash Assets	\$'000	\$'000
For the purposes of the Statement of Cash Flows, cash assets includes cash on hand and cash at bank. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash held in deposit account	8 214	5 697
Cash on hand	5	5
	8 219	5 702
(b) Reconciliation of Net Cash Provided by Operating Activities to Surplus from Ordinary Activities Before Asset Disposals		
Net Cash provided by Operating Activities	13 763	7 925
Depreciation	(2 362)	(2 094)
Buildings written off	(713)	(485)
Net revenue from disposal of non-current assets	132	523
	10 820	5 869
Change in Assets and Liabilities:		
(Decrease) in receivables excluding receivables from asset sales	(1 019)	(256)
(Decrease) in inventories	(4)	(2)
Decrease (Increase) in payables	1 450	(1 312)
(Increase) Decrease in other liabilities	(28)	9
	399	(1 561)
Surplus from Ordinary Activities	11 219	4 308

13. Remuneration of Board Members and Employees

(a) Board Members' Remuneration

The AHA Board of Management comprises nine members and eight Deputy Members. Board Members nominated by the Aboriginal and Torres Strait Islander Commission (ATSIC), or their deputies when acting for the Board Members, are paid attendance fees by ATSIC and remuneration from ATSIC is not reflected in the following table. The fees paid to Board Members are set by Executive Council in accordance with approved procedures.

Board Members of the AHA during the financial year were:

Mr Elliot McNamara (Chairperson) - appointed 13 November 2003
 Mr George Cooley (Chairperson) - resigned 29 August 2003
 Ms Shereen Rankine
 Mr Yami Lester OAM
 Mr Henry Rankine OAM
 Ms Keren Larkins
 Mr Klynton Wanganeen
 Mr Tauto Sansbury
 Mr Harry Miller
 Mr Alwyn McKenzie

The number of Board Members whose remuneration from the AHA falls within the following bands:

	2004	2003
	Number of	Number of
	Members	Members
\$nil	4	5
\$1 - \$10 000	1	5
\$10 001 - \$20 000	5	2
	10	12
	2004	2003
	\$'000	\$'000
Total remuneration received, or due and receivable by the Board Members of the AHA	57	58

In addition, two Deputy Members were paid \$10 000 (\$7 500).

Board Members and Deputy Members of the AHA have declared the following interest in the following community organisations which have received funding from the AHA. The Board Members have no other pecuniary interest direct or indirect in any Firm, Trust or Company with which the AHA had entered into transactions during the year.

(a) Board Members' Remuneration (continued)

Mr J Scott (Deputy to H. Miller) declared his interest in Scotdesco Inc. and Scoabar Consulting Services Pty Ltd.

Contract Expenditure 2003-2004 (Scoabar) - \$254 000.

Grant Expenditure 2003-2004 (Scotdesco) - \$91 000.

Mr A McKenzie declared his interest in Davenport Community Council and Viliwarinha Yura Aboriginal Corporation.

Grant Expenditure 2003-2004 (Davenport)) - \$210 000.

Grant Expenditure 2003-2004 (Viliwarinha) - \$2 000.

Ms G Miller (Deputy to Y. Lester) declared her interest in Yarilena Homelands.

Grant Expenditure 2003-2004 - \$126 000.

Mr H Miller declared his interest in Port Lincoln Aboriginal Community Council.

Grant Expenditure 2003-2004 - \$80 000

(b) Employees' Remuneration

One employee, assigned by the Department of Human Services to the AHA, had normal remuneration which exceeded \$100 000. Remuneration includes salary, employers superannuation costs, use of motor vehicle in accordance with prescribed conditions and associated Fringe Benefits Tax.

The number of employees whose normal remuneration was over \$100 000 was:

\$150 000 - \$159 999

\$170 000 - \$179 999

	2004	2003
	Number of Employees	Number of Employees
	-	1
	1	-

	2004	2003
	\$'000	\$'000
	172	155

Total value of remunerations in excess of \$100 00 were

14. Equity

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

	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	2004 Total \$'000	Accumulated Surplus \$'000	Asset Revaluation Reserve \$'000	2003 Total \$'000
Balance at 1 July	156 532	28 711	185 243	151 977	12 231	164 208
Changes in equity:						
Surplus from ordinary activities	11 219	-	11 219	4 308	-	4 308
Increments related to the revaluation of:						
Rental properties	-	29 715	29 715	-	16 727	16 727
Transfers to accumulated surplus:						
Increments on sale of properties	251	(251)	-	247	(247)	-
Balance as at 30 June	168 002	58 175	226 177	156 532	28 711	185 243

15. Additional Financial Instruments Disclosure**(a) Credit Risk**

The AHA is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. The AHA manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to AHA staff and tenants.

(b) Interest Rate Risk Exposure

The AHA is not exposed to any interest rate risk exposure, there are no fixed interest assets or liabilities. The only interest bearing component of the AHA is that of the floating interest rate for Cash and Deposits which was deemed to be 5.1 percent as at 30 June 2004.

(c) Net Fair Value of Financial Instruments

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

SOUTH AUSTRALIAN COMMUNITY HOUSING AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Community Housing Authority (the 'Authority' or 'SACHA') is established pursuant to the *South Australian Co-operative and Community Housing Act 1991* (the Act).

Functions

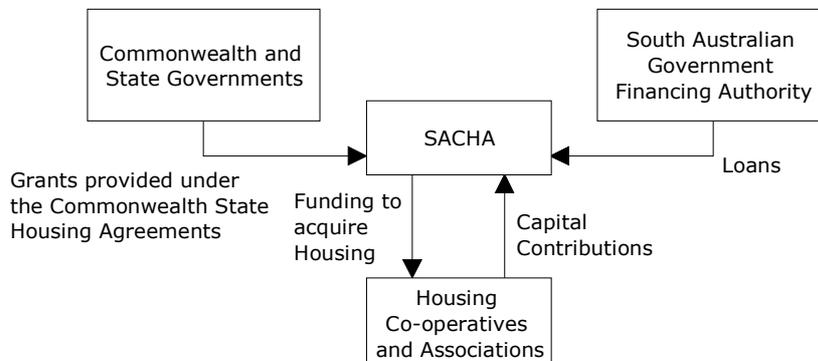
The Authority has a broad range of functions covering the development, promotion and administration of community housing in South Australia. In performing these functions the Authority has the following main roles:

- The provision of advice to the Minister for Housing.
- The registration of housing co-operatives and associations as provided for under the Act.
- Ensuring the full and proper accountability of community housing organisations which receive funds or other support from the Authority or other public sector agencies.
- The provision of administrative and other support services to community housing organisations.

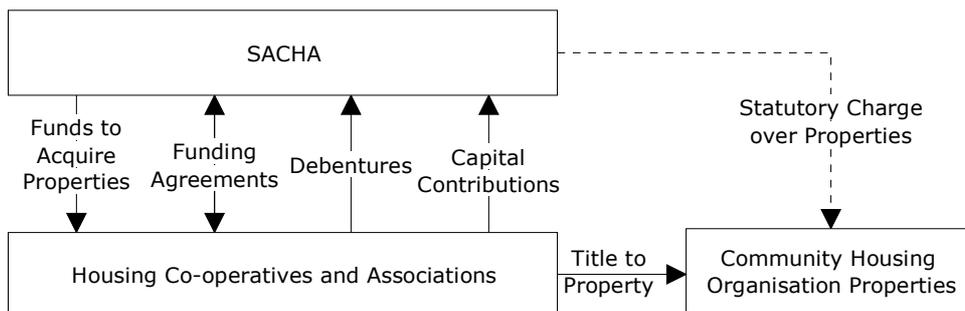
Financial Arrangements

The following charts illustrate the relationship between SACHA and the agencies which provide funding to it on one hand and the community housing organisations (CHOs) which receive funds from it on the other.

The first chart documents the overview of the relationships.

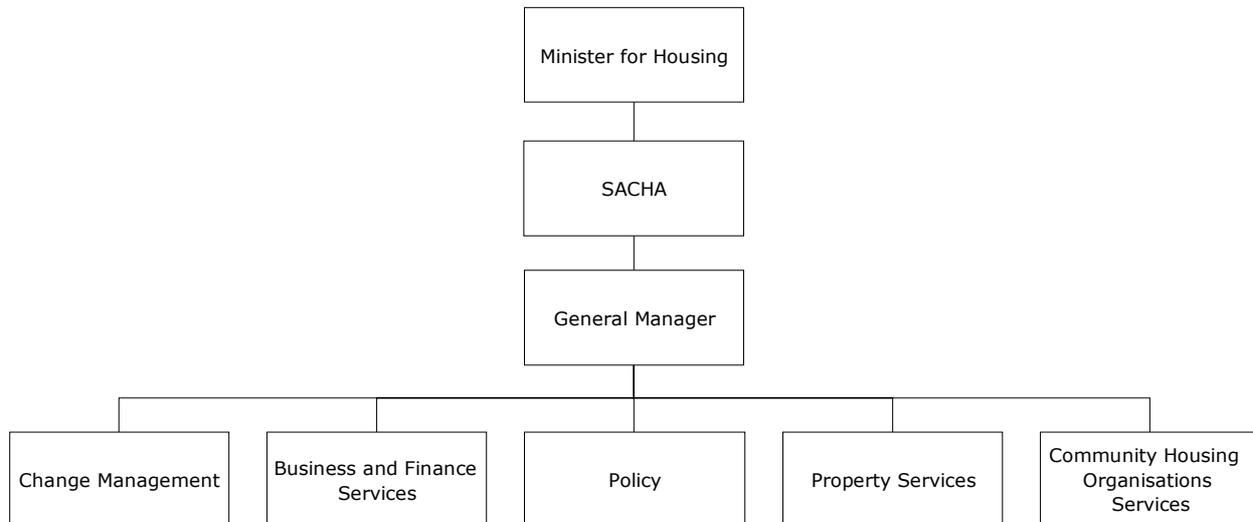


The second chart documents in more detail the relationship between the Authority and CHOs.



Structure

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



Audit Committee

The Authority has an Audit Committee which comprises three Authority members appointed by the Board. The Audit Committee meets on at least a quarterly basis and reports to the Board on the effectiveness of controls over the operations of the Authority. Representatives of the Auditor-General's Department attend meetings of the Audit Committee as observers.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 19(2) of the *South Australian Co-operative and Community Housing Act 1991* requires the Auditor-General to audit the financial statements of the Authority.

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 Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- Budgetary control
- Expenditure (both operating and capital)
- Revenue
- Payroll
- Non-current assets (including debentures and property and equipment).

The 2003-04 audit also included a follow up review of SACHA's progress in addressing outstanding matters regarding the implementation of the Housing Reform.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Authority as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to; payroll processing; and policies and procedures as outlined under 'Audit Communications to Management' are sufficient to provide reasonable assurance that the financial transactions of the Authority have been conducted properly and in accordance with law.

Audit Communications to Management

Matters arising during the course of the audit were detailed in a management letter to the Chair of the Authority. Responses to the management letter were generally considered to be satisfactory. Matters raised with the Authority and the related responses are considered herein.

Payroll Processing

SACHA's payroll processing function is outsourced to the Department of Human Services (DHS) pursuant to an annual Service Level Agreement which details the obligations of both parties. To a significant degree, SACHA rely on the control environment of DHS for the processing of payroll transactions. Notwithstanding this arrangement, the Financial Management Framework places the responsibility for monitoring and reporting on the effectiveness of controls with the Chief Executive of an agency. Consequently, the responsibility for ensuring an effective control environment rests with SACHA and cannot be devolved despite outsourcing the provision of services and processing controls.

An essential control of a payroll process is a review of the disbursements made for each pay period to ensure payments are made to authorised employees for the correct amount. In 2002-03 matters associated with SACHA's controls over the validity, accuracy and completeness of payroll transactions were raised. Management agreed with the recommendations and implemented appropriate procedures.

In 2003-04, Audit's review of these procedures revealed there were still control deficiencies over the level and extent of monitoring and review of payroll transactions. The effectiveness of the following control areas could be improved:

- Controls surrounding the validity of payroll transactions to ensure that only bona fide employees of SACHA are being paid for time worked. Although payroll reports were being reviewed, they were not being reviewed by an officer with the requisite knowledge of work attendance of employees for the pay period nor were these reports approved by an authorised delegate.
- Controls surrounding the completeness and accuracy of processing payroll transactions to ensure the validity of SACHA's expenditure and leave entitlements.

The Authority responded that procedures would be reviewed to develop an efficient process to ensure compliance with contractual obligations and address these control issues.

Policies and Procedures

Documented policies and procedures are an integral element of an agency's control environment. Such policies and procedures outline the acceptable behaviour and requirements in achieving organisational

objectives while mitigating the risk of adverse business practices. A review of SACHA's current documented policies and procedures revealed:

- lack of documented policies and procedures for major processes;
- no register of current documented policies and procedures; and
- some policies and procedures required updating and further clarification.

Audit acknowledge that at the time of the audit, many of these policies were scheduled to be reviewed.

The Authority has accepted audit recommendations and has a dedicated officer responsible for providing policies.

Reconciliations

The preparation of reconciliations of financial and related data is a key control activity as it contributes significantly to the integrity of data relied upon for reporting and management decision making purposes. In 2002-03 Audit recommended that a number of reconciliations be performed to ensure a sound control environment within SACHA. While the majority of reconciliations were performed, the following were not performed in 2003-04:

- work in progress as reported in the General Ledger to the Property Database;
- the movement in the value of debentures as reported in the Debenture Register to supporting records such as the Sales Register and Property Database;
- legal documentation, such as Debentures and Certificate of Titles, to the Debenture Register.

The Authority has responded satisfactorily to this matter indicating that the reconciliations will be performed on a timely basis.

Housing Reform

On 15 February 1999, Cabinet approved the adoption of the Housing Reforms in South Australia which covered the eligibility criteria, waiting list management and tenure arrangements for both public and community housing. Cabinet noted that further work was required for community housing (such as segmented waiting lists and a central access register) as the existing Funding Agreements (between SACHA and the CHOs) had to be reviewed and amended accordingly.

During 2002-03, Audit noted that SACHA was addressing these outstanding matters as incorporated in the 2002-03 and 2003-04 Business Plans. More specifically, SACHA has established a Change Management Project (via the Change Management Team) which aims to address some of SACHA's priorities, including the development of a:

- new Funding Agreement between SACHA and CHOs;
- Strategic Asset Management Framework/Plan;
- New application system.

The Change Management Project commenced in August 2003 and has thus far resulted in a number of discussion papers outlining recommendations for the Authority's endorsement. At the time of the Audit, the recommendations were yet to be endorsed by the members of the Authority (and in some cases the Minister).

Audit conveyed to the Authority that once decisions are made, it is important that an implementation plan be established, outlining timeframes and responsibilities, and progress monitored so as to ensure that the approved recommendations are implemented on a timely basis.

The Authority has agreed with audit comments and recommendations.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

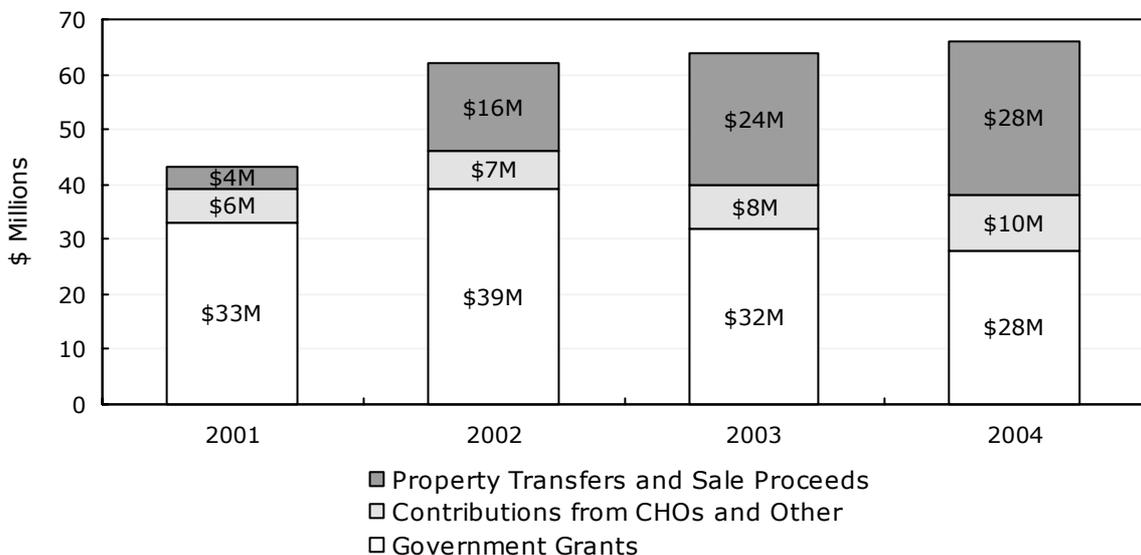
Highlights of Financial Statements

	2004	2003	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Government grants	28	32	(13)
Property transfer and sales proceeds	28	24	17
Other revenue	10	8	25
Total Operating Revenue	66	64	3
OPERATING EXPENDITURE			
Borrowing costs	8	9	(11)
Net book value of transfers and properties sold	28	24	17
Other expenses	6	6	-
Total Operating Expenses	42	39	8
Net Surplus from Ordinary Activities	24	25	(4)
Net Cash Flows from Operations	12	14	(14)
ASSETS			
Current assets	20	23	(13)
Non-current assets	591	454	30
Total Assets	611	477	28
LIABILITIES			
Current liabilities	2	2	-
Non-current liabilities	120	121	(1)
Total Liabilities	122	123	(1)
EQUITY	489	354	38

Statement of Financial Performance

Operating Revenues

A structural analysis of operating revenues of the Authority for the four years to 2004 is presented in the following chart.



The above chart indicates the extent to which the Authority is reliant on Government grants and the consistency of other sources of revenue.

Government Grants

During 2003-04 Government grants (reflecting funding for both recurrent and capital purposes) decreased by \$4.3 million to \$27.8 million. This predominantly reflects a reduction in Commonwealth general grants of \$1.6 million and grants specifically provided for the purpose of acquiring South Australian Housing Trust properties at market value of \$1.1 million.

Property Transfer and Sales Proceeds

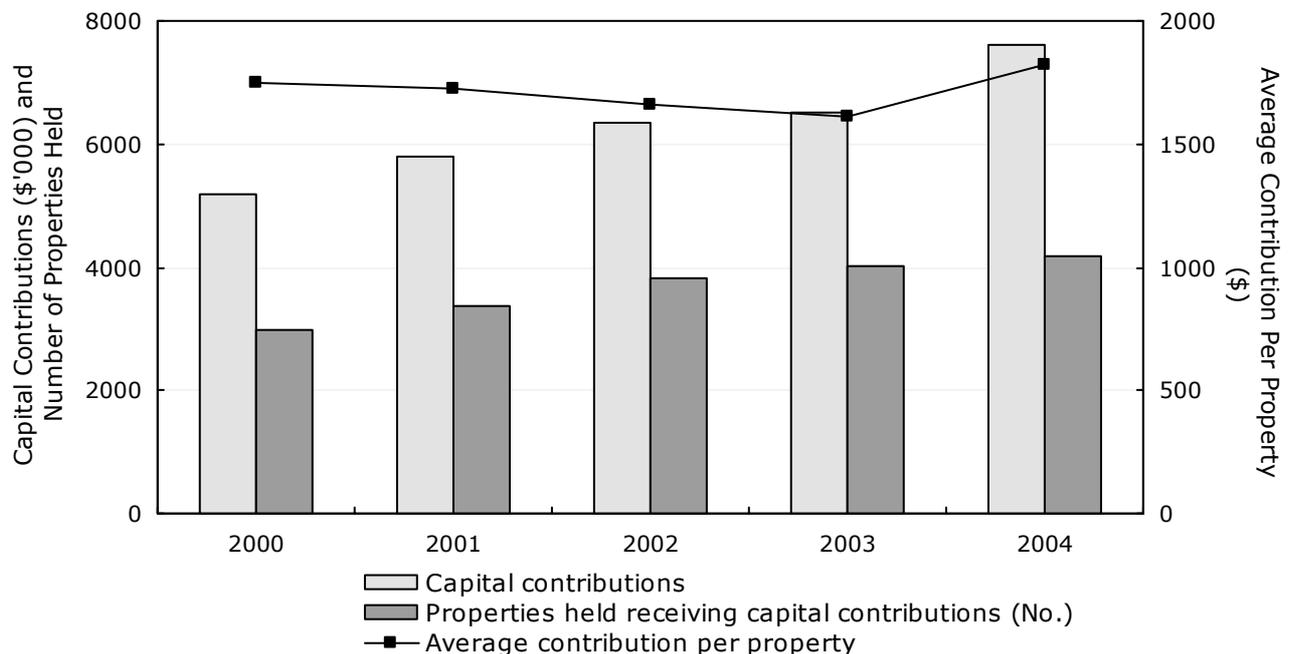
The increase in property transfer and sales proceeds since 2002 relates to changes in practices as a result of the introduction of the GST whereby the Authority developed properties in its own name. As a result, property transfers are now reflected as revenue in the Statement of Financial Performance. Further details are provided under Operating Expenses.

Contributions from Community Housing Organisations

During 2003-04 capital contributions from the CHOs (excluding insurance premiums recharged to CHOs) were \$7.6 million (\$6.3 million). The level of capital contributions is determined as part of the process of assessing the rents payable by CHOs' tenants and is subject to income tests. After allowing for rental subsidies, the capital contributions were insufficient to meet the Authority's borrowing costs, which totalled \$8.4 million (\$8.8 million).

Note 21(a) to the financial statements provides details of the weighted average interest rate return on capital funding to housing organisations, calculated as total capital contributions received divided by total funding to housing organisations. The weighted average interest rate decreased to 1.32 percent in 2003-04 from 1.45 percent. This decrease was due predominantly to higher property values relating to funding provided to housing organisations.

The following chart shows the trend of capital contributions from CHOs over the past five years.



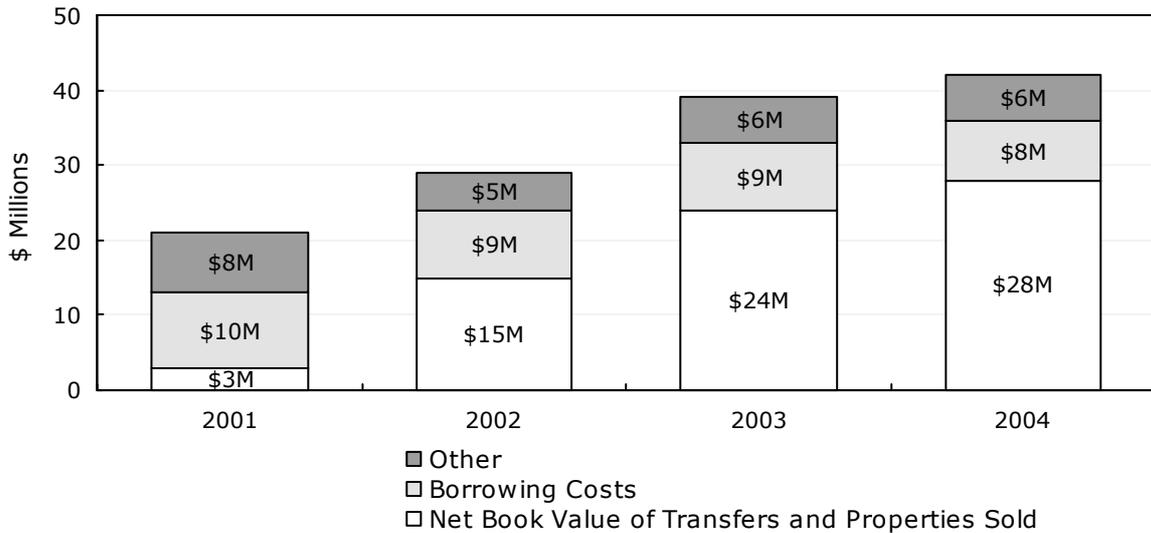
The chart highlights that the total contributions received from CHOs and the number of properties have increased over the period.

The primary reason for the decline in 2003 was an increase in operating levies to meet increased property and operating costs (in 2003 the operating levies increased by \$5 per property per week). As a consequence, the CHOs retain a higher portion of the rental income which decreases the capital contribution paid to the Authority.

Capital contributions increased by 21 percent in 2004 as rents are based either on the tenants income or the capital value of the property, and the capital value of property has increased significantly over the period of review (as discussed under 'Capital Funding to Community Housing Organisations').

Operating Expenses

For the four years to 2004, a structural analysis of the main operating expense items for the Authority is shown in the following chart.



The chart highlights that over the period of review the Authority’s operating expenses, with the exception of the net book value of transfers and properties sold, have remained relatively constant.

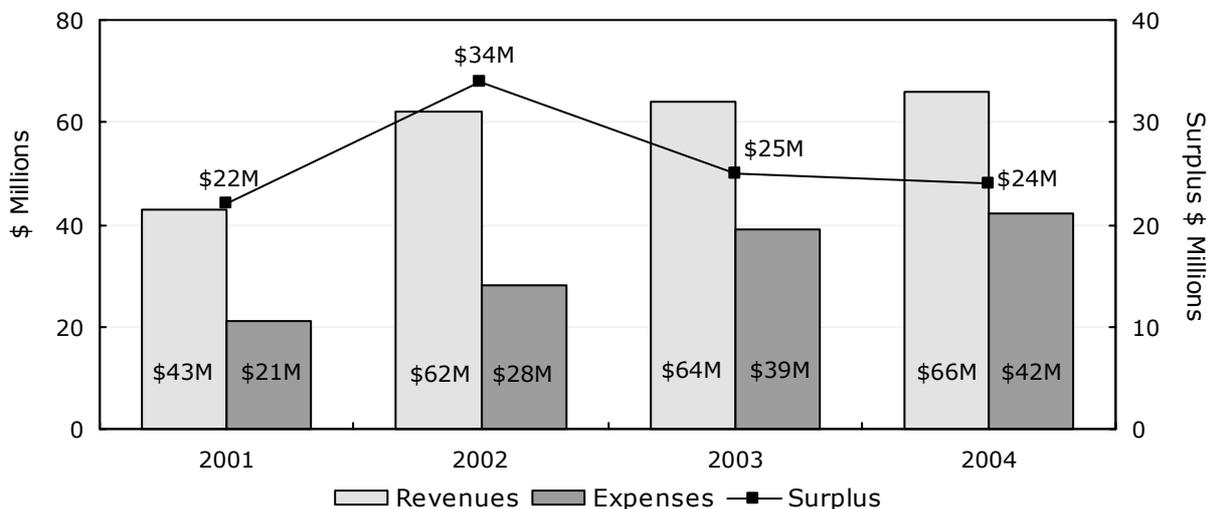
During 2003-04, total operating expenses increased by \$3 million to \$42.2 million. This increase was due primarily to an increase in the number of properties transferred to CHOs (which in the main represented properties transferred from the South Australian Housing Trust).

For GST purposes, the Authority decided to develop properties in their own name and then on completion transfer the property to the CHOs. This differed from previous practice whereby the Authority advanced monies to the CHOs for the purchase, upgrade or construction of dwellings. These advances are reported as loans to CHOs in the Statement of Financial Position (refer to Note 17 for further details). The new practice is reflected in the Statement of Financial Performance as a sales transaction where transfer proceeds are shown as revenue and the net book value of transfers are shown as an expense. This arrangement commenced from 1 January 2002 and accounts for the increase in expenses over the past three years. This increase is consistent with the increase in revenue.

Operating Result

For 2003-04 the Net Surplus from Ordinary Activities decreased by \$1 million from \$25.1 million to \$24.1 million. The decrease reflects a \$2 million increase in Revenues from Ordinary Activities and a \$3 million increase in Expenses from Ordinary Activities.

The following chart shows the operating revenues, operating expenses and surpluses for the four years to 2004.



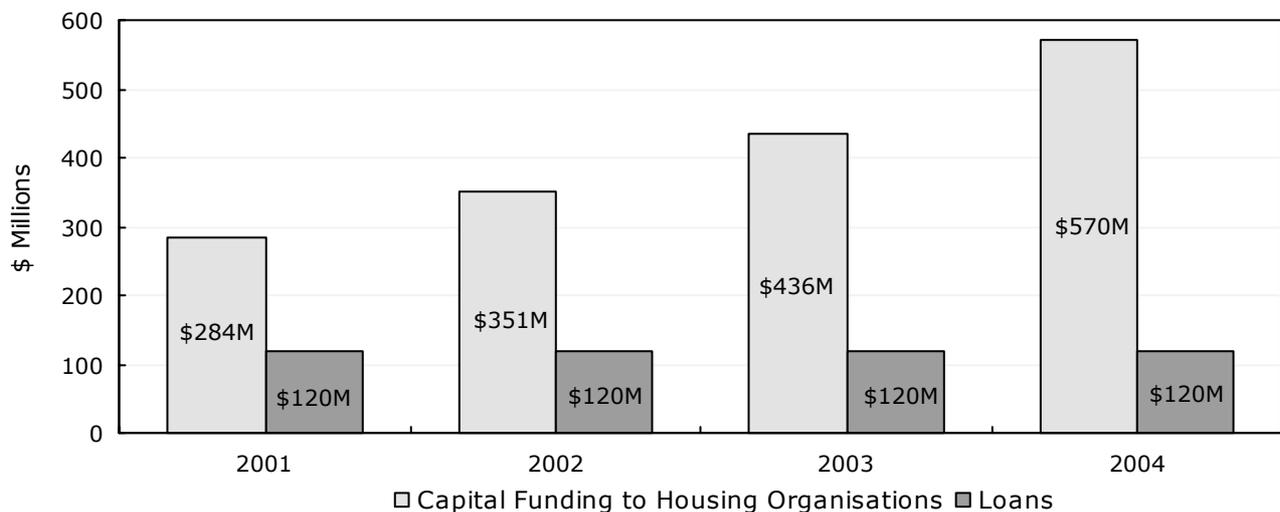
Over the past four years, the surplus has been consistently large. This is due primarily to operating revenue including Government grants of a capital nature, the expenditure of which is reflected in the Statement of Financial Position as Capital Funding to Housing Organisations. The Capital Funding to Housing Organisations is also supplemented by borrowings the Authority has with the South Australian Government Financing Authority. The consistency of the Authority's surplus is reflected in the equity section of the Statement of Financial Position where accumulated surplus amounted to \$262.9 million at 30 June 2004. The equity section also reflects the regular valuation to market of the debentures of the Authority (refer to Note 17 for further details).

In 2003-04, the decrease in the surplus was due mainly to a decrease in Government grants as previously explained.

Statement of Financial Position

The Statement of Financial Position contains one dominant item of assets (Capital Funding to Housing Organisations) and one dominant item of liabilities (Loans), both of which are non-current. Current assets and current liabilities are less significant and have remained relatively stable over a number of years.

For the four years to 2004 a structural analysis of Capital Funding to Housing Organisations and Loans is shown in the following chart.



Capital Funding to Community Housing Organisations

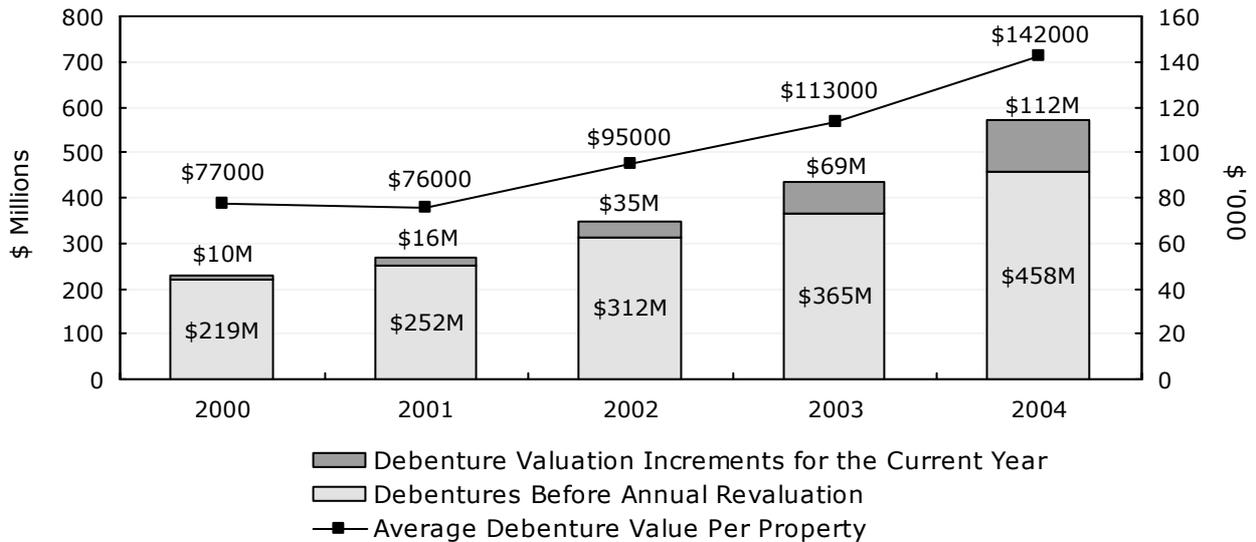
The number of CHOs receiving funding from the Authority in 2003-04 was 121 (126). Properties from which the Authority has earned capital contributions totalling \$7.6 million (\$6.3 million) were as follows:

Property Type	2004	2003
	Number	Number
Debentured properties	4 012	3 829
Mortgaged properties	21	21
Properties leased from SAHT and sub-lease back to CHO's	97	113
Properties directly leased to CHOs	40	59
Total	4 170	4 022

In addition to the above properties, a total of 21 (24) properties were leased back to the South Australian Housing Trust (SAHT), 132 (97) properties were included in work in progress and 25 (13) properties were held by the Authority (which were surplus to the requirements of CHOs).

Funding to CHOs supported by issued debentures at 30 June 2004 was \$569.8 million (\$434 million), an increase of \$135.8 million reflecting, in the main, net additions to debentures of \$23.6 million and a revaluation increase in the underlying properties of \$112.2 million (\$69 million).

The following chart shows the growth in the value of debentures issued to CHOs over the past five years.



The chart shows that annual debenture revaluation increments have been significant for the past three years. The revaluation increment in 2003-04 was \$112.2 million, which represented an increase of 24 percent in the value of properties debentured. Since 2000, the value of debentures has increased by 149 percent and the number of debentured properties has increased by 35 percent. The valuation increments reflect the continued strength of the property market at this point in time. Equally, any weakening in the property market can be expected to be reflected in downward movements in the value of debentures.

Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	12.2	14.4	24.2	4.8
Investing	(15.0)	(10.5)	(17.9)	(19.3)
Change in Cash	(2.8)	3.9	6.3	(14.5)
Cash at 30 June	17.9	20.7	16.8	10.6

Net Cash Provided by Operating Activities decreased by \$2.2 million resulting mainly from decreased cash flows received from Government (ie a decrease of \$3.2 million from \$20.8 million to \$17.6 million).

As at 30 June 2004, obligations under approved new-build and spot purchase projects in progress totalled \$12.6 million (\$10.5 million). Cash at Treasury and on hand totalled \$17.9 million (\$20.7 million).

**Statement of Financial Performance
for the year ended 30 June 2004**

	Note	2004	2003
		\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Government grants	2.2, 3	27 780	32 059
Contributions received and receivable from Community Housing Organisations	2.2, 4	8 221	6 953
Interest and sundry income	5	875	831
Lease receipts from SA Housing Trust	2.14	116	164
Contributed assets	6	172	345
Property transfer and sale proceeds	7	27 996	23 561
Capital project recoveries	2.4	355	375
Net increment on revaluation of property	2.8	767	-
Total Revenues		66 282	64 288
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing and related costs	2.11	2 393	2 167
Net book value of transfers and properties sold	7	27 754	23 789
Rental expenses	2.3	279	242
Office expenses		178	195
Other expenses	8	891	744
Community housing organisations costs	9	348	867
Grants to Community Housing Organisations	10	1 346	1 046
Borrowing costs	11	8 412	8 775
Lease payments to SA Housing Trust	2.14	565	579
Net decrement on revaluation of property	2.8	-	767
Total Expenses		42 166	39 171
NET SURPLUS FROM ORDINARY ACTIVITIES			
		24 116	25 117
Net increase (decrease) in asset revaluation reserve	12	1 029	(51)
Net increase in debenture indexation reserve	13	110 049	66 729
TOTAL VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY			
		111 078	66 678
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER			
		135 194	91 795

**Statement of Financial Position
as at 30 June 2004**

		2004	2003
ASSETS:	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash at Treasury and on hand	14	17 977	20 739
Receivables	15	1 803	1 802
Prepayments		127	-
Total Current Assets		19 907	22 541
NON-CURRENT ASSETS:			
Capital funding to Community Housing Organisations	2.7, 17	569 830	435 961
Property and equipment	2.8, 19	21 354	18 171
Total Non-Current Assets		591 184	454 132
Total Assets		611 091	476 673
LIABILITIES:			
CURRENT LIABILITIES:			
Trade creditors and accrued expenses	16	1 874	2 259
Hot water service warranty provision	2.13, 18	173	-
Total Current Liabilities		2 047	2 259
NON-CURRENT LIABILITIES:			
Trade creditors and accrued expenses	16	320	213
Loans	20	119 927	119 927
Hot water service warranty provision	2.13, 18	-	671
Total Non-Current Liabilities		120 247	120 811
Total Liabilities		122 294	123 070
NET ASSETS		488 797	353 603
EQUITY:			
Accumulated surplus	23	262 902	238 022
Asset revaluation reserve	12	965	-
Debenture indexation reserve	13	224 930	115 581
TOTAL EQUITY		488 797	353 603
Capital commitments	24		
Contingent liabilities	27		

Statement of Cash Flows for the year ended 30 June 2004

		2004	2003
		Inflows	Inflows
		(Outflows)	(Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:	Note		
PAYMENTS:			
Payments to suppliers and employees		(5 657)	(5 209)
Borrowing costs		(8 473)	(8 075)
Lease payments to SA Housing Trust		(565)	(579)
GST payments on purchases		(434)	(605)
RECEIPTS:			
Receipts from Community Housing Organisations		8 341	6 743
Interest received		828	785
Lease receipts from SA Housing Trust		116	164
GST receipts from taxation authority		406	377
GOVERNMENT RECEIPTS:			
Cash flows from government		17 632	20 801
Net Cash provided by Operating Activities	22	12 194	14 402
CASH FLOWS FROM INVESTING ACTIVITIES:			
Funding to Community Housing Organisations		(18 792)	(15 240)
Proceeds from sales of property		3 887	4 779
Purchase of office and computer equipment		(51)	(38)
Net Cash used in Investing Activities		(14 956)	(10 499)
NET (DECREASE) INCREASE IN CASH HELD		(2 762)	3 903
CASH AT 1 JULY		20 739	16 836
CASH AT 30 JUNE	14	17 977	20 739

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Community Housing Authority (SACHA or the Authority) co-ordinates and provides administrative support and funding to Community Housing Organisations to enable them to acquire housing. Funding for SACHA is derived from Commonwealth and State Government grants, rents, sale of properties and other payments from tenant members. The Authority has borrowed funds from the South Australian Government Financing Authority (SAFA) to fund non-current assets.

2. Statement of Accounting Policies

2.1 Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the Statements of Accounting Concepts, Australian Accounting Standards, Urgent Issues Group Consensus Views, the Accounting Policy Statements issued by the Department of Treasury and Finance and requirements of the Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

The financial report has been prepared on the accrual basis of accounting and accounting policies have been consistently applied. The financial report has been prepared in accordance with the historical cost convention, except where stated.

2.2 Revenue Recognition

Government grants

The Authority recognises grant funds as income when monies are received and controlled or when all conditions under which funding is provided have been fulfilled by the Authority.

Contributions Received and Receivable from Community Housing Organisations

The Authority recognises these contributions when cash is received throughout the period. An estimate of the June amount receivable is accrued.

Other Revenue

Other revenue is recognised by the Authority when there is a legal entitlement, the amount is reliably measured and it is collectible.

2.3 Rental Expenses

In accordance with a Service Level Agreement with the Department of Human Services, the Authority is invoiced by the Department on a monthly basis for the cost of building occupancy and vehicle use. As such, the Authority has no lease liabilities under these arrangements.

2.4 Capital Project Recoveries

Technical services are provided to assist Community Housing Organisations with capital projects. Salaries and related costs for this service are recouped as a fixed fee of \$1 750 per house, which is added to the loans provided to individual Community Housing Organisations.

2.5 Insurance

SACHA has implemented master insurance policies that cover the dwellings and commercial public liability of Community Housing Organisations. In addition, the minimum insurance standards have been amended to incorporate a Financial Insurance Package. SACHA has assumed responsibility for the administration and recharging of insurance premiums to Community Housing Organisations.

The Authority responded to the significant increases in insurance premiums and deductibles by providing a subsidy to Community Housing Organisations approximating the additional costs of cover.

2.6 Accounting for Equity Shares

The *South Australian Co-operative and Community Housing Act, 1991* provides for members of Housing Co-operatives to acquire equity in the properties they occupy by the Co-operative issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific Co-operative property. Holders of equity shares obtain a proportional reduction in the capital contributions they are required to pay as tenants. The Authority is obliged to repurchase the equity shares from holders who leave relevant Co-operatives at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

The value of debentures for properties with associated equity shares reflects the value of the property less the proportionate interest in the property associated with the equity share.

2.7 Debentures

Debentures issued by Community Housing Organisations with respect to tenable housing are revalued at balance date to reflect the current value of the property. Current values are determined using the Valuer-General's capital values for rating purposes.

Revaluation increments or decrements have been reflected in the Debenture Indexation Reserve.

2.8 Property and Equipment

Property owned by the Authority has been revalued at balance date to reflect the Valuer-General's capital value for rating purposes. Net revaluation increments for this class of asset have been accounted for by crediting the Asset Revaluation Reserve, except to the extent that the increment reverses a decrement that was previously recognised as an expense in net surplus from operating activities in respect of the same class of assets, in which case the increment is recognised as revenue in net surplus from operating activities. Net revaluation decrements have been charged against any credit balance in the Asset Revaluation Reserve with any decrement in excess of the credit balance of the Asset Revaluation Reserve being charged to the Statement of Financial Performance as Decrement on Revaluation of Property.

Work in Progress reflects properties under construction and is valued at cost.

Items of office and computer equipment acquired at a cost of \$1 000 and above are capitalised.

2.9 Depreciation

Office and computer equipment are carried at cost and is depreciated over its estimated useful life using the straight-line basis. For computer equipment the depreciation period is 3 years whilst general office equipment is depreciated over a 10 year period.

Property is not depreciated as it is held awaiting sale or transfer to Community Housing Organisations, and on transfer, the underlying debenture asset is not subject to depreciation requirements.

2.10 Accounting for Goods and Services Tax (GST)

SACHA is part of a GST group. The nominated representative of the GST group (the Department of Human Services) is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences earned by SACHA. The reimbursement receivable from the nominated representative of the GST group has been recognised as a receivable in the Statement of Financial Position.

To meet statutory obligations, SACHA raised tax invoices against Community Housing Organisations to record the GST liability on the transfer of certain properties developed by SACHA.

2.10 Accounting for Goods and Services Tax (GST) (continued)

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

2.11 Staffing and Related Costs

The staff of the Authority are employees of the Department of Human Services who have been assigned by the Department's Chief Executive to work at the Authority. The Authority meets the full cost of employment for the Department's employees assigned to work at the Authority including salary payments, accruing leave entitlements, superannuation contributions and related on-costs.

The balance of the employees' entitlement to accrued leave as at the date the employees were transferred to the Department is recognised in the accounts of the Department. The accrued liability which has arisen from employment since that date is recognised by the Authority as a liability of the Authority to the Department. The amount is reflected in Trade Creditors and Accrued Expenses (see Note 16).

2.12 Provision for Doubtful Debts

An assessment has been made of the extent to which outstanding debts are recoverable. Specific provision has been made for any doubtful debts identified.

2.13 Hot Water Service Warranty Provision

SACHA introduced a new Hot Water Service Replacement Policy during 1997-98, resulting in the establishment of a provision to cover future expenditure. Properties acquired by Community Housing Organisations which have hot water services older than five years are issued with a reducing scale warranty certificate by SACHA to cover the unit from the date of key handover.

The reducing scale warranty applies to the replacement cost of a new hot water service should any of these units fail during the subsequent five year period of operation on a sliding scale from 100 to 20 percent of replacement cost.

During 1999-2000 SACHA extended the Hot Water Service Warranty Scheme whereby Community Housing Organisations joining Comhouse Co-operative Ltd. (a co-operative facilitating the management of major maintenance on behalf of other Community Housing Organisations) and subject to a 5 year no-draw down period can claim under this provision the cost of replacing hot water service units that have failed.

A provision of \$173 000 has been recognised as SACHA's present obligation for estimated warranty claims in respect of the Hot Water Service Replacement Policy.

2.14 Lease Arrangements with the SA Housing Trust

SACHA leases a number of properties from the SA Housing Trust to support ongoing demand for housing within the community housing sector. Lease arrangements in respect of these properties are cancellable with three months notice, and as such no lease commitment is required to be disclosed, consistent with the requirements of the Australian Accounting Standard AASB 1008 'Leases'.

Under reciprocal arrangements with the SA Housing Trust, SACHA leases properties to the SA Housing Trust which are also cancellable with three months notice.

2.15 Comparative Figures

The previous year's figures are provided in the financial report for comparative purposes. Where applicable, figures have been adjusted to conform with changes in presentation and classification in the current year.

2.16 Impact of Adopting Australian Equivalents to International Financial Reporting Standards

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

Managing the Process

In accordance with Treasurer's Instruction 19 'Financial Reporting', SACHA will ensure that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). SACHA has examined the exposure drafts issued by the AASB and is developing a plan to manage the transition to the new standards. The plan is expected to identify:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems; and
- key dates for monitoring and reviewing progress.

SACHA is monitoring changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending Department of Treasury and Finance information forums and training workshops organised by professional accounting bodies.

Expected Differences in Accounting Policies

No anticipation of major changes.

3. Government Grants	2004	2003
	\$'000	\$'000
CSHA - Commonwealth ⁽ⁱ⁾	5 941	7 577
CSHA - State matching ⁽ⁱ⁾	4 213	4 938
CSHA grants - SAHT transfers ⁽ⁱⁱ⁾	10 148	11 258
CHP grants ⁽ⁱⁱⁱ⁾	4 930	4 959
Other State grants	2 548	3 327
	27 780	32 059
<hr/>		
(i) Refers to the Commonwealth/State Housing Agreement.		
(ii) Refers to Commonwealth/State Housing Agreement grants specifically provided to the Authority for the purpose of acquiring South Australian Housing Trust (SAHT) properties at market value.		
(iii) Refers to a tied program (entitled the Community Housing Program) under the Commonwealth/State Housing Agreement.		
4. Contributions Received and Receivable from Community Housing Organisations	2004	2003
	\$'000	\$'000
Capital contributions	7 501	6 288
Major maintenance contributions	56	43
Insurance premiums re-charged to CHOs	664	622
	8 221	6 953
<hr/>		
5. Interest and Sundry Income		
Interest	793	828
Sundry income	82	3
	875	831
<hr/>		
6. Contributed Assets		
In the past, grants have been provided to some Non-Government Organisations under arrangements which did not require them to issue debentures to the Authority. These grants have been expensed as advanced.		
During 2003-04, Non-Government Organisations voluntarily returned 4 properties previously funded by these grants for no consideration. The Authority has recognised these properties as Contributed Assets.		
7. Surplus/Deficit on Sale of Properties	2004	2003
	\$'000	\$'000
Transfers to Community Housing Organisations:		
Transfer proceeds	24 109	18 822
Net book value of transfers	(24 216)	(19 401)
	(107)	(579)
Sales to other parties:		
Sale proceeds	3 887	4 739
Net book value of properties sold	(3 538)	(4 388)
	349	351
Total	242	(228)
<hr/>		
8. Other Expenses		
Auditors remuneration ⁽ⁱ⁾	58	56
Board fees	51	57
Board expenses	1	1
Depreciation	31	32
Legal fees	45	31
Brokerage and valuation fees	55	11
Department of Human services - Service fees	186	201
Insurance	10	9
Aborted project costs	4	7
Fringe benefits tax	18	18
Computing costs	27	8
Sundry expenses	22	19
Blocked GST input credits - Department of Human Services	10	15
Product development	6	7
Training	69	56
Bad and doubtful debts	54	15
Lease back to SAHT expenses	22	8
Property holding costs - SACHA	69	82
Business plan projects ⁽ⁱⁱ⁾	153	111
	891	744
<hr/>		
(i) Auditors remuneration relates directly to auditing the accounts. The auditors provided no other services and received no other benefits.		
(ii) Includes payments to consultants for these projects totalling \$15 000 (\$12 000).		

9. Community Housing Organisation Costs	2004	2003
	\$'000	\$'000
Emergency Services Levy payments	-	1
Provision adjustments Hot Water Service Warranty (see Note 2.13)	(374)	64
Insurance payments (see Note 2.5)	722	802
	348	867
10. Grants to Community Housing Organisations		
Community Housing Council of South Australia (CHCSA) ⁽ⁱ⁾	263	255
Large Community Housing Organisations: ⁽ⁱⁱ⁾		
Northern Suburbs Housing Co-operative	53	57
The Womens Housing Association	174	145
Multi Agency Community Housing Association	83	51
Red Shield Housing Association	73	71
Housing Spectrum Housing Association	99	51
Portway Housing Association	92	66
DASH Housing Association	72	123
Lutherans Housing Association	89	51
IDAA	10	10
Westside	36	35
Inner City Co-op	-	2
Elizabeth and Districts	53	-
Roofs Housing	12	-
Wheelchair Accessible Housing Association	48	-
National Community Housing Forum	14	10
Community housing sector training through external service providers	124	109
Community Housing Organisations reimbursements	45	-
Country Community Housing Organisations travel reimbursements	6	10
	1 346	1 046
(i) The Authority is responsible for allocating funding to the Community Housing Council of South Australia Inc (CHCSA).		
(ii) During the year the Authority held negotiations with the Large Community Housing Organisations to determine the level of future funding on the basis of services provided. Funding is provided to assist these organisations with the administrative costs associated with increases in housing stock managed and tenant complexity and is conditional on performance measures outlined in their funding agreements. This is an extension to the original 3 year agreement.		
11. Borrowing Costs	2004	2003
	\$'000	\$'000
Borrowing costs on debt (see Note 20)	8 412	8 482
Loan indexation expense	-	293
	8 412	8 775
12. Asset Revaluation Reserve		
Opening Asset Revaluation Reserve	-	110
Movements during the year:		
Increments arising from the transfer of properties (held at Valuer-General's capital values) between SACHA and Community Housing Organisations	456	66
Increments (Decrements) arising from revaluation of properties based upon the Valuer-General's capital values as at 30 June 2004	573	(117)
Net Increase (Decrease) in the movement of the Asset Revaluation Reserve arising from revaluation	1 029	(51)
Transfer to Accumulated Surplus on sale of properties	(64)	(59)
Closing Asset Revaluation Reserve	965	-
13. Debenture Indexation Reserve		
Opening Debenture Indexation Reserve	115 581	49 081
Movements during the year:		
Decrements arising from the difference between the debenture face value and the cost of acquiring or developing properties at the time of their transfer	(2 125)	(2 132)
Increments arising from revaluation of debentures based upon the Valuer-General's capital values as at 30 June 2004	112 174	68 861
Net Increase in the movement of the Debenture Indexation Reserve arising from revaluation	110 049	66 729
Transfer to Accumulated Surplus on sale of properties	(700)	(229)
Closing Debenture Indexation Reserve	224 930	115 581

14. Cash at Treasury and on Hand

For the purpose of the Statement of Cash Flows, cash is represented by cash at bank, being monies held in the Authority's bank accounts and cash on hand and is represented in the Statement of Financial Position as follows:

	2004	2003
	\$'000	\$'000
Cash held in the South Australian Community Housing Development Fund	11 976	14 738
Cash held in SAFA Cash Management Fund	6 000	6 000
Cash on hand	1	1
	17 977	20 739

15. Receivables

Trade Debtors	214	423
Accrued Income ⁽ⁱ⁾	920	728
GST Recoverable on trade creditors	59	171
GST Recoverable on property transfers to Community Housing Organisations	748	564
	1 941	1 886
Less: Provision for doubtful debts	138	84
	1 803	1 802

(i) Accrued income includes capital contributions from Community Housing Organisations relating to June 2004 and payable in July 2004, arrears in capital contributions and accrued bank interest and sales income from other parties contracted but not received.

16. Trade Creditors and Accrued Expenses

	2004	2003
	\$'000	\$'000
Current:		
Trade creditors	435	905
Amount payable to the Department of Human Services relating to staff leave provisions and on-costs ⁽ⁱ⁾	95	79
Accrued interest payable to SA Government Financing Authority	1 095	1156
GST payable ⁽ⁱⁱ⁾	73	29
Other expenses accrued	176	90
	1 874	2 259
Non-Current:		
Amount payable to the Department of Human Services relating to staff leave provisions and on-costs ⁽ⁱ⁾	320	213
	2 194	2 472

(i) This amount represents accrued salaries and staff leave provisions for the period from 25 April 1998 when staff of the Authority were transferred to the Department of Human Services.

(ii) This amount represents SACHA's liability to the Australian Taxation Office in respect of properties developed by SACHA and debentured to Community Housing Organisations during the financial year.

17. Capital Funding to Community Housing Organisations

	2004	2003
	\$'000	\$'000
Debentures with Community Housing Organisations (at Valuer-General's capital values) ⁽ⁱ⁾	570 844	435 066
Less: Equity shares (refer Note 2.6)	1 073	1 051
Net debentures	569 771	434 015
Loans to Community Housing Organisations (at cost) ⁽ⁱⁱ⁾	-	1 887
Housing Association mortgages ⁽ⁱⁱⁱ⁾	59	59
	569 830	435 961

Assets of the Authority are not held to generate income but to provide housing for Community Housing Organisation members and as such their value does not reflect the yield to the Authority from those assets.

(i) Debentures

On completion and tenancing of their properties, individual Community Housing Organisations are required to issue a debenture to the Authority reflecting where available the Valuer-General's capital value for rating purposes.

The Authority recognises that the debentures issued by Community Housing Organisations in conjunction with the Authority's funding of community housing are not held by the Authority to generate income, but rather, to facilitate the provision of housing by the community housing sector. Consequently the value of the Authority's assets do not reflect the market yield on those securities.

The Authority recognises that non-current assets are required to be carried at no greater than their recoverable amount. Further, the Authority is aware that debentures are unlikely to be repaid except in cases of default by individual Community Housing Organisations or upon the sale of a property. Nevertheless the Authority has adopted the view for accounting purposes that should a case of default arise it would be entitled to sell and recover its investments from the net proceeds of sale of individual community housing properties. The Authority is of the view that the Valuer-General's property values provide a reasonable expectation of recoverable amounts to discharge Community Housing Organisations' debentures.

- (i) *Debentures (continued)*
- a) **New Debentures**
When the acquisition and/or construction of new properties is complete the Authority transfers to the Debenture Indexation Reserve net increments/decrements arising from differences between historical loan amounts and the value of the debentures issued in substitution for those loans. The value of new debentures is determined using the Valuer-General's rateable capital value, and in a small number of cases where this is not available, independent market valuation or total project cost is used.
- b) **Discharge of Debentures**
When properties are sold the debentures are cancelled and the balance of the Debenture Indexation Reserve for the property concerned is appropriated to the Accumulated Surplus. The difference between the sale value (less selling costs) and the debenture value is recognised as profit or loss on sale of properties.
- (ii) *Loans to Community Housing Organisations*
The Authority advances monies to finance the purchase and upgrade of dwellings or construction of new dwellings by Community Housing Organisations. These amounts are carried at historical costs until properties are complete and let. The Authority and Community Housing Organisations enter funding agreements which document respective responsibilities and the Authority places a charge on the title of Community Housing Organisations' properties to secure the Authority's interest in the property.
- (iii) *Housing Association Mortgages*
The Authority currently holds a mortgage over one Housing Association property which was funded through the Housing Association program.

18	Hot Water Service Warranty Provision	2004	2003
		\$'000	\$'000
	Opening hot water service warranty provision	671	698
	Movements during the year:		
	(Decrements) Increments arising from transfers from and to the provision (refer Note 2.13)	(374)	64
	Decrements arising from actual claims against the provision	(124)	(91)
		173	671
19.	Property and Equipment		
	(a) SACHA Owned Property		
	Owned Property (At valuation) ⁽ⁱ⁾	4 402	1 068
	Property leased to Community Housing Organisations (At valuation) ⁽ⁱⁱ⁾	3 312	3 515
	Property leased back to South Australian Housing Trust (At valuation) ⁽ⁱⁱⁱ⁾	1 695	1 577
	Community Housing work-in-progress projects (At cost) ^(iv)	11 833	11 919
		21 242	18 079
	(b) Office and Computer Equipment		
	Office and computer equipment (at cost)	291	240
	Accumulated depreciation	(179)	(148)
	Written down value	112	92
	Total Property and Equipment	21 354	18 171

- (i) Houses formerly belonging to Community Housing Organisations (at Valuer-General's capital values) but surplus to their requirements, awaiting to be disposed or redeveloped.
- (ii) The Authority has acquired a number of multi unit properties from the South Australian Housing Trust that are as yet not subdivided and therefore not debentured. These have been leased to Community Housing Organisations.
- (iii) The Authority holds a number of properties which were acquired from the South Australian Housing Trust for the purpose of community housing but are still tenanted by public housing tenants in the short term. These properties will be transferred to Community Housing Organisations once these tenants have vacated.
- (iv) This balance recognises the value of work in progress with respect to projects where title is held by SACHA until completion. On completion properties are allocated to Community Housing Organisations.

Property and Equipment Movement Reconciliation**(a) SACHA Owned Property**

	2004				Total \$'000
	Owned Property \$'000	Property Leased to CHOs \$'000	Property Leased Back to SAHT \$'000	Community Housing Work in Progress Projects \$'000	
Carrying amount at 1 July	2 329	3 515	1 577	10 658	18 079
Additions	5 900	632	199	28 724	35 455
Disposals	(4 284)	(1 431)	(368)	(27 549)	(33 632)
Property revaluation	457	596	287	-	1 340
Carrying Amount at 30 June	4 402	3 312	1 695	11 833	21 242

	2003				Total \$'000
	Owned Property \$'000	Property Leased to CHOs \$'000	Property Leased Back to SAHT \$'000	Community Housing Work in Progress Projects \$'000	
Carrying amount at 1 July	735	1 879	2 181	10 206	15 001
Additions	3 199	2 483	33	24 220	29 985
Disposals	(1 743)	-	(462)	(23 768)	(25 973)
Property revaluation	138	(847)	(175)	-	(884)
Carrying Amount at 30 June	2 329	3 515	1 577	10 658	18 079

(b) Office and Computer Equipment

	2004		Total \$'000
	Office Equipment \$'000	Computer Equipment \$'000	
Carrying amount at 1 July	62	30	92
Additions	-	51	51
Disposals	-	-	-
Depreciation	(9)	(22)	(31)
Carrying Amount at 30 June	53	59	112

	2003		Total \$'000
	Office Equipment \$'000	Computer Equipment \$'000	
Carrying amount at 1 July	57	29	86
Additions	13	25	38
Disposals	-	-	-
Depreciation	(8)	(24)	(32)
Carrying Amount at 30 June	62	30	92

20. Loans <i>Loans from the South Australian Government Financing Authority (SAFA)</i>	Interest Rates Percent	30 June 2004		30 June 2003	
		Book Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Book Value \$'000	Fair Value ⁽ⁱ⁾ \$'000
<i>Maturity Date</i>					
Short Term Interest Only Debt					
No fixed term	5.430	15 100	15 167	15 100	15 161
Medium to Long Term Interest Only Debt					
15 September 2006	7.545	10 000	10 412	10 000	10 842
15 October 2007	6.205	7 000	7 168	7 000	7 435
28 October 2007	6.535	10 000	10 359	10 000	10 781
15 September 2008	5.845	15 000	15 182	15 000	15 782
15 September 2009	7.025	14 217	14 895	14 217	15 683
15 March 2010	7.295	10 000	10 629	10 000	11 229
20 December 2010	6.080	10 000	10 001	10 000	10 541
15 September 2011	6.000	15 000	15 087	15 000	15 950
15 September 2012	6.045	13 610	13 674	13 610	14 520
Average Weighted Cost/Total	6.34	119 927	122 574	119 927	127 924
Plus Treasury Guarantee Fee	0.75				
Total Weighted Cost⁽ⁱⁱ⁾	7.09				

- (i) The fair value of loans to the Authority from SAFA reflect the present value of cash flows associated with the Authority's loans discounted at market yield for loans of the equivalent maturity.
- (ii) Weighted Average Effective Interest Rate.

21. Additional Financial Instruments Disclosure**(a) Interest Rate Risk**

The Authority has certainty with respect to the interest expense arising from the fixed rate loans from SAFA that comprise the major part of the Authority's debt. Funding arrangements relevant to interest rate risk are set out in Note 20. The Authority's exposure to interest rate risk and the weighted average interest rates for classes of financial assets and liabilities is as follows.

	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2004 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	4.97	17 976	-	-	-	1	17 977
Receivables	-	-	-	-	-	1 803	1 803
Funding to housing organisations	1.32	569 830	-	-	-	-	569 830
		587 806	-	-	-	1 804	589 610
Financial Liabilities:							
Loans from SAFA	7.09	15 100	-	42 000	62 827	-	119 927
Trade creditors	-	-	-	-	-	2 194	2 194
		15 100	-	42 000	62 827	2 194	122 121
	Weighted Average Interest Rate Percent	Floating Interest Rate \$'000	2003 Fixed Interest Maturing in			Non- Interest Bearing \$'000	Total \$'000
			Less than 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Financial Assets:							
Cash	4.69	20 738	-	-	-	1	20 739
Receivables	-	-	-	-	-	1 802	1 802
Funding to housing organisations	1.45	435 961	-	-	-	-	435 961
		456 699	-	-	-	1 803	458 502
Financial Liabilities:							
Loans from SAFA	7.02	15 100	-	27 000	77 827	-	119 927
Trade creditors	-	-	-	-	-	2 472	2 472
		15 100	-	27 000	77 827	2 472	122 399

(b) Credit Risk

The Authority is exposed to credit risk associated with amounts due to it from Community Housing Organisations as agreed. The credit risk on financial assets is recognised in the Statement of Financial Position as the carrying amount, net of any provisions for doubtful debts.

(c) Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is set out below.

See also Note 20 in relation to Loans. The fair value of other financial assets and liabilities, which are subject to normal trade terms, is considered to be face value.

	2004		2003	
	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000	Carrying Value \$'000	Fair Value ⁽ⁱ⁾ \$'000
Financial Assets:				
Cash	17 977	17 977	20 739	20 739
Receivables	1 803	1 803	1 802	1 802
Capital funding to housing organisations	569 830	569 830	435 961	435 961
	589 610	589 610	458 502	458 502
Financial Liabilities:				
Loans from SAFA	119 927	122 574	119 927	127 924
Trade creditors	2 194	2 194	2 472	2 472
	122 121	124 768	122 399	130 396

(i) The fair value of loans from the South Australian Government Financing Authority has been determined by discounting back the future cash flows on loan repayments to market interest rates.

22. Reconciliation of Net Cash provided by Operating Activities to Net Surplus from Ordinary Activities	2004	2003
	\$'000	\$'000
Net Cash Provided by Operating Activities	12 194	14 402
Adjustments:		
Government grants	10 148	11 258
Depreciation	(31)	(32)
Net Increment (Decrement) on revaluation of property	767	(767)
Provision adjustment hot water service warranty	374	(64)
Provision for doubtful debts	(54)	(15)
Capital project recoveries	355	375
Surplus (Deficit) on sale of properties	242	(228)
Contributed assets	172	345
Loan indexation	-	(293)
Change in assets and liabilities:		
Increase in receivables - Trade and other debtors	1	286
Increase in prepayments	127	-
Decrease in trade creditors and accruals	(179)	(150)
Net Surplus from Ordinary Activities	24 116	25 117
23. Accumulated Surplus		
Opening balance	238 022	212 617
Transfers from asset revaluation reserve	64	59
Transfers from debenture indexation reserve	700	229
Surplus for the year	24 116	25 117
Closing Balance	262 902	238 022
24. Capital Commitments		
Loans for Capital Expenditure Projects		
Obligations under approved new-build and spot purchase projects in progress.		
Payable not later than one year	12 411	10 529
Payable later than one year and not later than five years	164	-
	12 575	10 529
25. Executive Remuneration	2004	2003
The number of employees whose remuneration from the Authority falls within the following bands:	Number of	Number of
\$100 000 - \$109 999	Employees	Employees
\$110 000 - \$119 999	1	-
\$120 000 - \$129 999	-	1
	1	-
Total remuneration received, due or receivable, by employees whose remuneration exceeds \$100 000	2004	2003
	\$'000	\$'000
	229	112
The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department of Human Services and subsequently assigned to the Authority.		
The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.		
26. Remuneration of Board Members and Related Party Transactions		
The Board of the Authority comprises seven Members. These Members are:		
E Ramsay, Chairperson	Appointed 20 November 2003	
K F Kelly	Retired 1 September 2003 on completion of appointment	
P R Coidan	Resigned 31 October 2003	
C M Davidson		
V Deegan	Retired 8 May 2004 on completion of appointment	
D R Lee	Retired 4 April 2004 on completion of appointment	
E H McCarthy		
D J Sczesny		
M Woodward	Appointed 1 April 2004	
The number of Board Members whose remuneration from the Authority falls within the following bands were:	2004	2003
\$nil	Number of	Number of
\$1 - \$9 999	Members	Members
\$10 000 - \$19 999	1	1
	8	6
	-	1
	9	8

26. Remuneration of Board Members and Related Party Transactions (continued)

	2004	2003
	\$'000	\$'000
Total remuneration received, due or receivable, by the Board Members from the Authority	51	57

No member of the Authority had a pecuniary interest in any party which had any transaction with the Authority in the current year with the following exceptions:

- (i) A Board Member was an employee of an organisation (Housing Spectrum Inc.) which received grant funding from the Authority.
- (ii) A Board Member was an employee of an organisation (Multi Agency Community Housing Association Inc.) which received grant funding from the Authority.
- (iii) A Board Member was contracted by Community Housing Council of SA (CHCSA) to deliver training. CHCSA received grant funding from the Authority.

27. Contingent Liabilities

During 2003-04, the Authority entered into an insurance arrangement in respect of properties held by the CHOs. Under this insurance arrangement the Authority has agreed to pay all claims over \$500, until a total amount of \$250 000 has been paid for all claims lodged. At 30 June 2004, \$41 000 had been expensed, leaving a contingent liability of \$209 000.

SOUTH AUSTRALIAN HOUSING TRUST

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The South Australian Housing Trust was established by the *South Australian Housing Trust Act 1936* to administer the Act. The Trust also administers the *Housing Improvement Act 1940*.

The *South Australian Housing Trust Act 1995* repealed the *South Australian Housing Act 1936* and amended the *Housing Improvement Act 1940*. The Act provides for the continuation of the Trust as the principal provider of public housing in the State.

Functions

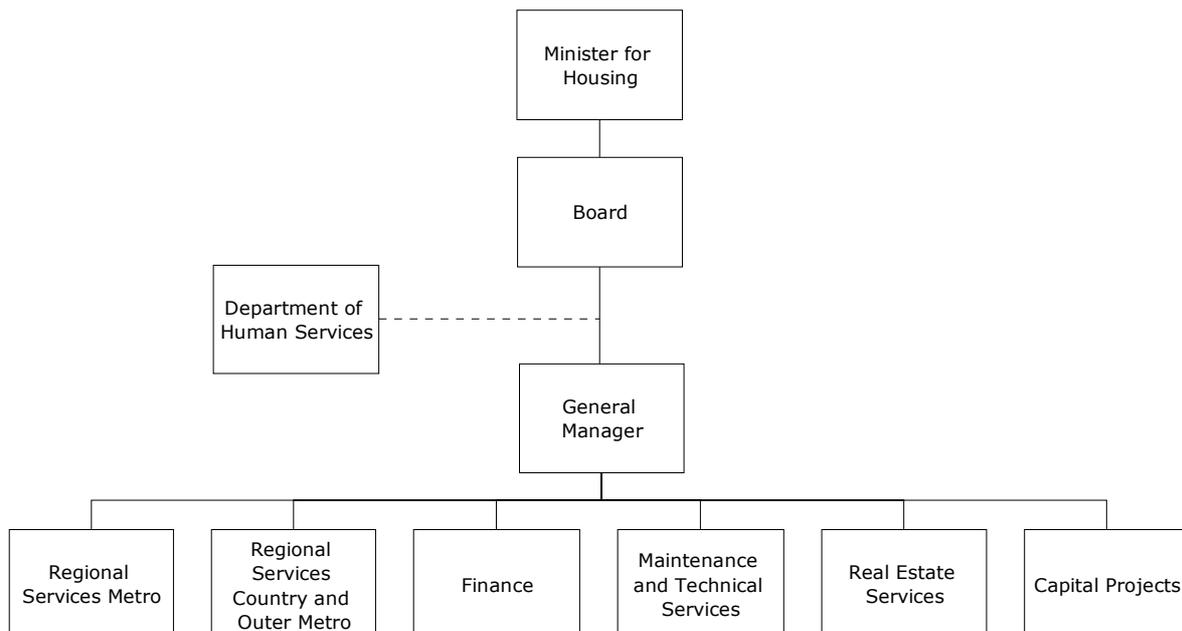
The functions of the Trust are to undertake the following:

- The ownership of houses and units for tenant occupation.
- The construction and purchase of houses and other properties.
- The management of tenancy arrangements for Trust properties including the assessment of rents and provision of reduced rents, and the raising and receiving of rent and other monies from tenants.
- The management of costs associated with ownership of Trust properties including the maintenance of those properties.

In addition, the Trust administers a range of programs related to housing on behalf of the Government with respect to which the Trust receives direct capital and recurrent grant funding. The range of programs administered is detailed in Note 13 to the Trust's financial statements.

Structure

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



AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

The *South Australian Housing Trust Act 1995* (the Act), subsection 27(2), requires the Trust to keep proper accounting records and to produce financial statements, in respect of each financial year. Section 31 of the *Public Finance and Audit Act 1987* and subsection 27(4) of the *South Australian Housing Trust Act 1995* requires the Auditor-General to audit the accounts and 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 South Australian Housing Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

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

Scope of Audit

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

During 2003-04, specific areas of audit attention included:

- revenue, including rent raising and recovery
- accounts payable
- maintenance expenditure
- fixed assets, including rental properties
- inventory
- capital projects.

In addition, systems operations and activities undertaken by the Department of Human Services on behalf of the Trust, which included corporate related services, payroll and aspects of accounts payable processing, were reviewed as part of the audit of the Department.

The work done by the internal auditor was considered in designing the audit programs. Where appropriate reliance is placed on the work of internal audit in assessing the effectiveness of the Trust's internal controls. Internal Audit coverage in 2003-04 included:

- monthly management and board reporting
- maintenance procurement and reporting
- strategic asset management
- vacancy management process improvement
- income confirmation system post implementation review
- system development life cycle review
- budgeting and forecasting
- asbestos related risk management
- controls over electronic banking
- investigation of possible frauds.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other

mandatory professional reporting requirements in Australia, the financial position of the South Australian Housing Trust as at 30 June 2004, its financial performance and its cash flows for the year then ended.

Assessment of Controls

Audit formed the opinion that the controls exercised by the South Australian Housing Trust in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except for the matters raised in relation to maintenance expenditure, inventory and capital projects and accounts payable as outlined under 'Audit Communications to Management and Other Matters', are sufficient to provide reasonable assurance that the financial transactions of the South Australian Housing Trust have been conducted properly and in accordance with law.

Audit Communications to Management and Other Matters

Matters arising during the course of the audit were detailed in management letters to the General Manager. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the Trust and the related responses are considered herein.

Asbestos Management

The danger to health from exposure to asbestos is well known and understood. The Trust understands that many of its properties, and particularly those built before 1990, incorporate products which contain asbestos.

Audit understand that the existence of asbestos products in properties creates significant and foreseeable dangers in specific circumstances, such as when maintenance is performed on properties which may disturb the asbestos product. This poses a risk to the person, whether a tenant, Trust employee or contractor, performing the maintenance.

It is evident the Trust is aware of the risks associated with asbestos in its properties and its annual maintenance expenditure includes significant payments for removal of asbestos products. The Trust also initiated an Internal Audit review in 2002-03 of its management of risks associated with the use of asbestos products in its properties. A follow up review was performed by Internal Audit in 2003-04 to assess progress in implementing the recommendations of the 2002-03 review. Audit understands the follow up review established that action had been taken with respect to many of the recommendations although there were some recommendations which were not accepted by Trust management.

A recommendation of the Internal Audit review which was not adopted was that the Trust prepare asbestos registers for all its properties in line with the requirements of regulations under the *Occupational Health, Safety and Welfare Act 1986*. It is understood that the Trust's view reflects an assessment based on legal advice, that the regulations requiring preparation of asbestos registers for buildings specifically exclude private residences.

External Audit will follow up aspects of the Trust's response to the Internal Audit review in the 2004-05 audit.

Rent Management System

The Rent Rebates provided by the Trust are a significant element in its program of providing housing assistance to those in housing need. The value of rebates for the year to 30 June 2004 was \$135 million (\$137 million) of which \$39.9 million is provided to the Trust as grant funds from the Commonwealth and State Governments and the balance represents foregone revenue to the Trust.

Self Assessment

Audit review in 2002-03 found that self assessments had not been undertaken for a considerable period of time with the last assessments for Public Housing undertaken in late 2001 and Private Rental assessments last undertaken in September 2002. In response the Trust advised that the Public Housing self assessment program recommenced in May 2003 and was progressing. The Trust advised that the program was delayed due to the review of the program content and relevant samples on the advice of Internal Audit. Further, the Trust advised that it is committed to the Regional Self Assessment program and will conduct reviews of Public Housing and Private Rental activities on an annual basis.

Audit review in 2003-04 found that self assessments of Public Housing Programs were finalised in June 2004. The results of the self assessments were reported to the Trust Audit Committee in August 2004.

The Audit Committee was advised that the assessment did not detect any widespread failure or misuse of processes. The report highlighted that a single assessor completed the assessment which resulted in a significant timeframe to complete the assessment (ie May 2003 to June 2004) which did not support a timely statement of assurance. The Audit Committee was advised that Regional Services were working collaboratively with Internal Audit on reviewing the Regional Self Assessment process to ensure it reflects the risks of the Trust and is performed in an effective manner. The outcomes of this review will be reviewed by External Audit in 2004-05.

Income Confirmation Service

A high proportion of the Trust's tenants receive benefits from the Commonwealth (ie Centrelink). The Trust and Centrelink have implemented an Information Confirmation Service (ICS) whereby:

- Centrelink electronically send the Trust income details of tenants who receive Centrelink benefits;
- information received from Centrelink is used to confirm the tenant's entitlement to rebated rent.

In 2003-04 Internal Audit completed a post implementation review of the ICS. The review identified a number of project management and development issues associated with the Trust's current System Development Life Cycle. In response the Trust has indicated the measures to be taken to address the issues raised in the review.

Maintenance Expenditure

As the principal provider of the State's public housing and related services, the Trust manages the costs associated with ownership of Trust properties including their maintenance. Audit review for 2003-04 included a review of controls over maintenance expenditure including contract management processes. The review found some areas where controls could be improved. The following commentary summarises the more significant matters raised by Audit.

Inspection of Invoices

Audit review found that there was no systems in place to monitor and report compliance with the Trust policies relating to inspection of work carried out by maintenance contractors.

The Trust has indicated it will implement a reporting system which will enable the monitoring of compliance with Trust policy. Also, the Trust has undertaken to review and revise, where appropriate, its compliance certification processes.

Maintenance of System User Access

Audit review found numerous instances where access levels assigned to users were outside the scope of their job function. Ineffective controls over Maintenance System user access may result in users performing unauthorised functions within the Maintenance System which may impact on the validity of transactions processed and reported through the system.

In response the Trust has indicated the new Maintenance Works System (which is due to be implemented in 15 months) will provide for ongoing management of appropriate user access. In the interim a number of manual actions will be implemented to address the issue.

Raising Orders and Processing Invoices

Audit review found that processing approvals for raising orders and payment of invoices represents a manual process whereby the processing clerk enters the authorising officer's User ID into the Maintenance System to authorise the order/invoice payment. Audit considers the ability to manually intervene in the electronic approval process reduces the effectiveness of internal controls. Furthermore, Audit noted users had the ability to process unauthorised transactions by using User ID's of other officers who have the required system authority level.

The Trust indicated the proposed new Maintenance Works System will incorporate controls over order and invoice approval. The Trust will rely on other processes to address the issue until the new system is implemented.

Maintenance Centre Self Assessments

The Maintenance Centre is responsible for processing a significant volume and value of maintenance transactions. Self assessments represent a key element in the Trust's internal control framework in ensuring that transactions are correctly processed. Audit found self assessment of the Maintenance Centre (Comskil) had not been carried out since August 2001. Audit recommended that the Trust plan for the regular and timely review of Maintenance Centre operations through self assessment procedures.

In response the Trust indicated a self assessment of the Maintenance Centre is being undertaken.

Policies and Procedures: Contracting Processes

Audit review in 2002-03 found that the Trust's documented procedures adequately address pre-tender, tender and contract implementation processes, however, there were a number of gaps in other contract management aspects such as contract execution and evaluation of contractor performance during and at the completion of the contract. Audit recommended that the Trust develop and document policies and procedures for contract execution and evaluation of contractor performance.

In response the Trust indicated that it has established reporting mechanisms for the execution and management of contracts including direct evidence of contractor performance. The Trust also indicated that it agreed to revise relevant policies and procedures.

A follow-up undertaken as part of the 2003-04 audit revealed that the Trust's policies and procedures had not been revised as proposed.

In response the Trust again committed to prepare and document more detailed policies and procedures.

Fixed Assets, Inventory and Capital Projects

Audit review for 2003-04 included review of controls over the Trust's Fixed Assets, Inventory and Capital Projects. The review identified a number of internal controls weaknesses. The more significant matters identified by Audit are summarised below.

Budget Monitoring of Capital Projects

The review found that budgeted and actual financial performance is recorded in Masterpiece General Ledger at the sub-program or sub-project level, and is reported in the monthly Capital Projects Performance Report and the monthly Corporate Performance Report. It was noted, however, that there was no formal system used to record and report the budget and actual financial performance at the individual project level. Audit recommended the Trust consider developing and implementing a structured system to record and report budgeted and actual financial performance at the individual project level.

In response the Trust indicated discussions are under way to address the issue including utilising the Masterpiece Job Cost system. It is anticipated this will enhance the management of all projects by holding and comparing budget, forecast and actual information on one system.

Review of Capital WIP Accounts and Completed Projects

The audit indicated that there is a lack of regular review of projects in the Job Cost System to identify outstanding project costs which are to be allocated to Inventory or Fixed Assets. Audit recommended the Trust implement a regular review of projects in the Job Cost System to identify outstanding project costs required to be cleared and allocated to Inventory or Fixed Assets.

Also, Trust procedures require the review of completed projects as a pre-requisite to close the project within the Job Cost System. This review includes comparing actual project net expenditure against the approved budget and obtaining approval for variations in accordance with the delegations of authority. Audit found that the review of projects, as required by established Trust procedures were not performed for all projects. Audit recommended that the Trust complete reviews of completed projects and obtain approval for variations, in accordance with established procedures, for all projects.

The Trust has responded that, while a review of completed projects is in progress, the large number of projects involved mean it is expected that the review will not be completed until March 2005.

Financial Systems Capabilities

The Trust's Job Cost System records costs for each project established by the Trust. Audit noted, however, that project costs are not allocated to individual properties within the Job Cost system. Audit noted that the Trust utilises an Excel spreadsheet (ie WIP Spreadsheet) to record and maintain financial data of each property including records of project costs allocated to individual properties. It is Audit's view that the use of an Excel spreadsheet is not an effective and efficient tool to maintain, manage and control key financial data relating to Capital and Inventory Work In Progress (WIP). Audit recommended the Trust consider developing and implementing a more robust system to record, manage and control financial data relating to Capital and Inventory WIP.

In response the Trust indicated the use of spreadsheets to record and manage the WIP and Inventory will be reviewed with a view to transferring the process to an alternative environment.

Accounts Payable

Audit review identified a number of areas where it was considered that controls could be improved. Many of the issues noted by Audit were raised and communicated to the Trust in previous years. Specific matters raised by Audit included:

- The Online Purchase Order function was not being used in all cases as specified in the Trust's Purchasing Policy. Audit expressed the view that the Online Purchase Order System incorporates sound internal controls and the use of the system provides stronger controls than those available with the use of manual payments vouchers. Also, Audit noted that there was no formal monitoring or reporting within the Trust of the use of the Online Purchase Order System versus the use of manual payment vouchers.
- Policies and procedures relating to a number of processes were not documented.
- There are no system controls which prevent or limit the extent of variations between requisition and purchase order values. Audit found Purchasing Officers had the ability to modify authorised requisition details at the time the purchase order was raised.
- Authority levels within the Purchasing System were not consistent with the Levels of Authority approved by the Board. Audit expressed the view that the Levels of Authority were not expressed in a manner which enables them to be efficiently and effectively administered.
- Systems controls to provide assurance that payment was only made for goods and services received at approved rates could be bypassed. For instance, some invoices were not processed through the Purchasing System and matched to their original purchase order. Rather, the invoices were directly processed into the Accounts Payable system thereby bypassing the matching process. In these instances the Trust relies on manual processes which are not supported by systematic or controlled checking processes.

In response the Trust outlined measures to address the issues raised by audit and indicated that Finance is committed to improving controls consistent with Audit's recommendations. The Trust indicated that it will work with Department of Human Services officers to achieve this.

Payroll

The Department of Human Services is responsible for processing payroll transactions for staff assigned to the Trust in accordance with a service level agreement. Audit review of the Department's payroll function revealed that internal controls over the processing of the payroll transactions were ineffective in key areas. Major areas of concern included:

- bona fide certification processes
- leave recording and management processes.

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

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

	2004	2003	Percentage
	\$'million	\$'million	Change
OPERATING REVENUE			
Rent	190	182	4
Commonwealth Government grants	65	48	35
State Government grants	136	81	68
Other	57	36	58
Total Operating Revenue	448	347	29
OPERATING EXPENDITURE			
Staffing costs	38	36	6
Borrowing costs	44	45	(2)
Maintenance	64	66	(3)
Council rates and water charges	47	46	2
Land tax equivalent	71	58	22
Depreciation	48	42	14
Other expenses	81	63	29
Total Operating Expenses	393	356	10
Surplus (Deficit) Before Income Tax	55	(9)	
Income Tax Equivalent	(8)	-	
Surplus (Deficit) After Income Tax	47	(9)	
Net Cash Flows	27	2	
ASSETS			
Current assets	158	119	33
Non-current assets	4 256	3 566	19
Total Assets	4 414	3 685	20
LIABILITIES			
Current liabilities	53	42	26
Non-current liabilities	804	821	(2)
Total Liabilities	857	863	(1)
EQUITY	3 557	2 822	26

Statement of Financial Performance**Operating Revenues**

During the year ended 30 June 2004, total Operating Revenues increased by \$101 million (29 percent). Notably, State Government Grants increased by \$55 million from \$81 million to \$136 million due to:

- an increase of \$20.7 million in Tax Equivalent Reimbursement funding (relating to land tax and income tax) received from the State Government;
- a \$11.0 million increase in grant funded programs (mainly relating to Supported Accommodation Assistance Program funding);
- an increase of \$21.1 million in general purpose grants. During the year the Department of Human Services transferred to the Trust \$34.3 million of cash balances relating to the Commonwealth State Housing Agreement (CSHA) that was held by the Department as at 30 June 2003. Of this total an amount of \$19.4 million was allocated to State general purpose grants, \$8.0 million was allocated to Commonwealth funded capital programs and \$3.5 million Commonwealth Rebate Subsidy Grants.

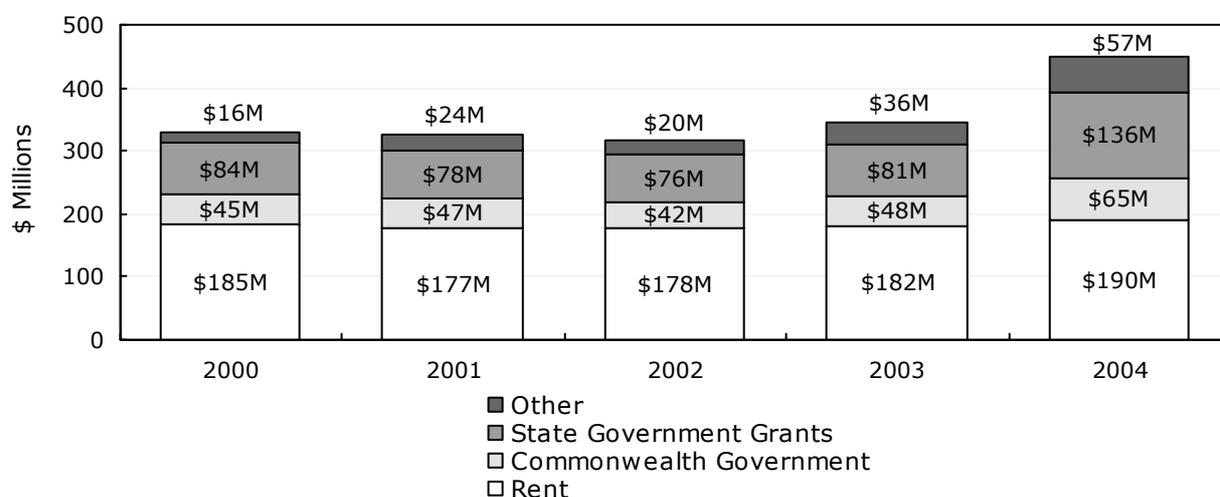
Commonwealth Government Grants for the year increased by \$17 million from \$48 million to \$65 million due to:

- an increase of \$16.2 million in grant funded programs (mostly relating to Supported Accommodation Assistance Program funding);
- an increase of \$3.9 million in rebate subsidy grants;
- a \$6.0 million increase in Commonwealth funded capital programs representing CSHA funds transferred to the Trust by DHS during the year.

These increases were offset by an \$8.8 million decrease in GST compensation funding received from the Commonwealth.

Net Revenue from Disposal of Non-current Assets increased by \$18.3 million from \$19.1 million to \$37.4 million. Refer to Note 12 to the financial statements.

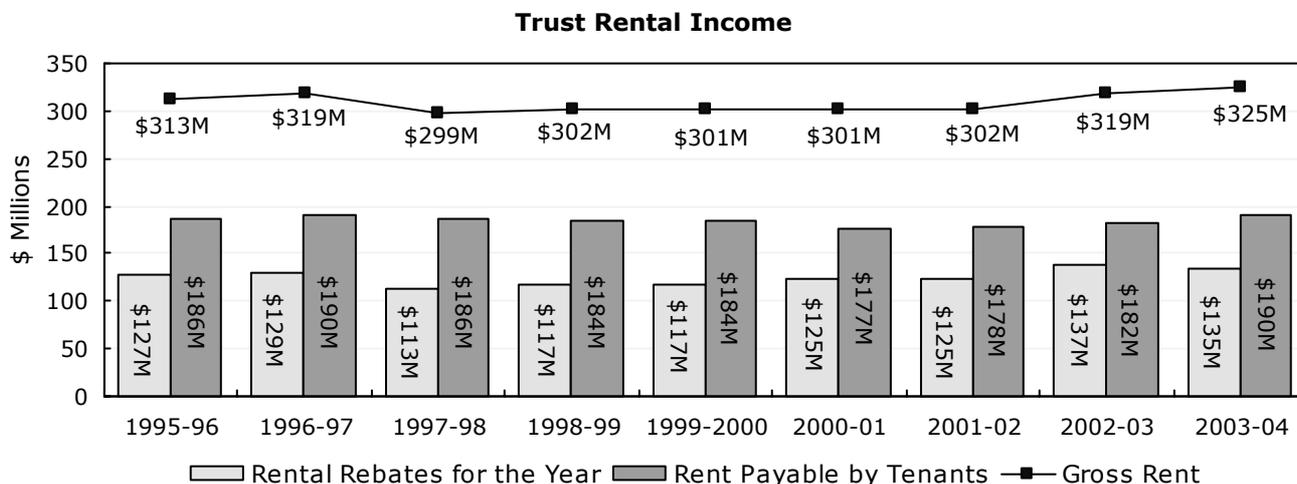
For the five years to 2004 a structural analysis of Operating Revenues for the Trust is presented in the following chart. The chart demonstrates a steady decrease in total Operating Revenue in the first three years followed by increases of 10 percent (\$31 million) and 29 percent (\$101 million) in 2003 and 2004 respectively.



Rental Operations

The Trust has continued to experience a high level of demand for its rental accommodation as it received 8573 (9058) new applications for tenancies and was able to house 4083 (4187) new tenants during the year. The level of housing stock was 47 471 (48 271) at 30 June 2004.

The trend identified in previous years, of a high proportion of Trust tenants eligible for reduced rent due to low income continued and, at 30 June 2004, 38 270 (39 666) tenants or 84.2 percent (85.3 percent) of all tenants were eligible for rent rebates. The trend is illustrated in the following chart:



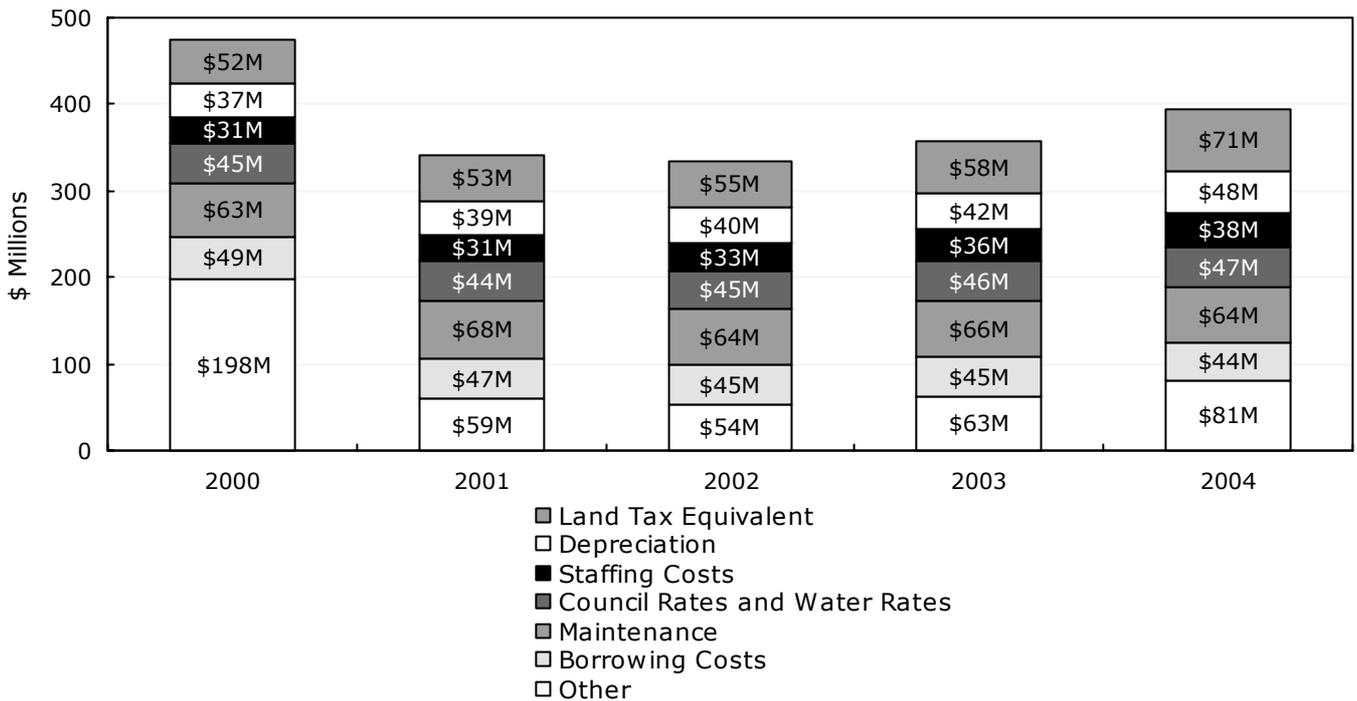
The chart also highlights an increase in Gross Rent in 2004 due to an increase in market rents.

Operating Expenses

For the five years to 2004, a structural analysis of the major operating expense items for the Trust is shown in the following chart.

The chart highlights decreases in total Operating Expenses for the first three years of review, followed by increases in 2003 and 2004. Operating Expenses were significantly higher in 2000 due to the recognition of a net loss on restructure of \$131.1 million arising from the transfer of assets and liabilities from the Trust to the South Australian Aboriginal Housing Authority.

During the year ended 30 June 2004, total Operating Expenses (excluding Income Tax Equivalent) increased by \$37 million (10 percent). This increase was due to increases in a number of expense items including, land tax equivalent (\$12.5 million), depreciation (\$5.8 million) and grant expenditure (\$24.7 million) which is included in other expenses.



Grant Funded Programs

The Trust’s recurrent expenditure with respect to grant funded programs was \$46.7 million (\$21.3 million) reflecting direct expenditure on the programs of \$36.6 million (\$11.9 million) and administration costs of \$10.0 million (\$9.4 million).

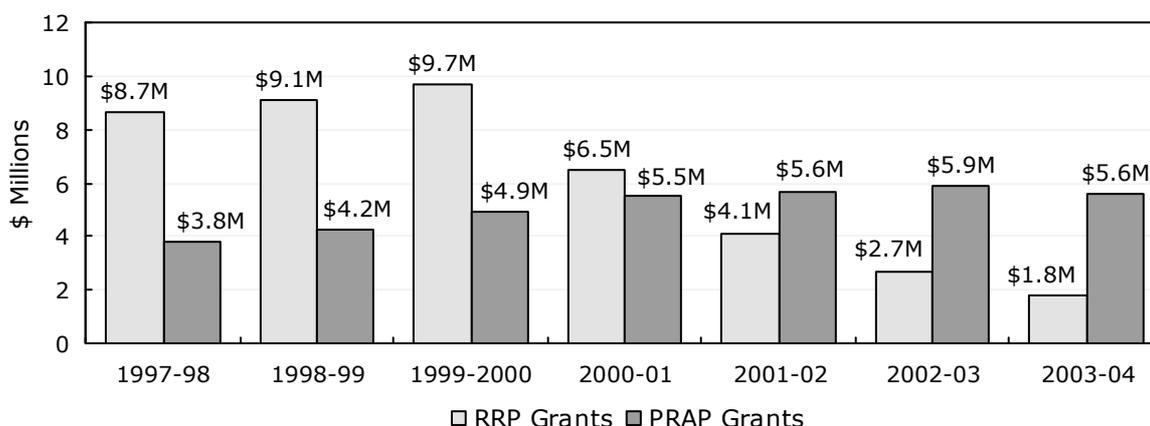
The overall increase in the Trust’s expenditure on grant funded programs was due mainly to expenditure totalling \$26.2 million associated with the Supported Accommodation Assistance Program which the Trust became responsible for during the year. This increase was offset by small decreases in other grant funded programs including Crisis Accommodation, the Private Rental Assistance Program, and the Rent Relief Program which decreased by \$250 000, \$241 000 and \$857 000 respectively.

Supported Accommodation Assistance Program

Effective from July 2003 the Trust assumed responsibility for the management of the Supported Accommodation Assistance Program (SAAP). The program funds non-government organisations to allow for the provision of crisis and transitional accommodation and support for homeless people at risk. This function was previously undertaken by the Department of Human Services. Refer to Note 13 for details of the revenues and expenditure of the program.

Rent Relief Program and Private Rental Assistance Program

The following chart shows the changing level of grant funded spending (excluding administration costs) over the past seven years on the Rent Relief Program (RRP) and the Private Rental Assistance Program (PRAP).



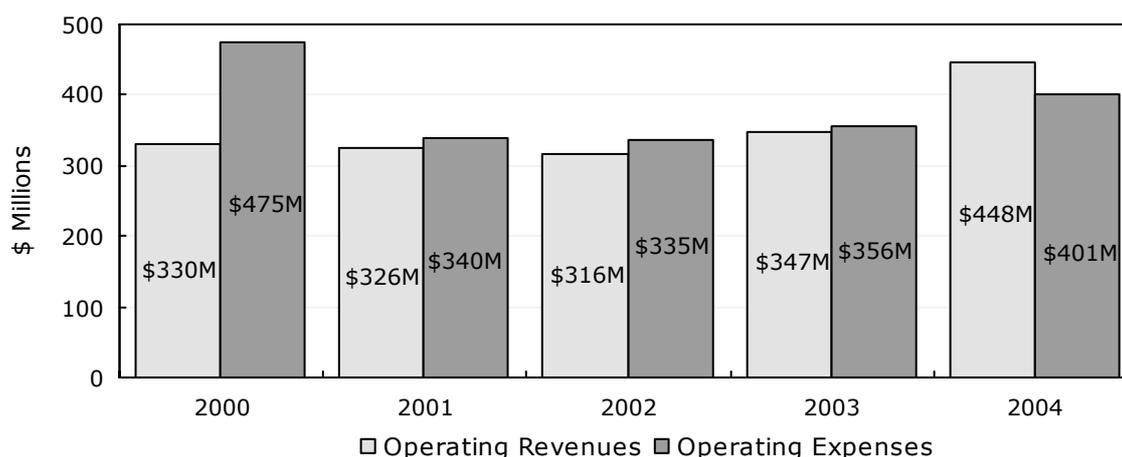
The RRP provides assistance to tenants in private rental accommodation, who are experiencing financial difficulty, by providing payments to tenants, of amounts up to \$25 per week. The number of recipients of assistance for the year to 30 June 2004 was 1673 (2417), reflecting an ongoing reduction in the number of beneficiaries following closure of the scheme to new entrants in May 2000. This reduction resulted in a decrease in RRP grant payments of \$861 000.

The PRAP assists people to establish themselves in privately owned rental accommodation by providing an information service to help locate suitable accommodation; financial assistance to tenants with respect to security bonds and rent in advance; and short term emergency accommodation in Trust houses. Grant payments for the program in 2004 decreased by \$349 000.

The Private Rental Assistance Program includes a bond guarantee scheme which enables the Trust to guarantee payments to landlords in the event of a claim against a bond. The Trust's contingent liability with respect to Bond Guarantees increased by \$610 000 from \$11.01 million to \$11.62 million as at 30 June 2004.

Operating Result

The following chart shows the operating revenues and operating expenses (including Income Tax Equivalent) for the five years to 2004.



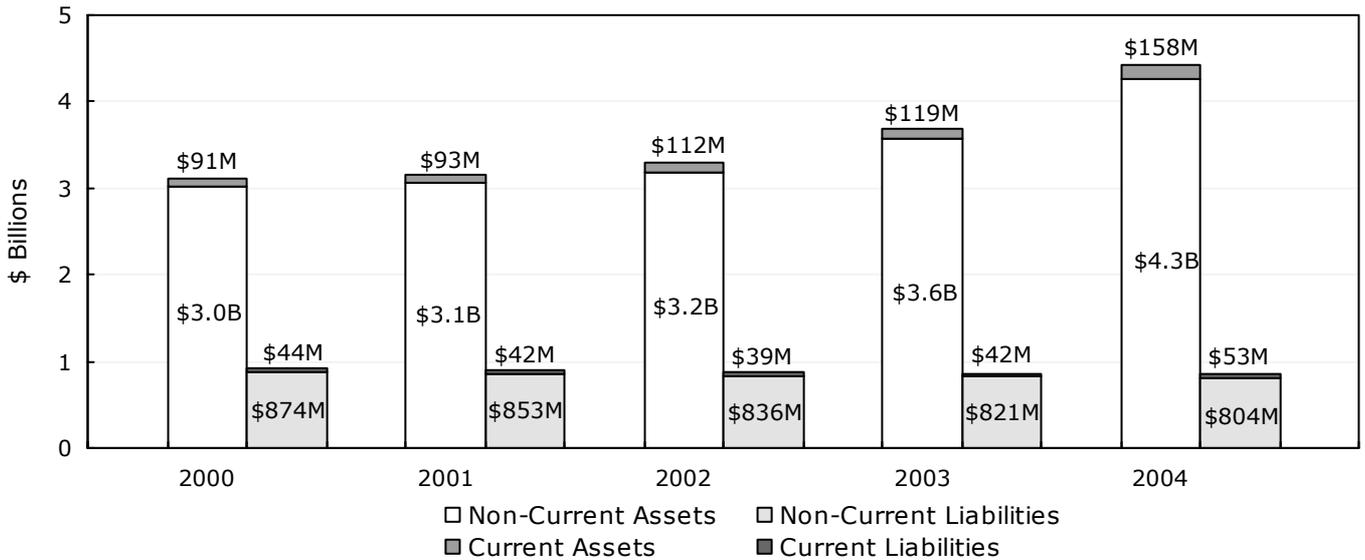
The chart demonstrates that in 2000, the Trust recorded a large deficit of \$145 million followed by relatively smaller deficits in the next three years, followed by a large surplus in 2004.

The deficit recorded in 2000 was due primarily to the net loss recorded on restructure of \$131.1 million resulting from the transfer of responsibility for the State's Aboriginal Housing programs from the Trust to the South Australian Aboriginal Housing Authority.

The Surplus (after income tax equivalent) achieved in 2004 was due primarily to Revenues from Ordinary Activity increasing to a larger extent than Expenses from Ordinary Activities. Refer to commentary under the headings Operating Revenues and Operating Expenses for more detailed analysis of revenues and expenses.

Statement of Financial Position

For the five years to 2004, a structural analysis of assets and liabilities is shown in the following chart.



The analysis shows a decrease in liabilities of 6.6 percent over the period of review, in comparison to an increase in assets of 41.8 percent over the same period.

The chart shows that, over the past three years, there has been a significant increase in non-current assets totalling \$1 076 million. The increase over this period is due primarily to the continued upward trend in the property market with the Trust’s rental property values over this period increasing by \$1.023 billion or 32.8 percent. As at 30 June 2004 the value of the Trust’s rental properties was \$4.1 billion (\$3.5 billion in 2003)

The increase in property values has occurred notwithstanding that there has been a reduction of 2072 in the number of properties held over the same period representing a decrease of 4.2 percent.

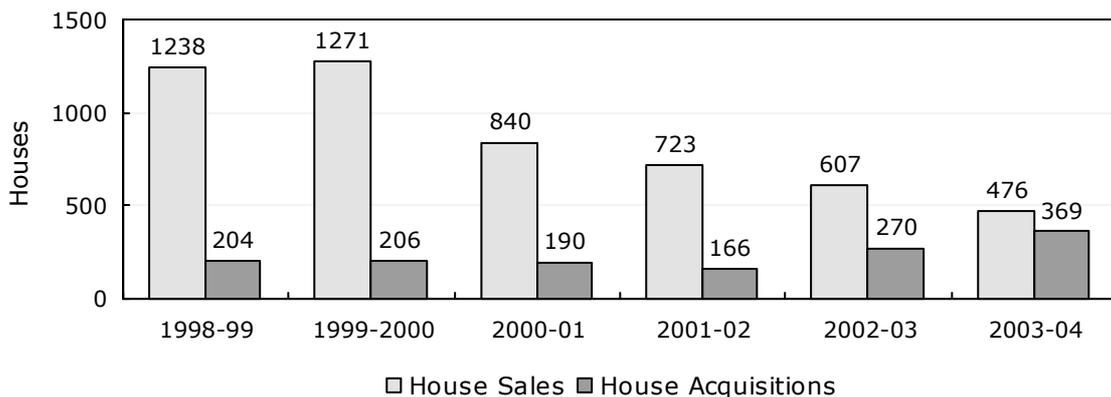
The decrease in liabilities over the period is due primarily to the reduction in Trust borrowings due to principal repayments.

Asset Management

The Trust has continued to respond to changes in demand for housing, the need to quit housing stock which is of inappropriate amenity or involves high levels of maintenance by establishing annual targets for house sales. In addition to house sales the Trust transfers houses to the South Australian Aboriginal Housing Authority and the South Australian Community Housing Authority.

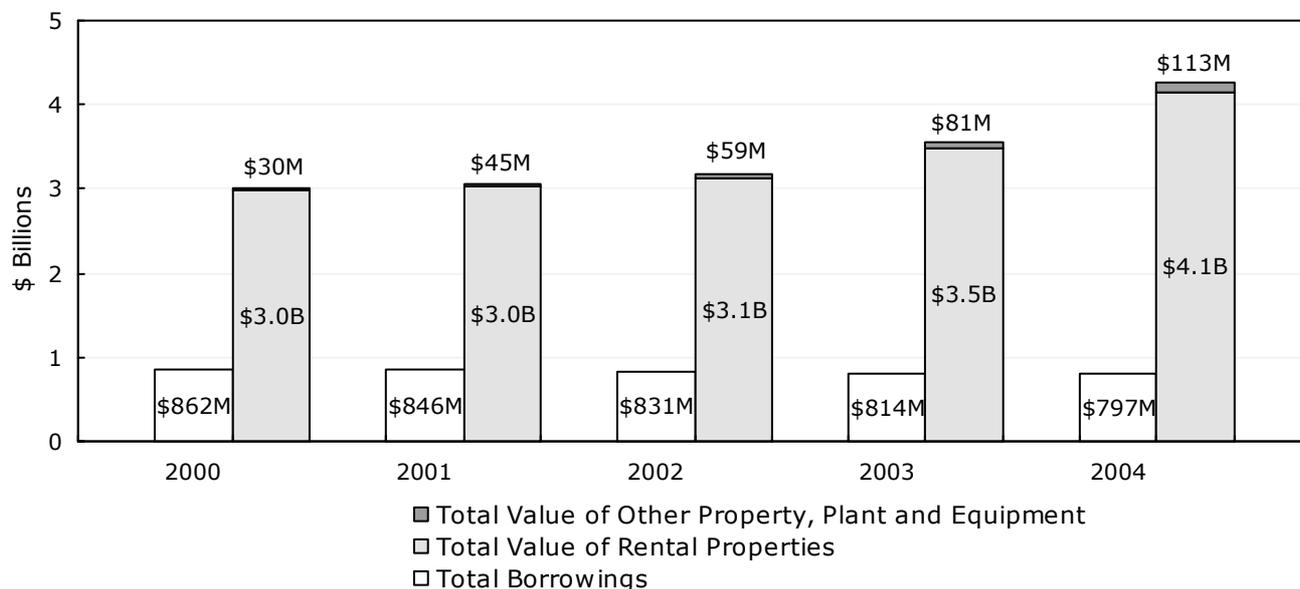
As a consequence of adopting the house sales and house transfer programs the Trust’s housing stocks have fallen 24 percent from 62 322 dwellings as at 30 June 1994 to 47 471 dwellings as at 30 June 2004.

The following chart depicts the level of house sales (excluding transfer to other housing authorities) and the offsetting acquisitions of houses over the past six years to demonstrate the net impact of house sales on the level of Trust housing stock.



Indebtedness

The following chart demonstrates the ongoing reduction in Trust indebtedness over the past five years in comparison to the increase in the value of the Trust's assets. Notably, the chart highlights a 7.5 percent (\$65 million) decrease in borrowings over the period against a 38.6 percent increase (\$1.154 billion) in property values. The increase in property values has occurred notwithstanding that there has been a 11.0 percent decrease in the number of properties held over the same period.



Statement of Cash Flows

The following table summarises the net cash flows for the four years to 2004.

	2004 \$'million	2003 \$'million	2002 \$'million	2001 \$'million
Net Cash Flows				
Operations	72.5	28.0	15.3	18.4
Investing	(28.8)	(9.9)	16.2	9.8
Financing	(17.2)	(16.5)	(15.9)	(15.1)
Change in Cash	26.5	1.6	15.6	13.1
Cash at 30 June	81.0	54.5	52.9	37.3

The analysis shows that the Trust's cash holdings have consistently increased over the period of review. The Trust's net change in cash was significantly higher in 2004, compared to 2003. This was due primarily to receipts from customers, State Government Revenue and Commonwealth Government Revenue which increased by \$13.3 million, \$46.4 million and \$20.4 million respectively.

As was discussed under the heading 'Operating Revenues', during the year the Department of Human Services transferred to the Trust \$34.3 million of cash balances relating to Commonwealth State Housing Agreement representing State and Commonwealth Government grant revenue.

**Statement of Financial Performance
for the year ended 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Rent	3	190 294	181 500
Interest	4	3 413	3 622
Recoveries	5	11 241	11 184
Sundry		3 707	2 833
Commonwealth Government	13	65 366	47 562
State Government	13	136 036	81 438
Net revenue from disposal of non-current assets	12	37 446	19 125
Net revenue from restructuring		-	178
Total Revenue		447 503	347 442
EXPENSES FROM ORDINARY ACTIVITIES:			
Staffing costs	6, 29	38 281	35 960
Borrowing costs	7	43 816	44 881
Maintenance		63 464	65 648
Council rates and water charges		47 452	46 116
Land tax equivalent	2(m)	70 617	58 148
Depreciation	8	48 131	42 285
Business services fees		11 514	13 013
Rent	9	5 289	5 545
Insurance		3 815	3 508
Bad and doubtful debts	10	5 097	7 992
Grants	13	36 625	11 910
Other		18 861	21 076
Total Expenses		392 962	356 082
SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		54 541	(8 640)
Income tax equivalent	2(m)	7 837	-
SURPLUS (DEFICIT) FOR THE YEAR FROM ORDINARY ACTIVITIES AFTER INCOME TAX		46 704	(8 640)
Non-Owner Transaction Changes in Equity:			
Increase in asset revaluation reserve arising on revaluation on non-current assets	23	699 946	425 485
(Decrement) on revaluation of rental dwellings:			
Transferred to capital work programs	23	(10 491)	(10 612)
Subject to sale contract	23	(453)	(1 251)
Total Revenue, Expense and Valuation Adjustments Recognised Directly in Equity		689 002	413 622
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		735 706	404 982

**Statement of Financial Position
as at 30 June 2004**

		2004	2003
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash	27(a)	80 967	54 504
Receivables	15	24 096	16 632
Inventories	16	52 813	47 569
Other current assets	17	251	652
Total Current Assets		158 127	119 357
NON-CURRENT ASSETS:			
Receivables	15	634	835
Inventories	16	2 061	2 343
Property, plant and equipment	18	4 253 847	3 562 148
Total Non-Current Assets		4 256 542	3 565 326
Total Assets		4 414 669	3 684 683
CURRENT LIABILITIES:			
Payables	19	21 995	11 527
Interest-bearing liabilities	20	18 043	17 207
Employee entitlements and other provisions	21	3 875	3 361
Other current liabilities	22	9 248	9 524
Total Current Liabilities		53 161	41 619
NON-CURRENT LIABILITIES:			
Payables	19	3 841	2 881
Interest-bearing liabilities	20	779 143	797 241
Employee entitlements and other provisions	21	17 829	17 715
Other non-current liabilities	22	3 274	3 512
Total Non-Current Liabilities		804 087	821 349
Total Liabilities		857 248	862 968
NET ASSETS		3 557 421	2 821 715
EQUITY:			
Accumulated surplus	14	928 532	843 106
Asset revaluation reserve	23	2 628 889	1 978 609
TOTAL EQUITY		3 557 421	2 821 715
Commitments and Contingencies	25, 26		

The Statement of Financial Position is to be read in conjunction with the notes to and forming part of the Financial Statements.

**Statement of Cash Flows
for the year ended 30 June 2004**

		2004	2003
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note	\$'000	\$'000
Receipts from customers		201 793	188 532
Interest received		3 398	3 601
State Government		127 927	81 533
Commonwealth Government		66 819	46 462
Total Receipts		399 937	320 128
PAYMENTS:			
Payments to suppliers and employees		(214 359)	(190 627)
Finance charges paid		(42 430)	(43 345)
Land tax equivalents paid		(70 617)	(58 148)
Total Payments		(327 406)	(292 120)
Net Cash provided by Operating Activities	27(b)	72 531	28 008
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sale of property, plant and equipment		95 997	80 179
Net proceeds from investment mortgage loans		61	117
Total Receipts		96 058	80 296
PAYMENTS:			
Payments for property, plant and equipment		(124 864)	(90 255)
Total Payments		(124 864)	(90 255)
Net Cash used in Investing Activities		(28 806)	(9 959)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings		(17 262)	(16 468)
Net Cash used in Financing Activities		(17 262)	(16 468)
NET INCREASE IN CASH HELD		26 463	1 581
CASH AT THE BEGINNING OF THE REPORTING PERIOD		54 504	52 923
CASH AT THE END OF THE REPORTING PERIOD	27(a)	80 967	54 504

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the Financial Statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Objectives and Funding

The South Australian Housing Trust (the Trust) is the State's principal public housing authority. The Trust's role and powers are based on the *South Australian Housing Trust Act 1995* and *Housing Improvement Act 1940*. The Board of the Trust is responsible to the Minister for Housing for overseeing the operations of the Trust. This responsibility is formalised in a Ministerial Agreement that defines the objectives and responsibilities of both the Minister for Housing and the Trust. The Trust's objectives are to promote successful tenancies and sustainable communities in an integrated service environment. The Trust's principal revenue sources are receipts from customers, grants from the Commonwealth and State Governments, and the proceeds from the sale of assets.

2. Summary of Significant Accounting Policies

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

(a) Basis of Preparation of the Financial Statements

The financial statements are a general purpose financial report that has been prepared pursuant to the *South Australian Housing Trust Act 1995* and the *Public Finance and Audit Act 1987* and in accordance with the requirements of the Statements of Accounting Concepts, applicable Australian Accounting Standards, Urgent Issues Group Consensus Views, the Treasurer's Instructions and applicable Accounting Policy Statements. The Statements have been prepared on an accrual basis of accounting and are in accordance with the historic cost convention except for certain assets that have been revalued. The accounting policies have been consistently applied by the Trust and, except where stated, are consistent with those applied in the previous year.

(b) Revenue Recognition

Rental Income

Rent payable in respect of each property is recognised as revenue and charged to tenants weekly in advance.

The Trust calculates a market rent for each property, structured on the basis of regional rental markets. This represents the potential rental income derivable from the rental stock. The Trust's policy is that no tenant will be required to pay more than 25 percent of their household assessable income in rent. The difference between the assessed rent for the property and the market rent is recognised as a rental rebate subsidy provided to tenants.

Disposal of Non-Current Assets

The proceeds of real property asset sales are included as revenue of the Trust when settlements are completed. Refer to Note 12 for further details.

Recoveries

Recoveries for costs on-charged by the Trust are included in revenue.

Grants

Grants received for all purposes have been included as revenue.

(c) Property, Plant and Equipment

Interest is capitalised to capital works in progress costs where specific project funding has been acquired. As at 30 June 2004 the Trust has no borrowings tied to such projects.

Capital work in progress included in property, plant and equipment reflects developments that will be utilised in the Trust's operations. The carrying amount for capital work in progress includes charges for administrative expenses and a revaluation increment or decrement where the property has previously been revalued.

The Trust has a policy that all land and buildings are to be revalued annually at 31 October. This policy complies with the Department of Treasury and Finance Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets'. In accordance with this policy the carrying amount of Rental Properties, Administrative Properties and Vacant Land reflect the Valuer-General's values (for rating purposes) issued as at 1 July 2003. The Valuer-General's values are deemed to be fair values for financial reporting purposes.

The Trust, as part of its operations, transfers non-current assets from one class to another and in so doing also transfers the relevant assets revaluation component from one class to another within the Equity asset revaluation reserve accounts. However, if these assets have a revaluation component (increment or decrement) attached to them and their new class has a previous unrecouped decrement, the assets revaluation component shall remain in the asset revaluation reserve balance but unattached to an individual asset.

Plant and equipment are carried at cost. Development expenditure for major computer systems is capitalised on implementation of the system.

(d) Inventories

At 31 October 2003 the carrying amount of real property inventories other than those subject to development as capital work in progress have been compared with an independent valuation and where the carrying amount exceeded the independent valuation, the carrying amount has been reduced to reflect the independent valuation.

The independent valuations for real property inventories reflect:

- for Vacant properties, the Valuer-General's value (for rating purposes) issued as at 1 July 2003.
- for Houses and Developed Land, the value as per current sale prices.

Inventories of Stores are carried at cost.

(e) Depreciation and Amortisation

Property, plant and equipment are depreciated or amortised from the date of acquisition or in respect of internally developed assets, from the time an asset is completed and held ready for use.

The Trust's property, plant and equipment are depreciated over their estimated useful life using the straight-line basis. The Capital works in progress and the vacant properties (which consist mainly of land) are not depreciated.

Major depreciation periods are:	Years
Rental properties (dwellings) *	50
Administrative properties	10-30
Plant and equipment	3-10

* An estimated useful life of 50 years is assumed for the rental dwelling buildings and depreciation expense is calculated at a rate of 2 percent per annum on the opening revalued amount for each property. This is consistent with the national accounting policy framework for State Housing Authorities and ensures consistency and comparability between these authorities.

(f) Leased Plant and Equipment

Leases of plant and equipment under which the Trust assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Payments made under operating leases are expensed over the lease term.

As at 30 June 2004 the Trust has no finance leases.

(g) Joint Ventures

The Trust's share in the assets, liabilities and the net operating results of joint ventures are included under appropriate classifications in the Trust's Statement of Financial Position and Statement of Financial Performance.

As at 30 June 2004 the Trust has no joint ventures.

(h) Employee Entitlements, as Staffing Costs

The Trust's staff were employees of the Department of Human Services who were assigned to the Trust. The accruing entitlements of departmental employees assigned to the Trust have been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

In determining the outstanding payable to the Department, the Trust provides for long service leave in accordance with the short hand method of determination using the benchmark number of seven years (2003: seven) recommended by the Department of Treasury and Finance. The amounts expected to be paid to employees for their pro rata entitlement to long service and annual leave are accrued at current pay rates.

Accruing employee entitlements to long service and annual leave were charged to the Statement of Financial Performance as they were incurred.

(i) Superannuation

The Trust's staff were employees of the Department of Human Services who were assigned to the Trust. The accruing entitlements of departmental employees assigned to the Trust have been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Treasury and Finance.

Since 1 July 1995 the Trust has paid to the State Superannuation Fund the incremental cost of its superannuation obligations as they were incurred.

During the year the Trust has provided for employer superannuation contributions at the average rate of 10 percent, on accruing employee entitlements to annual leave and on part of the provision for long service leave. Superannuation on-costs are included for part only of the long service leave provision in recognition that it is estimated that 45 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.

Prior to 1 July 1995 the Trust made provision for its superannuation obligations in respect of contributors to the South Australian Superannuation Fund, in accordance with a formula recommended by the Public Actuary. The carried forward provision is indexed annually and subject to annual payment such that it will be extinguished by 31 December 2025.

The latest actuarial review of the superannuation liabilities of the Trust as at 30 June 2002 was completed by the consulting actuaries Brett & Watson Pty Ltd in June 2003. The provision for superannuation, recognised in the accounts as at 30 June 2004 is consistent with the review recommendations. Refer Note 21 for further details.

(j) Insurance

The Trust is party to an agency agreement with SAICORP (South Australian Government Captive Insurance Corporation) in which the Treasurer indemnifies the Trust against damage suffered to the Trust's property or claims made against the Trust. The Trust pays a contribution to SAICORP for this cover. The Trust assumes part of the risk through accepting deductibles in each category of cover.

The Statement of Financial Performance item 'Insurance' recognises the SAICORP contribution and the cost of losses met by the Trust as deductibles under the SAICORP cover.

The Trust is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. The Trust has insurance cover which limits the exposure for losses.

The Trust undertakes annual reviews of insurance risks and provides for losses or other charges that are not covered by the Treasurer's indemnity with respect to each category of potential loss or claim reflected below.

Insurance Provisions

The provision for Rental and Purchase Agreement Properties represent payments due to contractors for incurred claims where the works have not been finalised at balance date, the un-expensed write-down estimate of properties that have not been repaired and may be sold in a damaged condition, and for Rental Purchase and Sale Under Agreement properties an estimate for future claim payments for claims incurred but not reported at balance date.

The provision for Public Risk and Professional Indemnity includes estimates for future claim payments for reported claims with an allowance for claims incurred but not reported at balance date.

The provision for Workers Compensation includes estimates for future claim payments for reported claims with an allowance made for estimated recoveries. The provision relating to Department of Human Services employees assigned to the Trust has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department.

For all classes of insurance, claims liabilities are measured as the present values of the expected future payments.

(k) Provisions (Excluding Insurance)*Doubtful Debts*

Specific provision has been made for particular doubtful debts. In addition, a general provision based on the profile of the Trust's debt and debt write off history has also been raised.

Payroll Tax on Employee Entitlements

The Trust has accrued the cost of payroll tax on accrued employee entitlements for annual leave, long service leave and the superannuation contributions thereon. This provision, relating to employee entitlements of departmental employees assigned to the Trust, has been recognised in the Statement of Financial Position as an amount payable by the Trust to the Department of Human Services.

Audit Fees

The Trust provides for the fees payable to the Auditor-General's Department for the current financial year's audit. The provision based on a current estimate was not discounted to its present value as the effect of discounting was not material.

Deferred Separation Title Costs for Attached Housing

For sales of rental properties to tenants subject to the separation of the property title and services, the Trust provides for the estimated cost of such separation. Due to the duration of separation projects being variable and less than 12 months the provision value was not discounted to its present value as the effect of discounting was not material.

(l) Unearned Revenue

Lump sums received for leases assigned on Trust properties are progressively brought to account as income on a straight-line basis over the term of their respective agreements.

(m) Tax Status

The activities of the Trust are exempt from the Commonwealth's Income Tax but subject to other Commonwealth taxes such as Fringe Benefits Tax and Goods and Services Tax (GST). The activities of the Trust are also exempt from State Land Tax and Stamp Duty but other State taxes such as Payroll Tax are applicable.

The Trust is part of a GST group. The nominated representative of the GST group, the Department of Human Services, is responsible to pay GST and is entitled to claim input tax credits. Administrative arrangements between members of the GST group provide for the reimbursement of the GST consequences incurred/earned by the Trust. The reimbursement receivable from/payable to the nominated representative of the GST group have been recognised as a receivable/payable in the Statement of Financial Position.

(m) Tax Status (continued)

The Trust is subject to the Tax Equivalent Regime (TER) administered by the Department of Treasury and Finance. The application of the TER requires the Trust to pay to the Department of Treasury and Finance amounts which are equivalent to that which would have been payable to the Commonwealth if the Commonwealth's Income Tax and Sales Tax laws were applicable, and to the State if the State's Land Tax, Stamp Duty and Debts Taxes were applicable. Currently all amounts paid to the Department of Treasury and Finance by the Trust as tax equivalents are reimbursed to the Trust by way of grant funds.

For the purpose of determining Income Tax equivalent payments, which are applicable only to certain Property Activities of the Trust, the Income Tax liability is deemed to be equal to 30 percent of relevant Surplus from Ordinary Activities.

(n) Rounding

Unless otherwise shown in the accounts, amounts are expressed in Australian currency and have been rounded to the nearest one thousand dollars.

(o) Administered Items, Controlled Entities, Subsidiaries and Trust Funds

The Trust does not administer any revenues, expenses, assets or liabilities controlled by the South Australian Government or another South Australian Government Agency, nor does it have an administrative role, ownership or control in any other entity, subsidiary or trust fund.

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

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

Managing the Process

In accordance with Treasurer's Instruction (TI) 19 'Financial Reporting', the Trust's Board is responsible for ensuring that the annual financial statements comply with Generally Accepted Accounting Principles (GAAP). The Trust has analysed the exposure drafts issued by the Australian Accounting Standards Board (AASB) and has identified a number of potential issues that may need to be addressed. The Trust is developing a plan to manage the transition to the new standards. The plan will require the identification of:

- major areas of accounting and reporting differences resulting from adoption of the new standards;
- potential changes required to financial systems;
- key dates for monitoring and reviewing progress.

The Trust is keeping abreast of changes in Accounting Standards, Treasurer's Instructions and Accounting Policy Statements (APS) by attending exposure draft reference group meetings (facilitated by the Department of Treasury and Finance (DTF)) and information forums organised by the DTF and professional accounting bodies.

Expected Differences in Accounting Policies

A major change is the treatment of accounting policy changes under IFRS. These will now apply retrospectively except for specific exemptions in accordance with AASB 1 'First-Time Adoption of Australian Equivalents to IFRS'.

Non-Current Asset Acquisition and Recognition

The Australian equivalent to International Accounting Standard (IAS) 16 Property, Plant and Equipment is proposing that non-current assets be revalued on an individual basis (as opposed to current class basis). It is anticipated an APS will continue to require revaluation on a class basis and current thresholds (greater than \$1 million and estimated useful life is greater than 3 years) will continue to apply.

The Trust will continue its policy of annually revaluing non-current property assets on an individual basis.

Currently the Trust capitalises borrowing costs (where attributable to qualifying assets). The pending standard AASB 123 'Borrowing Costs' allows these costs to be capitalised or expensed. It is anticipated that an APS will require borrowing costs to be expensed to assist with the convergence between Government Finance Statistics (GFS) and GAAP. Asset values will be maintained at fair value.

Employee Benefits

Employee benefits payable later than 12 months from year-end will be measured at present value rather than at nominal amounts.

Income Tax (National Tax Equivalent Regime (NTER))

The Australian equivalent to IAS 12 is proposing a comprehensive method/balance sheet approach to account for income tax. It is anticipated that a TI or APS will continue to mandate the profit and loss approach. Therefore it is not anticipated that there will be a change in income tax accounting policy for the Trust.

3. Statement of Programs

The following is a summary of the Trust's programs:

Tenancy Management

Management of public housing tenancies including assessment of customers for eligibility, allocation of public houses to those in need, provision of rental subsidies, tenancy management, linking customers with appropriate support services, provision of transitional housing and management of supported tenancies by providing properties to support agencies.

Asset Management

Management of public housing assets including maintenance, area regeneration and urban renewal programs, stock replacement programs (construction, purchase and disposal), modification of houses for those with a disability and strategic management and planning for future public housing stock needs.

Private Rental Assistance

Provision of financial assistance, information, referral, advocacy and counselling to assist households who are experiencing instability, poverty or housing difficulty in the private rental market.

Supported Accommodation Assistance Program (SAAP)

The provision and management of grants for the delivery of supported accommodation and support services to assist people who are homeless or at imminent risk of homelessness. As from 1 July 2003, the Department of Human Services transferred the SAAP management and funding allocation to the Trust.

Net Allocated Expenses

The cost of goods and services indirectly contributing to the provision of the Trust's programs, which have been allocated to the program through the 'other' expenditure category.

	Tenancy Mgmt \$'000	Asset Mgmt \$'000	Private Rental Assistance \$'000	Supported Accomm Assistance Program \$'000	Net Allocated Expenses \$'000	2004 Total \$'000	2003 Total \$'000
REVENUES FROM ORDINARY ACTIVITIES:							
Gross rents	325 208	36	-	-	-	325 244	318 959
Less: Rental rebates	134 950	-	-	-	-	134 950	137 459
Rents payable by tenants	190 258	36	-	-	-	190 294	181 500
Interest	-	3 413	-	-	-	3 413	3 622
Recoveries	58	5 897	3 530	118	1 638	11 241	11 184
Sundry	1 996	896	103	-	712	3 707	2 833
Commonwealth Government	39 013	470	8628	17 255	-	65 366	47 562
State Government	12 674	107 780	4 935	10 602	45	136 036	81 438
Net revenue from disposal of non-current assets	-	35 385	-	-	2 061	37 446	19 125
Net revenues from restructuring	-	-	-	-	-	-	178
Total Revenues	243 999	153 877	17 196	27 975	4 456	447 503	347 442
EXPENSES FROM ORDINARY ACTIVITIES:							
Staffing costs	24 078	9 284	4 569	350	-	38 281	35 960
Borrowing costs	-	42 376	-	-	1 440	43 816	44 881
Maintenance	2 460	60 788	-	-	216	63 464	65 648
Council rates and water charges	-	47 409	-	-	43	47 452	46 116
Land tax equivalents	-	70 617	-	-	-	70 617	58 148
Depreciation	-	45 324	-	-	2 807	48 131	42 285
Business services fees	7 378	2 410	1 680	46	-	11 514	13 013
Rent	-	1 335	-	-	3 954	5 289	5 545
Insurance	-	3 779	-	-	36	3 815	3 508
Bad and doubtful debts	3 550	-	1 547	-	-	5 097	7 992
Grants	3 556	-	7 387	25 682	-	36 625	11 910
Other	10 668	10 389	1 721	123	(4 040)	18 861	21 076
Total Expenses	51 690	293 711	16 904	26 201	4 456	392 962	356 082
Surplus (Deficit) from Ordinary Activities before Income Tax	192 309	(139 834)	292	1 774	-	54 541	(8 640)
Income Tax Equivalent	-	7 837	-	-	-	7 837	-
Surplus (Deficit) for the period from Ordinary Activities after Tax	192 309	(147 671)	292	1 774	-	46 704	(8 640)

4. Interest Income

Interest received or due and receivable:
Treasury deposit account
Customer

	2004 \$'000	2003 \$'000
Treasury deposit account	3 397	3 601
Customer	16	21
	3 413	3 622

5. Recoveries

Grant Program receipts
Maintenance
Water charges
Administrative services to other agencies

	2004	2003
Grant Program receipts	3 181	3 578
Maintenance	3 840	3 938
Water charges	1 911	2 009
Administrative services to other agencies	2 309	1 659
	11 241	11 184

6. Staffing Costs			2004	2003		
			\$'000	\$'000		
Salaries and wages			32 960	30 570		
Long service leave			2 025	1 888		
Superannuation			3 871	4 937		
Other salary related expenses			3 762	2 822		
			42 618	40 217		
Charged to capital program			(4 337)	(4 257)		
			38 281	35 960		
7. Borrowing Costs						
Interest on borrowings			36 299	37 107		
Treasurer's guarantee fee			6 077	6 197		
Interest accrued against provision for superannuation			1 386	1 536		
Bank fees			54	41		
			43 816	44 881		
8. Depreciation						
Rental properties (dwellings)			45 325	39 274		
Administrative properties - Buildings			81	58		
Administrative properties - Leasehold improvements			375	188		
Plant and equipment			113	98		
Computer systems development			2 237	2 667		
			48 131	42 285		
9. Rent						
Lease rental expense - Administrative properties			3 954	3 841		
Lease rental expense - Rental properties			1 335	1 704		
			5 289	5 545		
10. Bad and Doubtful Debts						
Bad debts written off			5 112	5 520		
Provision for doubtful debts adjustment			(15)	2 472		
			5 097	7 992		
11. Specific Disclosures						
Variances on Capital Works Program			(105)	7		
Increment on revaluation of vacant land property			(604)	(467)		
Decrement (Increment) on real property inventories			-	16		
Consultant services			273	247		
Auditor-General's audit fees			242	241		
12. Disposal of Non-Current Assets						
	Sale Proceeds		Cost of Sales		Surplus (Deficit)	
	2004	2003	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Rental properties*	50 900	51 458	38 734	40 807	12 166	10 651
Capital work in progress:						
Completed projects sold	40 496	28 702	21 503	20 400	18 993	8 302
Inventory vacant property	8 020	500	1 733	328	6 287	172
	99 416	80 660	61 970	61 535	37 446	19 125

* The cost of sales comprise the carrying amount of the properties at the depreciated Valuer-General's property valuations, plus the costs of marketing and agents fees and the costs of separating services and titles in respect of double units sold. In establishing the property value, the Valuer-General includes the impact of capital improvements effected by tenants. Tenants purchasing properties are allowed discounts consistent with their personal investment in the property.

13. Grants		Revenue				Expenditure		
	Cwlth	State	Other	30.06.04	Admin	Grant	30.06.04	
	Grants	Grants	Revenue	Total	Costs	Costs	Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Crisis accommodation	3 064	-	-	3 064	-	3 064	3 064	
Housing improvement and rent control	-	418	467	885	885	-	885	
Private rental assistance program	7 177	3 543	3 157	13 877	8 311	5 567	13 878	
Rent relief	1 451	682	9	2 142	323	1 819	2 142	
Supported accommodation assistance program	17 255	10 601	118	27 974	519	25 682	26 201	
Social inclusion initiatives	-	701	-	701	-	493	493	
Total at 30 June 2004	28 947	15 945	3 751	48 643	10 038	36 625	46 663	
Total at 30 June 2003	12 716	4 930	3 662	21 308	9 398	11 910	21 308	

13. Grants (continued)	Cwlth	State	Total	Cwlth	State	Total
	30.06.04	30.06.04	30.06.04	30.06.03	30.06.03	30.06.03
<i>Grant Revenue Comprises *</i>	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Grant funded programs (as above)	28 947	15 945	44 892	12 716	4 930	17 646
Rebate subsidy grant	27 923	11 960	39 883	23 985	10 943	34 928
Tax equivalent reimbursement	-	79 107	79 107	-	58 429	58 429
GST Compensation	-	3 030	3 030	8 790	3 030	11 820
Administration subsidy	-	1 620	1 620	-	894	894
General purpose	470	24 082	24 552	-	2 967	2 967
Capital programs	8 026	292	8 318	2 071	245	2 316
	65 366	136 036	201 402	47 562	81 438	129 000

* Includes \$15.833 million that is subject to future decisions regarding its allocation to housing programs and some or all may be paid to other Housing Agencies.

14. Accumulated Surplus Reconciliation	2004	2003
	\$'000	\$'000
Balance at the beginning of the period	843 106	812 466
Surplus (deficit) from ordinary activities after income tax	46 704	(8 640)
Transfer to accumulated surplus:		
Increment realised on sale of freehold land and buildings	38 722	39 280
Balance at the end of the period	928 532	843 106

15. Receivables	2004	2003
Current Assets:		
Debtors	18 212	18 441
Provisions for doubtful debts	(4 035)	(4 040)
	14 177	14 401
Interest	297	282
Grants - Tax equivalent reimbursement	8 284	175
Grants - Other programs	-	1 453
	8 581	1 910
Residential mortgage and sale under agreement loans	1 338	321
	24 096	16 632
Non-Current Assets:		
Mortgage and sale under agreement loans:		
Residential housing	634	845
Provision for doubtful debts	-	(10)
	634	835

16. Inventories	2004	2003
Current Assets:		
Stores	56	175
Developed land	5 821	8 298
Vacant land	2 978	3 984
	8 855	12 457
Capital works in progress	43 958	35 112
	52 813	47 569
Non-Current Assets:		
Capital works in progress	2 061	2 343

17. Other Current Assets	2004	2003
Prepayments	251	652

18. Property, Plant and Equipment	2004	2003
Rental Properties (Dwellings)		
Freehold land:		
At independent valuation	1 782 001	1 468 405
Buildings:		
At independent valuation	2 390 975	2 039 586
Accumulated depreciation	(31 825)	(27 180)
	2 359 150	2 012 406
Total Rental Properties*	4 141 151	3 480 811

* Includes \$20.641 million (\$17.216 million) for properties subject to lease and management agreements and \$12.331 million (\$11.929 million) for properties subject to purchase by tenants under the Trust's Progressive Purchase Scheme.

Excludes \$109 000 (\$98 000) for a property transferred to the South Australian Aboriginal Housing Authority that is subject to a management agreement with the Trust.

Administrative Properties	2004	2003
Freehold Land:	\$'000	\$'000
At independent valuation	594	615
	<hr/>	
Buildings:		
At independent valuation	2 105	1 964
Accumulated depreciation	(60)	(40)
	<hr/>	
	2 045	1 924
Leasehold Improvements:		
At cost	3 012	2 920
Accumulated amortisation	(1 421)	(1 047)
	<hr/>	
	1 591	1 873
	<hr/>	
Total Administrative Properties	4 230	4 412
	<hr/>	
Vacant Property (Freehold)		
Freehold Land:		
At independent valuation	12 784	8 395
Buildings:		
At independent valuation	195	65
	<hr/>	
Total Vacant Property	12 979	8 460
	<hr/>	
Plant and Equipment		
Office equipment - At cost	1 390	1 151
Accumulated depreciation	(617)	(680)
	<hr/>	
	773	471
Computer equipment - At cost	147	168
Accumulated depreciation	(147)	(163)
	<hr/>	
	-	5
Computer system development - At cost	26 101	22 753
Accumulated amortisation	(19 180)	(16 942)
	<hr/>	
	6 921	5 811
	<hr/>	
Total Plant and Equipment	7 694	6 287
	<hr/>	
Capital Works in Progress		
Freehold Land	44 835	31 053
Buildings	42 958	31 125
	<hr/>	
Total Capital Works in Progress	87 793	62 178
	<hr/>	
Total Property, Plant and Equipment	4 253 847	3 562 148
	<hr/>	
19. Payables		
Current Liabilities:		
Creditors	12 691	10 208
Accruals	9 304	1 319
	<hr/>	
	21 995	11 527
	<hr/>	
Non-Current Liabilities:		
Creditors	3 841	2881
	<hr/>	
20. Interest-Bearing Liabilities		
Current Liabilities:		
Borrowings - SA Department of Treasury and Finance	17 800	16 964
Managed Houses Scheme	243	243
	<hr/>	
	18 043	17 207
	<hr/>	
Non-Current Liabilities:		
Borrowings - SA Department of Treasury and Finance	774 953	792 809
Managed Houses Scheme	4 190	4 432
	<hr/>	
	779 143	797 241
	<hr/>	

South Australian Department of Treasury and Finance loans consists of concessional interest rate borrowing (originally under the Commonwealth/State Housing Agreement), of \$792.753 million (\$809.773 million) which are repayable over a period of 53 years, with the final instalment scheduled for the year 2042. The loans are subject to principal repayments and interest at fixed interest rates ranging from 3.0 percent to 5.73 percent (3.0 percent to 5.7 percent). The weighted average interest rate is 4.5 percent (4.19 percent).

The Managed Houses Scheme of \$4.433 million (\$4.675 million) under the memorandum of understanding between the Trust and the Treasurer, will be amortised against Managed Houses Scheme expenses over the remaining term of the agreement.

20. Interest-Bearing Liabilities (continued)

The following table summarises the periods in which repayment of borrowings and amortisation of the Managed Houses Scheme liability will occur:

	2004	2003
	\$'000	\$'000
Borrowings - Current:		
Not later than one year	18 043	17 207
Borrowings - Non-Current:		
Later than one year but not later than five years	79 999	76 724
Later than five years	699 144	720 517
Total Non-Current Borrowings	779 143	797 241
Total Borrowings	797 186	814 448

21. Employee Entitlements and Other Provisions

Current Liabilities:

Employee Entitlements:

 Superannuation

1 273 1 224

Other Provisions:

 Insurance of rental and purchase agreement properties

767 645

 Public risk

902 894

 Professional indemnity

230 265

 Deferred separation title costs for attached housing

461 146

 Audit fees

242 187

2 602 2 137

3 875 3 361

Non-Current Liabilities:

Employee Entitlements:

 Superannuation - Refer Note 2(i) for further details

17 829 17 715

17 829 17 715

Superannuation

The latest actuarial review of the superannuation liabilities of the Trust conducted by consulting actuaries Brett & Watson Pty Ltd was at June 2002.

	2003	Additions (new and increased provisions)	Reductions to provisions	Reductions due to payments	2004
	\$'000	\$'000	\$'000	\$'000	\$'000
Provision Movement Schedule:					
Superannuation	18 939	1 386	-	1 223	19 102
Rental and purchase agreements	645	2 253	-	2 131	767
Public risk	894	826	687	131	902
Professional indemnity	265	28	33	30	230
Deferred separation costs	146	1 457	133	1 009	461
Audit fees	187	242	-	187	242
	21 076	6 192	853	4 711	21 704

22. Other Current and Non-Current Liabilities

Current Liabilities:

 Unearned revenue

2004 2003

\$'000 \$'000

5 342 3 121

Deposits held:

 Tenant deposits held

2 034 1 990

 Sale deposits held

1 872 4 413

3 906 6 403

Total Other-Current

9 248 9 524

Non-Current Liabilities:

 Unearned revenue

3 274 3 512

23. Asset Revaluation Reserve

Balance at the beginning of the period

1 978 609 1 604 267

Increment on revaluation of freehold land and buildings

699 946 425 485

Decrement on revaluation of rental houses:

 Transferred to capital work programs

(10 491) (10 612)

 Subject to sale contracts

(453) (1 251)

Transfer to accumulated surplus:

 Increment realised on sale of freehold land and buildings

(38 722) (39 280)

Balance at the End of the Period

2 628 889 1 978 609

24. Interests in Management Agreements

The Trust, subject to a management agreement, has an interest of 50 percent in joint landholdings with the Land Management Corporation for the purpose of acquiring and holding land at Seaford for subsequent development and sale. The Trust's investment consists of \$2.061 million (\$2.343 million) of vacant land.

25. Commitments	2004	2003
Capital Expenditure	\$'000	\$'000
Contracted but not provided for and payable:		
Not later than one year	35 929	10 859
	<hr/>	<hr/>
Recurrent Expenditure		
Recurrent expenditure on operations, maintenance and grant funded programs contracted but not provided for and payable:		
Not later than one year	6 242	5 650
	<hr/>	<hr/>

During the year the Trust incurred expenditure on a number of grant funded programs as detailed in Note 13. The Trust's financial commitment at 30 June 2004 is dependent upon the existing recipients continuing to meet the programs' eligibility criteria and the relevant legislation remaining in force. In all programs grant funds from the State Government and/or Commonwealth Government are received which offset the full cost of the expenditure. For financial details of the programs relating to the year ended 30 June 2004, refer to Note 13.

Management Agreements	2004	2003
Amounts due under the agreements to manage houses subject to a lease arrangement with the SA Police Pension Fund, Funds SA and Motor Accident Commission contracted but not provided for and payable:	\$'000	\$'000
Not later than one year	1 065	1 349
Later than one year but not later than five years	4 288	4 200
Later than five years	18 829	20 017
	<hr/>	<hr/>
	24 182	25 566
	<hr/>	<hr/>

Operating Leases

The Trust leases several administrative properties with lease periods up to 10 years and also a group of rental properties for use by rental tenants over a 15 year lease period.

The following table summarises the periods in which payments of non-cancellable operating lease rentals with a term of more than one year, and not provided for within the financial statements, will occur:

	2004	2003
	\$'000	\$'000
Not later than one year	3 779	3 444
Later than one year but not later than five years	11 088	11 030
Later than five years	2 717	4 458
	<hr/>	<hr/>
	17 584	18 932
	<hr/>	<hr/>

26. Contingent Liabilities **Progressive Purchase Scheme**

Under this scheme the Trust owns portions of properties as tenant in common with other persons. Where the Trust has signed agreements with lending institutions advancing persons mortgage monies, the Trust can be called upon in cases of default to purchase the defaulter's interest at current market value. Approximately 97 of the properties included in the scheme are subject to mortgages with a collective loan balance of \$3.248 million (\$3.219 million). The tenants share of the value of the properties subject to mortgage is estimated to be \$10.563 million (\$13.889 million), based on the Valuer General's overall capital value.

Bond Guarantee Scheme

Under the bond guarantee scheme a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The Trust then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the Trust for the amount. The value of bond guarantees issued and outstanding at 30 June 2004 is \$11.618 million (\$11.013 million).

The Trust pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Rental Purchase and Sale Under Agreement House Purchase Schemes

The rental purchase and sale under agreement portfolio was transferred to HomeStart Finance on 10 December 1993 and due to conditions in some of the agreements, the Trust remains responsible to make good for loss or damage to the subject properties for specific events. The Trust remains the legal owner of these properties until they are transferred to the purchasers upon completion of their agreement. The properties included in the scheme that are subject to indemnity clauses have a collective estimated replacement value of \$4.198 million (\$8.1 million). These properties together with the Trust's and the South Australian Aboriginal Housing Authority (AHA) rental properties are subject to an agency agreement with South Australian Government Captive Insurance Corporation (SAICORP) and in the event of a claim will be indemnified by the Treasurer so as to limit the combined exposure of the Trust and the AHA to \$1 million.

Properties Subject to Lease Agreement

The South Australian Housing Trust transferred properties to the South Australian Aboriginal Housing Authority (AHA) that are subject to a lease/management agreement. The agreement provides for the Trust to purchase the properties on vacancy of the current AHA tenant. The total value of properties subject to this agreement is \$109 000 (\$93 000).

27. Notes to the Statement of Cash Flows**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash on hand, cash at bank and cash held in development project bank accounts.

Cash at the end of the period as show in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:	2004	2003
	\$'000	\$'000
Cash at Treasury*	77 569	53 268
Cash on hand	2 411	400
Cash - Development projects*	987	836
	80 967	54 504

* Interest rates applicable at 30 June 2004:
Cash at Treasury 5.1 percent (4.6 percent).
Cash - Development projects, 0.0 percent - 5.35 percent (2.8 percent - 3.8 percent).

The cash at Treasury includes \$26.7 million of unspent housing designated grant funding transferred from the Department of Human Services.

(b) Reconciliation of Net Cash provided by Operating Activities to Surplus (Deficit) for the period from ordinary activities after Income Tax

Net Cash provided by Operating Activities	72 531	28 008
Adjustments:		
Depreciation and amortisation	(48 131)	(42 285)
Provision adjustments	(135)	(2 147)
Buildings written off	(7 813)	(9 414)
Notional Interest on Superannuation Provision	(1 386)	(1 536)
Construction variances, surplus (decrement) on property investments	105	(7)
Surplus on revaluation	604	467
Deficit on inventory revaluation	-	(16)
Net revenue from disposal of Non-Current Assets	37 446	19 125
Superannuation Provision	-	(1 394)
Revenue from restructure	-	178
	(19 310)	(37 029)
Change in Assets and Liabilities:		
Increase (Decrease) in receivables	6 432	1 987
Increase (Decrease) in other current assets	(401)	114
Decrease (Increase) in payables	(11 428)	(3 107)
Decrease (Increase) in operating provisions	(315)	292
Decrease (Increase) in other liabilities	(2 028)	37
Decrease (Increase) in employee entitlements	1 223	1 058
	(6 517)	381
Surplus (Deficit) for the period from Ordinary Activities after Income Tax	46 704	(8 640)

28. Remuneration of Board Members and Employees**Board Members Remuneration**

The Trust Board comprises seven members appointed by the Governor. The fees paid to Board members in their capacity as Board members are set by the Executive Council.

The number of Board Members whose remuneration from the Trust falls within the following bands:

	2004	2003
	Number of	Number of
	Members	Members
\$1 - \$10 000	2	-
\$10 001 - \$20 000	4	5
\$20 001 - \$30 000	2	2
	8	7

	2004	2003
	\$'000	\$'000
Total remuneration received, or due and receivable by the Board Members from the Trust	144	148

Related Party Disclosures

No Board Members have a pecuniary interest either direct or indirect, in any Firm, Trust or Company with which the South Australian Housing Trust had entered into transactions during the year.

Employees' Remuneration

The number of employees whose remuneration from the Trust falls within the following bands:

	2004	2003
	Number of Employees	Number of Employees
\$100 000 - \$109 999	3	-
\$110 000 - \$119 999	2	-
\$120 000 - \$129 999	-	1
\$130 000 - \$139 999	2	3
\$140 000 - \$149 999	3	-
\$150 000 - \$159 999	-	1
\$210 000 - \$219 999	1	-
	11	5

	2004	2003
	\$'000	\$'000
Total remuneration received, or due and receivable by employees whose remuneration exceeds \$100 000	1 456	684

The table discloses the number of staff and the value of their remuneration where the remuneration exceeded \$100 000 for staff who were employed by the Department and subsequently assigned to the Trust.

The remuneration includes salaries and related payments, superannuation and motor vehicle benefits.

29. Targeted Voluntary Separation Packages (TVSPs)

During the period four staff members, who were employees of the Department of Human Services and assigned to the Trust, accepted a package in line with the State Government's policy.

The TVSP component of the costs for the period amounted to \$478 000 (\$339 000). These costs were met from a central fund administered by the Office for the Commissioner for Public Employment. A total of \$359 000 (\$211 000) has been recovered.

In addition, accrued annual leave, leave loading and long service leave entitlements amounting to \$117 000 (\$92 000) were paid to employees who received a package. These payments were met from staffing costs with a corresponding adjustment effected to the respective provision accounts.

30. Additional Financial Instrument Disclosures**Interest Rate Risk**

The Trust has certainty with respect to the interest expense arising from the fixed rate concessional loans from the Treasurer, which comprises the major part of its debt.

Note 20 contains details of the interest rates applicable to interest bearing liabilities and Note 27(a) contains details of the interest rates applicable to the cash held in the bank accounts.

Credit Risk

The Trust is exposed to credit risk associated with the amounts due to it from tenants for rent and other charges. Credit risk is ameliorated by the fact that amounts due from individual tenants are relatively small.

The Trust manages credit risk associated with its tenants by establishment of a Credit Policy which is communicated to Trust staff and tenants. The performance of individual tenants and of components of the total population of tenants are monitored and reported upon to Trust management and the Board.

Net Fair Value of Financial Instruments

Analysis of the net fair value of financial instruments is detailed below.

The entity has calculated net fair value for Concessional Loans using estimated equivalent cost of borrowing at current yields for matching terms.

The fair value of the Trust's other financial assets and liabilities which are subject to normal trade credit terms, is considered to be face value.

Summary of Fair Values

	2004		2003	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial Liabilities:				
Concessional Housing Loans	792 753	645 419	809 773	728 788
Managed Houses Scheme	4 433	4 433	4 675	4 675
Payables	25 836	25 836	14 408	14 408
	823 022	675 688	828 856	747 871
Financial Assets:				
Cash	80 967	80 967	54 504	54 504
Receivables	24 730	24 730	17 467	17 467
	105 697	105 697	71 971	71 971

**31. Property, Plant and Equipment
Movement Schedule**

	Freehold Land \$'000	Buildings \$'000	Leasehold Improve- ments \$'000	Plant and Equipment \$'000	2004 Total \$'000
Gross Carrying Amount:					
Balance at 30 June 2003	1 508 468	2 072 740	2 920	24 072	3 608 200
Additions	44 150	88 702	284	8 214	141 350
Disposals	(55 548)	(41 810)	(192)	(4 648)	(102 198)
Net revaluations increments (decrements)	343 144	317 071	-	-	660 215
Net revaluation decrement on contract for sale	-	(470)	-	-	(470)
Balance at 30 June 2004	1 840 214	2 436 233	3 012	27 638	4 307 097
Accumulated Depreciation/Amortisation:					
Balance at 30 June 2003	-	(27 220)	(1 046)	(17 785)	(46 051)
Disposals	-	387	-	191	578
Net revaluations decrements	-	40 337	-	-	40 337
Net revaluation decrement on contract for sale	-	17	-	-	17
Depreciation/amortisation expensed	-	(45 406)	(375)	(2 350)	(48 131)
Balance at 30 June 2004	-	(31 885)	(1 421)	(19 944)	(53 250)
Net Book Value:					
As at 30 June 2003	1 508 468	2 045 520	1 874	6 287	3 562 149
As at 30 June 2004	1 840 214	2 404 348	1 591	7 694	4 253 847

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