

SOUTH AUSTRALIA

Report

of the

Auditor-General

for the

Year ended 30 June 2003

Tabled in the House of Assembly and ordered to be published, 25 November 2003

Third Session, Fiftieth Parliament

Supplementary Report

Agency Audit Reports

By Authority: J. D. Ferguson, Government Printer, South Australia

2003



Government
of South Australia



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Gentlemen,

AUDITOR-GENERAL'S SUPPLEMENTARY REPORT: AGENCY AUDIT REPORTS

Pursuant to section 36(3) of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my Supplementary Report 'Agency Audit Reports' containing the accounts of the following public authorities which are required to be reported on by me in accordance with section 36 of the Act.

- Courts Administration Authority
- National Wine Centre
- Police Superannuation Scheme
- Transport and Urban Planning — Department of

Qualified Audit Opinions

It was found necessary to issue a qualified audit opinion in the Independent Audit Report for the:

- Courts Administration Authority
- Transport and Urban Planning — Department of

The qualifications for both agencies reflect their inability to satisfactorily reconcile the balance of cash at bank, as reflected in agency records, to the independent records kept by the bank at 30 June 2003. The agencies' difficulties in satisfactorily resolving these matters, which have pervasive effect on the agencies' financial statements and are significant elements in their control environments, is a matter of concern to Audit. Specific discussion of the qualifications and associated control issues is included in the commentary on the agencies in this Report.

Yours sincerely,

K I MacPherson
AUDITOR-GENERAL

**Report of the Auditor-General 2002-03
Supplementary Report: Agency Audit Reports**

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COURTS ADMINISTRATION AUTHORITY

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Courts Administration Authority was established pursuant to the *Courts Administration Act 1993*. The Authority is constituted of the State Courts Administration Council, the State Courts Administrator, and other staff of the Council.

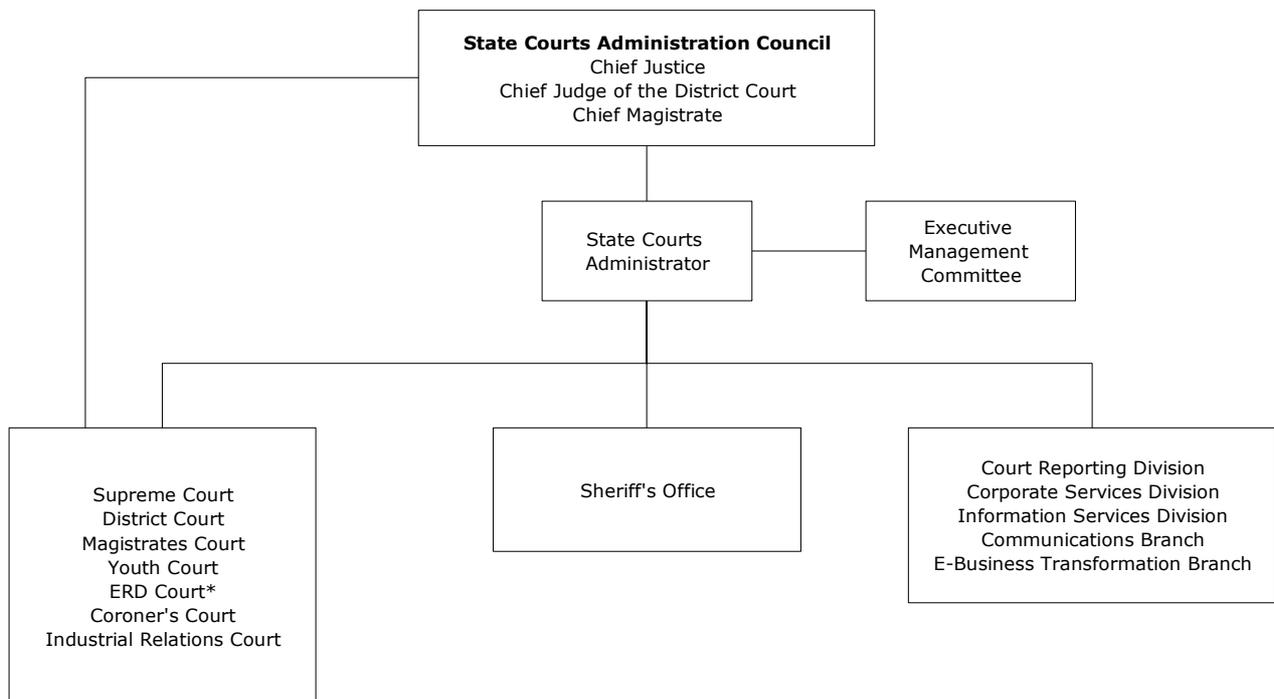
Functions

The function of the State Courts Administration Council, as an administrative authority independent of control of executive government, is to provide courts with the administrative facilities and services necessary for the proper administration of justice

The State Courts Administrator is responsible to the Council for management of the Council's staff and property.

Structure

The structure of the Courts Administration Authority is illustrated in the following organisation chart.



* Environment Resources and Development Court

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 27 of the *Courts Administration Act 1993* provides for the Auditor-General to audit the accounts of the Council in respect of each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Courts Administration Authority 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. 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 2002-03, specific areas of audit attention included:

- Corporate Governance
- Revenue
- Payroll
- Expenditure
- Fixed Assets
- Suitor's Fund operations at the Supreme, Magistrates and District Courts and Sheriff's Office trust account.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the State Courts Administrator. Responses to the management letters were generally considered to be satisfactory. Major matters raised with the State Courts Administrator and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2002-03 Independent Audit Report, which details the qualification to the Authority's financial report.

Qualification

The Authority has not been able to reconcile its general ledger bank account to the records of the Authority's bank as at 30 June 2003. As a result, Audit was unable to obtain assurance that all transactions processed by the Authority during the year are accurately reflected in the Financial Statements.

Audit Opinion

In my opinion, except for the effect on the financial report of the matter referred to in the qualification paragraph, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987*, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Courts Administration Authority as at 30 June 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 Courts Administration Authority in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities, except in relation to the bank reconciliation as outlined under 'Significant Matters Raised with Agency' herein, is sufficient to provide reasonable assurance that the financial transactions of the Courts Administration Authority have been conducted properly and in accordance with law.

Significant Matters Raised with Agency

Bank Reconciliation

The review and evaluation of the bank reconciliation process at the Authority disclosed that bank reconciliations had not been performed regularly, or on a timely basis, for 2002-03. The bank reconciliation is a pervasive control which is a key element in providing assurance as to the integrity of financial records.

Receipting of transactions is a significant aspect of the Authority's financial operations. The Authority's arrangements for receipting and banking monies and processing information associated with those receipts to ledgers are complex. This reflects the number of locations at which monies are received, the variety of receipts and the timing of the banking of the receipts. In Audit's view, this complexity increases the importance of performing reconciliations and the monitoring of reconciliations by management.

A change in banking arrangements associated with a whole-of-government service provider also contributed to the complexity of the bank reconciliation process. This change was, however, planned and in Audit's view should have been effectively managed by the Authority.

As at 30 June 2003, there were significant unresolved differences between transactions processed through the Authority's ledgers and bank records. Audit wrote to the Authority regarding the breakdown in reconciliation procedures.

The Authority responded that it is reviewing the bank reconciliation process to identify opportunities to enable reconciliations to be performed in a more timely and efficient manner.

Corporate Governance

Corporate Plan

Audit assessed the process for reviewing and monitoring the Authority's Corporate Plan and found that, for the 2002-03 planning period, plans were not in existence for the majority of divisions reviewed. In addition, it was found that a central monitoring function did not exist.

The Authority responded that the matters raised would be considered with a view to addressing the issue.

Risk Management

Audit reviewed the risk management framework in operation at the Authority during 2002-03. Audit noted that strategic risks had been identified and a corporate risk profile was developed in October 2001. Since that time, the risk profile has not been formally revisited nor the strategic risks monitored and reported on.

The Authority responded that although there had been a short delay in further developing the risk management framework for the Authority, action was being taken to progress a framework consistent with the prescribed elements of the Financial Management Framework.

IT Management and Control

Over the past year, Audit has maintained a focus on IT Governance and Management Control matters at a whole-of-government and Agency level and has undertaken a number of specific reviews.

The Authority's Electronic Lodgement project and Website facility were selected for review with specific focus on aspects of project management and achievements, risk management arrangements, and matters of a legal and contractual nature.

The Electronic Lodgement project enabled the electronic lodgement, by legal practitioners, of civil claims forms with the Magistrates Court. The initiative offered efficiency gains in administration and processing, resource use and associated costs to both the Authority and participating legal entities.

The Authority also provides a website containing information concerning the operation of the courts system. Its purpose is to be a source of information for the legal profession, general public, and schools to gain some understanding of the courts system and process, to assist persons who find themselves within the court system to understand what is happening, and to generally keep the public up-to-date about the initiatives being implemented in the courts.

Audit has formally conveyed the findings arising from the above-mentioned reviews to the Authority and has received appropriate responses.

Issues arising from the aforementioned reviews, together with outcomes from certain other agency reviews, are to be included in a separate report to Parliament in the latter part of 2003.

INTERPRETATION AND ANALYSIS OF CONTROLLED FINANCIAL STATEMENTS

Highlights of Financial Statements

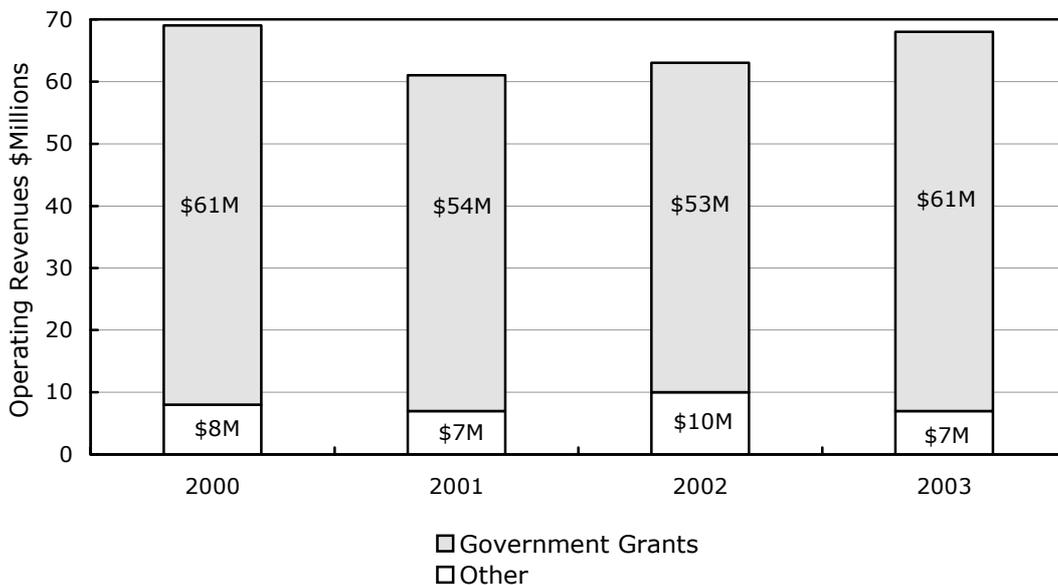
	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Government grants	61	53	15.1
Other	7	10	(30.0)
Total Operating Revenue	68	63	7.9
OPERATING EXPENDITURE			
Employment expenses	37	37	-
Other expenses	33	39	(15.4)
Total Operating Expenses	70	76	(7.9)
(Deficit)	(2)	(13)	(85.6)
Net Cash Flows from Operations	3	0	-
ASSETS			
Current assets	8	7	14.3
Non-current assets	118	115	2.6
Total Assets	126	122	3.3
LIABILITIES			
Current liabilities	5	5	-
Non-current liabilities	31	31	-
Total Liabilities	36	36	-
EQUITY	90	86	4.7

Statement of Financial Performance

Operating Revenues

Revenues from Government is the most significant source of funding for the Courts Administration Authority for 2002-03. Targeted Voluntary Separation Package reimbursements from the Department of the Premier and Cabinet accounts for the changes in other revenues over recent years.

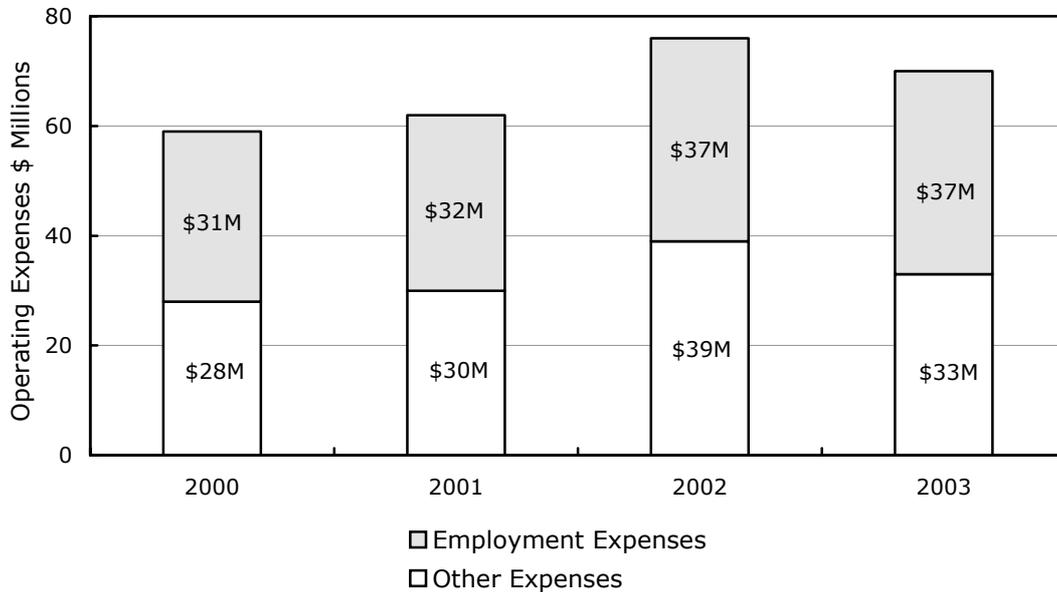
A structural analysis of operating revenues for the Department for the four years to 2003 is presented in the following chart.



Operating Expenses

The Authority’s expenses from ordinary activities include the costs incurred in performing its statutory responsibilities including administering the raising (\$41.5 million in 2002-03) and collection (\$29.2 million in 2002-03) of Court fines and fees on behalf of the Government. This revenue is directly credited to the Consolidated Account and is reported under Administered Revenues.

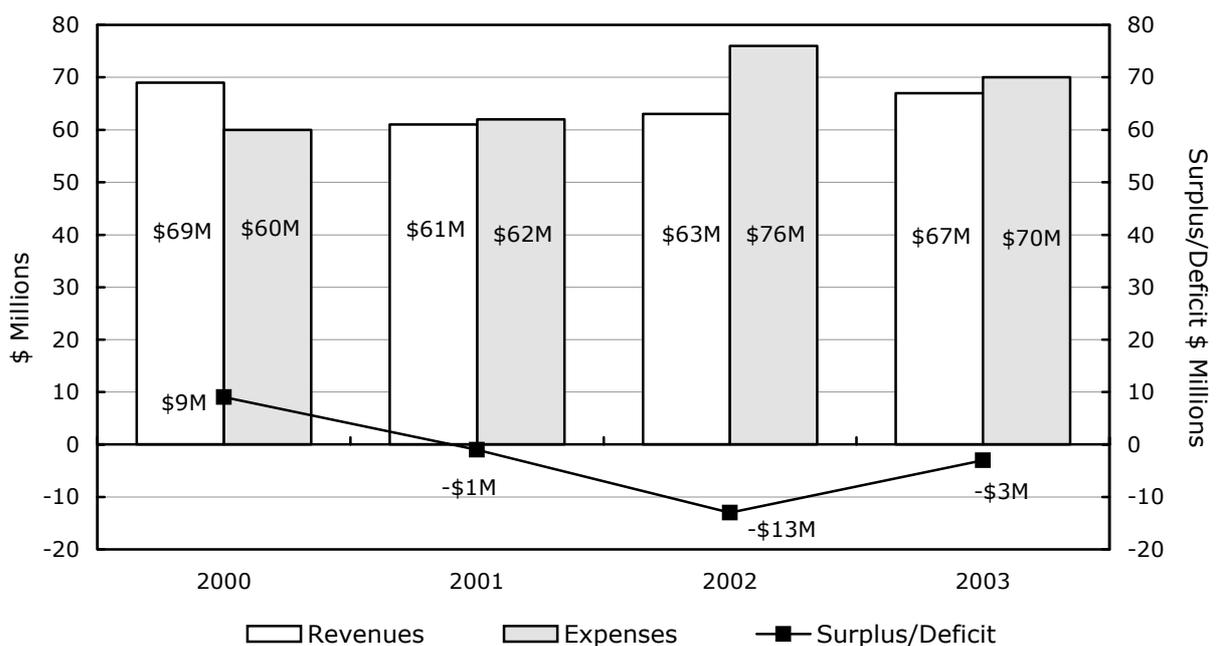
A structural analysis of the main operating expense items for the Department is shown in the following chart.



Operating Result

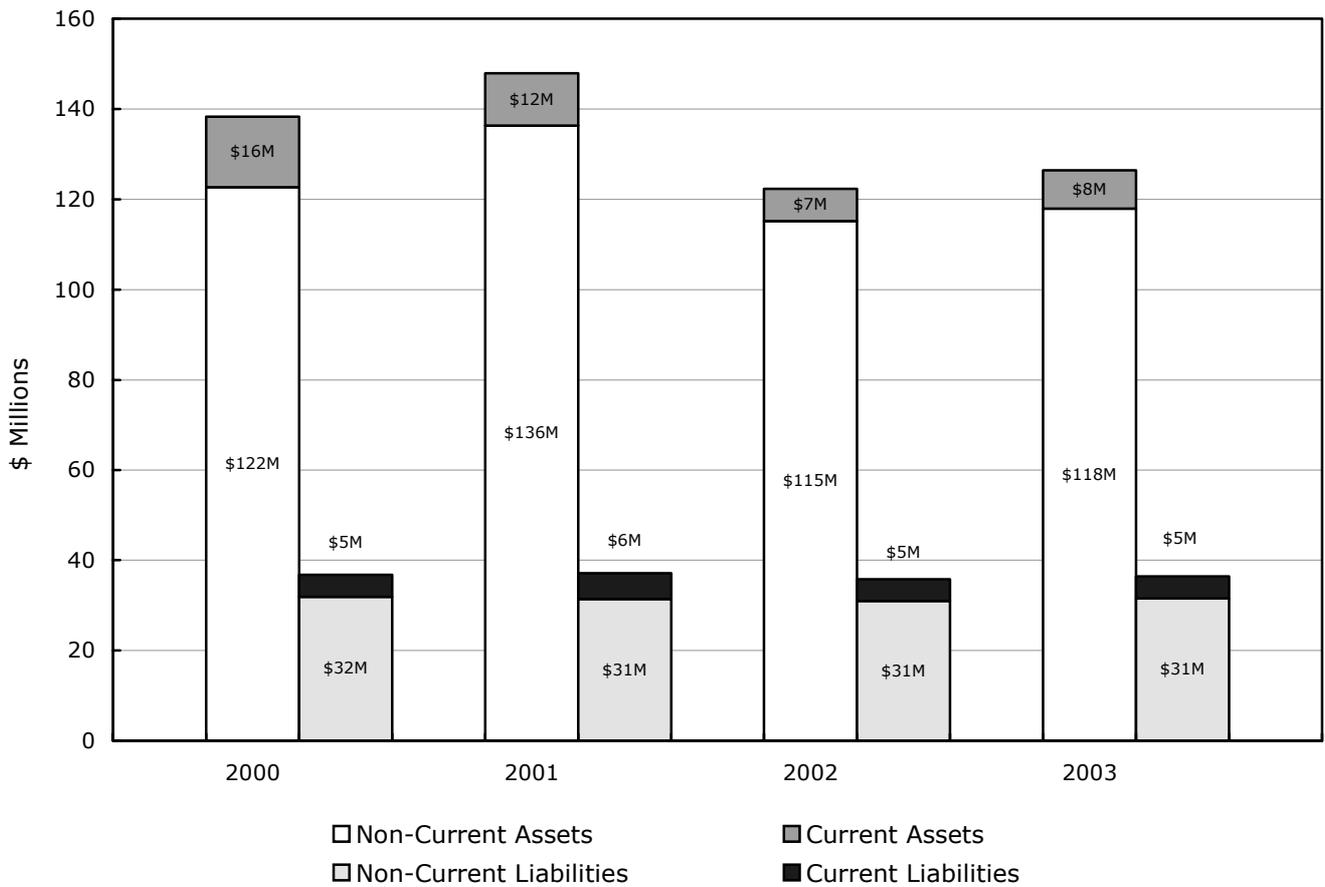
The Authority’s operations for 2003 resulted in a deficit of \$2.4 million. The deficit is mainly attributable to revenues from Government being insufficient to cover the net costs of services. In 2002, the deficit reflected in the main, the devaluation of the Library Collection.

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



Statement of Financial Position

A structural analysis of assets and liabilities for the four years to 2003 is shown in the following chart.



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	3	0	4	14
Investing	(1)	(4)	(8)	(7)
Financing	(1)	(1)	(1)	(1)
Change in Cash	1	(4)	(5)	6
Cash at 30 June	7	6	10	15

The analysis of cash flows shows that the Courts Administration Authority has, over recent years, been utilising its cash reserves, mainly to fund the redevelopment/refurbishment of its buildings.

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

	2003 \$'million	2002 \$'million	2001 \$'million	2000 \$'million
<i>OPERATING REVENUE</i>				
Government grants	21	19	18	18
Court fees and fines	29	28	29	24
Other	6	5	5	6
Total Operating Revenue	56	52	52	48
<i>OPERATING EXPENDITURE</i>				
Judicial employment expenses	20	19	18	17
Payments to Government	31	28	30	26
Other expenses	5	5	5	5
Total Operating Expenses	56	52	53	48
Surplus (Deficit)	0	0	(1)	0
<i>ASSETS</i>				
Current assets	1	1	1	1
Total Assets	1	1	1	1
<i>LIABILITIES</i>				
Current liabilities	2	2	3	2
Non-current liabilities	5	5	4	4
Total Liabilities	7	7	7	6
<i>EQUITY</i>	(6)	(6)	(6)	(5)

Grants are received from the Government to fund the payment of employment expenses of the Judiciary. The funding received covers the recurrent expenditure and does not extend to the Judiciary's leave liability. As a result, the administered activities of the Authority reflect a net liability for this leave liability.

Courts fees and fines are raised and collected by the Authority on behalf of the Government. The monies collected are paid directly to the Government.

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:			
Grants	2	2 909	3 278
Fees for service	3	3 307	3 140
Proceeds from disposal of assets	4	208	1
Other	5	833	4 209
Total Revenues		7 257	10 628
EXPENSES FROM ORDINARY ACTIVITIES:			
Employees	6	37 297	36 866
Supplies and services	7	25 801	23 501
Depreciation and amortisation	8	4 852	4 606
Finance lease		1 420	1 453
Disposal of assets	4	56	1
Other	9	648	626
Total Expenses		70 074	67 053
NET COST OF SERVICES		(62 817)	(56 425)
REVENUES FROM GOVERNMENT		60 329	52 635
Net revenue (expenses) from write down and recognition of non-current assets	10	95	(8 975)
NET OPERATING DEFICIT FROM OPERATING ACTIVITIES		(2 393)	(12 765)
Net credit to asset revaluation reserve	19	5 900	-
Total Revenue, Expenses and Valuation Adjustments Recognised Directly in Equity		5 900	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		3 507	(12 765)

Statement of Financial Position as at 30 June 2003

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash on hand and on deposit	11	7 013	6 013
Receivables	12	1 090	652
Prepayments	13	433	419
Inventory		-	6
Total Current Assets		8 536	7 090
NON-CURRENT ASSETS:			
Property, plant and equipment	14	117 917	115 209
Total Non-Current Assets		117 917	115 209
Total Assets		126 453	122 299
CURRENT LIABILITIES:			
Payables	15	1 369	2 124
Employee entitlements	16	2 423	1 787
Finance lease	17	698	657
Other	18	373	276
Total Current Liabilities		4 863	4 844
NON-CURRENT LIABILITIES:			
Payables	15	601	537
Employee entitlements	16	4 993	4 622
Finance lease	17	24 210	24 905
Other	18	1 797	909
Total Non-Current Liabilities		31 601	30 973
Total Liabilities		36 464	35 817
NET ASSETS		89 989	86 482
EQUITY:			
Accumulated surplus		79 292	81 685
Asset revaluation reserve		10 697	4 797
	19	89 989	86 482
Commitments	20		

Statement of Cash Flows for the year ended 30 June 2003

		2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:	Note		
Appropriations		60 329	52 635
Grants		2 909	3 278
Fees for service		3 032	3 179
GST receipts from taxation authority		2 127	2 425
Other		613	4 209
Total Receipts		69 010	65 726
PAYMENTS:			
Employees		(35 132)	(37 099)
Supplies and services		(26 665)	(23 896)
GST payments on purchases		(2 070)	(2 226)
Finance lease		(1 420)	(1 473)
Other		(648)	(625)
Total Payments		(65 935)	(65 319)
Net Cash provided by Operating Activities	21	3 075	407
CASH FLOWS FROM INVESTING ACTIVITIES:			
RECEIPTS:			
Proceeds from sales of property, plant and equipment		208	1
Total Receipts		208	1
PAYMENTS:			
Purchase of property, plant and equipment		(1 619)	(4 076)
Total Payments		(1 619)	(4 076)
Net Cash used in Investing Activities		(1 411)	(4 075)
CASH FLOWS FROM FINANCING ACTIVITIES:			
PAYMENTS:			
Repayment of finance lease		(664)	(621)
Total Payments		(664)	(621)
Net Cash used in Financing Activities		(664)	(621)
NET INCREASE (DECREASE) IN CASH HELD		1 000	(4 289)
CASH AT 1 JULY		6 013	10 302
CASH AT 30 JUNE		7 013	6 013

Program Schedule of Revenues and Expenses for the year ended 30 June 2003

	2003			Total
	1	2	3	
	\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:				
Grants	2 909	-	-	2 909
Fees for service	926	-	2 381	3 307
Proceeds from disposal of assets	208	-	-	208
Other	833	-	-	833
Total Revenues	4 876	-	2 381	7 257
EXPENSES FROM ORDINARY ACTIVITIES:				
Employees	32 448	1 492	3 357	37 297
Supplies and services	23 221	516	2 064	25 801
Depreciation and amortisation	4 658	145	49	4 852
Borrowing costs	1 420	-	-	1 420
Disposal of assets	56	-	-	56
Other	629	-	19	648
Total Expenses	62 432	2 153	5 489	70 074
NET COST OF SERVICES	(57 556)	(2 153)	(3 108)	(62 817)
Revenues from government	54 296	1 207	4 826	60 329
Net revenues from write down and recognition of non-current assets	87	-	8	95
NET DEFICIT FROM OPERATING ACTIVITIES	(3 173)	(946)	1 726	(2 393)

- Program 1* *Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Program 2* *Alternative Dispute Resolution Services*
Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes which aim to prevent disputes.
- Program 3* *Penalty Management Services*
The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

Schedule of Administered Revenues and Expenses for the year ended 30 June 2003

	Note	2003	2002
REVENUES FROM ORDINARY ACTIVITIES:		\$'000	\$'000
Fines		15 444	14 895
Revenues from government		20 777	19 387
Court fees		13 743	12 681
Transfer revenues		4 310	3 994
Transcript fees		1 278	967
Total Revenues		55 552	51 924
EXPENSES FROM ORDINARY ACTIVITIES:			
Judicial salary and related expenses	28	20 165	18 903
Transfer expenses		4 320	3 994
Other judicial expenses		817	840
Total Expenses		25 302	23 737
CASH TRANSFERRED TO CONSOLIDATED ACCOUNT		30 385	28 532
NET DECREASE IN ADMINISTERED NET ASSETS		(135)	(345)

Schedule of Administered Assets and Liabilities as at 30 June 2003

	Note	2003	2002
ADMINISTERED ASSETS:		\$'000	\$'000
Current:			
Cash	29	484	363
Receivables	30	505	422
Total Administered Assets		989	785
ADMINISTERED LIABILITIES:			
Current:			
Payables	31	1 079	1 169
Judicial entitlements	32	1 188	1 203
Non-Current:			
Payables	31	834	767
Judicial entitlements	32	4 200	3 823
Total Administered Liabilities		7 301	6 962
EQUITY:			
Accumulated deficit	33	(6 312)	(6 177)
Total Equity		(6 312)	(6 177)

Schedule of Administered Cash Flows for the year ended 30 June 2003

	Note	2003 Inflows (Outflows) \$'000	2002 Inflows (Outflows) \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
RECEIPTS:			
Fines		15 444	14 895
Receipts from government		20 777	19 387
Court fees		13 663	12 670
Transfer receipts		4 440	3 994
Transcript fees		1 278	967
Total Receipts		55 602	51 913
PAYMENTS:			
Judicial salary and related payments		(19 960)	(18 547)
Payments to Government		(30 385)	(28 532)
Transfer payments		(4 319)	(4 006)
Other judicial payments		(817)	(840)
Total Payments		(55 481)	(51 925)
Net Cash provided by (used in) Operating Activities	34	121	(12)
NET INCREASE (DECREASE) IN CASH HELD		121	(12)
CASH AT 1 JULY		363	375
CASH AT 30 JUNE		484	363

**Program Schedule of Administered Revenues and Expenses
for the year ended 30 June 2003**

	2003			
	1	2	3	Total
	\$'000	\$'000	\$'000	\$'000
REVENUES FROM ORDINARY ACTIVITIES:				
Fines	-	-	15 444	15 444
Revenues from Government	20 777	-	-	20 777
Court fees	6 597	-	7 146	13 743
Transfer revenues	502	-	3 808	4 310
Transcript fees	1 278	-	-	1 278
Total Revenues	29 154	-	26 398	55 552
EXPENSES FROM ORDINARY ACTIVITIES:				
Judicial salary and related expenses	20 165	-	-	20 165
Transfer expenses	508	-	3 812	4 320
Other judicial expenses	817	-	-	817
Total Expenses	21 490	-	3 812	25 302
CASH TRANSFERRED TO CONSOLIDATED ACCOUNT	7 785	-	22 600	30 385
NET DECREASE IN ADMINISTERED NET ASSETS	(121)	-	(14)	(135)

- Program 1* *Court and Tribunal Case Resolution Services*
The resolution of criminal, civil, appellate, coronial and probate matters in the State's courts and tribunals.
- Program 2* *Alternative Dispute Resolution Services*
Services for resolving disputes between citizens, and disputes between citizens and the State; as well as the education, training, information and advice processes which aim to prevent disputes.
- Program 3* *Penalty Management Services*
The management of penalties arising from court orders, the enforcement of court orders as well as the recovery of debts, and the administration and execution of warrants.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

1.1 Objectives and Funding

The Courts Administration Authority (the Authority) operates within the *Courts Administration Act 1993*.

Its principle objective is to provide quality administration to the judiciary and to ensure an effective and accessible courts system.

Currently, the major priorities of the Authority and the State Courts Administration Council are to:

- increase the community's understanding of the operations of the courts and provide new and increased avenues for community feedback into the operations of the courts;
- improve court facilities and other aspects of dealing with the courts;
- foster an environment and a management framework wherein judicial officers, staff and volunteers can contribute to improved performance of the courts system;
- keep up to date with technological developments and apply those that are appropriate to the improved performance of the courts system;
- cooperate with other parts of the justice system to improve access to justice and to improve performance of the justice system overall.

Financial Arrangements

The Authority is predominantly funded by Parliamentary appropriations. However, some services are provided on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:

- Sheriff's officer fees;
- reminder fees;
- sale of electronic information.

The financial activities of the Authority are primarily conducted through a Deposit Account with the Department of Treasury and Finance pursuant to section 21 of the *Public Finance and Audit Act 1987*. The Deposit Account is used for funds provided by Parliamentary appropriation together with revenues from fees-for-service. Refer to Notes 1.17 and 1.18 for accounting arrangements relating to Administered Items.

1.2 Basis of Accounting

The general purpose financial report has been prepared in accordance with:

- Australian Accounting Standards and Accounting Interpretations issued by the Australian Accounting Standards Board;
- Statements of Accounting Concepts;
- Consensus Views of the Urgent Issues Group;
- Treasurer's Instructions and Accounting Policy Statements issued by the Department of Treasury and Finance.

The Statements of Financial Performance and Financial Position have been prepared on an accrual basis and are in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. No allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits embodied in the asset or sacrifices will eventuate and the amounts of the assets or liabilities can be reliably measured. Assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities which are unrecognised are reported as commitments in Note 20.

Revenues and expenses are recognised in the Statement of Financial Performance when and only when the flows or consumptions or loss of economic benefits has occurred and can be reliably measured. Some revenues are recognised when cash is received because only at this time can the Authority be certain about the amounts to be collected. These items include administered revenues such as fines, revenues received on behalf of other government agencies and the Authority's fee-for-service revenue such as reminder notice fees attached to fine penalty notices.

The continued existence of the Authority in its present form, and with its present programs, is dependent on Government policy and on continuing appropriations by Parliament to fund the Authority's administration and programs.

The Schedule of Administered Revenues and Expenses, Assets and Liabilities and Cash Flows are prepared on the same basis and using the same policies as for operating items, except where otherwise stated at Notes 1.17 and 1.18.

1.3 Changes in Accounting Policy

(a) Land and Buildings Valuation

Land and buildings and improvements controlled by the Authority are recorded at amounts based on valuations. During 2002-03 the Authority employed Colliers International, licensed valuers, to undertake the revaluation of its land and buildings as at 30 June 2003. In accordance with AASB 1041 'Revaluation of Non-Current Assets', land and buildings have been recognised at their fair value.

This has resulted in a revaluation increment of \$5 900 000 for this class of assets.

All other accounting policies used in the preparation of these financial statements are consistent with those used in 2001-02.

1.4 Revenue

The revenues described in this Note are revenues relating to the core operating activities of the Authority.

- (a) *Revenue from Government-Agency Appropriations*
Control over appropriations and grants is normally obtained upon their receipt.
- (b) *Resources Received Free of Charge*
Assets donated, gifted or bequeathed are recorded as an asset at their fair values at the time control passes to the Authority. Assets received in this way are disclosed as revenue in the Statement of Financial Performance.
- (c) *Other Revenue*
The Authority provides some services on a fee-for-service basis. The major activities conducted on a fee-for-service basis include:
 - Sheriff's officer fees;
 - Reminder fees;
 - Sale of electronic information.

The Authority also recovers the cost of goods and services incurred where appropriate.

Most of this revenue is recognised at the time the cash is received because only at this time can the Authority be certain about the amounts to be collected. Examples of this include, fee for service revenue such as reminder notice fees attached to fine penalty notices and sheriff's officer fees. However, some revenues such as sale of electronic information, are recognised at the time that service is provided.

1.5 Employee Entitlements

- (a) *Leave*
A provision is raised at the end of the reporting period to reflect employee entitlements when payment is expected to be made for annual leave and long service leave. Where leave loadings are paid, they are included in the calculation.

In calculating long service leave entitlements the Authority takes into account, as a benchmark, an actuarial assessment prepared by the Department of Treasury and Finance based on a significant sample of employees throughout the South Australian public sector. The benchmark is currently eight years.

The Authority's employees' entitlement to sick leave is non-vesting. Sick leave is only recognised as a liability at reporting date to the extent it is probable that sick leave expected to be taken in future periods will be greater than entitlements which are expected to accrue in those future periods.

Employment on-costs relating to employee entitlements owing, are recognised as liabilities in the Statement of Financial Position. Employee entitlements and employment on-costs accruing during the reporting period are treated as an expense in the Statement of Financial Performance.

- (b) *Superannuation*
The Authority made contributions of \$6.6 million (\$6.1 million) to Employer Contribution Accounts administered by the South Australian Superannuation Board, in respect of future superannuation liabilities.
- (c) *Workers Compensation*
A liability has been reported to reflect workers compensation claims. The workers compensation liability, which was based on an actuarial assessment, was provided by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet.

The workers compensation provision is based on an actuarial assessment prepared by Taylor Fry Consulting Actuaries. For the 2003 valuation, the Justice, DETE, DHS and all other portfolios have been analysed separately. In previous years, the Justice Portfolio was analysed together with all other non-DHS agencies. The new valuation methodology has resulted in the Justice Portfolio's liability being more specifically measured. The Authority's liability is an allocation of the Justice Portfolio's total assessment.

It is important to note that the new methodology adopted for this valuation has significantly contributed to the large increase. Applying the new methodology to the previous year's data would have resulted in the Justice Portfolio's June 2002 liability being 25 percent larger than reported.

1.6 Leases

The Authority has entered into a number of operating lease agreements for the provision of photocopiers and some office and IT equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of these items. Equal instalments of the lease payments are charged to the Statement of Financial Performance over the lease term, as this is representative of the pattern of benefits to be derived from the leased property. Details of commitments under non-cancellable operating leases are disclosed in Note 20.

1.6 Leases (continued)

The Authority's rights and obligations under finance leases, which are leases that effectively transfer to the Authority substantially all of the risks and benefits incidental to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as 'Building under finance lease', and are amortised to the Statement of Financial Performance over the period during which the Authority is expected to benefit from the use of the leased assets.

Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Details of finance leases are disclosed in Note 17.

1.7 Cash

Cash comprises Deposit Accounts with the Department of Treasury and Finance as well as cash on hand.

1.8 Financial Instruments

Accounting policies for financial instruments are stated at Notes 27 and 35.

1.9 Acquisitions of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

1.10 Property (Land and Buildings), Plant and Equipment*Asset Recognition Threshold*

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases with an individual value of less than \$1 000 which are expensed in the Statement of Financial Performance at the time they are acquired.

Revaluations

Land, buildings and improvements controlled by the Authority are recorded at amounts based on valuation and cost. Valuations are prepared by Colliers Jardine, licensed valuers. Land, buildings and improvements are revalued every three years with the current valuations reflecting valuations performed as at 30 June 2003.

The authority has applied the Accounting Standard AASB 1041 'Revaluation of Non-Current Assets' for the valuation of land and buildings and improvements at fair value.

Valuations of works of art and collections were performed by Theodore Bruce Auctions Pty Ltd., Licensed Valuers. Works of art and collections are measured at their market value and are not depreciated. The valuations currently brought to account for works of art and collections were made as at 30 June 1996. Heritage assets are not disclosed by a specific heritage type but form part of the aggregate value of property, plant and equipment and are included within the category 'Works of art and collections'.

The balance brought to account for library collections represents the fair value as at 30 June 2002 based on information provided by Michael Treloar, Licensed Valuer.

Depreciation and Amortisation

All non-current assets, with the exception of land, works of art and collections and library collections, have a limited useful life and are systematically depreciated in a manner which reflects the consumption of service potential. The depreciation rates are reviewed annually. The major asset categories are subject to straight line depreciation over the following periods:

	Years
Buildings and improvements	30-60
Computing	3-5
Office furniture and equipment	10
Library collections	Infinite
Leasehold improvements	10-25
In-house developed computer software	10
Other (general equipment)	5-10

1.11 Inventories

Stationary is now expensed.

1.12 Goods and Services Tax

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

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

The net GST receivable due from the Australian Taxation Office has been recognised as a receivable in the Statement of Financial Position.

GST does not apply to the finance lease liability of the Authority.

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

1.13 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. No foreign currency receivables and payables existed as at balance date.

1.14 Insurance

The Authority has insured for risks through the South Australian Government Captive Insurance Corporation (SAICORP). These risks include property and public liability as well as professional indemnity.

1.15 Comparative Figures

Where applicable, comparative figures have been adjusted to conform to changes in the current year.

1.16 Rounding

Amounts have been rounded to the nearest \$1 000.

1.17 Administered Revenue

All revenues described in this Note are revenues relating to the operating activities performed by the Agency on behalf of the Government and other Government agencies. Fines revenue, a significant proportion of court fees revenue, and amounts received on behalf of other agencies is recognised at the time cash is received due to the uncertainty in the amounts to be collected.

- (a) *Revenue from Government - Administered Appropriations*
Appropriations for Administered Expenses represents funding required to meet judicial expenses and are recognised upon their receipt.
- (b) *Fines*
The Authority receives revenue from infringements issued to offenders committing offences under various acts and regulations, principally the *Road Traffic Act 1961*.
- (c) *Court Fees*
The Authority processes revenue from fees charged under regulations to various Acts. Examples of these fees include lodgement fees in the various jurisdictions and sales of transcript and evidence.
- (d) *Revenue Received on Behalf of/for Other Government Agencies*
The Authority receives revenue on behalf of other government agencies, which it forwards to them on a regular basis. An example of this is revenue received in respect of the victims of crime levy which is paid to the Attorney-General's Department.

The administered funds receivable balance, recorded in the Schedule of Administered Assets and Liabilities, includes amounts due in respect of sales of transcript and certain court fees. The remaining administered receivables are not recorded in the Schedule of Administered Assets and Liabilities as there is significant uncertainty as to the amount which will be collected. Total administered receivables owing to the Authority, but not recognised totalled \$80.5 million (\$72.2 million). However, arrangements associated with the Fines Payment Unit will increase the percentage of revenue recovered in respect of this debt.

In addition, the Authority receives reimbursement from other government agencies for items such as witness expenses which it receives from the Attorney-General's Department.

1.18 Administered Expenses

- (a) *Payments to Consolidated Account*
Administered Fees and Fines collected by the Authority are paid directly to the Consolidated Account.
- (b) *Judicial Expenses*
The Authority makes payments pursuant to the *Remuneration Act 1990* for members of the judiciary. These expenses include judicial salaries and related on-costs, judicial vehicle expenses and Fringe Benefits Tax.

The Authority is dependent on support from the Crown to meet accruing entitlement obligations recognised in the financial statements.

2. Grants

Grants for the reporting period comprised:	2003	2002
	\$'000	\$'000
Fines Payment Unit	-	2 379
R v Bunting et al	2 491	391
Drug Court	355	249
Other	63	259
	2 909	3 278

3. Fees for Service

Fees and charges for the reporting period comprised:	909	903
Licence disqualification fees	762	758
Reminder notice fees	753	688
Sheriff's officer fees	166	191
Rent recoups	236	129
Sale of electronic information	131	124
Library levy	92	92
Photocopying	63	46
Sheriff's fees	7	12
Coronial recoups	188	197
Other	3 307	3 140

4. Proceeds and Expenses from Disposal of Assets	2003	2002
	\$'000	\$'000
Revenue (proceeds) from sale	208	1
Written down value of property sold	56	1
	152	-
5. Other Revenues		
Other revenues for the reporting period comprised:		
TVSP Recoup	235	3 620
Interest revenue	237	365
Recovery of supplies and services	340	176
Miscellaneous commissions	11	13
Other	10	35
	833	4 209
6. Employee Expenses		
Employee expenses for the reporting period comprised:		
Salaries and wages	29 757	27 242
Payroll tax and superannuation expenses	5 186	4 423
Long service leave expenses	910	1 254
Targeted Voluntary Separation Packages	235	3 620
Other	1 209	327
	37 297	36 866
7. Supplies and Service Expenses		
Supplies and services expenses for the reporting period comprised:		
Accommodation expenses	10 125	8 104
Administration expenses	8 328	7 796
Computing and communications	3 558	4 006
Coronial charges	1 954	1 868
Jurors' expenses	1 202	1 037
Bailiff fee reimbursements	634	690
	25 801	23 501
8. Depreciation and Amortisation		
Depreciation and amortisation expenses for the reporting period were charged in respect of:		
Buildings and improvements	1 624	1 628
In-house computer developed software	1 357	1 153
Computing	857	859
Finance lease on building	830	830
Office furniture and equipment	109	105
Leasehold improvements	75	31
	4 852	4 606
9. Other Expenses		
Other expenses for the reporting period comprised:		
Operating lease payments	441	460
Other	207	166
	648	626
10. Net Write Down of Non-Current Assets		
Net write down for the reporting period comprised:		
Revaluation decrement/change in valuation policy on Library Collections	-	(8 488)
Change in capitalisation policy on Office Furniture and Equipment	-	(351)
Adjustment to leasehold improvements to recognise assets* Stocktake**	144	-
	(49)	(136)
Total	95	(8 975)
* In 2001-02 \$144 000 was spent on leasehold improvements to the Sir Samuel Way Building. This amount was expensed in 2001-02. An adjustment has now been processed in 2002-03 to recognise this amount as an asset.		
** During 2001-02 and 2002-03, the Authority undertook stocktakes of office furniture and equipment and computing equipment. The stocktake resulted in the updating of the asset register for assets which had previously been salvaged as well as other assets being retired.		
11. Cash on Hand and on Deposit	2003	2002
Cash on hand and on deposit comprised:	\$'000	\$'000
Deposit accounts with the Department of Treasury and Finance*	6 973	5 980
Cash on hand (including petty cash)	40	33
	7 013	6 013
* Includes accrual appropriation of \$1.218 million.		
12. Receivables		
Receivables comprised:		
GST receivable	536	594
Fees for service	319	44
TVSP receivable	235	-
Employee expenses	-	14
	1 090	652

13. Prepayments		2003	2002
Prepayments comprised:		\$'000	\$'000
Finance lease		382	372
Supplies and services		51	47
		433	419

14. Property, Plant and Equipment		2003	
(a) Summary of Balances		Accumulated	Written
	Cost/	Depreciation/	Down
	Valuation	Amortisation/	Value
	\$'000	\$'000	\$'000
Land at valuation	15 913	-	15 913
Buildings and improvements at valuation	104 354	(31 962)	72 392
Buildings and improvements at cost ⁽¹⁾	-	-	-
Building under construction at cost	3 489	-	3 489
Building under finance lease	33 191	(16 595)	16 596
Leasehold improvements at cost	1 033	(218)	815
Computing at cost	7 244	(6 083)	1 161
Office furniture and equipment at cost	1 470	(876)	594
In-house computer developed software at cost	7 688	(4 983)	2 705
Library collections at valuation	3 292	-	3 292
Library collections at cost	462	-	462
Works of art and collections at valuation	498	-	498
	178 634	(60 717)	117 917

		2002	
	Cost/	Accumulated	Written
	Valuation	Depreciation/	Down
	\$'000	Amortisation	Value
		\$'000	\$'000
Land at valuation	11 151	-	11 151
Buildings and improvements at valuation	101 137	(33 919)	67 218
Buildings and improvements at cost	5 814	(99)	5 715
Building under construction at cost	3 199	-	3 199
Building under finance lease	33 191	(15 766)	17 425
Leasehold improvements at cost	509	(143)	366
Computing at cost	6 969	(5 310)	1 659
Office furniture and equipment at cost	1 405	(781)	624
In-house computer developed software at cost	7 688	(3 626)	4 062
Library collections at valuation	3 292	-	3 292
Works of art and collections at valuation	498	-	498
	174 853	(59 644)	115 209

(1) The 2002 valuation relates to the construction of Christies Beach Magistrates Court, which is now recognised under buildings and improvements at valuation.

(b) Analysis of Property, Plant and Equipment

	Land	Buildings and Improvements	Building under Finance Lease	Building under Construction	Buildings-Leasehold Improvements	Total Land and Buildings
	\$000	\$000	\$000	\$000	\$000	\$000
Gross value as at 1 July 2002	11 151	106 951	33 191	3 199	509	155 001
Additions: Purchases of Assets	-	-	-	290	524	814
Revaluation (refer Note 19)	4 794	(2 309)	-	-	-	2 485
Disposals/stocktake write-offs	(32)	(288)	-	-	-	(320)
Gross Value at 30 June 2003	15 913	104 354	33 191	3 489	1 033	157 980
Accumulated depreciation/amortisation at 1 July	-	(34 018)	(15 765)	-	(143)	(49 926)
Depreciation/amortisation for year	-	(1 624)	(830)	-	(75)	(2 529)
Revaluation (refer Note 19)	-	3 415	-	-	-	3 415
Disposals/stocktake write-offs	-	265	-	-	-	265
Accumulated Depreciation/Amortisation as at 30 June 2003	-	(31 962)	(16 595)	-	(218)	(48 775)
Net Book Values as at 30 June 2003	15 913	72 392	16 596	3 489	815	109 205
Net Book Values as at 30 June 2002	11 151	72 933	17 425	3 199	366	105 074

(b) Analysis of Property, Plant and Equipment (continued)

	Computing \$000	Office Furniture & Equipment \$000	In-house Computer Developed Software \$000	Library Collections \$000	Works of Art and Collections \$000	Total Plant, Equipment and Collections \$000	2003 Total \$000
Gross value as at 1 July	6 969	1 405	7 688	3 292	498	19 852	174 853
Additions: Purchases of assets	407	80	-	462	-	949	1 763
Revaluation (refer Note 19)	-	-	-	-	-	-	2 485
Disposals/stocktake write-offs	(132)	(15)	-	-	-	(147)	(467)
Gross Value at 30 June	7 244	1 470	7 688	3 754	498	20 654	178 634
Accumulated Depreciation/amortisation at 1 July	(5 310)	(781)	(3 626)	-	-	(9 717)	(59 643)
Depreciation/amortisation for year	(857)	(109)	(1 357)	-	-	(2 323)	(4 852)
Revaluation (refer Note 19)	-	-	-	-	-	-	3 415
Disposals/stocktake write-offs	84	14	-	-	-	98	363
Accumulated Depreciation/Amortisation as at 30 June 2003	(6 083)	(876)	(4 983)	-	-	(11 942)	(60 717)
Net Book Values as at 30 June 2003	1 161	594	2 705	3 754	498	8 712	117 917
Net Book Values as at 30 June 2002	1 659	624	4 062	3 292	498	10 135	115 209

15. Payables		2003	2002
Current:		\$'000	\$'000
Creditors and accruals		994	1 859
On-costs on provision for employee entitlements		375	265
		1 369	2 124
Non-Current:			
On-costs on provision for employee entitlements		601	537
16. (a) Employee Entitlements			
Current:			
Accrued salaries and wages		116	-
Long service leave		644	608
Annual leave		1 663	1 179
		2 423	1 787
Non-Current:			
Long service leave		4 787	4 507
Annual leave		206	115
		4 993	4 622
(b) Employee Entitlements and Related On-cost Liabilities			
Accrued Salaries and Wages:			
On costs included in payables - Current (Note 15)		18	-
Provision for employee entitlements - Current (Note 16)		116	-
		134	-
Annual Leave:			
On costs included in payables - Current (Note 15)		257	175
Provision for employee entitlements - Current (Note 16)		1 663	1 179
		1 920	1 354
On costs included in payables - Non-current (Note 15)		25	13
Provision for employee entitlements - Non-current (Note 16)		206	115
		231	128
Long Service Leave:			
On costs included in payables - Current (Note 15)		100	90
Provision for employee entitlements - Current (Note 16)		644	608
		744	698
On costs included in payables - Non-current (Note 15)		576	524
Provision for employee entitlements - Non-current (Note 16)		4 787	4 507
		5 363	5 031
Aggregate Employee Entitlements and Related On-cost Liabilities		8 392	7 211

(b) Employee Entitlements and Related On-cost Liabilities (continued)

	2003	2002
	Number	Number
Average number of employees during the year	655.2	641.7
17. Finance Lease	2003	2002
Finance lease commitments:	\$'000	\$'000
Payable no later than one year	4 838	4 599
Payable later than one year and not later than five years	19 352	18 395
Payable later than five years	72 570	73 580
Minimum lease payments	96 760	96 574
Less: Future finance charges and contingent rentals	71 852	71 012
Lease Liability	24 908	25 562
Classified as:		
Current	698	657
Non-current	24 210	24 905
	24 908	25 562

A finance lease exists in relation to the Sir Samuel Way Building. This lease is non-cancellable for a term of 40 years.

18. Other Liabilities

Workers Compensation liabilities advised by the Public Sector Occupational Health and Injury Management Branch of the Department of the Premier and Cabinet comprised:

	2003	2002
	\$'000	\$'000
Current:		
Income maintenance	273	176
Other	100	100
	373	276
Non-Current:		
Income maintenance	1 345	574
Other	452	335
	1 797	909

19. Equity

	Accumulated Surplus		Asset Revaluation Reserve		Total Equity	
	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	81 685	94 450	4 797	4 797	86 482	99 247
Net deficit from operating activities	(2 393)	(12 765)	-	-	(2 393)	(12 765)
Adjustment to prior years revaluation						
Increment (consisting of):						
Revaluation increment to land	-	-	4 794	-	4 794	-
Revaluation increment to buildings	-	-	1 106	-	1 106	-
Balance at 30 June	79 292	81 685	10 697	4 797	89 989	86 482

20. Commitments

	2003	2002
	\$'000	\$'000
BY TYPE:		
Capital Commitments:		
Land and buildings ⁽¹⁾	7 590	8 933
Total Capital Commitments	7 590	8 933
Other Commitments:		
Operating leases ⁽²⁾	828	306
Total Other Commitments	828	306
Net Commitments	8 418	9 239
BY MATURITY:		
All Net Commitments:		
One year or less	3 003	2 005
From one to five years	5 415	7 234
Net Commitments	8 418	9 239
Operating Lease Commitments:		
One year or less	363	112
From one to five years	465	194
Total Operating Lease Commitments	828	306

Commitments are GST inclusive where relevant.

(1) Outstanding contractual arrangements for buildings under construction.

(2) Operating leases are effectively non-cancellable and relate to photocopiers, IT and other leased equipment used by the Authority. Rental is payable monthly in arrears generally for a four year term with an option to renew at the end of the term.

21. Cash Flow Reconciliation		2003	2002
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:		\$'000	\$'000
Cash at year end per Statement of Cash Flows		7 013	6 013
Statement of Financial Position item comprising above cash			
- 'Cash on hand and on deposit'		7 013	6 013
Reconciliation of net operating deficit to net cash provided by operating activities:			
Net deficit		(2 393)	(12 765)
Depreciation/amortisation		4 852	4 606
Net revenues from write down and recognition of non-current Assets		(95)	8 975
Profit on disposal of assets		(144)	-
(Increase) Decrease in receivables		(438)	243
Decrease in inventories		6	12
Increase in prepayments		(14)	(1)
Increase in employee entitlements		1 007	105
Decrease in payables		(691)	(834)
Increase in other liabilities		985	66
Net Cash provided by Operating Activities		3 075	407

22. Executive and Judicial Remuneration		2003	2002
Executive		Number of	Number of
Remuneration includes salary, termination payments and non-monetary benefits. The number of employees whose remuneration received or receivable fell within the following bands were:		Employees	Employees
Recurrent Salaries:			
\$100 001 - \$110 000		1	1
\$120 001 - \$130 000		-	2
\$130 001 - \$140 000		1	2
\$160 001 - \$170 000		-	*3
\$170 001 - \$180 000		*4	-
\$180 001 - \$190 000		1	-
\$200 001 - \$210 000		-	1
\$210 001 - \$220 000		*1	-
\$230 001 - \$240 000		1	-

* Includes employees who received accrued leave and TVSP entitlements upon resignation.

Note that the above figures include the State Coroner and three ERD Commissioners who served during 2002-03. The aggregate remuneration for all employees referred to above was \$1.6 million (\$1.3 million).

Judiciary		2003	2002
Remuneration includes salary, termination payments and non-monetary benefits. The number of judicial officers whose remuneration received or receivable fell within the following bands were:		Number of	Number of
Special Acts:		Judicial	Judicial
\$100 001 - \$110 000		Officers	Officers
\$120 001 - \$130 000		1	-
\$140 001 - \$150 000		-	*1
\$150 001 - \$160 000		-	1
\$160 001 - \$170 000		*1	8
\$170 001 - \$180 000		1	13
\$180 001 - \$190 000		9	7
\$190 001 - \$200 000		12	5
\$200 001 - \$210 000		6	3
\$210 001 - \$220 000		*6	1
\$220 001 - \$230 000		1	1
\$240 001 - \$250 000		2	-
\$250 001 - \$260 000		1	-
\$260 001 - \$270 000		-	24
\$270 001 - \$280 000		20	-
\$280 001 - \$290 000		3	-
\$290 001 - \$300 000		-	12
\$300 001 - \$310 000		1	*2
\$310 001 - \$320 000		10	-
\$320 001 - \$330 000		*1	-
\$330 001 - \$340 000		1	-
\$390 001 - \$400 000		-	1
		*1	-

* Includes officers who received accrued leave entitlements upon retirement.

The aggregate remuneration for all the judicial officers referred to above was \$19.4 million (\$17.3 million).

23. Targeted Voluntary Separation Packages (TVSPs)		2003	2002
TVSPs paid to employees during the reporting period were:		\$'000	\$'000
TVSP payments		235	3 620
Recovery from the Department of the Premier and Cabinet in respect of TVSPs		235	3 620
Annual and long service leave accrued over the period of employment paid to employees who received TVSPs		131	769

23. Targeted Voluntary Separation Packages (TVSPs) (continued)	Number of Employees	Number of Employees
The number of employees who received TVSPs	2	59
24. Related Party Disclosures		
No transactions have been entered into by the Authority with any board/staff member of a company in which a board/staff member has either a direct or indirect pecuniary interest.		
25. Consultancies		
Total expenditure on consultancies amounted to \$60 000 (\$110 000).		
Individual consultancies costing more than \$50 000:		2003
No consultancies exceeded \$50 000.		\$'000
Individual consultancies costing between \$10 000 and \$50 000:		
Project:	Consultants:	
Land and buildings revaluation	Colliers International	29
Total cost of consultancies less than \$10 000:		
7 consultancies		31
26. Remuneration of Auditors	2003	2002
	\$'000	\$'000
Auditors' remuneration – Auditing services	97	90
Internal audit function	21	-
	118	90
No other services were provided by the Auditor-General.		

27. Financial Instruments			
(a) Terms, Conditions and Accounting Policies			
		Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Instrument	Note		
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	11	Deposits are recognised at their nominal amounts. Interest is credited as it accrues.	Cash comprises Deposit Accounts at the Department of Treasury and Finance. Interest is earned on the average daily balance based on the average of the 90 day bank bill. Interest rates fluctuated between 4.59 percent and 4.60 percent for the year ended 30 June 2003.
Receivables	12	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Finance lease liabilities	17	Liabilities are recognised at the present value of the minimum lease payments at the inception of the lease. The discount rate used was an estimate of the interest rate implicit in the lease.	At the reporting date, the Authority had a finance lease with a 40 year term which expires on 30 June 2023. The interest rate implicit in the lease at its inception was 5.61 percent. Rental payments under the lease arrangements are indexed by the Consumer Price Index. Rental payments for 2002-03 equate to 13.8 percent of the value of the lease at its inception.
Payables	15	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is normally made net 30 days.

(b) Interest Rate Risk

		2003					Non- Interest Bearing	2003 Total \$'000	Weighted Average Effective Interest Rate Percent
		Floating Interest Rate Maturities							
		1 year or less	1-2 years	2-5 years	Over 5 years				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial Assets:	Note								
Cash	11	6 973	-	-	-	-	40	4.6	
Receivables	12	-	-	-	-	-	1 090	-	
Total Financial Assets		6 973	-	-	-	-	1 130		
Total Assets							8 103		
Financial Liabilities:									
Finance lease Payables	17	698	735	2 468	21 007	-	24 908	5.6*	
	15	-	-	-	-	994	994	-	
Total Financial Liabilities		698	735	2 468	21 007	994	25 902		
Total Liabilities							36 484		

		2002					Non- Interest Bearing	2002 Total \$'000	Weighted Average Effective Interest Rate Percent
		Floating Interest Rate Maturities							
		1 year or less	1-2 years	2-5 years	Over 5 years				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Financial Assets:	Note								
Cash	11	5 980	-	-	-	-	33	4.3	
Receivables	12	-	-	-	-	-	652	-	
Total Financial Assets		5 980	-	-	-	-	685		
Total Assets							6 665		
Financial Liabilities:									
Finance lease Payables	17	657	695	2 334	21 876	-	25 562	5.6*	
	15	-	-	-	-	1 859	1 859	-	
Total Financial Liabilities		657	695	2 334	21 876	1 859	27 421		
Total Liabilities							35 817		

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

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for trade creditors is approximated by their carrying values.

* The net fair value of the finance lease at 30 June 2003 was \$71.7 million. This reflects the indexation of the rental payments by the CPI and that as at 30 June 2003 the interest rate implicit in the lease is higher than at its inception.

(d) Credit Risk Exposure

The Authority's maximum exposure to credit risk at the reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Authority has no significant exposures to any concentrations of credit risk.

28. Judicial Salary and Related Expenses		2003	2002
Judicial salary and related expenses comprised:		\$'000	\$'000
Salaries and wages		14 271	13 080
Payroll tax and superannuation expenses		4 445	4 168
Long service leave expenses		863	1 137
Other		586	518
		20 165	18 903
29. Administered Cash			
Administered cash comprised:			
Deposit account with the Department of Treasury and Finance		484	363
30. Administered Receivables			
Current			
Fees		394	314
Transfer expenses yet to be claimed		104	98
GST receivable		7	10
		505	422

31. Administered Payables	2003	2002
Current:	\$'000	\$'000
Creditors and accruals	191	421
Transfer revenue received and not forwarded	593	462
On-costs on provision for judicial entitlements	295	286
	1 079	1 169
Non-Current:		
On-costs on provision for judicial entitlements	834	767
32. (a) Judicial Entitlements		
Current:		
Accrued salaries and wages	86	-
Long service leave	459	562
Annual leave	643	641
	1 188	1 203
Non-Current:		
Long service leave	4 069	3 587
Annual leave	131	236
	4 200	3 823
(b) Judicial Entitlements and Related On-cost liabilities		
Accrued Salaries and Wages		
On costs included in payables - Current (Note 31)	21	-
Provision for Judicial entitlements - Current (Note 32)	86	-
	107	-
Annual Leave		
On costs included in payables - Current (Note 31)	160	152
Provision for Judicial entitlements - Current (Note 32)	643	641
	803	793
On costs included in payables - Non-current (Note 31)	26	47
Provision for Judicial entitlements - Non-current (Note 32)	131	236
	157	283
Long Service Leave		
On costs included in payables - Current (Note 31)	114	134
Provision for Judicial entitlements - Current (Note 32)	459	562
	573	696
On costs included in payables - Non-current (Note 31)	808	720
Provision for Judicial entitlements - Non-current (Note 32)	4 069	3 587
	4 877	4 307
Aggregate Employee Entitlements and Related On-cost Liabilities	6 517	6 079
	2003	2002
	Number	Number
Average number of Judiciary during the year	78.8	81
33. Administered Equity	2003	2002
Balance at 1 July	\$'000	\$'000
Net decrease in administered net assets	(6 177)	(5 832)
Balance at 30 June	(135)	(345)
	(6 312)	(6 177)
34. Administered Cash Flow Reconciliation		
Reconciliation of cash per Statement of Financial Position to Statement of Cash Flows:		
Cash at year end per Statement of Cash Flows	484	363
Statement of Financial Position item comprising above cash – Cash	484	363
Reconciliation of net decrease in administered net assets to net cash used in administered activities:		
Net decrease in administered net assets	(135)	(345)
Increase in receivables	(83)	(59)
Increase in judicial entitlements	362	410
Decrease in payables	(23)	(18)
Net Cash provided by (used in) Administered Activities	121	(12)

35. Administered Financial Instruments
(a) Terms, Conditions and Accounting Policies

Financial Instrument	Note	Accounting Policies and Methods (including recognition criteria and measurement basis)	Nature of Underlying Instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets			
		Financial assets are recognised when control over future economic benefits is established and the amount of the benefit can be reliably measured.	
Cash	29	Deposits are recognised at their nominal amounts.	Cash comprises a Deposit Account at the Department of Treasury and Finance. The administered cash balance is non-interest bearing.
Receivables	30	These receivables are recognised at their nominal amounts less any provision for doubtful debts.	Credit terms are net 30 days.
Financial Liabilities			
		Financial liabilities are recognised when a present obligation to another party is entered into and the amount of the liability can be reliably measured.	
Payables	31	Creditors and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods or services have been received.	Settlement is normally made net 30 days.

(b) Interest Rate Risk

		2003						2003		Weighted Average Effective Interest Rate Percent
		Floating Interest Rate	Fixed Interest Rate Maturities				Non Bearing Interest	Total	Interest Rate Percent	
		\$'000	1 year or less	1-2 years	2-5 years	Over 5 years	\$'000	\$'000		
Financial Assets:	Note									
Cash	29	-	-	-	-	-	484	484	-	
Receivables	30	-	-	-	-	-	505	505	-	
Total Financial Assets		-	-	-	-	-	989	989		
Total Assets								989		
Financial Liabilities:										
Payables	31	-	-	-	-	-	784	784	-	
Total Financial Liabilities		-	-	-	-	-	784	784		
Total Liabilities								7 301		
		2002						2002		Weighted Average Effective Interest Rate Percent
		Floating Interest Rate	Fixed Interest Rate Maturities				Non Bearing Interest	Total	Interest Rate Percent	
		\$'000	1 year or less	1-2 years	2-5 years	Over 5 years	\$'000	\$'000		
Financial Assets:	Note									
Cash	29	-	-	-	-	-	363	363	-	
Receivables	30	-	-	-	-	-	422	422	-	
Total Financial Assets		-	-	-	-	-	785	785		
Total Assets								785		
Financial Liabilities:										
Payables	31	-	-	-	-	-	883	883	-	
Total Financial Liabilities		-	-	-	-	-	883	883		
Total Liabilities								6 962		

(c) Net Fair Values of Financial Assets and Liabilities

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

Financial Liabilities

The net fair values for trade creditors is approximated by their carrying values.

36. Trust Monies

In addition, the Authority holds monies pending the outcome of court decisions. These monies are excluded from the financial statements as the Authority cannot use them for the achievement of its objectives. The following is a summary of the transactions in the jurisdictions' trust accounts.

Supreme Court Suitor Account

	2003	2002
	\$'000	\$'000
Balance at 1 July	19 930	19 823
Receipts	5 740	6 589
	25 670	26 412
Less: Payments	2 516	6 482
Balance at 30 June	23 154	19 930

District Court Suitor Account

Balance at 1 July	1 716	499
Receipts	706	1 674
	2 422	2 173
Less: Payments	1 099	457
Balance at 30 June	1 323	1 716

Sheriff's Office Trust Account

Balance at 1 July	317	267
Receipts	795	933
	1 112	1 200
Less: Payments	1 007	883
Balance at 30 June	105	317

Magistrates' Courts Suitor Accounts

Balance at 1 July	1 733	946
Receipts	9 783	7 292
	11 516	8 238
Less: Payments	9 690	6 505
Balance at 30 June	1 826	1 733

NATIONAL WINE CENTRE

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The National Wine Centre (the Centre) was established as a body corporate pursuant to the *National Wine Centre Act 1997* (the Act). Under the Act a Board was established to govern the Centre and was subject to the control of the responsible Minister. On 14 March 2002, the Treasurer became the responsible Minister.

Repeal of the Act and Dissolution of the Centre

On 21 August 2003 the *National Wine Centre (Restructuring and Leasing Arrangements) Act 2002* (the Restructuring Act) came into operation. Schedule 2 to the Restructuring Act repealed the *National Wine Centre Act 1997*, while section 4 dissolved the Centre (ie the body corporate established under the repealed Act) and vested all of its assets and liabilities in the Minister. In summary, as of 21 August 2003 the Centre ceased to exist.

Future Arrangements for the Centre Assets and Operations

As a result of an agreement executed with the Treasurer, the University of Adelaide leased the premises and acquired other assets of the former Centre from 9 September 2003. Further details regarding the events and processes leading up to the proclamation of the Restructuring Act and arrangements entered into between the Treasurer and the University of Adelaide are provided at page 1326 of my Annual Report to Parliament for the year ended 30 June 2003.

Functional Operations during 2003-04

The major areas of functional operations of the Centre related to exhibitions, food and beverage services.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Section 23(2) of the *National Wine Centre Act 1997* specifically provided for the Auditor-General to audit the accounts of the Centre and the annual statements of account.

At the time of preparation of this report, the financial statements for the period 1 July 2003 to 21 August 2003 were still being completed and therefore the audit had not been finalised.

COMMENTARY ON OPERATIONS

For the period 1 July 2003 to 21 August 2003, the Centre's business operations were focussed on maintaining the existing level of operational activity until such time as the arrangements with the University of Adelaide were finalised. Consequently, the Centre operated with a small staffing complement and a low of level activity during that time.

Preliminary unaudited figures indicate that, for the period 1 July 2003 to 21 August 2003, total income amounted to \$0.6 million, comprising \$0.4 million appropriation from Government and \$0.2 million operating revenue, and total expenditure amounted to \$0.5 million comprising \$0.2 million employee entitlements, \$0.1 million depreciation and \$0.2 million other operating expenses.

Operating revenue mainly comprises the food and beverage revenue raised through the banquet functions.

The Centre's Statement of Financial Position remains largely unchanged from 30 June 2003, with non-current assets amounting to \$29 million or 97 percent of the Centre's asset base.

POLICE SUPERANNUATION SCHEME

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Police Superannuation Board (the Board) is a body corporate established under the *Police Superannuation Act 1990* (the Act). The Board is responsible to the Treasurer for all aspects of the administration of the schemes established by the Act, except for the management and investment of the Fund.

Functions

The Board is responsible for the collection of contributions from members of the Police Superannuation Scheme (the Scheme) and for the payment of superannuation benefits to members and members' families.

The main financial administration arrangements that apply in relation to the Scheme involve:

- The Police Superannuation Fund — The Fund, established under the Act, records as income to the Fund, members' contributions and revenue derived from investment of those monies, and also records as payments from the Fund, the employee share of benefit payments and administration costs.

The Fund is comprised of two divisions, the Old Scheme Division which provides pension benefits with a lump sum option and the New Scheme Division which provides lump sum benefits.

The Act vests responsibility for investment management of the Fund with the Superannuation Funds Management Corporation of South Australia (Funds SA).

- The Police Superannuation Scheme Employer Contribution Account was established in 1994-95 to record employer contributions on behalf of the police officers and cadets.

The employer share of the benefits paid and administration costs is met from the Police Employer Contribution Account. Monies deposited into the account are invested and managed by Funds SA but do not form part of the Fund.

Police officers and cadets who commenced employment on or before 31 May 1990 are members of the Old Scheme Division. Those police officers and cadets who commenced employment on or after 1 June 1990 are members of the New Scheme Division. The New Scheme Division was formally closed to new members through amendments to the *Police Superannuation Act 1990* in October 1994. From 1 July 1995 police officers and cadets who commenced employment became members of the Southern State Superannuation Scheme which is administered by the South Australian Superannuation Board.

Structure

The Police Superannuation Office (PSO) is a business unit within the Financial Management Services Branch of the South Australian Police Department and is responsible to the Board for the management and administration of the day to day operations of the Police Superannuation Schemes.

Funds SA provide investment management services and the Department of Treasury and Finance provide accounting services to the PSO.

AUDIT MANDATE AND COVERAGE

Audit Authority

Audit of Financial Statements

Subsection 31(1)(b) of the *Public Finance and Audit Act 1987*, provides the authority for the Auditor-General to audit the accounts of the Police Superannuation Scheme for each financial year.

Assessment of Controls

Subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987* provides for the Auditor-General to assess the controls exercised by the Police Superannuation Board 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. 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 2002-03, specific areas of audit attention included:

- contributions from members and employers
- processing of contributions data
- maintenance of member accounts
- pension and lump sum benefit payments
- accrued and vested liabilities
- deposit accounts
- administrative expenses.

The audit did not include a review of the investment and management activities undertaken by Funds SA in respect of the assets of the Fund and Employer Contribution Accounts; these areas were reviewed in the course of the audit of Funds SA.

Audit Communications to Management

Matters arising during the course of the audit were the subject of a management letter to the Presiding Member of the Police Superannuation Board. Matters raised with the Board are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

In my opinion, the financial report presents fairly, in accordance with applicable accounting standards, other mandatory professional reporting requirements, relevant legislation and other authorities the financial position of the Police Superannuation Scheme as at 30 June 2003 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 Police Superannuation Board in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities is sufficient to provide reasonable assurance that the financial transactions of the Police Superannuation Scheme have been conducted properly and in accordance with law.

SIGNIFICANT MATTERS RAISED WITH AGENCIES

Deposit Accounts

Review of the deposit account reconciliations for the Police Superannuation Scheme as at 30 June 2003 revealed a number of differences between Board and Department of Treasury and Finance records.

Analysis by Audit revealed that information had not been reported to the Department of Treasury and Finance to enable adjustment of each deposit account in the Central Treasury Ledger to ensure that the Scheme's deposit accounts agree with the Treasurer's Statements.

The Board has since developed a mechanism to provide this information to the Department of Treasury and Finance on a timely basis to enable appropriate reporting of deposit account balances associated with the Scheme.

Policies and Procedures

Treasurer's Instruction 2 'Financial Management Policies' requires each public authority to develop, implement and document procedures, policies and systems which are sufficient to ensure the credibility and objectivity of the accountability process.

Review during the audit of documented policies and procedures developed by the Board revealed that whilst a number of 'checklists' have been developed, formal documentation for a number of key financial processes have not been prepared including:

- employer and employee contributions revenue
- pension benefit payments
- lump sum payments
- deposit accounts
- investment cash management.

The Board has indicated that efforts will be made to formally document procedures for these areas in 2003-04.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

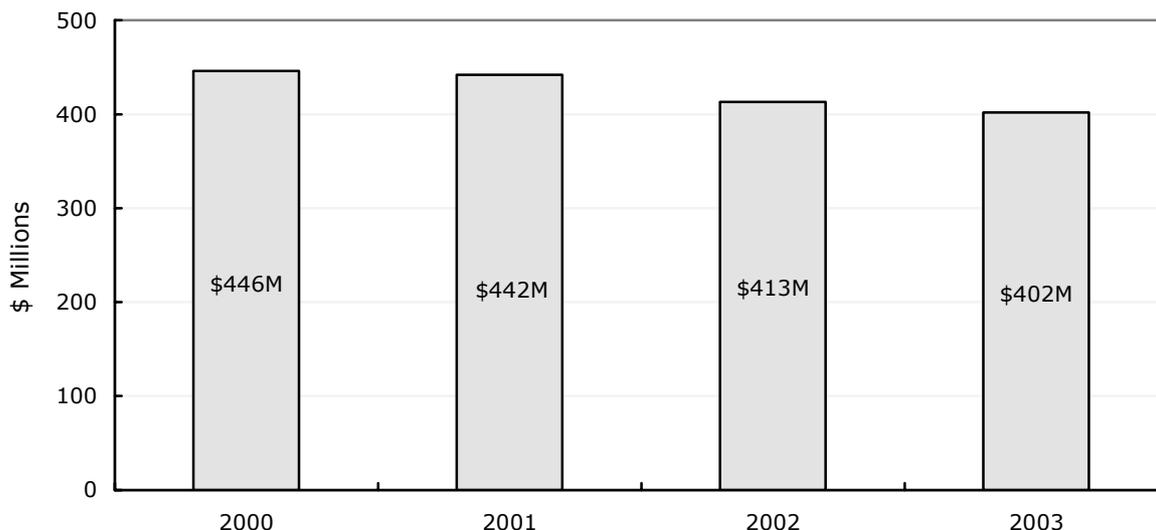
	2003 \$'million	2002 \$'million	Percentage Change
ASSETS			
Investments	402.4	412.6	(2.5)
Other assets	1.9	3.5	(42.9)
Total Assets	404.3	416.1	(2.8)
LIABILITIES			
Current liabilities	1.1	0.6	83.3
Non-current liabilities	2.1	2.7	(18.5)
Total Liabilities	3.2	3.3	-
Net Assets Available to Pay Benefits	401.1	412.8	(2.8)
CHANGES IN NET ASSETS			
Contribution revenue	31.2	29.9	4.3
Investment revenue	(3.0)	(23.6)	87.3
Other revenue	0.1	0.1	-
Benefit expenses	39.6	39.3	0.7
Administration expenses	0.4	0.4	-
Net Decrease in Funds	11.7	33.3	(64.9)

Pursuant to Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans', the Board has elected to present their financial report in the format of a Statement of Net Assets and a Statement of Changes in Net Assets. Consequently, a Statement of Cash Flows has not been prepared and benefit related liabilities are disclosed in the notes to the financial statements.

Statement of Net Assets

Investments of the Scheme decreased by \$10.2 million for the year ended 30 June 2003. Investment returns and the effect on net assets are further discussed in the Auditor-General's Report to Parliament for the year ended 30 June 2003 in the commentary for Funds SA.

The following chart illustrates the reduction in the scheme's investments mainly reflecting the impact of negative returns from investment markets over the past four years.

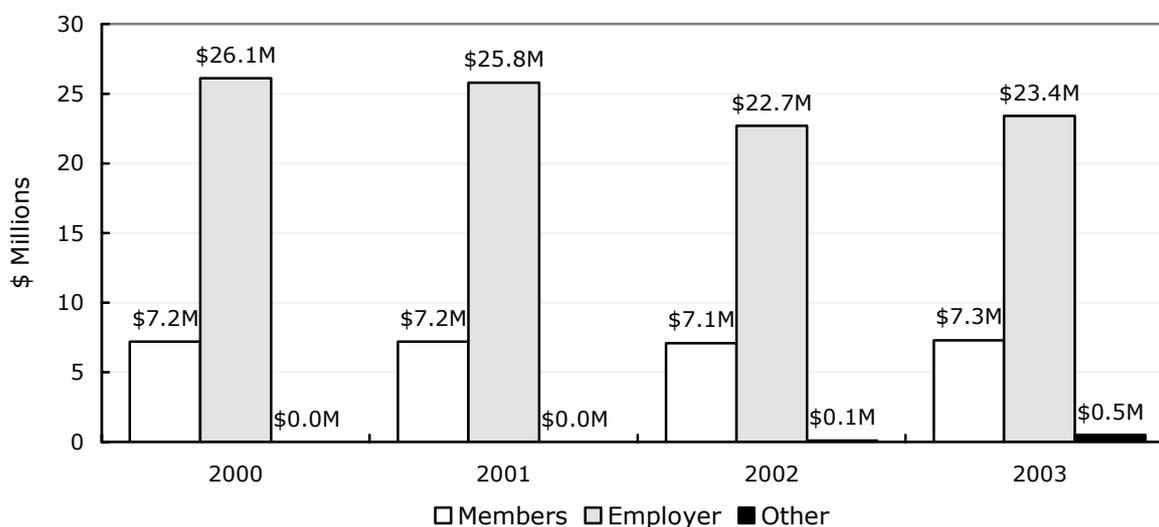


Statement of Changes in Net Assets

Revenues

- Investment revenues for the year resulted in a negative return of \$3 million compared to a negative return of \$23.6 million in the previous year. Investment returns are further discussed in the Auditor-General's Report to Parliament for the year ended 30 June 2003 in the commentary for Funds SA.
- Contribution revenues increased by \$1.3 million to \$31.2 million due to an increase of \$0.6 million in employer contributions as a result of salary increases and an increase in voluntary contributions by members of \$0.4 million.

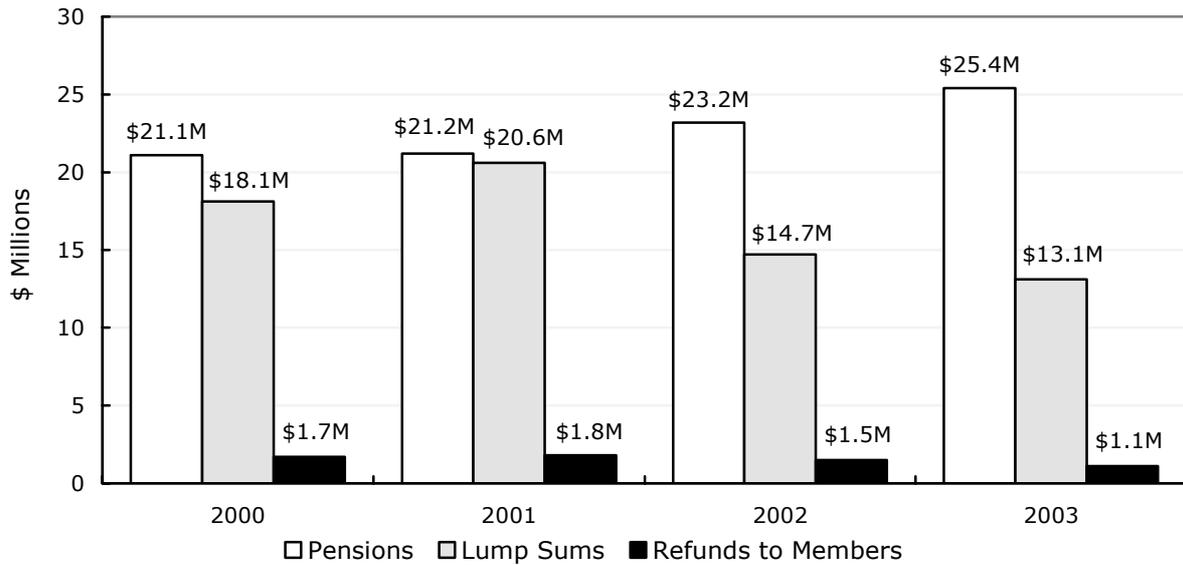
For the four years to 2003 an analysis of contribution revenue for the Scheme is shown in the following chart.



Expenditure

- The Scheme's dominant expenditure relates to benefit and refund payments.
- Benefits and refunds paid for the year ended 30 June 2003 totalled \$39.6 million compared to \$39.3 million in the previous year.
- Of these benefit payments made, \$39.3 million relates to the Old Scheme Division with \$25.4 million of benefits taken as pensions, \$13 million commuted to lump sum payments and \$0.8 million returned to members upon resignation from the Scheme.

For the four years to 2003 a structural analysis of benefits paid for the Scheme is shown in the following chart.



FURTHER COMMENTARY ON OPERATIONS

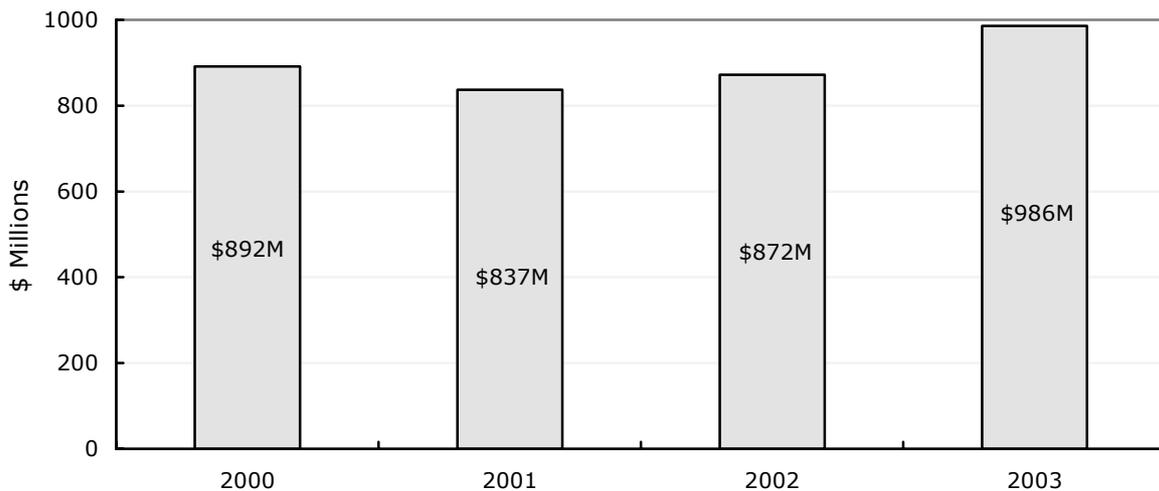
Accrued Liabilities

The estimated accrued liability for the Scheme, as determined by actuarial assessment and disclosed in the notes to the accounts, increased by \$114.4 million to \$986.1 million for the year ended 30 June 2003.

An actuarial review is undertaken every three years with assessed assumptions from this review used to calculate the accrued liability in years between reviews.

For the year ended 30 June 2003, an actuarial review was tabled which resulted in revised assumptions relating to pensioner mortality rates, real earnings rates and real salary growth resulting in the increase in accrued and vested liability disclosures of the Scheme.

For the four years to 2003 an analysis of accrued liabilities for the Police Superannuation Scheme is shown in the following chart.



Net Assets Available to Pay Benefits

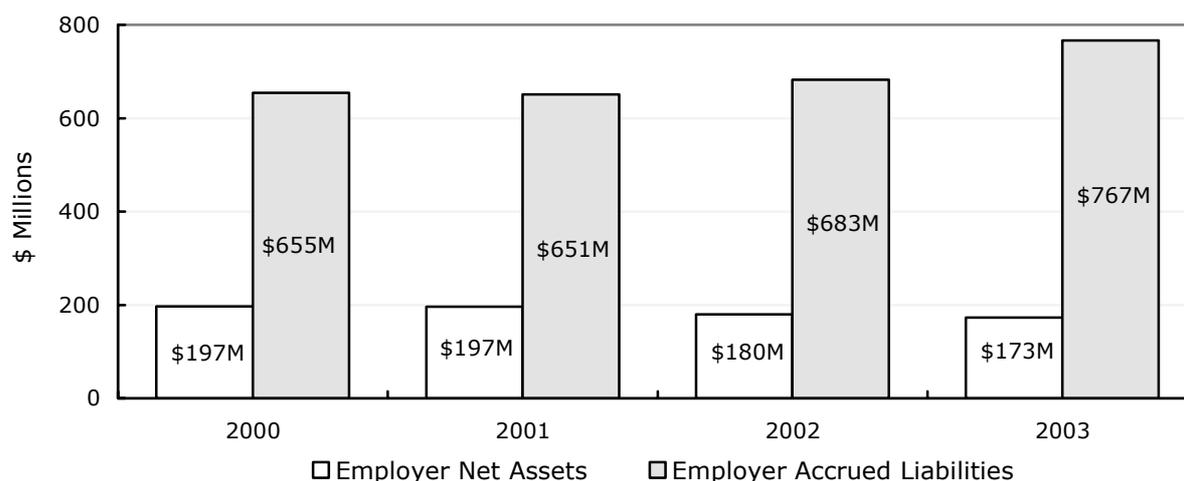
The net assets of the Scheme decreased to \$401.1 million during the period whilst accrued liabilities increased to \$986.1 million. This has resulted in an excess of accrued liabilities over net assets of \$585.0 million.

Analysis of net assets and accrued liabilities for the Police Superannuation Fund (employee account) revealed net assets available to pay benefits of \$228.1 million compared to an accrued liability of \$219.5 million. This represents an excess of net assets over accrued liabilities of \$8.6 million.

Analysis of net assets and accrued liabilities for the Police Employer Account revealed net assets available to pay benefits of \$173.1 million compared to an accrued liability of \$766.6 million. This represents a shortfall of net assets over accrued liabilities of \$593.5 million.

The Government has not transferred any additional funding to the Police Employer Account to meet the accrued past service liability of the Scheme since 1999.

For the four years to 2003 a structural analysis of net assets available to pay benefits and accrued liabilities for the Police Employer Account is shown in the following chart.



Pensioners

The number of pensioners and pensions paid for the past four years was:

	2003 Number	2002 Number	2001 Number	2000 Number
Pensioners	1 119	1 098	1 076	1 069
	\$'000	\$'000	\$'000	\$'000
Pensions paid	25 414	23 160	21 187	21 116

Contributions by Members

The number of contributors and contributions received from members for the past three years was:

	2003			2002	2001
	Old Scheme Number	New Scheme Number	Total Number	Number	Number
Contributors (excludes preserved members)	2 256	418	2 674	2 783	2 897
	\$'000	\$'000	\$'000	\$'000	\$'000
Contributions received*	6 258	1 040	7 298	7 073	7 161

* Excluding voluntary contributions

Statement of Net Assets as at 30 June 2003

	Note	2003	2002
		\$'000	\$'000
INVESTMENTS:	13		
	2		
Inflation linked securities		50 190	55 582
Property		38 873	43 173
Australian equities		134 599	143 540
International equities		149 102	135 681
Australian fixed interest		10 208	9 385
International fixed interest		11 114	9 679
Cash		8 339	15 590
Total Investments		402 425	412 630
OTHER ASSETS:	2		
Cash and deposits at Treasury		1 499	3 396
GST receivable		10	7
Income due and accrued		12	20
Sundry debtors		438	49
Fixed assets		5	8
Total Other Assets		1 964	3 480
Total Assets		404 389	416 110
CURRENT LIABILITIES:	2		
Rent paid in advance		131	177
Provisions		37	34
Sundry creditors		963	413
		1 131	624
NON-CURRENT LIABILITIES	2	2 116	2 668
Total Liabilities		3 247	3 292
NET ASSETS AVAILABLE TO PAY BENEFITS		401 142	412 818

Statement of Changes in Net Assets for the year ended 30 June 2003

	Note	2003	2002
		\$'000	\$'000
	14		
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY			412 818
INVESTMENT REVENUE	2	(2 958)	(23 637)
OTHER INCOME		107	102
ADMINISTRATION EXPENSE	9	(409)	(348)
GST EXPENSE	10	(10)	(8)
CONTRIBUTIONS:			
Contributions by employer		23 383	22 746
Contributions by members		7 298	7 073
Voluntary contributions by members		511	89
		31 192	29 908
BENEFITS PAID:			
Pensions	15	(25 414)	(23 160)
Lump sums	15	(13 103)	(14 652)
		(38 517)	(37 812)
REFUNDS TO MEMBERS:			
Contributions	15	(616)	(769)
Interest	15	(465)	(732)
		(1 081)	(1 501)
NET DECREASE IN FUNDS			(11 676)
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE			412 818

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Format of Accounts

The Police Superannuation Scheme (the Scheme) was created pursuant to the *Police Superannuation Act 1990 (the Act)*. The Act provides for superannuation benefits for Police Officers who are members of the Scheme.

The Police Superannuation Board (the Board) was established on 1 June 1990. The Board is responsible for the administration of the Police Superannuation Scheme which comprises:

- contributors to the Old (Pension) Scheme Division which was closed to members on 31 May 1990; and
- contributors to the New (Lump Sum) Scheme Division which was closed to members effective from May 1994.

Pursuant to the *Police Superannuation Act 1990* contributions from members of the Scheme are paid to the Treasurer, who in turn deposits those contributions with the Police Superannuation Fund (the Fund). The assets of the Scheme belong (both at law and in equity) to the Crown. The Scheme is subject to the management and control of the Superannuation Funds Management Corporation of South Australia (Funds SA). Member contributions are based on a percentage of superannuation salary and range between five percent and six percent. Contributions are adjusted in July each year based on salary payable to contributors at the previous 31 March.

The Scheme provides defined benefits for members of the Pension and Lump Sum Divisions. All benefit payments were met from the Consolidated Account which was then reimbursed in accordance with the prescribed employer and employee shares. The employer and employee shares of all benefits are determined by the Board, in accordance with the Police Superannuation Act, taking into account the most recent Actuarial Report.

Employer contributions on behalf of members of the Scheme are deposited into the 'Police Superannuation Scheme Employer Contribution Account' (Police Employer Account). Employer contributions are based on a percentage of salary at rates based on actuarial valuations. As from 1 July 2001 the rates for the Pension and Lump Sum schemes were 15.5 percent and 11 percent respectively. The employer share of benefits paid from the Scheme is met from the Police Employer Account. The employee share of benefits of the Scheme is met from the Fund.

For the year ended 30 June 2003 \$23.4 million (\$22.7 million) was deposited into the Police Employer Account in relation to employer contributions on behalf of members.

Funds SA is responsible, under the Act, for the investment and management of the Fund. Monies deposited into the Police Employer Account are invested and managed by Funds SA but do not form part of the Fund.

Since 30 June 1994 the Government has adopted a policy of fully funding its superannuation liabilities with a target of achieving full funding by 2034. This will require contributions at levels higher than the current employee contributions to meet the accruing liability for current employees. No additional contributions were made for the year ended 30 June 2003.

Under the terms of the Act, the Board is required to determine rates of return to be credited to members' accounts in the Pension and Lump Sum divisions of the Scheme. Rates of return are credited to each contributors' account at the end of the financial year. In determining the rate of return to be applied, the Act requires that the Board have regard to the net rate of return achieved by Funds SA for each division.

2. Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are general purpose statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards, Urgent Issues Grouped Consensus Views, Treasurer's Instruction 19 'Financial Reporting' and Department of Treasury and Finance Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987*.

The financial statements are prepared in accordance with the Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans'. The members of the Board believe that this policy best discloses the financial status of funds under management, and provides consistency with the Scheme's financial statements. Consequently, assets and liabilities are recorded at net market values as at the balance date, and realised and unrealised gains or losses are brought to account through the Statement of Changes in Net Assets.

As investments are revalued to their respective market values at balance date, depreciation and amortisation are not provided in these financial statements.

(b) Basis of Valuations of Assets and Liabilities

The basis for the valuation of assets and liabilities is provided below. Valuations are net of estimated disposal costs, where material.

(i) Inflation Linked Securities

The Inflation Linked Securities portfolio comprises two sub-sectors:

- *Internally Managed*
These investments, the returns of which are linked to movements in either the Consumer Price Index (CPI) or Average Weekly Earnings (AWE), have been valued using the discounted cash flow method. The valuation as at 30 June 2003 was performed by an independent valuer, Macquarie Bank Limited.
- *Externally Managed*
The externally managed portfolio is invested and managed by an external manager. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.

- (ii) *Property*
The Property portfolio comprises three sub-sectors:
- *Directly Held Properties*
Valuations of directly held properties have been carried out by independent licensed property valuers, other than as indicated in Note 8 to the financial statements of Funds SA.

In addition, a secured short-term loan provided to a 3rd party has been valued on the basis of principal outstanding at the balance date.
 - *Listed Property Trusts*
The listed property trust portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
 - *Unlisted Property Vehicles*
The unlisted property vehicles portfolio is invested and managed by external managers. Investments in this portfolio have been valued in accordance with the exit valuations supplied by the managers.
- (iii) *Australian Equities*
The Australian Equities portfolio comprises two subsectors:
- *Listed Australian Equities*
The listed Australian equities portfolio is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled listed Australian equities funds have been valued in accordance with the exit valuations supplied by the managers.
 - *Private Equity*
The private equity portfolio comprises holdings in a number of externally managed specialist funds together with internally managed assets. The externally managed specialist funds have been valued by the managers in accordance with the Australian Venture Capital Association Limited (AVCAL) valuation guidelines. Internally managed assets have been valued either in accordance with market prices applicable at balance date, or having regard to market conditions and the current and expected future performance of the investments.
- (iv) *International Equities*
The International Equities portfolio comprises two subsectors:
- *Listed International Equities*
The listed international equities portfolio is invested and managed by external managers. Discretely managed portfolios have been valued by the custodian appointed to hold the assets using market prices applicable at the balance date. Investments in pooled international vehicles (other than private equity) have been valued in accordance with the exit valuations supplied by the managers.

Currency conversions have been made at the spot market mid rates applicable at the balance date where applicable.
 - *Private Equity*
The international private equity portfolio comprises holdings in a number of externally managed specialist funds. These funds have been valued by the managers in accordance with National Venture Capital Association (NVCA) guidelines.
- (v) *Australian Fixed Interest*
The Australian Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vi) *International Fixed Interest*
The International Fixed Interest portfolio is invested and managed by external managers. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
- (vii) *Cash*
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Investments in externally managed pooled cash funds have been valued in accordance with the valuations supplied by the managers.
- (viii) *Fixed Assets*
Fixed assets are shown at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors are of the opinion that this provides a reasonable estimate of net market value.
- (ix) *Other Assets and Liabilities*
These items have been assessed and the Directors are of the opinion that for most items, book values provide a reasonable estimate of their market values. Where material items are not likely to be realised within a short period following the balance date, the book values of these items have been discounted back to the balance date using relevant market interest rates applying at the balance date.

(c) Other Disclosures

The investment of the Police Superannuation Scheme is subject to the management and control of the Superannuation Funds Management Corporation of South Australia (Funds SA).

Specific disclosure requirements of Australian Accounting Standard's AAS 25 'Financial reporting by Superannuation Plans' and AAS 33 'Presentation and Disclosure of Financial Instruments' are fully set out in the notes to the financial statements of Funds SA and have not been repeated in this financial report.

3. Liability for Accrued Benefits

The accrued liabilities of the Police Superannuation Scheme as determined by the Department of Treasury and Finance are shown below.

The accrued liabilities are the present values of expected future benefit payments arising from membership of the Schemes up to 30 June 2003 based on membership data as at 30 June 2002.

The expected future benefit payments have been determined using the 30 June 2002 actuarial Scheme review assumptions relating to mortality, disability, withdrawal, preservation, and retirement. The review salary promotion scale has also been used, while general salary increases of 1.5 percent per annum above the level of increase in the Consumer Price Index (CPI) have been allowed for. In accordance with Australian Accounting Standard AAS25 'Financial Reporting by Superannuation Plans', the expected future benefit payments have then been discounted to present values by a discount rate of 5 percent per annum above CPI.

Accrued Liabilities 30 June 2002

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	Total \$'million
Police Superannuation Fund	181.9	7.1	189.0
Police Employer Account	662.9	19.8	682.7
Total	844.8	26.9	871.7

Accrued Liabilities 30 June 2003

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	Total \$'million
Police Superannuation Fund	209.8	9.7	219.5
Police Employer Account	743.6	23.0	766.6
Total	953.4	32.7	986.1

Pursuant to the *Police Superannuation Act 1990* actuarial reviews of the Police Superannuation Scheme must be conducted three yearly to address, inter alia, the ability of the Fund to meet its current and future liabilities. The review as at 30 June 2002 was carried out by Mr S Mules, FIAA of Buck Consultants. His report, dated 30 June 2003, to the Minister was tabled in Parliament on 15 September 2003. In his report, Mr Mules made the following conclusions:

- a) The Lump Sum Scheme division will be in a balanced position if the funding proportion of the Fund is decreased from the current level of 40 percent back to the previous level of 30 percent; and
- b) The Pension Scheme division has reverted to a deficit position, requiring the funding proportion of the Fund to be decreased from the current level of 26 percent to 21 percent.

The actuarial reviews take account of assets held, future contributions to be received from members and future benefits to be paid by the Fund. In contrast, the purpose of the accrued liability calculations, which are made annually, is to estimate the value of future payments that can be attributed to service up to the date of the calculation.

4. Vested Benefits

Vested benefits are benefits which are not conditional upon continued membership of the Police Superannuation Scheme and include benefits which members would be entitled to receive on termination of membership of the Schemes.

When members resign from the Police Superannuation Scheme, they have two options. Firstly they can elect to take cash refunds of their own contributions, accumulated with interest, together with preserved employer benefits as required by Commonwealth Superannuation Guarantee legislation. Alternatively they can elect to take fully vested, preserved benefits which will be based on their full accrued entitlements at the date of resignation and will be increased during preservation in line with increases in the CPI.

The vested benefits shown below assume that all resignation benefits will be taken in the form of fully preserved benefits. The value of vested benefits have then been calculated using the same actuarial and economic assumptions as for the calculation of accrued benefits.

Vested Liabilities 30 June 2002

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	Total \$'million
Police Superannuation Fund	160.8	4.9	165.7
Police Employer Account	567.1	11.6	578.7
Total	727.9	16.5	744.4

4. Vested Benefits (continued)**Vested Liabilities 30 June 2003**

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	Total \$'million
Police Superannuation Fund	185.7	6.8	192.5
Police Employer Account	664.9	16.1	681.0
Total	850.6	22.9	873.5

5. Benefits which Accrued Between 30 June 2002 and 30 June 2003

Benefits accrued during the financial year 2002-03 are measured as the sum of the net changes in the accrued liabilities over the year and the amount of benefits paid to beneficiaries during the year.

Benefits Accrued 2002

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	Total \$'million
Liability for accrued benefits at 1 July	805.1	22.8	827.9
Add: Benefits expense	78.5	4.6	83.1
Less: Benefits paid	38.8	0.5	39.3
Liability for accrued benefits at 30 June	844.8	26.9	871.7

Benefits Accrued 2003

	Pension Scheme Division \$'million	Lump Sum Scheme Division \$'million	Total \$'million
Liability for accrued benefits at 1 July	844.8	26.9	871.7
Add: Benefits expense	147.9	6.1	154.0
Less: Benefits paid	39.3	0.3	39.6
Liability for accrued benefits at 30 June	953.4	32.7	986.1

6. Guaranteed Benefits

Members benefit entitlements are set out in State Legislation under the *Police Superannuation Act 1990*.

7. Purchase of Additional Benefits

There are no provisions under the *Police Superannuation Act 1990* for contributing members to purchase additional benefits.

8. Taxation

The Scheme is exempt from federal income tax and no income tax expense has been brought to account in these financial statements.

9. Administration

The Scheme's administration costs comprise of:

- costs incurred by Funds SA in administering the investment activities of the Fund and the Police Superannuation Scheme Contribution Account (Police Employer Contribution Account); and
- costs incurred by the Board in administering the Scheme.

Investment expenses and administration costs incurred by Funds SA are charged directly against the investment income of the Fund and the Employer Contribution Account.

Administration costs incurred by the Board are financed in the first instance by the Police Superannuation Scheme (the Scheme) from the 'Police Superannuation Scheme Employer Contribution Account' through a Special Deposit Account. Under the provisions of the Act, the Fund is required to meet a prescribed proportion, currently 30 percent, of the administration costs incurred by the Scheme. Administration costs incurred by the Scheme for 2002-03 amounted to \$409 000 (\$348 000) of which the fund is required to reimburse \$123 000 (\$104 000) to the Scheme through the Police Employer Contribution Account.

Administration costs are apportioned between the Pension and Lump Sum Scheme Divisions on a cost per member basis.

10. Net GST Paid

This figure in the Statement of Changes in Net Assets represents the GST paid on administration costs less any credits received from the Australian Taxation Office (ATO) as the Scheme is entitled to a 75 percent refund on all GST paid. A refund is due from the ATO for the June 2003 quarter. The Credit of \$10 000 has been disclosed as a debtor in the financial statements.

11. Members' Remuneration

Members' fees are set according to State Government guidelines for Statutory Authorities. Members who are State public sector employees, do not receive fees for their Board membership.

Total remuneration received or due and receivable by the members of the Board in 2002-03 was \$10 000 (\$8 000).

11. Members' Remuneration (continued)

The number of Board members whose remuneration was within the following bands are as follows:

	2003	2002
	Number of	Number of
	Members	Members
\$Nil	3	3
\$1 - \$10 000	2	2

12. Remuneration of Auditors

Amounts received or due and receivable by the Auditors for auditing the Accounts of the Board in 2002-03 total \$22 000 (\$19 000).

13. Assets

The interests of each Scheme in the unitised investment portfolio as at the balance date are:

	2003			2002		
	Old	New	Police	Old	New	Police
	Scheme	Scheme	Employer	Scheme	Scheme	Employer
	Division	Division	Account	Division	Division	Account
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
INVESTMENTS:						
Inflation linked securities	27 222	1 380	21 588	30 161	1 370	24 051
Property	21 084	1 069	16 720	23 427	1 064	18 682
Australian equities	73 004	3 702	57 893	77 890	3 538	62 112
International equities	80 870	4 101	64 131	73 626	3 344	58 711
Australian fixed interest	5 537	281	4 390	5 093	231	4 061
International fixed interest	6 028	306	4 780	5 252	239	4 188
Cash	4 523	229	3 587	8 460	384	6 746
Total Investments	218 268	11 068	173 089	223 909	10 170	178 551
OTHER ASSETS:						
Cash and deposits at						
Treasury	263	97	1 139	611	142	2 643
GST receivable	3	-	7	2	-	5
Income due and accrued	6	1	5	11	1	8
Sundry debtors	95	15	328	27	1	21
Fixed assets	3	-	2	4	-	4
Total Other Assets	370	113	1 481	655	144	2 681
Total Assets	218 638	11 181	174 570	224 564	10 314	181 232
Less: CURRENT LIABILITIES:						
Rent paid in advance	71	4	56	96	4	77
Provisions	20	1	16	18	1	15
Sundry creditors	442	21	500	209	10	194
NON-CURRENT LIABILITIES: (1)	1 148	58	910	1 448	66	1 154
Total Liabilities	1 681	84	1 482	1 771	81	1 440
NET ASSETS AVAILABLE TO PAY BENEFITS	216 957	11 097	173 088	222 793	10 233	179 792

(1) Non-Current Liabilities
Bank Bill Facility

Non-current liabilities include the Scheme's portion of an arrangement entered into by Funds SA during 1993. Under the arrangement the future income stream arising from the long term lease to the Australian Taxation Office (ATO) of the whole of a Hobart office property has been redirected to a syndicate of international banks. The redirection took the form of a concurrent lease of the property to the banks under which the banks received the right to the rental and fixed outgoings payments made by the ATO. The concurrent lease requires the banks to make rental payments to Funds SA equal in value to the payments receivable from the ATO. As part of the transaction, the banks provided a bank bill facility to Funds SA. Under a set-off agreement, the rental payments due to Funds SA under the concurrent lease are applied by the banks to service the bill facility. The amounts outstanding under the facility are predetermined and are capable of being fully serviced and repaid from the concurrent lease rentals.

14. Changes in Net Assets

Transactions within each Scheme are summarised below:

	Old Scheme Division \$'000	2003 New Scheme Division \$'000	Police Employer Account \$'000	Old Scheme Division \$'000	2002 New Scheme Division \$'000	Police Employer Account \$'000
NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY	222 793	10 233	179 792	239 625	9 995	196 494
INVESTMENT REVENUE	(1 610)	(31)	(1 317)	(12 554)	(545)	(10 538)
OTHER INCOME	42	5	60	40	5	57
ADMINISTRATION EXPENSE	(109)	(14)	(286)	(93)	(11)	(244)
GST EXPENSE	(3)	-	(7)	(2)	-	(6)
CONTRIBUTIONS:						
Employer	-	-	23 383	-	-	22 746
Members	6 257	1 041	-	6 089	984	-
Voluntary member	368	143	-	81	8	-
	6 625	1 184	23 383	6 170	992	22 746
BENEFITS PAID:						
Pensions	(6 606)	(3)	(18 805)	(5 668)	(3)	(17 489)
Lump sums	(3 343)	(28)	(9 732)	(3 323)	(101)	(11 228)
	(9 949)	(31)	(28 537)	(8 991)	(104)	(28 717)
REFUNDS TO MEMBERS:						
Contributions	(448)	(168)	-	(705)	(64)	-
Interest	(384)	(81)	-	(697)	(35)	-
	(832)	(249)	-	(1 402)	(99)	-
NET INCREASE IN FUNDS	(5 836)	864	(6 704)	(16 832)	238	(16 702)
NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE	216 957	11 097	173 088	222 793	10 233	179 792

15. Benefit Payments

All benefit payments were met in the first instance from the Consolidated Account. The Treasurer, in turn, recouped the value of the employee share of benefits paid from the Police Superannuation Fund and the employer share from the Police Superannuation Scheme Contribution Account.

	Old Scheme Division \$'000	2003 New Scheme Division \$'000	Total \$'000	Old Scheme Division \$'000	2002 New Scheme Division \$'000	Total \$'000
PENSIONS:						
Gross scheme costs	25 406	8	25 414	23 152	8	23 160
Funded from:						
Police Superannuation Fund	6 606	3	6 609	5 668	3	5 671
Police Superannuation Scheme Contribution Account	18 800	5	18 805	17 484	5	17 489
	25 406	8	25 414	23 152	8	23 160
LUMP SUMS:						
Gross scheme costs	13 031	72	13 103	14 272	380	14 652
Funded from:						
Police Superannuation Fund	3 343	28	3 371	3 323	101	3 424
Police Superannuation Scheme Contribution Account	9 688	44	9 732	10 949	279	11 228
	13 031	72	13 103	14 272	380	14 652
RESIGNATION BENEFITS:						
Gross scheme costs:						
Contributions	448	168	616	705	64	769
Interest	384	81	465	697	35	732
	832	249	1 081	1 402	99	1 501
Funded from:						
Police Superannuation Fund	832	249	1 081	1 402	99	1 501

DEPARTMENT OF TRANSPORT AND URBAN PLANNING

FUNCTIONAL RESPONSIBILITY AND STRUCTURE

Establishment

The Department of Transport and Urban Planning is an administrative unit established pursuant to the *Public Sector Management Act 1995*.

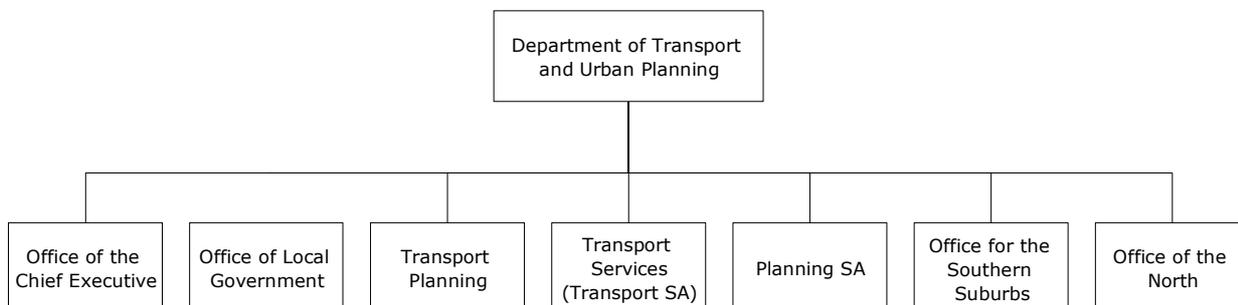
Functions

The functions of the Department of Transport and Urban Planning are to integrate urban and regional development, local government initiatives, transport infrastructure and services. The Department's objectives are to:

- plan effectively to facilitate economic growth and social well-being;
- increase the effectiveness of public transport in terms of both patronage and social inclusion;
- maximise the contribution of transport to the South Australian economy;
- increase the effective working relationship between the State Government and local government;
- encourage environmental sustainability.

Structure

The structure of the Department of Transport and Urban Planning is illustrated in the following organisation chart.



Changes to Functions and Structure

The Department, formerly known as the Department for Transport, Urban Planning and the Arts was restructured during 2001-02 and 2002-03. As a result of the restructure, the name of the Department changed, effective from 1 July 2002, to the Department of Transport and Urban Planning.

The restructure resulted in the following agencies transferring to other departments:

- Division of State Aboriginal Affairs to the Department for Administrative and Information Services effective from 4 December 2001;
- Environmental Information Function, a division of Planning SA, to the Department for Environment and Heritage effective from 1 January 2002;
- Arts SA to the Department of the Premier and Cabinet effective from 1 April 2002;
- Office for the Status of Women to the Department of Human Services effective from 1 July 2002.

In addition, the following Offices were established:

- Office for the Southern Suburbs;
- Office of the North;
- Regional Ministerial Offices.

Transport SA was restructured during the year into two agencies, Transport Services and Transport Planning, effective from 1 January 2003.

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 Transport and Urban Planning 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 Transport and Urban Planning 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. 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 2002-03, specific areas of audit attention included:

- motor vehicle registration and drivers' licensing
- network assets, including work in progress
- land, buildings and facilities
- plant and equipment
- contract management
- project management
- revenue, including cash receipting and banking, and debtors
- expenditure, including accounts payable, salaries and wages and grants
- job costing/financial accounting
- budgetary control.

The work done by the internal auditor was considered in designing the audit programs. Reliance was placed on the work of internal audit in assessing the effectiveness of the Department of Transport and Urban Planning internal controls. Specific areas in which reliance was placed on internal audit work included:

- audit of accounts and records relating to Commonwealth certificates issued under the following Acts:
 - *Australian Land Transport Development Act 1988*
 - *Interstate Road Transport Act 1985*
 - *Roads to Recovery Act 2000*.
- Registration and Licensing:
 - Customer Service Centre audits
 - Review of reconciliation issues between DRIVERS and the general ledger.

Audit Communications to Management

Matters arising during the course of the audit were detailed in management letters to the Chief Executive Officer. In its responses, the Department has advised that measures will be put in place to address the issues raised.

Major matters raised with the Department and the related responses are considered in Audit Findings and Comments.

AUDIT FINDINGS AND COMMENTS

Audit Opinions

Audit of Financial Statements

The following is an extract from the 2002-03 Independent Audit Report, which details the qualification to the Department's financial report.

Qualification

As indicated in Note 20 to the Financial Statements, the Department has not been able to reconcile the general ledger bank account balance to the Westpac bank account as at 30 June 2003. As a result, Audit was unable to provide assurance that all the transactions processed by the Department during the year are accurately reflected in the financial statements.

Qualified Audit Opinion

In my opinion, except for the effects on the financial report of the matters referred to in the qualification paragraphs, the financial report presents fairly in accordance with the Treasurer's Instructions promulgated under the provisions of the Public Finance and Audit Act 1987, applicable Accounting Standards and other mandatory professional reporting requirements in Australia, the financial position of the Department of Transport and Urban Planning as at 30 June 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 Department of Transport and Urban Planning 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 outlined under 'Significant Matters Raised with the Department', is sufficient to provide reasonable assurance that the financial transactions of the Department of Transport and Urban Planning have been conducted properly and in accordance with law.

Significant Matters Raised with the Department

TRANSPORT SA

Network Assets

A key component of this year's audit of Transport SA involved the review, evaluation and testing of controls over network assets. The audit review identified a number of weaknesses in respect of the recognition, accounting treatment and reporting of road network assets.

Specifically, Audit identified the existence of the following issues:

- Inaccurate and/or incomplete asset capitalisation processes which impact on network asset values and hence depreciation expense.
- Inaccurate recording of Work in Progress (WIP) within the Masterpiece General Ledger (MPGL) and associated Job Cost system (MPJC), which has led to double counting of network assets and the recognition of network assets in the Department's general ledger that are not controlled by Transport SA.
- Incorrect accounting treatment in respect of movements in road network assets, leading to inaccurate adjustments being made against the Asset Revaluation Reserve.
- Key reconciliations between subsidiary network asset systems and the Masterpiece Fixed Asset Register and General Ledger not being undertaken.

The issues identified by Audit are the symptoms of an inadequate asset capitalisation process and the absence of effective controls over the recognition of acquisitions, disposals, maintenance works and valuation of network assets, particularly road assets. Some of the major causes of errors that have been identified include:

- inadequate project costing details recorded in the Masterpiece Job Cost System resulting in incorrect capitalisations;
- inadequate review of the Job Cost System to monitor the status of capital projects;
- the Finance Division either not being appropriately informed and/or not being provided with adequate information in relation to asset capitalisations and disposals;
- the inability to perform an effective reconciliation between the Masterpiece Fixed Asset System and the subsidiary Asset Cap System. The Asset Cap System is effectively an inventory of the road network.

The Department has accepted the issues raised by Audit and has taken the following measures to address the matters raised:

- For the purposes of finalising its accounts for 30 June 2003, the Department committed significant resources to reviewing the WIP accounts and identifying and appropriately adjusting all amounts incorrectly recorded in WIP as at June 2003. As a result, an adjustment of \$105.3 million was processed at 30 June 2003. Refer to Note 9 of the Department's financial statements.
- The Department has established a Project Team to review and address all the issues identified by Audit. The Department has prepared a project brief and appointed a Project Manager. It is expected that the project will be ongoing during most of 2003-04.

Audit will monitor developments in this area during the 2003-04 audit.

Cash at Bank Reconciliation

The lack of an adequate bank reconciliation is of significant Audit concern.

Transport SA's banking arrangements were transferred from the Reserve Bank of Australia to the Westpac bank in February 2003. Under the previous banking arrangements, the Department was reconciling the movement in the overall cash balance for all the bank accounts on a monthly basis as the previous banking arrangements did not allow for a reconciliation of the Department's general ledger cash balance to the cash balance per the bank. Once banking was transferred to Westpac, Audit would expect that a bank reconciliation to the bank cash balance would have been introduced.

As at 30 June 2003, the Department had not reconciled its ledger cash balance to the Westpac bank balance for the period February 2003 to June 2003. During the course of the second phase of the interim audit review (June 2003) and in a management letter to the Chief Executive in early August 2003, Audit emphasised the need for the Department to:

- determine and implement an effective method of reconciling the Department's cash balance to the cash at bank;
- ensure that a bank reconciliation is undertaken and independently reviewed in a timely manner after each month end.

While the Department has since 30 June 2003 and as part of preparing and finalising its financial statements for 2002-03 applied considerable resources to reconciling the cash at bank, the Department was still trying to resolve a variation of approximately \$1.1 million at the time (November 2003) of finalising its financial statements for 30 June 2003.

In view of the fact that Transport SA was unable to reconcile the general ledger bank balance to the Westpac bank account balance, I have had no recourse but to include a qualification in relation to cash at bank in my Independent Audit Report on the Department's financial statements.

Other Reconciliations

Audit has over the past few years commented on the need for Transport SA to ensure that key reconciliations are undertaken. In addition, Audit has emphasised the need for such reconciliations to be performed completely and accurately and be subject to an independent review.

This year's review has again identified that a number of reconciliations were still not being undertaken and/or independently reviewed in a timely manner for a number of key financial areas, including reconciliations of the:

- subsidiary systems for land and buildings and plant and equipment to the Masterpiece Fixed Asset Register and the General Ledger;
- Accounts Payable subsidiary system to the General Ledger;
- Payroll System to the General Ledger.

In its response, the Department has advised that priority will be given to ensuring that reconciliations are conducted and independently reviewed in a timely manner after each month end.

Registration and Licensing

Audit has over the past few years commented on the need to improve the controls within the Registration and Licensing Section. The key areas where the internal control structure could be strengthened are:

- Reconciliations:
 - Key reconciliations between the subsidiary systems and the general ledger need to be performed completely and accurately in a timely manner and be subject to an independent review.
- Business Continuity/Disaster Recovery:
 - A Business Continuity Plan and Disaster Recovery Plan needs to be distributed to all staff and staff need to be adequately trained in the required procedures.

The Department has advised that:

- it will endeavour to perform reconciliations within one month of the previous month end;
- a Disaster Recovery Working Party has reviewed the procedures with the intention of making any future outages easier for staff to manage and a procedure kit has also been developed.

Information Technology Management and Control

Over the past year, Audit has maintained a focus on IT Governance and Management Control matters at a whole-of-government and Agency level and has undertaken a number of specific reviews.

The Transport SA Registration and Licensing initiative was selected for review with a specific focus on aspects of project management and achievements, risk management arrangements, and matters of a legal and contractual nature.

The initiative is an e-commerce service for a range of motor vehicle registration and driver licensing transactions and includes access via the Internet. The system will enable transactions to be conducted via the Internet including registration quotes and renewals, modification of registration details and transfers, licence details and driver offence history enquiries, and the recording of interests for the vehicles securities register.

Audit has formally conveyed the findings from the review to Transport SA and has received appropriate responses.

Issues arising from the aforementioned reviews, together with outcomes from certain other agency reviews, are to be included in a separate report to Parliament in the latter part of 2003.

INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

Highlights of Financial Statements

	2003 \$'million	2002 \$'million	Percentage Change
OPERATING REVENUE			
Registration and licensing fees	245	237	3
Other revenues	180	165	9
Total Operating Revenue	425	402	6
OPERATING EXPENDITURE			
Employment expenses	89	92	(3)
Depreciation	145	144	1
Supplies and services	173	181	(4)
Other expenses	120	83	45
Total Operating Expenses	527	500	5
Deficit from Ordinary Activities	102	98	4
ASSETS			
Current assets	171	106	61
Non-current assets	5 010	5 014	-
Total Assets	5 181	5 120	1
LIABILITIES			
Current liabilities	62	70	(11)
Non-current liabilities	81	76	7
Total Liabilities	143	146	(2)
EQUITY	5 038	4 974	1

Statement of Financial Performance

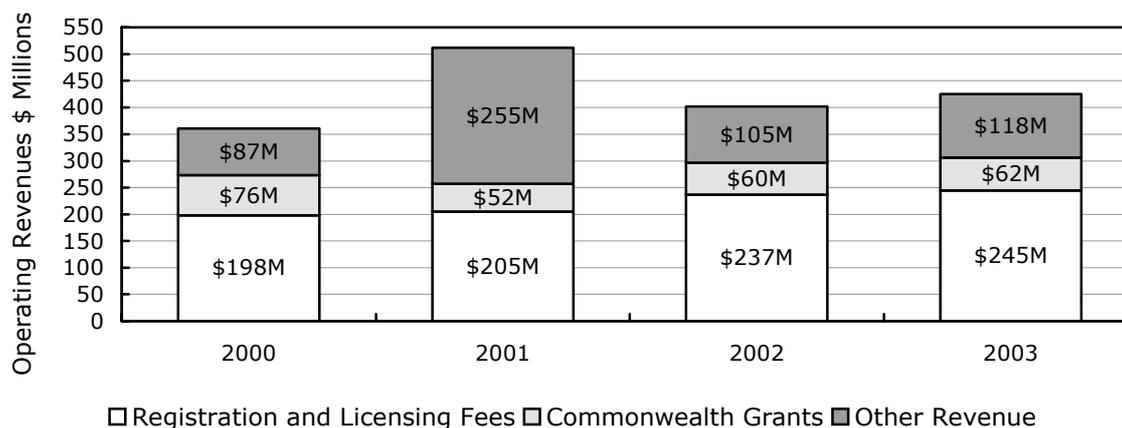
The interpretation and analysis of the Statement of Financial Performance includes the activity for agencies transferred as a result of the restructure. Refer Note 2.

Operating Revenues

Revenues from Ordinary Activities for the year totalled \$425.1 million (\$402.1 million), an increase of \$23 million (5.7 percent). This increase is mainly attributable to an increase in:

- the collection of registration and licensing fees of \$8 million;
- assets received for no consideration of \$28 million. Refer Note 13.

For the four years to 2003 a structural analysis of operating revenues for the Department is presented in the following chart.



Other Revenue in 2000-01 totalled \$254.5 million. This includes a non-current asset revaluation increment of \$149.5 million which was recorded as revenue in 2000-01.

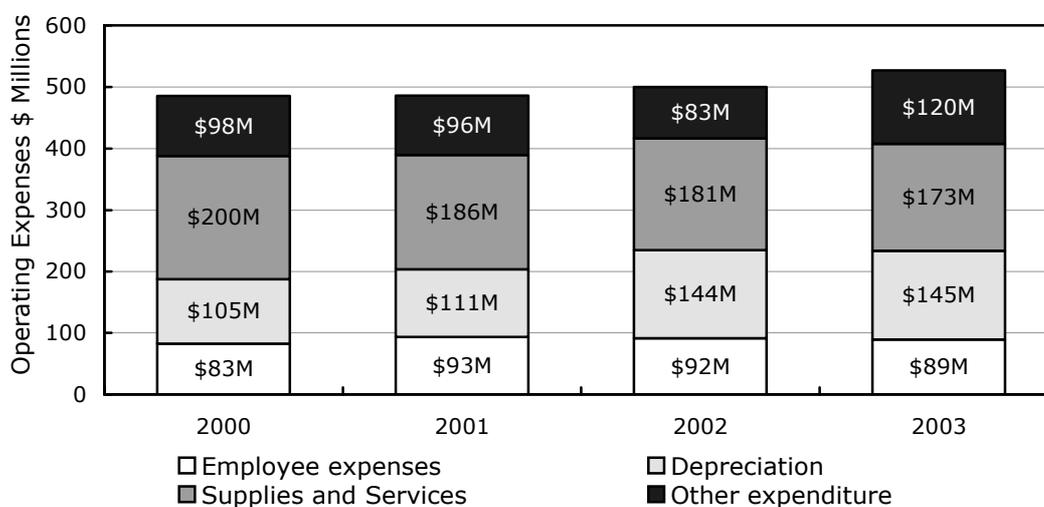
Operating Expenses

Expenses from Ordinary Activities for the year totalled \$527 million (\$499.8 million). This includes an adjustment of \$105.3 million to correct prior period errors in relation to work in progress. Refer Note 9.

When adjusting for the work in progress correction, expenses from ordinary activities for the year totalled \$421.7 million as compared to \$499.8 million in the previous year. This represents a decrease in expenses of \$78 million (15.6 percent).

This decrease is mainly attributable to a decrease in grants and subsidies of \$68.4 million and reflects the decrease in payments to Arts agencies as a result of the transfer of Arts SA in April 2002 to the Department of the Premier and Cabinet. Refer Note 8.

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

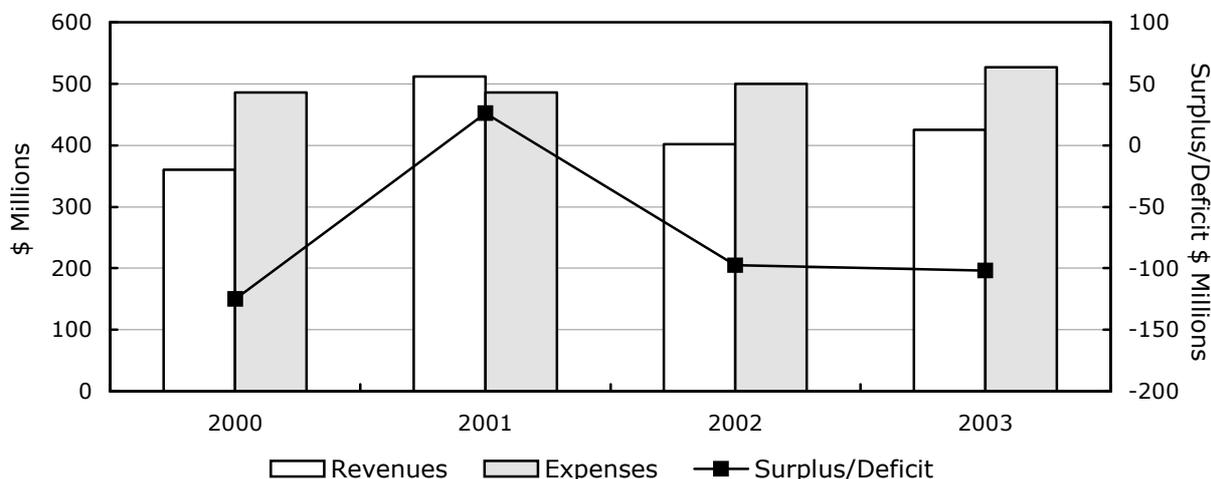


The chart reveals that depreciation expense represents 27 percent (29 percent) of Total Expenses. Supplies and Services represents 33 percent (36 percent) of Total Expenses.

Operating Result

The operating result for the year was a deficit from ordinary activities of \$102 million as compared to a deficit of \$97.6 million the previous year.

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



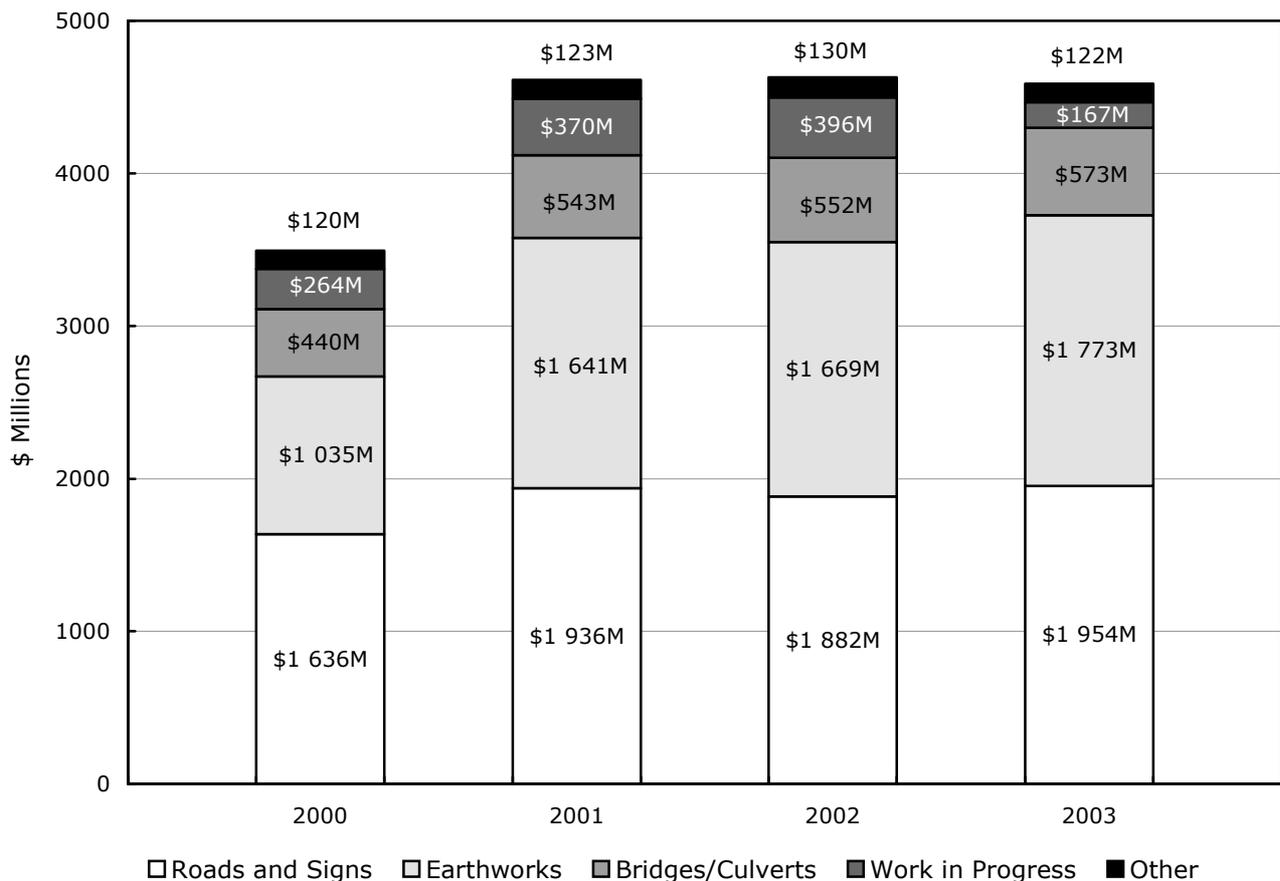
Statement of Financial Position

The net assets of the Department as at 30 June 2003 totalled \$5 billion (\$5 billion), of which \$4.6 billion (\$4.6 billion) represents the written down value of the Department’s network assets.

Network assets represent 92 percent (92 percent) of the Department’s total non-current assets. The major classes of network assets are roads and signs with a written down value of \$2 billion (43 percent) and earthworks with a written down value of \$1.8 billion (37 percent).

It is relevant to note that a value for land under roads has not been recognised in accordance with the transitional provisions of AAS 29A ‘Amendments to the Transitional Provisions in AAS 29’.

The following chart shows the increase in the written down value of network assets for the four year to 2003.



The increase in the written down value of network assets in 2000-01 was as a result of a revaluation of a number of subclasses of assets within the network assets class which resulted in a revaluation increment of \$1.1 billion.

In relation to the dominance of network assets it can be observed that the major sources of funding to maintain and develop the network come from the annual collection of registration and licence fees of \$244.8 million (\$236.8 million) and grants from the Commonwealth Government of \$61.5 million (\$59.9 million). This regular source of funding explains the low level of outstanding borrowings \$47.8 million (\$47.8 million) recorded in the Statement of Financial Position.

Administered Items

The Department collects money through its Registration and Licensing function on behalf of third parties. Such collections include Compulsory Third Party Insurance on motor vehicles on behalf of the Motor Accident Commission and stamp duty on behalf of the Department of Treasury and Finance. In 2002-03 amounts collected on behalf of third parties totalled \$596.4 million (\$534.7 million) and included \$350.6 million (\$330.1 million) for Compulsory Third Party Insurance, \$126.5 million (\$116 million) for stamp duty and \$26.3 million (\$26.5 million) for the Emergency Services.

Statement of Financial Performance for the year ended 30 June 2003

		2003	2002
	Note	\$'000	\$'000
EXPENSES FROM ORDINARY ACTIVITIES:			
Employee expenses	5	89 362	91 525
Depreciation	6	144 699	143 616
Supplies and services	7	173 385	181 103
Grants and subsidies	8	6 159	74 553
Borrowing costs		6 924	7 534
Work in progress adjustment	9	105 300	-
Other expenses		1 166	1 419
Total Expenses		526 995	499 750
REVENUES FROM ORDINARY ACTIVITIES:			
Fees and charges for services	10	22 626	23 620
Interest and investment revenue		1 315	2 907
Commonwealth grants	11	61 478	59 854
Registration and licensing fees	12	244 820	236 803
Fair value of assets received	13	33 076	5 007
Bus and depot leases		30 616	27 910
Other revenues	14	31 149	46 014
Total Revenues		425 080	402 115
DEFICIT FROM ORDINARY ACTIVITIES		(101 915)	(97 635)
REVENUES FROM GOVERNMENT:			
Operating		44 346	117 435
Capital		-	75
Total Government Revenues		44 346	117 510
NET LOSS ON DISPOSAL OF NON-CURRENT ASSETS	15	(1 823)	(34 987)
NET EXPENSES FROM RESTRUCTURING	16	(101)	(62 315)
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		(59 493)	(77 427)
INCOME TAX	3n	(2 446)	(1 970)
(DEFICIT) SURPLUS FROM ORDINARY ACTIVITIES AFTER INCOME TAX		(61 939)	(79 397)
NON-OWNER TRANSACTION CHANGES IN EQUITY:			
Net credit to recognise previously unidentified assets	17	4 651	13 855
Net credit to recognise prior period adjustments	17	488	606
Net credit to asset revaluation reserve on revaluation of non-current assets	18	92 819	35 045
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS RECOGNISED DIRECTLY IN EQUITY		97 958	49 506
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE STATE GOVERNMENT AS OWNER		36 019	(29 891)

Statement of Financial Position as at 30 June 2003

		2003	2002
	Note	\$'000	\$'000
CURRENT ASSETS:			
Cash assets	20	140 638	86 148
Receivables	21	23 525	14 873
Inventories	22	6 579	5 002
Other		151	14
Total Current Assets		170 893	106 037
NON-CURRENT ASSETS:			
Land, buildings and facilities	23	325 642	283 951
Plant and equipment	24	95 262	100 443
Network assets	25	4 589 268	4 629 416
Total Non-Current Assets		5 010 172	5 013 810
Total Assets		5 181 065	5 119 847
CURRENT LIABILITIES:			
Payables	26	49 845	54 716
Provision for employee entitlements	27	9 555	13 031
Other		2 464	2 048
Total Current Liabilities		61 864	69 795
NON-CURRENT LIABILITIES:			
Payables	26	2 969	2 296
Provision for employee entitlements	27	29 945	25 581
Borrowings	28	47 760	47 760
Total Non-Current Liabilities		80 674	75 637
Total Liabilities		142 538	145 432
NET ASSETS		5 038 527	4 974 415
EQUITY:			
Accumulated surplus	17	3 598 855	3 667 186
Reserves	18	1 279 734	1 186 915
Equity contributions	19	159 938	120 314
TOTAL EQUITY		5 038 527	4 974 415
Commitments	29		
Contingent Liabilities	30		

Statement of Cash Flows for the year ended 30 June 2003

		2003	2002
		Inflows (Outflows)	Inflows (Outflows)
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
PAYMENTS:			
	Note		
Employee expenses		(87 929)	(90 175)
Supplies and services		(172 837)	(185 284)
Grants and subsidies		(5 983)	(76 756)
Interest and other financing expenses		(6 984)	(7 663)
Other expenses		(28 423)	(8 813)
Total Payments		(302 156)	(368 691)
RECEIPTS:			
Fees and charges for services		22 746	23 802
Interest and investment revenue		1 085	1 635
Commonwealth grants		61 478	59 854
Registration and licensing fees		244 820	236 803
Other revenues		71 683	99 818
Total Receipts		401 812	421 912
CASH FLOWS FROM GOVERNMENT:			
Appropriation		44 346	105 298
Investing appropriation		-	12 212
Total Cash from Government		44 346	117 510
Net Cash provided by Operating Activities	31	144 002	170 731
CASH FLOWS FROM INVESTING ACTIVITIES:			
Network assets		(104 255)	(123 796)
Land, buildings and facilities		(10 347)	(2 386)
Plant and equipment		(10 409)	(18 372)
Proceeds from asset sales		6 715	14 524
Proceeds from investments		-	(73)
Net Cash used in Investing Activities		(118 296)	(130 103)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends		(10 555)	(3 773)
Repayment of loan		-	(10 900)
Equity contributions		39 624	39 605
Net Cash provided by Financing Activities		29 069	24 932
NET CASH FLOWS FROM RESTRUCTURING		(287)	(49 336)
NET INCREASE IN CASH HELD		54 488	16 224
CASH AT 1 JULY		86 148	69 924
PRIOR PERIOD ADJUSTMENT		2	-
CASH AT 30 JUNE	20	140 638	86 148

Program Schedule of Departmental Expenses and Revenues for the year ended 30 June 2003

Program (Note 4)	2003									Total \$'000
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	6 \$'000	7 \$'000	8 \$'000	9 \$'000	
Departmental Expenses and Revenues										
Expenses from Ordinary Activities:										
Employee expenses	12 526	27 435	43 492	1 616	109	131	31	2 451	1 571	89 362
Depreciation	151	433	143 817	35	-	-	-	263	-	144 699
Supplies and services	7 352	31 466	129 485	2 942	136	88	6	1 141	769	173 385
Grants and subsidies	2 394	91	3 386	59	-	-	-	8	221	6 159
Borrowing costs	4	3 459	3 458	1	-	-	-	2	-	6 924
Work in progress adjustment	836	16 356	87 158	925	5	20	-	-	-	105 300
Other expenses	104	198	751	27	5	20	-	61	-	1 166
Total Expenses	23 367	79 438	411 547	5 605	255	259	37	3 926	2 561	526 995
Revenues from Ordinary Activities:										
Fees and charges for services	-	3 313	17 829	187	-	-	-	1 297	-	22 626
Interest and investment revenue	88	185	982	20	-	-	-	26	14	1 315
Commonwealth grants	-	5 882	31 652	23 944	-	-	-	-	-	61 478
Registration and licensing fees	-	38 028	204 640	2 152	-	-	-	-	-	244 820
Fair value of assets received	-	7 444	25 632	-	-	-	-	-	-	33 076
Bus and depot leases	-	-	30 616	-	-	-	-	-	-	30 616
Other revenues	148	7 442	22 555	917	-	-	-	15	72	31 149
Total Revenues	236	62 294	333 906	27 220	-	-	-	1 338	86	425 080
(Deficit) Surplus from Ordinary Activities	(23 131)	(17 144)	(77 641)	21 615	(255)	(259)	(37)	(2 588)	(2 475)	(101 915)
Revenues from Government: Appropriation	2 409	4 664	25 101	1 259	-	-	-	8 335	2 578	44 346
Total Government Revenues	2 409	4 664	25 101	1 259	-	-	-	8 335	2 578	44 346
Net Loss from Disposal of Non-Current Assets	(7)	-	(1 816)	-	-	-	-	-	-	(1 823)
Net Loss from Restructure	-	-	-	(101)	-	-	-	-	-	(101)
(Deficit) Surplus from Ordinary Activities before Income Tax	(20 729)	(12 480)	(54 356)	22 773	(255)	(259)	(37)	5 747	103	(59 493)
Income tax	-	-	2 446	-	-	-	-	-	-	2 446
(Deficit) Surplus from Ordinary Activities after Income Tax	(20 729)	(12 480)	(56 802)	22 773	(255)	(259)	(37)	5 747	103	(61 939)
Non-owner transaction changes in equity:										
Net credit to asset revaluation reserve on revaluation of non-current assets	-	-	92 819	-	-	-	-	-	-	92 819
Net credit to recognise previously unidentified assets	-	-	4 651	-	-	-	-	-	-	4 651
Net credit to recognise prior period errors	-	-	488	-	-	-	-	-	-	488
Total revenues, expenses and valuation adjustments recognised directly in Equity	-	-	97 958	-	-	-	-	-	-	97 958
Total changes in equity other than those resulting from transactions with the State Government as owner	(20 729)	(12 480)	41 156	22 773	(255)	(259)	(37)	5 747	103	36 019

Program Schedule of Administered Expenses and Revenues for the year ended 30 June 2003

Program (Note 4)	2003									Total \$'000
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	6 \$'000	7 \$'000	8 \$'000	9 \$'000	
Administered Expenses and Revenues from Ordinary Activities⁽¹⁾										
Expenses from Ordinary Activities:										
Employee expenses	-	-	191	-	-	-	-	-	-	191
Supplies and services	-	-	19	-	-	-	-	-	-	19
Grants and subsidies	1 093	-	1 520	-	-	-	-	-	-	2 613
Registration and licensing payments to third parties	-	596 450	-	-	-	-	-	-	-	596 450
Transfer payments	-	-	343	-	-	-	-	760	1 711	2 814
Total Expenses	1 093	596 450	2 073	-	-	-	-	760	1 711	602 087
Revenues from Ordinary Activities:										
Fees and charges for services	-	-	328	-	-	-	-	763	-	1 091
Grants	-	-	1 520	-	-	-	-	-	-	1 520
Reimbursement works	-	-	31	-	-	-	-	-	-	31
Registration and licensing receipts for third parties	-	596 450	-	-	-	-	-	-	-	596 450
Appropriation	1 093	-	191	-	-	-	-	-	416	1 700
Transfer payments	-	-	-	-	-	-	-	-	853	853
Total Revenues	1 093	596 450	2 070	-	-	-	-	763	1 269	601 645
Administered Expenses less Administered Revenues	-	-	(3)	-	-	-	-	3	(442)	(442)

(1) Administered expenses and revenues are not recognised in the Statement of Financial Performance but are reported here for information purposes (Refer Note 37).

Program Schedule of Departmental Assets and Liabilities and Administered Assets and Liabilities as at 30 June 2003

Program (Note 4)	2003									Total \$'000
	1 \$'000	2 \$'000	3 \$'000	4 \$'000	5 \$'000	6 \$'000	7 \$'000	8 \$'000	9 \$'000	
Departmental Assets and Liabilities										
Departmental Assets:										
Current assets	9 744	26 624	132 380	1 513	116	118	17	225	156	170 893
Non-current assets	192 738	777 844	3 986 943	44 046	3 414	3 468	495	1 224	-	5 010 172
Total Departmental Assets	202 482	804 468	4 119 323	45 559	3 530	3 586	512	1 449	156	5 181 065
Departmental Liabilities:										
Current liabilities	3 879	9 976	46 260	777	45	46	7	603	271	61 864
Non-current liabilities	3 968	11 985	63 010	796	51	51	7	496	310	80 674
Total Departmental Liabilities	7 847	21 961	109 270	1 573	96	97	14	1 099	581	142 538
Administered Assets and Liabilities⁽¹⁾										
Administered Assets:										
Current assets	333	55	291	3	-	-	-	62	856	1 600
Non-current assets	-	494	2 657	28	-	-	-	-	-	3 179
Total Administered Assets	333	549	2 948	31	-	-	-	62	856	4 779
Administered Liabilities:										
Current liabilities	174	55	291	3	-	-	-	221	-	744
Non-current liabilities	-	494	2 657	28	-	-	-	-	-	3 179
Total Administered Liabilities	174	549	2 948	31	-	-	-	221	-	3 923

(1) Administered assets and liabilities are not recognised in the Statement of Financial Position but are reported here for information purposes (refer Note 37).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. Departmental Objectives and Funding

The Department's objectives are:

- Develop and provide policy advice and strategic transport plans including road safety, infrastructure and industry development plans.
- Provide improved passenger transport to meet the social inclusion, environmental, efficiency and safety objectives of the Government by improving mobility and accessibility for all to enhance the quality of life of South Australians.
- Achieve a transport system that supports State development and leads to an improved quality of life for all South Australians, by implementing government priorities and in collaboration with other tiers of government, industry groups and the community.
- Develop and manage contracted passenger train and tram services within the metropolitan area.
- Efficiently and effectively maintain and operate rail infrastructure, facilities and equipment within the metropolitan area.
- Guide and administer the South Australian planning and development system that includes land use planning, building, urban design, and development proposals.
- Facilitate a whole-of-government approach to improve economic development, social and environmental outcomes in the following regions identified as being of high need:
 - the Metropolitan North
 - the Southern Suburbs
 - the Upper Spencer Gulf, Flinders Ranges and Outback
 - the River Murray communities
- Strengthen South Australian communities through close cooperation between the State Government and Local Government

The Department's principal sources of funds are vehicle registration and driver licence fees, road user charges, State Government appropriations and Commonwealth Government Grants.

2. Departmental Organisation

The structure of the Department of Transport and Urban Planning has been established in a manner that provides clear accountabilities and responsibilities for all business areas and enables an open and steady flow of information between the areas.

The business areas are:

- Planning SA
- Office of Local Government
- Transport Services (trading as Transport SA)
- Transport Planning (formerly part of Transport SA)
- Office for the Southern Suburbs
- Office of the North (established 19 August 2002)
- Regional Ministerial Offices (incorporating Office of the Murray and Office of the Upper Spencer Gulf, Flinders Ranges and Outback).

Last year saw a restructure of the Portfolio. The Portfolio is no longer comprised of Arts SA from 1 April 2002, Department of State Aboriginal Affairs (DOSAA) from 4 December 2001, the Environmental Information Function, a division of Planning SA, from 1 January 2002 and Office for the Status of Women from 1 July 2002.

As a result of last year's restructure, the Department's name has changed to the Department of Transport and Urban Planning from 1 July 2002.

This year saw further changes to the Department seeing the introduction of two metropolitan offices and two regional offices. The two regional offices were transferred from the Attorney-General's Department from 1 January 2003, with financial obligations transferring from 1 July 2003. This year also saw the restructure of Transport SA into two agencies, Transport Services Agency (trading as Transport SA) and Transport Planning Agency from 1 January 2003.

The Executive Directors of the agencies within the Department report to the Chief Executive, Department of Transport and Urban Planning.

3. Summary of Significant Accounting Policies**(a) Basis of Accounting**

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

(b) Transitional Reporting Arrangements

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions of AAS 29', certain assets acquired prior to 1 July 1996 have not been recognised as assets in the Statement of Financial Position because it is difficult to reliably measure the value of those assets. The assets concerned are land under roads and within carriageway reserves.

(c) Government Controlled Reporting Entity

All funds that the Department controls in the performance of its functions, and which have been transacted through the Deposit and Special Deposit Accounts held at the Department of Treasury and Finance are included in the financial report. The Passenger Transport Board, although part of the ministerial Portfolio, is not controlled by the Department.

(d) Administered Resources

The Department administers on behalf of the Government of South Australia, certain resources over which it does not have control. Although accountable for the transactions relating to the administered resources, the Department does not have the control or discretion to apply these resources to achieve Departmental objectives.

Transactions and balances relating to administered resources are not recognised as Departmental assets, liabilities, revenues or expenses, but are disclosed separately in the Program Schedules. The types of administered resources are also listed in Note 37.

(e) Comparative Figures

The Department has adopted the presentation and disclosure requirements of Accounting Standard AASB 1018 'Statement of Financial Performance', Accounting Standard AASB 1040 'Statement of Financial Position' and Accounting Standard AASB 1034 'Financial Report Presentation and Disclosures' in the preparation of this financial report.

The comparative figures for 2001-02 includes Office for the Status of Women, Arts SA and DOSAA. Figures for 2002-03 includes those business units listed in Note 2 'Departmental Organisation' above. Where necessary, comparative figures have been adjusted to conform with changes in presentation in 2002-03.

(f) Service Provider Unit Operations

Service Provider units are individual work units within the Transport SA Agency of the Department operating as service providers on a fee for service basis within the overall framework of the organisation. Service Provider units predominantly have as their clients other units of the agency (including other Service Provider units) and may also undertake some work for external parties. Some Service Provider units charge actual costs directly to projects, while others retain actual costs within a working account prior to on-charging those costs. The recurrent or capital nature of the cost is therefore not readily apparent. A reliable means of allocating costs has been established based on the history of work performed or an apportionment relevant to the nature of the units' operations.

Service Provider unit revenue arising from operations with external clients is disclosed in the Statement of Financial Performance. Revenue arising from intra-agency operations has been eliminated.

(g) Revenue

Registration and licence fees and appropriations and grants from Government are recognised as revenues when the Department obtains control over the funds. Control is generally obtained upon receipt.

Fees and Charges and other revenue are recognised as revenues upon the delivery of goods and services to customers.

Revenues collected but not controlled by the Department are not recognised as Departmental revenues but instead are reported as administered revenues. Such amounts are required to be paid to the Consolidated Account or funds controlled by other Departments.

Assets received for no consideration during the year have been brought to account based on valuations supplied by the Valuer-General and recognised as revenue.

(h) Inventories

Inventories of roadside materials and stores are valued on a weighted average historic cost basis. Departmental work in progress for clients external to the Department is valued at cost.

(i) Non-Current Assets

The Statement of Financial Position includes those non-current assets where identification, ownership, control and valuations can be reliably determined.

The Department has continued to apply the deprival value methodology as the basis of valuing its non-current assets as it has been agreed with the Department of Treasury and Finance that this represents fair value.

Assets recognised for the first time have been valued at their acquisition cost or their most recent valuation.

In accordance with Australian Accounting Standard AAS 29A 'Amendments to the Transitional Provisions of AAS 29', Transport SA has elected not to recognise land under roads and land within carriageway reserves as assets in the Statement of Financial Position as per Note 3(b) above.

Valuation of Non-Current Assets

• *Land, Buildings and Facilities*

Land Under Roads

Land under roads is either held in fee simple in the name of the Commissioner of Highways or designated as Public Road.

Transport SA has elected not to include a value for land that was acquired as or transferred to Public Road before 1 July 1996 in the Statement of Financial Position in accordance with Accounting Standard AAS 29A 'Amendments to the Transitional Provisions in AAS 29.'

Land under roads that was acquired and owned in fee simple by the Commissioner of Highways between 1 July 1996 and 30 June 2003 is valued based upon the Valuer-General's latest valuations.

Land under roads that was acquired in the name of the Commissioner of Highways and transferred to Public Road between 1 July 1996 and 30 June 2003 is valued at nil value or at cost (for land that was acquired as Public Road during that period).

Land under roads acquired during 2002-03 is valued at cost.

Land

All Land held by the Department, except Land Under Roads, is valued at fair (market) value, based on information received by the Valuer-General of South Australia. It was agreed with the Department of Treasury and Finance that the use of the Valuer-General's valuations for Land constitutes the fair value of those assets.

Former SA Ports Corporation Land and Associated Assets

On 25 June 2002, substantial portions of previous Ports Corporation land assets, navigation aids and various dredged channels were transferred to the Minister for Transport. These assets will be progressively defined and titled, at which time they will be included in the Department's asset register.

Most of these assets are leased to Flinders Ports under an arrangement whereby no lease rental is payable in consideration of the payment made by Flinders Ports to buy the improvements and operate the seven principal commercial ports.

Former AN Rail Land and Associated Assets

These assets are progressively being defined, valued and recorded in the Department's asset register as the assets are vested in or transferred to the Minister for Transport.

- *Network Assets*
Network assets are valued at written down replacement cost (current replacement cost less accumulated depreciation) and are revalued every three years either by independent valuers, or by suitably qualified officers of Transport SA. Considering these assets are built and there is no market for these assets, these assets are valued at fair value. The reasonableness of this valuation approach for roads and earthworks was confirmed by an independent engineering consultant (L B Dowling & Associates) in 2001-02.
- *Property, Plant and Equipment*
Property, Plant and equipment, with exception of the bus fleet and ferries, are valued at historic cost. The bus fleet and ferries are valued at fair value.
- *Work in Progress*
All works in progress is valued at cost.

Depreciation

Non-current assets with the exception of land, earthworks, works in progress and the bus fleet component of plant and equipment are depreciated over their estimated useful lives using the straight-line method. Land, earthworks and work in progress are not depreciated. The bus fleet is depreciated using a sliding scale that is representative of the usage pattern of these assets.

Estimates of the useful lives for all assets are made on a regular basis and are outlined by asset class as follows:

Asset Class	Estimated Useful Life
Network Assets:	
Roads and signs	40 - 58 years depending on road category
Bridges/Culverts	60 - 100 years based on individual structures
Major signs	60 years
Traffic signals and road lighting	15 years
Busway (including interchanges)	60 - 100 years based on individual structures
Other	Useful life depends on individual asset items
Buildings and Facilities	1 - 100 years, depending on individual asset items
Bus Depots	40 years
Plant and Equipment:	
Information Technology equipment	3 years
Buses	20 - 25 years
Bus Depot plant and equipment	1 - 25 years, depending on individual asset items
Other plant and equipment	5 - 99 years, depending on individual asset items

Revaluation of Non-Current Assets

All assets are revalued on a rolling three year cycle in accordance with AASB 1041 'Revaluation of Non-Current Assets' and APS 3, except land assets which are revalued annually and Information Technology and Minor Plant assets which are valued at historic cost or written down value.

Revaluation increments are credited direct to the Asset Revaluation Reserve. However, to the extent that the increment reverses a revaluation decrement previously recognised as an expense in the Statement of Financial Performance in respect of that same class of assets, it is recognised as revenue in the Statement of Financial Performance, but only to the extent of the previous expense.

Revaluation decrements are offset against any previous Asset Revaluation Reserve increment for that particular class of asset and any remaining balance is expensed.

Revaluation of Non-Current Assets (continued)

The following table shows the classes of assets held by the Department, when they were last revalued and by whom:

Asset Class	Last Valued/ Revalued	By Whom
Network		
Roads pavements, including small signs, drainage, pavement marking and median kerbing	30 June 2001	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Earthworks	30 June 2001	Spiros Dimas BE(Hons), MIE(Aust), CPEng (Civil)
Bridges / Culverts	30 June 2001	Peter Wilson CPEng (Civil)
Major signs	30 June 2003	Peter Wilson CPEng (Civil)
Traffic Signals	30 June 2002	Brendan McIntosh BEng (Electrical)
Road lighting	30 June 2002	Rick Burt (Cert in Electrical Eng)
Busway track and structures	30 June 2001	Peter Wilson CPEng (Civil)
Busway interchanges	30 June 2001	Currie and Brown
Other		
Ferry landings	30 June 2003	Peter Wilson CPEng (Civil)
Navigational aids	30 June 2003	Alex Colligan
Drainage	30 June 2003	Bill Lipp B Tech Civil Eng, Grad Dip Maths
Weighbridges and weigh slabs	30 June 2001	Various agency officers
Land		
Land under roads (post 1996)	1 July 2002	Valuer-General
Buildings and Facilities		
Agency	30 June 2001	Maloney Field Services
Road (Residential)	1 July 2002	Valuer-General
Road (Commercial)	30 June 2003	Adderley & Partners
Marine	30 June 2001	Maloney Field Services
Rail	In progress	Various
Bus depots	30 June 2003	Valuation Chambers
Plant and Equipment		
Buses	30 June 2001	Australian Valuation Office
Bus depot plant and equipment	30 June 2003	Evans & Clarke
Information technology	Not applicable	
Minor plant	Not applicable	
Ferries	30 June 2001	Joe Rositano B.Eng. Mech Eng. CPEng (Mech)
Towing vessel	30 June 2003	K. Tech Marine

(j) Employee Entitlements

(i) Wages and Salaries

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

(ii) Sick Leave

No provision has been made for sick leave as entitlements are non-vesting and it is considered that sick leave is taken from the current year's entitlement.

(iii) Superannuation

Contributions are made by the Department to several superannuation schemes operated by the South Australian Government. These contributions are treated as an expense when they occur. The Department is not liable for payments to beneficiaries, as this is the responsibility of the superannuation schemes.

(iv) Annual Leave and Long Service Leave

The provision for annual leave and long service leave represents the amount which the Department has a present obligation to pay resulting from employees' services provided up to the reporting date. In accordance with AASB 1028 'Employee Benefits', the Department has revised its policy for recognising these provisions from 1 July 2002 by adopting the guidelines contained in APS 9 'Employee Benefits'.

The provision for annual leave has been calculated as the nominal amount of unused annual leave, plus leave loading, that has accumulated at reporting date, plus 4 percent.

The provision for long service leave has been calculated at nominal amounts based on current wages and salary rates using the Department of Treasury and Finance benchmark of seven years service as a shorthand estimation of long service leave liability in accordance with Accounting Standard AASB 1028 'Employee Benefits'.

Related on-costs of payroll tax, superannuation and workers compensation premiums are shown under the item Payables in the Statement of Financial Position.

(k) Provision for Doubtful Debts

The provision for doubtful debts has been calculated as 4 percent of all accounts receivable for the Department, together with an allowance for specific debts that are unlikely to be collected.

(l) Leases

Operating

The Department has entered into a number of operating lease agreements for plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment where the lessors effectively retain all of the risks and benefits incidental to ownership of the items held under the lease agreements.

Finance

As a result of the Government's recreational jetties divestment programme, 29 jetties have been leased to Councils throughout the State. The jetties were previously recognised as Transport SA assets and were valued at \$19.6 million with \$7.3 million accumulated depreciation, to give a written down replacement value of \$12.3 million as at 30 June 2002. The terms of the leases have been assessed as being finance leases due to the passing of risks and benefits to the lessees. While Transport SA retains ownership of these assets, control has passed to councils. As peppercorn rentals of \$1 per annum apply over each of the 50 or 99 year lease terms there is no material revenue income to Transport SA from these leases and they are no longer recorded on Transport SA's asset register.

(m) Cash

For the purposes of the Statement of Cash Flows cash includes cash deposits, which are used in the cash management function on a day-to-day basis.

Administered cash is reported separately in the Program Schedules.

(n) Income Tax

In accordance with the National Competition Policy principles, it was agreed that State Government Business Enterprises (GBEs) in competition with private industry would be liable for payment of Commonwealth, State and Local Government taxes. An equivalent payment is made to the Department of Treasury and Finance. The Business Unit within the Department subject to the equivalent taxation regime is the Passenger Transport Asset Management Business Unit.

Payments made in respect of taxes other than income tax are recorded under the item Other Expenses.

(o) 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 in accordance with AASB 1026 '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.

(p) Workers Compensation

A liability has been reported to reflect unsettled workers compensation claims. The amounts recorded are based on an actuarial assessment and reflect an apportionment of the whole-of-government estimate of workers compensation liability according to the Department's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2003.

(q) Transactions by the Government as Owner

Appropriations to the Department designated as 'equity contributions' are recognised directly in equity in accordance with Treasurer's Instruction 3 'Appropriation'.

4. Departmental Programs

Program 1 Policy Coordination, Development and Investment Strategy

Development and provision of policy advice, strategic transport and road safety plans for and on behalf of the Government. Provision of an effective policy framework, advice and strategic planning services surrounding legislation committed to the Minister.

Program 2 Regulatory Services

Provision of registration, licensing, compliance and other regulatory services under legislations committed to the Minister.

Program 3 Operations

Efficient and effective maintenance and operation of marine, rail road and bridge infrastructure and facilities including public transport assets.

Program 4 Information Services

Provision of transport (incorporating safety) information, advertising (including timetables), promotional, educational and behavioural change material. Provision of planning, socio-economic and environmental information.

Program 5 Office for the Southern Suburbs

Facilitate a whole-of-government approach to the Southern Suburbs and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 6 Office of the North

Facilitate a whole-of-government approach to the North and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 7 Regional Ministerial Offices

The two Regional Ministerial Offices, being the Office of the Upper Spencer Gulf, Flinders Ranges and Outback in Port Augusta and the Office of the Murray in Murray Bridge aim to facilitate a whole-of-government approach to the regions they serve, and assist in the realisation of Government's specific policy commitment to improve economic development, social and environmental outcomes.

Program 8 Development Assessment

Processing of development assessments, to provide consistency, certainty and efficiency in the development assessment process for proponents and the community.

Program 9 Local Government System and Local Government Relations

Maintenance and development of the Local Government System and State Local Government Relations.

5. Employee Expenses		2003	2002
Employee expenses comprised:		\$'000	\$'000
Salaries and wages		66 796	65 284
Annual leave and long service leave		8 358	8 524
Superannuation		7 953	7 569
Payroll tax		4 189	4 963
Workers compensation and other expenses		1 412	1 840
TVSP		647	3 345
Other		7	-
		89 362	91 525
6. Depreciation			
Depreciation was charged in respect of:			
Buildings and facilities		7 001	7 436
Plant and equipment		14 870	14 290
Network assets		122 828	121 890
		144 699	143 616
7. Supplies and Services			
Materials		16 972	20 822
Utilities		12 328	11 508
Plant and vehicle hire		20 539	22 780
Operating leases		5 444	6 029
External consultancy and contract services		22 366	29 669
Contribution for policing services		14 700	14 700
Administration expenses		9 158	12 671
Other supplies and services		71 878	62 924
		173 385	181 103
8. Grants and Subsidies			
Grants and subsidies comprised:			
Lead Agency Art Grants:			
Museum Board		-	5 224
Libraries Board of South Australia		-	19 570
Adelaide Festival Centre Trust		-	9 101
Art Gallery Board		-	4 267
Country Arts SA		-	3 782
South Australian Film Corporation		-	3 434
History Trust of South Australia		-	2 935
Adelaide Festival Corporation		-	4 174
State Opera of South Australia		-	1 250
South Australian Youth Arts Board		-	1 272
State Theatre Company of South Australia		-	1 327
Adelaide Symphony Orchestra		-	1 468
Jam Factory of Contemporary Craft and Design		-	608
Australian Dance Theatre		-	480
Carrick Hill Trust		-	470
Tandanya		-	595
Arts Industry Development Grants:			
Project assistance		-	3 037
General purpose assistance		-	2 195
Other arts grants		-	3 555
Grants to Local Government		221	115
North Terrace redevelopment - stage 1		577	1 096
Grants to Local Councils		5 097	4 598
Other		264	-
		6 159	74 553
9. Work in Progress Adjustment			

During the year, Transport SA identified a \$105.3 million build-up of Work in Progress that had not been correctly accounted for in previous financial years.

This matter has now been brought to account by means of an adjustment to the Statement of Financial Performance, and the amount remaining as Work in Progress in the Statement of Financial Position represents an accurate assessment of the amount of remaining Work in Progress as at 30 June 2003.

Transport SA considers it impractical to restate the comparative information for the prior reporting period presented.

10. Fees and Charges for Services	2003	2002
Fees and charges comprised:	\$'000	\$'000
Road and marine related charges	15 601	15 929
Road and marine fees	5 728	5 466
Arts industry related fees	-	1 010
Planning related fees	1 297	1 158
Other	-	57
	22 626	23 620
11. Commonwealth Grants		
Commonwealth grants comprised:		
<i>Australian Land Transport Development Act 1988</i>	50 186	48 603
<i>Interstate Road Transport Act 1985</i>	4 350	3 783
Australia Council	-	175
Other	6 942	6 248
Remediation of rail land	-	527
Greenhouse office grant	-	518
	61 478	59 854
12. Registration and Licensing Fees		
Fees collected comprised:		
Motor registration fees	199 224	191 843
Drivers' licence fees	45 596	44 960
	244 820	236 803
13. Fair Value of Assets Received		
This represents land and other associated assets brought to account by Transport SA from the former Ports Corporation and Australian National Rail, which were received for no consideration. In 2001-02, this revenue was included in the total of Other Revenue. For 2002-03, it has been disclosed separately in the Statement of Financial Performance.		
14. Other Revenues	2003	2002
Other revenues included:	\$'000	\$'000
Revaluation increment (Refer to Note 3(i))	-	1 745
Property rentals	4 342	3 571
Commissions	5 836	5 163
Reimbursement works and external project contributions	3 421	6 622
Business/service provider unit revenues from external sources	-	2 915
TVSP recoup	647	3 130
Public transport asset management	1 655	4 383
Registration and insurance contributions	4 987	4 763
Sundry revenues	10 261	13 722
	31 149	46 014
15. Net Loss on Disposal of Non-Current Assets		
Gross value of assets	46 907	75 659
Accumulated depreciation	38 369	26 144
Written down value	8 538	49 515
Proceeds received	6 715	14 528
Net Loss	(1 823)	(34 987)
16. Net Expenses from Restructuring		
With effect from 1 July 2002, DTUP no longer assumes responsibility for the Assets & Liabilities for the Office for the Status of Women (OSW). This is summarised as follows:		
	OSW	Total
	\$'000	\$'000
Current Assets:		
Cash	287	287
Total Current Assets	287	287
Total Assets	287	287
Current Liabilities:		
Payables	26	26
Provision for employee entitlements	62	62
Total Current Liabilities	88	88
Non-Current Liabilities:		
Payables	10	10
Provision for employee entitlements	88	88
Total Non-Current Liabilities	98	98
Total Liabilities	186	186
NET ASSETS	101	101

17. Accumulated Surplus	2003	2002
	\$'000	\$'000
Balance as at 1 July	3 667 186	3 733 873
Deficit from ordinary activities	(61 939)	(79 397)
Previously unidentified assets ⁽¹⁾	4 651	13 855
Prior year errors ⁽²⁾	(20)	606
Dividends paid to Treasury ⁽³⁾	(10 555)	(3 773)
Transfers from restructure	-	2 022
Work in progress adjustment ⁽⁴⁾	(542)	-
Other	74	-
Balance as at 30 June	3 598 855	3 667 186

- (1) Assets brought to account for the first time include former rail land transferred to the Agency from the Australian National Railways Commission. In addition, a full global positioning survey across the State network of traffic signals and road lighting assets revealed previously unidentified assets. Ferry modules associated with the State's ferry stocks were also recognised for the first time.
- (2) Adjustments to correct errors detected in previous financial reports. For 2002-03 this constitutes the clearing of prior period Work in Progress.
- (3) Indenture Ports - \$3.6m. Refer note 32.
Rail Property sales prior to the establishment of the Rail Facilitation Fund - \$6.6m. Refer Note 41.
PTAM - Bus and Depot Leases - \$400 000
- (4) For 2002-03 this constitutes the reversal of property capitalisation for Work in Progress. Refer Note 9.

18. Reserves	2003			
Asset revaluation reserve	Land, Buildings & Facilities	Plant & Equipment	Network Assets	Total
	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July	63 255	3 913	1 119 747	1 186 915
Increment (decrement) on revaluation	9 842	24	82 953	92 819
Balance as at 30 June	73 097	3 937	1 202 700	1 279 734

19. Equity Contributions	2003	2002
	\$'000	\$'000
Balance as at 1 July	120 314	80 709
Appropriation	39 624	39 605
Balance as at 30 June	159 938	120 314

20. Cash Assets		
Balance of cash on hand and in Deposit and Special Deposit Accounts as at 30 June were:		
Office for the Status of Women Deposit Account	-	287
Planning SA Deposit Account	3 028	2 964
Highways Fund	125 303	72 635
Transport Operating Account	3 643	7 592
Recreational Boating Facilities Fund	1 462	1 771
Boating Administration Working Account	933	668
Rail Transportation Facilitation Fund (Refer Note 41)	6 150	-
Office of Local Government Deposit Account	119	231
Total Cash Assets	140 638	86 148

As at balance date, the Department was unable to complete the reconciliation between the Westpac cash balance and the General Ledger. The amount of the imbalance represents a variation of less than 1 percent on the reported cash figure. Investigations are continuing into identifying and correcting the imbalance and enhancing procedures to ensure future reconciliations are carried out accurately and on a timely basis.

21. Receivables	2003	2002
Receivables comprised:	\$'000	\$'000
Gross receivables	24 255	15 608
Less: Provision for doubtful debts	750	735
Net Receivables	23 525	14 873

22. Inventories		
Inventories comprised:		
Supplies and stores	996	929
Roadside materials	4 914	3 416
External work in progress	669	657
	6 579	5 002

24. Plant and Equipment (continued)

	Plant & Equipment \$'000	Information Technology Equipment \$'000	Other Plant & Equipment \$'000	Total \$'000
Plant and Equipment:				
Gross Carrying Amount:				
Balance as at 1 July	357 206	1 947	526	359 679
Additions	9 866	504	95	10 465
Disposals	(36 608)	(79)	(48)	(36 735)
Net revaluation increments (decrements)	(824)	-	-	(824)
Balance as at 30 June	329 640	2 372	573	332 585
Accumulated Depreciation:				
Balance as at 1 July	258 142	752	342	259 236
Additions	-	-	-	-
Disposals	(35 830)	(71)	(46)	(35 947)
Depreciation expense	14 450	357	63	14 870
Other	-	(2)	-	(2)
Net adjustments from revaluation increments (decrements)	(834)	-	-	(834)
Balance as at 30 June	235 928	1 036	359	237 323
Net Book Value:				
Balance as at 30 June 2003	93 712	1 336	214	95 262
Balance as at 30 June 2002	99 064	1 195	184	100 443

	2003			2002		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Plant and equipment as at 30 June:						
At cost	20 180	1 395	18 785	51 876	36 731	15 145
At valuation	312 405	235 928	76 477	307 803	222 505	85 298
Total	332 585	237 323	95 262	359 679	259 236	100 443

Plant and Equipment has been grouped collectively from 2002-03 as it has been deemed immaterial to continue to split this class of assets into a number of groups as it only represents 1.9 percent of total assets.

25. Network Assets

Network assets as at 30 June:						
Roads and signs	4 642 329	2 688 174	1 954 155	4 318 194	2 436 233	1 881 961
Earthworks	1 773 029	-	1 773 029	1 669 192	-	1 669 192
Bridges and culverts	1 048 792	475 478	573 314	986 993	434 549	552 444
Traffic signals and road lighting	263 628	192 849	70 779	263 165	184 671	78 494
Busway	62 801	17 596	45 205	62 801	16 684	46 117
Other	14 493	8 621	5 872	11 256	5 798	5 458
Work in progress	166 914	-	166 914	395 750	-	395 750
Total	7 971 986	3 382 718	4 589 268	7 707 351	3 077 935	4 629 416

Network Assets:	Roads and Signs \$'000	Earthworks \$'000	Bridges/ Culverts \$'000	Traffic Signals and Road Lighting \$'000	Busway \$'000	Other \$'000	Work in Progress \$'000	Total \$'000
Gross Carrying Amount:								
Balance as at 1 July	4 318 194	1 669 192	986 993	263 165	62 801	11 256	395 750	7 707 351
Additions	65 591	3 691	577	463	-	4 548	111 198	186 068
Disposals	-	-	(817)	-	-	(1 680)	-	(2 497)
Net revaluation Increments(decrements)	258 544	100 146	62 039	-	-	369	(158 106)	262 992
Work in progress Expenditure ⁽¹⁾	-	-	-	-	-	-	(110 318)	(110 318)
Adjustment to accumulated surplus	-	-	-	-	-	-	(542)	(542)
Transferred to assets	-	-	-	-	-	-	(71 068)	(71 068)
Balance as at 30 June	4 642 329	1 773 029	1 048 792	263 628	62 801	14 493	166 914	7 971 986
Accumulated Depreciation:								
Balance as at 1 July	2 436 233	-	434 549	184 671	16 684	5 798	-	3 077 935
Additions	69	-	-	-	-	2 750	-	2 819
Disposals	-	-	(798)	-	-	(105)	-	(903)
Net adjustments from revaluation increments (decrements)	152 538	-	27 494	-	-	7	-	180 039
Depreciation expense	99 334	-	14 233	8 178	912	171	-	122 828
Balance as at 30 June	2 688 174	-	475 478	192 849	17 596	8 621	-	3 382 718
Net Book Value:								
Balance as at 30 June 2003	1 954 155	1 773 029	573 314	70 779	45 205	5 872	166 914	4 589 268
Balance as at 30 June 2002	1 881 961	1 669 192	552 444	78 494	46 117	5 458	395 750	4 629 416

(1) Represents capital works undertaken for external bodies and correction for prior year errors (refer Note 9).

25. Network Assets (continued)	2003			2002		
	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000	Gross Value \$'000	Accumulated Depreciation \$'000	Written Down Value \$'000
Network assets as at 30 June:						
At cost	235 268	-	235 268	486 950	-	486 950
At valuation	7 736 718	3 382 718	4 354 000	7 220 401	3 077 935	4 142 466
Total	7 971 986	3 382 718	4 589 268	7 707 351	3 077 935	4 629 416
26. Payables				2003	2002	
Payables as at 30 June comprised:				\$'000	\$'000	
Supplies and services				46 711	43 800	
Employee expenses				4 698	4 368	
Other				1 405	8 844	
				52 814	57 012	
Current liabilities				49 845	54 716	
Non-Current liabilities				2 969	2 296	
				52 814	57 012	
27. Employee Entitlements						
(a) Provision for Employee Entitlements						
Current Liabilities:						
Annual leave ⁽¹⁾				5 770	5 806	
Long service leave ⁽²⁾				2 354	5 258	
Workers compensation				1 431	1 967	
				9 555	13 031	
Non-Current Liabilities:						
Long service leave ⁽²⁾				26 121	19 432	
Workers compensation				3 824	6 149	
				29 945	25 581	
(1) Annual leave is classified as a current liability as employees are required to take all annual leave within the year of entitlement.						
(2) Long Service Leave liability has been allocated between current and non-current liabilities using the leave pattern history for the previous year. A change in accounting policy to reduce the shorthand estimation of long service leave from 8 to 7 years has resulted in an increase to the liability of \$434 000.						
(b) Aggregate Employee Entitlements and Related On-cost Liabilities				2003	2002	
				\$'000	\$'000	
Annual Leave:						
Included in payables - Current (Note 26)				912	975	
Provision for employee entitlements - Current (Note 27(a))				5 770	5 806	
Total Annual Leave				6 682	6 781	
Long Service Leave:						
Included in payables - Current (Note 26)				186	620	
Provision for employee entitlements - Current (Note 27(a))				2 354	5 258	
Included in payables - Non-current (Note 26)				2 969	2 296	
Provision for employee entitlements - Non-current (Note 27(a))				26 121	19 432	
Total Long Service Leave				31 630	27 606	
Workers Compensation:						
Included in payables - Current (Note 26)				-	-	
Provision for employee entitlements - Current (Note 27(a))				1 431	1 967	
Included in payables - Non-current (Note 26)				-	-	
Provision for employee entitlements - Non-current (Note 27(a))				3 824	6 149	
Total Workers Compensation				5 255	8 116	
Salaries and Wages:						
Included in payables - Current (Note 26)				633	491	
Included in employee entitlements - Current (Note 27(a))				-	-	
Total Salaries and Wages				633	491	
Other Benefits:						
Included in payables - Current (Note 26)				(2)	(14)	
Total Other Benefits				(2)	(14)	
Aggregate Employee Entitlements and Related On-cost Liabilities				44 198	42 980	
28. Borrowings						
Balance as at 1 July				47 760	58 683	
Less: Repayments						
Public Transport assets				-	10 900	
Transfers from restructure				-	(23)	
Balance as at 30 June				47 760	47 760	

28. Borrowings (continued)	2003	2002
	\$'000	\$'000
Current liabilities	-	-
Non-current liabilities	47 760	47 760
	47 760	47 760

29. Commitments		
(a) Lease Commitments - Operating		
Operating Lease Commitments:		
Payable no later than one year	14 224	9 787
Payable later than one year but not later than five years	6 609	9 256
Payable later than five years	-	1 326
	20 833	20 369

Leases include plant and vehicles, office accommodation, land for stacking roadside materials, land used for rail purposes and office equipment. These commitments are not recognised as liabilities in the financial report.

The current plant lease is a non-cancellable lease and an option exists to renew the lease, which expires in June 2004. However, the Department will be purchasing its plant progressively over the 2003-04 financial year, and therefore it will be unlikely that it will exercise its right to renew its plant lease past June 2004.

The property leases are non-cancellable leases with terms ranging from 1 to 10 years. Rental is payable in arrears. Contingent rental provisions within the lease agreements require the minimum lease payments to be regularly reviewed and increased by either a CPI factor, to market value, or a fixed percentage. Various options exist to renew the leases at the end of their terms. A number of leases have no option to renew.

The computer equipment leases are non-cancellable leases with the lease term being 3 to 4 years. The lease contains three options at the conclusion of the current 3 to 4 year term being; return equipment, extend the lease at fair market value or purchase the equipment at fair market value.

The motor vehicle and photocopier leases are non-cancellable leases, with rental payable monthly in arrears. No contingent rental provisions exist within the lease agreement and no options exist to renew the leases at the end of their terms.

(b) Agreements Equally & Proportionately Unperformed	2003	2002
	\$'000	\$'000
Investing	54 148	23 913
Operating	37 883	26 179
	92 031	50 092

(c) Capital Commitments		
Aggregate capital expenditure commitment for construction projects relating to road networks as at 30 June 2003 were:		
Payable no later than one year	46 421	18 614
Payable later than one year but not later than five years	7 727	5 299
	54 148	23 913

30. Contingent Liabilities
At year-end, the Department had possible material exposures resulting from litigation (or pending litigation) in respect of claims for property damage or personal injury. The Department had also received notification of other cases not yet subject to Court action, which may result in subsequent litigation in the future.

In addition, the Department has possible material exposure resulting from the ongoing monitoring and treatment of contaminated land assets (in particular rail).

The Department believes that the extent of these liabilities cannot be reliably measured.

31. Reconciliation of (Deficit) Surplus from Ordinary Activities to Net Cash provided by Operating Activities	2003	2002
	\$'000	\$'000
(Deficit) Surplus from Ordinary Activities	(101 915)	(97 635)
Adjustments:		
Depreciation	144 699	143 616
Work in progress adjustment	105 300	-
Inventories	(1 057)	(81)
Prepayments	(105)	1 049
Receivables	(8 612)	17 725
Creditors	(5 588)	(5 866)
Employee entitlements	1 727	283
Unearned revenue	(5)	288
Fair value of assets received	(33 076)	(5 007)
Income tax adjustment	(1 970)	(1 208)
Appropriations from Government	44 346	117 510
Other	258	57
Net Cash provided by Operating Activities	144 002	170 731

32. Indenture Ports

Transport SA manages the indenture and private ports. Funds in regard to cargo services and harbour services charges are collected by Transport SA and applied to the maintenance of indenture ports. Any remaining funds are paid to the Department of Treasury and Finance by way of a dividend. Assets associated with these ports include land and facilities at Port Bonython, Ardrossan and Whyalla.

The amount paid to the Department of Treasury and Finance in 2002-03 was \$3.6 million (\$3.4 million).

33. Remuneration of Employees

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

	2003 Number of Employees
\$100 000 - \$109 999	16
\$110 000 - \$119 999	9
\$120 000 - \$129 999	6
\$130 000 - \$139 999	2
\$140 000 - \$149 999	2
\$150 000 - \$159 999	-
\$160 000 - \$169 999	1
\$240 000 - \$249 999	1
	37

The total remuneration received by the 37 employees was \$4.4 million, which included salary and related payments, superannuation benefits and motor vehicle benefits.

34. Consultants

The Department paid fees to consultants as follows:

	2003 Number of Consultants	2002 Number of Consultants
\$1 - \$10 000	12	11
\$10 001 - \$50 000	5	9
\$50 001 and above	1	3
	18	23

The total value of consultancies for the reporting period was \$0.3 million (\$0.8 million).

35. Targeted Voluntary Separation Packages (TVSPs)

In accordance with Government policy to reduce the public sector workforce 5 employees (42) of the Department were paid TVSPs during the year. These payments have been or will be recovered from the Department of the Premier and Cabinet.

TVSP payments amounted to \$600 000 (\$3.4 million) for the year. An amount of \$200 000 (\$400 000) is owed to the Department as at 30 June 2003, and is included in the item Receivables. Payments are recorded under the item Employee Expenses.

In addition, accrued annual leave and long service leave entitlements amounting to \$400 000 (\$1.2 million) were paid to those employees who received a TVSP.

36. Road Safety

In accordance with the *Highways Act 1926*, \$7.6 million (\$7.5 million) being one sixth of drivers' licence collections, was used to fund expenditure on transport safety initiatives. Expenditure on these initiatives is reflected in the Regulatory Services and Operations of the Transport System programs.

37. Administered Items

Administered items during the reporting period were:

- Development Application Fees Distribution
- West Beach Trust - Tax Equivalent Regime (TER)
- Outback Areas Community Development Trust
- Local Government Tax Equivalent Fund
- Local Government Grants Commission
- Catchment Management Subsidy Scheme
- Contractor Deposits
- Emergency Services Levy
- Lincoln Cove Marina
- Metropolitan (Woodville, Henley and Grange) Drainage Scheme
- Minister's salary
- Motor Registration Disbursements
- South-Western Suburbs Drainage Scheme Act, 1959
- Unclaimed salaries and wages
- Flood Mitigation

The financial statements for administered items are contained in the program schedules.

38. Bus and Depot Receivables

Since the commencement of the seven new metropolitan bus contracts, the Passenger Transport Board has had the responsibility under lease arrangements for payments to Transport SA for the use of buses and depots owned by Transport SA.

	Buses \$'000	Depots \$'000	Total \$'000
The following information is provided in respect of those assets:			
Gross value	299 262	44 447	343 709
Accumulated depreciation	216 813	11 891	228 704
Net Value	82 449	32 556	115 005
Depreciation for the year ended 30 June	13 298	940	14 238

	Less than 1 year \$'000	1 - 5 Years \$'000	More than Five years \$'000
The Department expects to receive the following income from Buses and Bus Depots under the lease arrangements	30 797	25 664	-

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

Financial Instrument	Note	Accounting Policies and Methods	Nature of Underlying Instrument
Financial Assets:			
Cash assets	20	Cash at bank is recorded at its nominal amount. Interest revenue is recorded on an accrual basis, with only certain funds held within the total cash balance being interest bearing.	Interest is calculated based on the average daily balances of the interest bearing funds. The interest bearing funds of the Department are the Transport Operating Account, the Boating Administration Working Account, the Recreational Boating Facilities Fund, Planning SA Deposit Account and Office of Local Government Deposit Account. The interest rate is the Treasurer's Approved Rate of Interest on Deposit Accounts, which is 4.6 percent (as at 30 June 2003).
Receivables	21	Receivables are recorded at amounts due to the Department less a provision for doubtful debts. They are recorded when works, goods or services have been supplied.	Receivables are due within 30 days.
Administered Items:			
Cash assets		Administered cash is recorded at its nominal amount.	This is measured as the amount held in separate accounts with the Department of Treasury and Finance on behalf of third parties.
Receivables		Receivables are recorded at the amounts due to the Department.	Receivables are due in line with agreements for the Administered Items.
Financial Liabilities:			
Payables	26	Creditors are recorded at the agreed amounts at which liabilities are to be settled. They are recorded when the works, goods and services have been provided.	Terms of payment are 30 days unless otherwise agreed in the terms and conditions of individual contracts.
Borrowings	28	Borrowings are recorded at the amounts equal to proceeds received less repayments of principal made. Interest expense is recognised on an accrual basis.	Loans are carried at the amounts borrowed. Loans are drawn from the Department of Treasury and Finance and the interest rate is the Treasurer's Common Public Sector Interest Rate of 6.25 percent (as at 30 June 2003). Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA).
Administered Items:			
Payables		Creditors are recorded at the agreed amounts at which the liabilities are to be settled.	Creditors are due in line with agreements for the Administered Items.
Borrowings		Borrowings are recorded at the amounts owed.	Loans are carried at the amount borrowed. Repayments are determined in negotiation with the South Australian Government Financing Authority (SAFA) for the particular Administered Item.

(b) Interest Rate Risk	2003				2002			
	Floating Interest Rate	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000	Floating Interest Rate Percent	Interest Bearing \$'000	Non-Interest Bearing \$'000	Total \$'000
Financial Instrument								
Controlled Items:								
Financial Assets:								
Cash assets	4.60	15 334	125 304	140 638	4.17	13 513	72 635	86 148
Receivables		-	23 525	23 525		-	14 873	14 873
		15 334	148 829	164 163		13 513	87 508	101 021
Financial Liabilities:								
Payables		-	52 814	52 814		-	57 012	57 012
Borrowings	6.25	47 760	-	47 760	6.25	47 760	-	47 760
		47 760	52 814	100 574		47 760	57 012	104 772
Administered Items:								
Financial Assets:								
Cash assets		-	944	944		-	180	180
Receivables		-	3 835	3 835		-	3 622	3 622
		-	4 779	4 779		-	3 802	3 802
Financial Liabilities:								
Payables		-	744	744		-	458	458
Borrowings		-	3 179	3 179		-	3 308	3 308
Bank overdraft		-	-	-		-	36	36
		-	3 923	3 923		-	3 802	3 802

(c) Net Fair Values of Financial Assets and Liabilities		Note	2003		2002	
			Total Carrying Amount \$'000	Net Fair Value \$'000	Total Carrying Amount \$'000	Net Fair Value \$'000
Financial Instrument:						
Controlled Items:						
Cash assets	20		140 638	140 638	86 148	86 148
Receivables	21		23 525	23 525	14 873	14 873
			164 163	164 163	101 021	101 021
Payables	26		52 814	52 814	57 012	57 012
Borrowings	28		47 760	47 760	47 760	47 760
			100 574	100 574	104 772	104 772
Administered Items:						
Cash assets			944	944	180	180
Receivables			3 835	3 835	3 622	3 622
			4 779	4 779	3 802	3 802
Payables			744	744	458	458
Borrowings			3 179	3 179	3 308	3 308
Bank overdraft			-	-	36	36
			3 923	3 923	3 802	3 802

(d) **Credit Risk Exposure**

The Department's maximum exposure to credit risk at the reporting date in relation to financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position.

The Department has no significant exposures to any concentrations of credit risk.

40. **Auditors' Remuneration**

The amount payable to the Auditor-General's Department for audit services during the reporting period was \$216 000 (\$200 000). The Auditors received no other benefits.

41. **Rail Transport Facilitation Fund**

The *Rail Transport Facilitation Fund Act 2001*, which established the Rail Transport Facilitation Fund was proclaimed in December 2001.

Net income derived from the sale or leasing of railway assets and net income derived by the State from rail facilitation projects is to be paid into the fund.

Approval was given for the creation of the Rail Transport Facilitation Fund on 20 September 2002. Income from the sale and leasing of railway land and costs associated with these assets has been transacted through the Transport Operating Account up to 20 September 2002. Income for the year totalled \$7.5 million (\$12 million) and expenditure amounted to \$10 million (\$3 million).

	\$'000	Total \$'000
Opening balance 1 July 2002		-
Add: Receipts	7 501	
Transfer from Transport Operating Account	8 732	16 233
Less: Payments ⁽¹⁾	10 083	10 083
Closing balance 30 June 2003		6 150

(1) Dividend paid to the Department of Treasury and Finance (\$6.6 million).

42. Cash Alignment Policy

The Government is considering introducing a new policy with respect to aligning agency cash balances with appropriation and expenditure authority. It is not practical to estimate the potential effect this may have on the financial position of the entity. This policy may come into effect during the course of 2003-04 and, depending on implementation arrangements, the agency may be required to transfer a portion of its cash balance to the Consolidated Account effective on or after June 2004.