

**SOUTH AUSTRALIA**

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**Report**

**of the**

**Auditor-General**

**for the**

**Year ended 30 June 2001**

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*Tabled in the House of Assembly and ordered to be published, 13 November 2001*

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**Fourth Session, Forty-Ninth Parliament**

**Supplementary Report**

**Agency Audit Reports**

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

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2001





Government  
of South Australia



**Auditor-General's  
Department**

12 November 2001

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Gentlemen,

**AUDITOR-GENERAL'S SUPPLEMENTARY REPORT: AGENCY AUDIT REPORTS**

Pursuant to the provisions of 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 and superannuation schemes which are required to be reported on by me in accordance with section 36 of the Act.

- Industry and Trade — Department of
- Institute of Medical and Veterinary Science
- Judges' Pensions Scheme
- Parliamentary Superannuation Scheme
- Police Superannuation Scheme

The accounts of the aforementioned public authorities and superannuation schemes were not included in my Report to Parliament dated 28 September 2001 as audited financial statements were not available or the audit had not been completed at the time the September Report was being finalised.

Yours sincerely,

K I MacPherson  
**AUDITOR-GENERAL**



**Report of the Auditor-General 2000-01  
Supplementary Report: Agency Audit Reports**

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# DEPARTMENT OF INDUSTRY AND TRADE

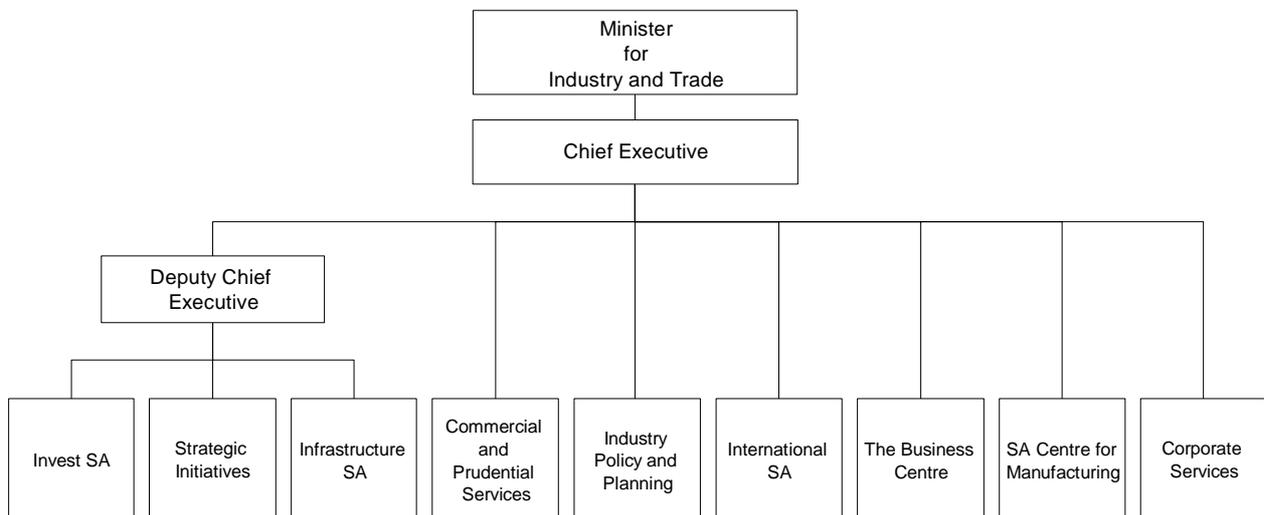
## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Department of Industry and Trade is an administrative unit established under the *Public Sector Management Act 1995*. The Department is responsible to the Minister for Industry and Trade.

The specific responsibility of the Department is to implement the South Australian Government's economic development strategy by undertaking the following:

- Create a competitive business operating environment;
- Promote investment in appropriate physical capital;
- Promote development of human and intellectual capital;
- Integration of South Australia into the global economy;
- Create a culture of collaboration and cooperation;
- Encourage the development of productive, creative and competitive enterprises.

The structure of the Department and its relationship with the Minister are shown in the following chart.



## SIGNIFICANT FEATURE

### Industry and Other Financial Assistance

During the reporting period, the Department provided \$138.3 million in assistance to industry and other external parties in the form of grants, contributions, and loans. Of that amount, \$75 million related to the Adelaide to Darwin railway construction project.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

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

## Scope of Audit

In respect of 2000-01, specific areas of audit attention included:

- business and financial accounting cycles and controls covering:
  - revenue collection
  - accounts payable
  - personnel/payroll function
  - financial assistance
  - fixed assets
  - general ledger
- development and operation of the Bizgate e-commerce activity of government;
- financial statement preparation and verification.

## Audit Communications to Management

The commentary that follows in 'Audit Findings and Comments' hereunder, principally provides a summary of issues arising from the 2000-01 audit review activity and that have been communicated to the Department. The Department is actioning the matters raised by Audit.

## AUDIT FINDINGS AND COMMENTS

### Commentary on General Financial Controls

As was the position last year, certain weaknesses were noted in relation to key financial accounting record and reconciliation processes. These weaknesses impacted on the Department's financial reporting processes both internally and in respect of the production of the Department's statutory year end accounts.

The nature of the weaknesses related to the important requirement to perform regular and effective reconciliation processes between the Department's general ledger system and critical sub-systems associated with industry financial assistance and fixed assets.

### Financial Statement Preparation

Last year's Report indicated that Audit officers worked in conjunction with the Department to address certain financial reporting issues associated with the organisational changes that affected the Department in 1999-2000.

In 2000-01, Audit resources were again applied to assist the Department to finalise the statutory financial statements above that which is reasonably expected.

### Bizgate Operations

The 1999-2000 Report (Part A: Audit Overview) indicated the future audit review direction of this Department in matters concerning electronic commerce (e-commerce). In 2000-01 Audit sought to gain a more fuller understanding of some key electronic commerce initiatives of government, including the operations of Bizgate which is managed through the Department of Industry and Trade.

Bizgate is a significant e-commerce initiative of the South Australian government and provides a diverse range of e-commerce services to over 30 government and local government organisations including the provision of online forms and payment services. The Department attributes the success of the project largely to a policy of cautious implementation of new technologies and concepts and an informal project management style. The Department has emphasised that Internet delivery of Government services is an emerging field and that through Bizgate, South Australia has become notable in this area of business service provision.

The audit approach and coverage of this matter consists of two phases.

Phase 1 of the review addressed an overall management understanding of Bizgate and certain matters of a policy, management reporting, contract and control nature. It was in the nature of a focussed compliance review and is subject to specific comment in my 2000-01 Annual Report (Part A: Audit Overview) in the section titled *Electronic Government — Legal, Policy, Privacy And Control: Issues Of Importance*.

Given the extent to which Bizgate has evolved and developed, Audit's review highlighted a number of important matters that need to be addressed by the Department. These broadly related to the areas of policy, management reporting and control arrangements, contract and service level agreements, and intellectual property rights. The Department has advised of action proposed or taken to address the matters.

Broadly, Audit notes the achievements over time which have made Bizgate a notable e-commerce development within government. Those achievements have been made with a level of modest resources.

Phase 2 of the review involves Audit's ongoing review of e-commerce initiatives in 2001-02. It will give consideration to general project management and achievements and a review of Bizgate security arrangements as well as selected client agencies' Bizgate operations.

## **CONTROLS OPINION**

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Department of Industry and Trade included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Department of Industry and Trade 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 'Audit Findings and Comments', were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

## **INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS**

### **Financial Assistance**

In 2000-01 the Department paid \$138.3 million in assistance to Industry and other external parties. Included in this amount is \$75 million provided in respect of the Adelaide to Darwin railway construction project. Note 8 to the financial statements refers.

At 30 June 2001 the Department has reported Financial Assistance Debtors of \$84.7 million and Financial Assistance Commitments of \$178.4 million. The value of Financial Assistance Debtors of \$84.7 million takes into account the write down of certain debtors amounting to \$19.4 million. The write down is consistent with the accounting policy recognition of the Department. Notes 2.4 and 10 to the financial statements refer.

### **Assets**

#### **Cash**

Cash at 30 June 2001 was \$16.9 million (\$52.9 million). The reduction reflects the application of the cash balances to increased outlays during the year, principally in respect of industry and other financial assistance.

#### **Fixed Assets**

The value of fixed assets increased by \$14.5 million to \$19.2 million due mainly to land acquisition and construction work-in-progress. Notes 2.10 and 14 to the financial statements refer.

## Statement of Financial Performance for the year ended 30 June 2001

|   | Note | 2001<br>\$'000 | 2000<br>\$'000  |
|---|------|----------------|-----------------|
| <b>EXPENSES FROM ORDINARY ACTIVITIES:</b>   |      |                |                 |
| Salaries, wages and related payments  | 5    | 23 248         | 24 745          |
| Administration expenses   |      | 10 737         | 15 858          |
| Industry and other financial assistance   | 8    | 92 654         | 48 470          |
| Infrastructure development  |      | 82             | 11 714          |
| Payments to consultants   | 9    | 1 552          | 3 401           |
| Payments to contractors   |      | 2 202          | 2 224           |
| Depreciation  |      | 1 105          | 932             |
| Doubtful debts  |      | 15             | 113             |
| Interest on borrowings  |      | 2 162          | 2 327           |
| Accommodation and service costs   |      | 3 623          | 6 552           |
| Write-down of financial assistance debtors  | 10   | 19 352         | -               |
| Loss on disposal/write-off of fixed assets  | 11   | 501            | 1 147           |
| Decrement on revaluation of computer equipment  | 14   | 278            | -               |
| <b>Total Expenses</b>   | 3    | <b>157 511</b> | <b>117 483</b>  |
| <b>REVENUE FROM ORDINARY ACTIVITIES:</b>  |      |                |                 |
| Fees, charges and recoveries  |      | 3 225          | 3 178           |
| Interest on loans and operating account   |      | 3 977          | 2 968           |
| Grants and other contributions  |      | 189            | 3 967           |
| Other revenue   |      | 1 771          | 5 126           |
| <b>Total Revenues</b>   |      | <b>9 162</b>   | <b>15 239</b>   |
| <b>NET COST OF SERVICES</b>   |      | <b>148 349</b> | <b>102 244</b>  |
| <b>GOVERNMENT REVENUES:</b>   |      |                |                 |
| Appropriations  |      | 155 556        | 131 937         |
| <b>Total Government Revenues</b>  |      | <b>155 556</b> | <b>131 937</b>  |
| <b>SURPLUS FROM ORDINARY ACTIVITIES</b>   |      |                |                 |
| Net expenses from restructuring   |      | 7 207          | 29 693          |
| Net increase in asset revaluation reserve   | 19   | -              | (59 745)        |
|   |      | 913            | -               |
| <b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH THE SOUTH AUSTRALIAN GOVERNMENT AS OWNER</b> |      | <b>8 120</b>   | <b>(30 052)</b> |

## Statement of Financial Position as at 30 June 2001

|  | Note  | 2001<br>\$'000 | 2000<br>\$'000 |
|--|-------|----------------|----------------|
| <b>CURRENT ASSETS:</b>                       |       |                |                |
| Cash   | 20.1  | 16 861         | 52 868         |
| Receivables                                  | 12    | 3 085          | 3 396          |
| Financial assistance debtors                 | 13    | 4 676          | 3 164          |
| Inventories                                  |       | -              | 19             |
| <b>Total Current Assets</b>                  |       | <b>24 622</b>  | <b>59 447</b>  |
| <b>NON-CURRENT ASSETS:</b>                   |       |                |                |
| Financial assistance debtors                 | 13    | 80 041         | 57 743         |
| Fixed assets                                 | 14    | 19 176         | 4 702          |
| <b>Total Non-Current Assets</b>              |       | <b>99 217</b>  | <b>62 445</b>  |
| <b>Total Assets</b>                          |       | <b>123 839</b> | <b>121 892</b> |
| <b>CURRENT LIABILITIES:</b>                  |       |                |                |
| Borrowings                                   | 15    | 1 898          | 2 311          |
| Payables                                     | 16    | 1 103          | 3 003          |
| Employee entitlements and related provisions | 17    | 1 657          | 1 497          |
| <b>Total Current Liabilities</b>             |       | <b>4 658</b>   | <b>6 811</b>   |
| <b>NON-CURRENT LIABILITIES:</b>              |       |                |                |
| Borrowings                                   | 15    | 10 362         | 14 732         |
| Payables                                     | 16    | 299            | 263            |
| Employee entitlements and related provisions | 17    | 2 624          | 2 310          |
| <b>Total Non-Current Liabilities</b>         |       | <b>13 285</b>  | <b>17 305</b>  |
| <b>Total Liabilities</b>                     |       | <b>17 943</b>  | <b>24 116</b>  |
| <b>NET ASSETS</b>                            |       | <b>105 896</b> | <b>97 776</b>  |
| <b>EQUITY:</b>                               |       |                |                |
| Accumulated surplus                          | 18    | 104 983        | 97 776         |
| Asset revaluation reserve                    | 19    | 913            | -              |
| <b>TOTAL EQUITY</b>                          |       | <b>105 896</b> | <b>97 776</b>  |
| Commitments                                  | 21,22 |                |                |
| Contingent Liabilities                       | 26    |                |                |

## Statement of Cash Flows for the year ended 30 June 2001

|  | Note | 2001<br>Inflows<br>(Outflows)<br>\$'000 | 2000<br>Inflows<br>(Outflows)<br>\$'000 |
|--|------|---|---|
| <b>OPERATING ACTIVITIES:</b>                                   |      |   |   |
| CASH RECEIVED:   |      |   |   |
| Appropriations from SA Government                              |      | 155 556                                 | 131 937                                 |
| Grants and other contributions                                 |      | 189                                     | 3 967                                   |
| Fees for service   |      | 4 325                                   | 2 247                                   |
| Interest received  |      | 4 659                                   | 2 343                                   |
| GST charged on sales   |      | 378                                     | -                                       |
| GST recovered from Australian Taxation Office                  |      | 3 596                                   | -                                       |
| Other receipts (includes financial assistance loan repayments) |      | 4 220                                   | 3 878                                   |
| CASH USED:   |      |   |   |
| Financial assistance and infrastructure development            |      | (138 382)                               | (67 509)                                |
| Suppliers and employees  |      | (42 492)                                | (50 821)                                |
| GST payments on purchases                                      |      | (5 212)                                 | -                                       |
| GST remitted to Australian Taxation Office                     |      | (321)                                   | -                                       |
| Borrowing costs  |      | (2 295)                                 | (2 326)                                 |
| <b>Net Cash (used in) provided by Operating Activities</b>     | 20.2 | <b>(15 779)</b>                         | <b>23 716</b>                           |
| <b>INVESTING ACTIVITIES:</b>                                   |      |   |   |
| Proceeds from disposal of fixed assets                         |      | 75                                      | 34                                      |
| Payments for purchase of fixed assets                          |      | (15 520)                                | (2 091)                                 |
| <b>Net Cash used in Investing Activities</b>                   |      | <b>(15 445)</b>                         | <b>(2 057)</b>                          |
| <b>FINANCING ACTIVITIES:</b>                                   |      |   |   |
| Repayments of borrowings                                       |      | (4 783)                                 | (2 688)                                 |
| <b>Net Cash used in Financing Activities</b>                   |      | <b>(4 783)</b>                          | <b>(2 688)</b>                          |
| <b>CASH FLOWS FROM RESTRUCTURING</b>                           |      |   |   |
|  |      | -                                       | (3 883)                                 |
| <b>NET INCREASE (DECREASE) CASH HELD</b>                       |      | <b>(36 007)</b>                         | <b>15 088</b>                           |
| <b>CASH AT 1 JULY</b>  |      | <b>52 868</b>                           | <b>37 780</b>                           |
| <b>CASH AT 30 JUNE</b>   | 20.1 | <b>16 861</b>                           | <b>52 868</b>                           |

## Schedule of Administered Expenses and Revenues for the year ended 30 June 2001

|                                      | Ministerial<br>Payments |                | ETSA<br>CSO    |                | 2001            | 2000            |
|--------------------------------------|-------------------------|----------------|----------------|----------------|-----------------|-----------------|
|                                      | 2001<br>\$'000          | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 | Total<br>\$'000 | Total<br>\$'000 |
| <b>ADMINISTERED EXPENSES:</b>        |                         |                |                |                |                 |                 |
| Salaries, wages and related payments | -                       | 214            | -              | -              | -               | 214             |
| Grants and subsidies                 | -                       | -              | -              | 2 233          | -               | 2 233           |
| <b>Total Administered Expenses</b>   | -                       | 214            | -              | 2 233          | -               | 2 447           |
| <b>ADMINISTERED REVENUES:</b>        |                         |                |                |                |                 |                 |
| Government appropriation             | -                       | 214            | -              | 2 233          | -               | 2 447           |
| <b>Total Administered Revenues</b>   | -                       | 214            | -              | 2 233          | -               | 2 447           |
| <b>CHANGE IN NET ASSETS</b>          | -                       | -              | -              | -              | -               | -               |

## Schedule of Administered Assets and Liabilities as at 30 June 2001

|                                  | Ministerial<br>Payments |                | ETSA<br>CSO    |                | 2001            | 2000            |
|----------------------------------|-------------------------|----------------|----------------|----------------|-----------------|-----------------|
|                                  | 2001<br>\$'000          | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 | Total<br>\$'000 | Total<br>\$'000 |
| <b>ADMINISTERED ASSETS:</b>      |                         |                |                |                |                 |                 |
| Current                          | -                       | -              | -              | -              | -               | -               |
| Non-current                      | -                       | -              | -              | -              | -               | -               |
| <b>Total</b>                     | -                       | -              | -              | -              | -               | -               |
| <b>ADMINISTERED LIABILITIES:</b> |                         |                |                |                |                 |                 |
| Current                          | -                       | -              | -              | -              | -               | -               |
| Non-current                      | -                       | -              | -              | -              | -               | -               |
| <b>Total</b>                     | -                       | -              | -              | -              | -               | -               |
| <b>NET ADMINISTERED ASSETS</b>   | -                       | -              | -              | -              | -               | -               |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### 1. Establishment, Objectives and Funding

#### 1.1 **Establishment**

The Department of Industry and Trade is an administrative unit established pursuant to the *Public Sector Management Act 1995*. The Department is responsible to the Minister for Industry and Trade.

#### 1.2 **Objectives and Funding**

The Department of Industry and Trade is responsible for implementing strategies that contribute to achievement of the South Australian Government's economic development strategy. The key strategies developed to achieve these outcomes are:

- create a competitive business operating environment;
- promote investment in appropriate physical capital;
- promote development of human and intellectual capital;
- integration of South Australia into the global economy;
- create a culture of collaboration and cooperation;
- encourage the development of productive, creative and competitive enterprises.

The Department is funded primarily from government appropriations.

### 2. Significant Accounting Policies

The significant Accounting Policies which have been adopted in the preparation of these financial statements are:

#### 2.1 **Basis of Preparation of Financial Statements**

The Financial Statements are prepared in accordance with Statements of Accounting Concepts, applicable Australian Accounting Standards, the Treasurer's Instructions and Accounting Policy Statements issued pursuant to the *Public Finance and Audit Act 1987* and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The Department has adopted the presentation of Australian Accounting Standards AAS 1 'Statement of Financial Performance', AAS 36 'Statement of Financial Position' and AAS 37 'Financial Report Presentation' and disclosures for the first time in the preparation of the financial statements. In accordance with the requirements of these new or revised standards, comparative amounts have been reclassified in order to comply with the new presentation format.

The Financial Statements 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. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

Assets and liabilities are recognised in the Financial Statements when and only when it is probable that future economic benefits will flow and the amount of the assets or liabilities can be reliably measured.

The carrying amount of financial assets and liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies previously disclosed.

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

The financial activities relating to South Austral-Asia Pty Ltd and Associated Trust have been included in the Financial Statements to the date of deregistration in October 2000.

The financial activities of the South Australian Trade and Investment Corporation (SATIC) and other overseas representative offices have been included in the Financial Statements.

Financial activities relating to the Office for Recreation and Sport and the Office of Local Government for the period 1 July 1999 to 14 February 2000 have been included in the comparative figures in the Statement of Financial Performance.

#### 2.2 **The Department of Industry and Trade Reporting Entity**

The financial report encompasses all activities transacted through an interest bearing Special Deposit Account titled 'Department of Industry and Trade Operating Account' and any other funds through which the Department controls resources to carry out its functions.

During the year South Austral-Asia Pty Ltd and Associated Trust were wound up and voluntarily deregistered by the Australian Securities and Investments Commission (ASIC) in October 2000.

#### *Change in Accounting Policy*

In previous financial years transactions in respect of the Adelaide to Darwin Railway were treated as administered items as it was considered that the Department did not control the project.

However, subsequently responsibility for the project was assigned to the Department.

Consequently the financial statements have been amended to recognise as departmental revenues, expenses, assets and liabilities transactions in relation to the Adelaide to Darwin Railway. Comparative amounts have been amended to comply with the change in policy.

#### 2.3 **Financial Instruments**

##### *Financial Assets*

The net fair values of cash on hand, deposits and loans receivable approximate their carrying amounts.

*Financial Liabilities*

The net fair values of all borrowings approximate their carrying amounts.

Trade creditors by nature are short-term, therefore their net fair values are approximated by their carrying amounts.

**2.4 Financial Assistance Debtor Recognition**

During the latter part of the 1996-97 financial year, a process of debtor confirmation with respect to amounts owing by companies in receipt of financial assistance by way of short term interest free and interest bearing loans and 99 year interest free loans was commenced to provide assurance that all information of both a financial and non-financial nature is materially reliable for reporting purposes. The initial confirmation process has been completed, however this process will be ongoing to ensure the integrity of the data being reported.

In accordance with Statements of Accounting Concepts SAC4 'Definition and Recognition of the Elements of Financial Statements', the Department has adopted the following accounting policy in relation to 99 year interest free loans:

*With respect to 99 year interest free loans, these are recognised as assets for the first seven years, or for material individual loans until the purpose of the loan has been fulfilled, after which they are no longer recognised as assets in the Statement of Financial Position. They do, however, continue to be administered as debts due to the Department.*

**2.5 Revenue Recognition**

Revenues from ordinary Activities are recorded in the Statement of Financial Performance at the time they are earned or at the time control passes to the Department. Interest revenues are recognised as they accrue.

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

**2.6 Appropriations, Grants and Other Contributions**

Appropriations, grants and other contributions are recognised as revenue in the period in which the monies are received and the Department obtains control of the asset.

In relation to grants, where specific conditions relating to the grant are not met and the amount is required to be repaid, a liability is recognised as a result of a present obligation arising to the grantor.

**2.7 Fixed Assets**

All fixed assets controlled by the Department are reported in the Statement of Financial Position. The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Department. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Minor items of equipment with an individual value of less than \$2 000 are expensed at the time of acquisition.

Works of art controlled by the Department are anticipated to have very long and indeterminate useful lives. Their service potential has not, in any material sense, been consumed during the reporting period. Consequently, no amount for depreciation has been recognised for this class of asset.

**2.8 Revaluation of Fixed Assets**

The Department engaged the services of Don Harris (MAVA) from Edward Rushton (Australia) Pty Ltd, 13 King William Road, Unley SA 5061 to revalue Furniture and Equipment and Computer Equipment assets at 30 June 2001.

These assets were revalued in accordance with Accounting Policy Statement APS 3 'Revaluation of Non-Current Assets' on deprival value.

**2.9 Depreciation of Fixed Assets**

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each depreciable fixed asset (except work in progress) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The estimated useful lives of each asset class are as follows:

|                         |       |
|-------------------------|-------|
| Furniture and equipment | Years |
| Computer equipment      | 5-10  |
|                         | 3     |

**2.10 Work in Progress**

Under the investment attraction program the Department engages in projects which includes land acquisition, development and ultimate disposal through sale and various leasing arrangements.

The Department accounts for the projects with various stages of completion as work in progress. All costs of conversion related to a particular project are treated as work in progress until such time as a project is completed.

**2.11 Receivables***Fees and Charges*

Fees and charges receivable are brought to account at their recoverable amount and at the end of the reporting period the balances are reviewed and a provision is made where recoverability of amounts is considered doubtful.

*Financial Assistance Debtors*

Amounts outstanding with respect to financial assistance advances by way of loan are brought to account at their recoverable amount. Conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced or forgiven.

*Recoveries*

Amounts recovered that have been written off or previously provided for have been included as revenue, under fees, charges and recoveries.

**2.12 Employee Entitlements**

*Salaries, Wages and Annual Leave*

Liabilities for unpaid salaries, wages and annual leave at the reporting date are based on current pay rates and employees' services to that date. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with Australian Accounting Standard AAS 30 'Accounting for Employee Entitlements'.

*Long Service Leave*

Long service leave is recognised at current rates on a pro-rata basis in respect of services provided by employees up to the reporting date. The Department of Treasury and Finance has advised that a benchmark of eight years can be used for a shorthand estimation of long service leave liability in accordance with the provisions of AAS 30. This advice has been adopted and the long service leave liability has been calculated on that basis. Liabilities for employment on-costs such as superannuation contributions and payroll tax are calculated in accordance with AAS 30.

*Sick Leave*

No liability for sick leave was recognised in the financial report as sick leave taken by employees is considered to be taken from the current year's accrual.

**2.13 Cash on Hand and on Deposit**

For the purposes of the Statement of Cash Flows, cash on hand and on deposit includes cash deposits which are used in the cash management function on a day to day basis. Interest revenues are recognised as they accrue.

**2.14 Borrowing Costs**

Borrowing costs in relation to loans repayable to the SA Government Financing Authority (SAFA) are expensed in the period in which they occur.

**2.15 Leases**

The Department leases premises for its administrative and operating activities. Lease payments are included as expenditure in equal instalments over the accounting periods covered by the respective terms of the leases.

**2.16 Foreign Currency**

Assets and liabilities that are in a foreign currency have been brought into the accounts at the exchange rate applying at 30 June 2001. Income and expenses arising from transactions in a foreign currency are brought to account at the average exchange rate that applied during the period in which they occurred. Unrealised losses resulting from currency transactions have been brought to account in the Statement of Financial Performance.

**2.17 Goods and Services Tax**

In accordance with the requirements of Urgent Issues Group UIG Abstract 31 'Accounting for the Goods and Services Tax (GST)', revenues, expenses and assets are recognised net of the amount of GST 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;
- Receivable and payables are stated with the amount of GST included

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

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

**3. Expenses by Output Class and Output**

The Department has identified three broad output classes that reflect the nature of the services delivered to the South Australian community. These are:

**Output Class 1: Coordination and Advice**

Relates to coordination of whole of government initiatives or services and policy advice and development for and on behalf of the Minister.

**Output Class 2: Infrastructure Development**

Relates to the delivery and project management of major infrastructure projects.

**Output Class 3: Industry Development**

Relates to the development of South Australian industry to world competitive standards.

**3. Expenses by Output Class and Output (continued)**

Summary of expenses by output class and output for the year are as follows

|                             | 2001<br>\$'000 | 2000<br>\$'000 |
|-----------------------------|----------------|----------------|
| Coordination and advice:    |                |                |
| Policy advice               | 1 692          | 5 177          |
| Infrastructure Development: |                |                |
| Infrastructure facilitation | 74 825         | 17 888         |
| Industry Development:       |                |                |
| Investment facilitation     | 36 831         | 46 496         |
| Enterprise development      | 30 635         | 27 275         |
| Industry support            | 6 137          | 4 403          |
| Trade development           | 3 723          | 3 519          |
| Market South Australia      | 3 668          | 12 725         |
|                             | <b>80 994</b>  | <b>94 418</b>  |
| <b>Total</b>                | <b>157 511</b> | <b>117 483</b> |

**4. Overseas Representative Offices**

The following table provides a summary of the financial transactions for the year. The transactions relating to operating expenses and operating revenues have been included in the financial statements. The Dubai office commenced operations during the year.

|  | SATIC | Hong Kong | Jakarta | Bandung | Singapore | Kuala Lumpur | Tokyo | Dubai | 2001<br>Total<br>\$'000 | 2000<br>Total<br>\$'000 |
|--|-------|-----------|---------|---------|-----------|--------------|-------|-------|-------------------------|-------------------------|
| Operating expenses   | 1 309 | 1 172     | 393     | 81      | 748       | 147          | 1 452 | 498   | <b>5800</b>             | 4 982                   |
| Operating revenues   | 3     | 247       | 55      | -       | 6         | 1            | 257   | 116   | <b>685</b>              | 716                     |
| Funds advance to overseas offices towards operating expenses | 1 384 | 957       | 298     | 89      | 764       | 170          | 1 132 | 489   | <b>5 283</b>            | 4 297                   |

**5. Salaries, Wages and Related Payments**

Salaries, wages and related payments comprise:

|  |               |               |
|--|---------------|---------------|
| Salaries, wages, annual and sick leave | 19 130        | 20 673        |
| Long service leave                     | 611           | 651           |
| Superannuation                         | 1 876         | 1 947         |
| Other employee on-costs                | 1 631         | 1 474         |
| <b>Total</b>                           | <b>23 248</b> | <b>24 745</b> |

**6. Superannuation**

The Superannuation costs included in the financial statements comprise three components:

- During the reporting period, the Department paid \$1 303 000 (\$1 753 000) to the Department of Treasury and Finance towards the accruing government liability for Superannuation in respect of its employees.
- In addition, payments were made to other externally managed funds for currently employed contributors amounting to \$384 000 (\$94 000).
- From 1 July 1992, revised superannuation arrangements were implemented as a result of the Commonwealth Government's Superannuation guarantee legislation. The Department is required to make payments monthly amounting to 8 percent (7 percent) of eligible earnings. Payments made to an externally managed fund for employees in relation to this amounted to \$189 000 (\$98 000).

**7. Targeted Voluntary Separation Packages (TVSPs)**

In accordance with government policy to reduce the public sector workforce, 2 (4) employees of the Department were paid TVSPs during the period.

As at 30 June 2001 payments amounted to \$215 000 (\$324 000). In addition to this \$97 000 (\$110 000) was paid in accrued annual leave and long service leave entitlements to those employees who received a TVSP. These payments were met by the Department and \$65 000 has been recovered from the Department of the Premier and Cabinet.

**8. Industry and Other Financial Assistance**

Financial Assistance is provided from State and Commonwealth Funds. Proposals and applications for funding under various support programs and schemes are subject to specific guidelines and procedures issued by the Department and the Commonwealth. There are several approval delegations dependent upon the level and nature of assistance provided.

In some cases, the provision of assistance does not involve the direct outlay of funds by the Department. Assistance packages may involve elements of assistance provided through other government agencies, with the Department assuming the overall responsibility for the assistance arrangements. Generally, this is through the provision of purpose built buildings and exemptions or remissions from certain elements of state taxation.

## Industry and Trade

### 8. Industry and Other Financial Assistance (continued)

| Class of Assistance                            | Assistance Loans |                  |                       |             | Total Grants<br>\$'000 | Total Assistance<br>\$'000 |
|--|------------------|------------------|-----------------------|-------------|------------------------|----------------------------|
|  | Interest Free    | Interest Bearing | 99 Year Interest Free | Total Loans |                        |                            |
|  | \$'000           | \$'000           | \$'000                | \$'000      |                        |                            |
| Automotive Program                             | 500              | -                | -                     | 500         | -                      | 500                        |
| Adelaide to Darwin Railway construction        | -                | 25 000           | -                     | 25 000      | 50 000                 | 75 000                     |
| AustralAsia Railway Corporation operating cost | -                | -                | -                     | -           | 4 407                  | 4 407                      |
| Enterprise Development                         | 100              | -                | -                     | 100         | 9 279                  | 9 379                      |
| Industry Development                           | 2 437            | -                | 16 477                | 18 914      | 10 429                 | 29 343                     |
| Payroll Tax Reimbursement                      | -                | -                | 24                    | 24          | 5 181                  | 5 205                      |
| Rail Reform Transition Program                 | -                | -                | -                     | -           | 2 068                  | 2 068                      |
| Regional Development                           | -                | -                | -                     | -           | 3 824                  | 3 824                      |
| Regional Industry Development                  | 548              | -                | -                     | 548         | 125                    | 673                        |
| Regional infrastructure                        | 300              | -                | 260                   | 560         | 2 095                  | 2 655                      |
| Tourism Infrastructure                         | -                | -                | -                     | -           | 3 345                  | 3 345                      |
| Other  | -                | -                | -                     | -           | 1 901                  | 1 901                      |
|  | 3 885            | 25 000           | 16 761                | 45 646      | 92 654                 | 138 300                    |

In relation to assistance to Industry, under the provisions of the *Industries Development Act 1941*, the Minister may refer any matter to the Industries Development Committee for review and recommendation by the Committee. Details of assistance recommended by the Committee during the reporting period were:

| Financial assistance:                          | 2001   |              | 2000   |              |
|--|--------|--------------|--------|--------------|
|  | Number | Total \$'000 | Number | Total \$'000 |
| Investment incentives                          | 16     | 58 307       | 5      | 3 439        |
| Industrial and Commercial Premises Corporation | 4      | 20 770       | 1      | 8 000        |

### 9. Payments to Consultants

Total payment to consultants were \$1 709 000, of which \$157 000 were capitalised as part of Work in Progress.

The consultancies used by the Department and payments made have been grouped under the following ranges:

|                      | 2001<br>Number of<br>Consultancies |
|----------------------|------------------------------------|
| Below \$10 001       | 65                                 |
| \$10 001 - \$20 000  | 28                                 |
| \$20 001 - \$30 000  | 10                                 |
| \$30 001 - \$40 000  | 5                                  |
| \$40 001 - \$50 000  | 3                                  |
| \$70 001 - \$80 000  | 1                                  |
| \$90 001 - \$100 000 | 1                                  |
| Over \$100 000       | 1                                  |

#### \$10 001 - \$20 000

Australian Bureau of Statistics  
Options Australia  
South Australian Centre for Economic Studies  
Hender Consulting  
Ernst & Young  
Robert Taylor & Associates  
Geothermal Engineering  
Pattens Strategists  
GPA Engineering Pty Ltd  
Mann Judd Consulting  
Hudson Howells Asia Pacific Consulting  
CT Communications  
Burke Consulting Pty Ltd  
The Learning Enterprise Pty Ltd  
Australian Bureau of Statistics  
EconSearch Pty Ltd  
Murray F Young & Associates  
Australian Business Links  
BurnVoor Pty Ltd  
Synnot & Wilkinson Pty Ltd  
Woodforde Dare Consulting  
Woodforde Dare Consulting  
Woodforde Dare Consulting  
Tonkin Consulting  
CT Communications  
Economic Research Consultants Pty Ltd  
Brenton Leitch & Associates  
Transport SA

#### Consultancy Title

Competitiveness Indicators Project Scoping Study  
GSEU Services  
Ageing Population Economic Development Opportunities  
Recruitment of E-Business Collaboration Manager  
Investigative Accountants Report on Bakeries of Aust Pty Ltd  
SA R & D Sector and Commercialisation Study  
Energy Study - Glenside  
First Class Meals Project Review  
Pipeline Cost Estimates  
Tooling Study  
City Centre Vital Fund Evaluation  
Back Office Consulting  
2000 Manufacturer of the Year  
Manufacturer of the Year  
Regional Development Inducement Program  
SA I/O Table Update  
DSTO Industrial Park Traffic Study  
Canola & Biodiesel Fuels Scoping Study  
Darwin to Moomba Gas Pipeline Energy Cost Comparison  
Environmental Consultancy Services  
Mussel Investment Attraction  
Snapper Investment Attraction  
Yellowtail Investment Attraction  
North East Ring Route Concept Design  
Marketing Consultancy  
Economic Analysis & Valuation of DIT Projects  
2000 Manufacturer of the Year  
Contribution to Regional Airports Strategy

#### \$20 001 - \$30 000

Peter Zeleny Analytics Pty Ltd  
New Focus Pty Ltd  
Linn Family Trust  
Where U Learn .com  
ISS International Pty Ltd  
KPMG Consulting  
Regency Institute of TAFE  
John Dawkins & Co  
Bill Godfrey & Associates  
Stokes & Associates

Toolmaking Industry Survey  
Food Research & Survey  
Management Consulting  
Regional Boards - Internet as an Information Learning Resource Pilot Program  
Maritime Recycling Research  
Review of IIAF  
Foundry Training Skills  
Investigation into SA's representation in USA  
SA Business Vision 2010  
Consultancy Services

|            |  |   |               |               |
|------------|--|---|---------------|---------------|
| <b>9.</b>  | <b>Payments to Consultants (continued)</b>   |   |               |               |
|            | <b>\$30 001 - \$40 000</b>   |   |               |               |
|            | Challenger Beston Ltd  | Advanced Manufacturing Facility Advisory Services               |               |               |
|            | Mediamotion Australasia  | International SA – Communications Strategy for Overseas Offices |               |               |
|            | Primary Industries & Resources   | Organic Fertilizer Y Project                                    |               |               |
|            | Rodski Behavioural Research Group  | External Customer Satisfaction Research                         |               |               |
|            | World Competitive Practice Pty Ltd   | Employee Relations Options & Strategy Development               |               |               |
|            | <b>\$40 001 - \$50 000</b>   |   |               |               |
|            | Ebart Pty Ltd  | Consulting Services to Automotive Task Force                    |               |               |
|            | Affleck Consulting Pty Ltd   | Asian Gateway Vision - Inception Report                         |               |               |
|            | Heaton Consultancies   | Marketing Prospectus  |               |               |
|            | <b>\$70 001 - \$80 000</b>   |   |               |               |
|            | Dept for Transport Urban Planning and the Arts   | Contribution to Gepps Cross Study                               |               |               |
|            | <b>\$90 001 - \$100 000</b>  |   |               |               |
|            | Disney-Howe Associates Pty Ltd   | Defence related Issues  |               |               |
|            | <b>Over \$100 000</b>  |   |               |               |
|            | Auspine Ltd  | Tarpeena Co-Generation Power Station Study Contribution         |               |               |
| <b>10.</b> | <b>Write-down of Financial Assistance Debtors</b>  |   |               |               |
|            | Consistent with the policy regarding Financial Assistance Debtor Recognition in relation to 99 year interest free loans (refer Note 2.4), loans with a carrying amount of \$19 352 000 were written down to nil value. |   |               |               |
| <b>11.</b> | <b>Loss on Disposal/Write-off of Fixed Assets</b>  |   |               | <b>2001</b>   |
|            | Furniture and Equipment:   |   |               | <b>\$'000</b> |
|            | Historic cost of assets disposed/written-off   |   |               | <b>525</b>    |
|            | Less: Accumulated depreciation   |   |               | <b>209</b>    |
|            |  |   |               | <b>316</b>    |
|            | Proceeds from disposal   |   |               | <b>44</b>     |
|            |  |   |               | <b>272</b>    |
|            | Computer Equipment:  |   |               | <b>1 412</b>  |
|            | Historic cost of assets disposed/written-off   |   |               | <b>1 152</b>  |
|            | Less: Accumulated depreciation   |   |               | <b>260</b>    |
|            |  |   |               | <b>31</b>     |
|            | Proceeds from disposal   |   |               | <b>229</b>    |
|            |  |   |               | <b>501</b>    |
| <b>12.</b> | <b>Receivables</b>   |   | <b>2001</b>   | <b>2000</b>   |
|            |  |   | <b>\$'000</b> | <b>\$'000</b> |
|            | Trade debtors  | <b>1 234</b>  |               | 2 334         |
|            | Less: Provision for doubtful debts   | <b>85</b>   |               | 61            |
|            |  | <b>1 149</b>  |               | 2 273         |
|            | Interest on deposit accounts and bank accounts   | <b>69</b>   |               | 751           |
|            | Prepayments  | <b>59</b>   |               | 170           |
|            | GST receivable   | <b>1 592</b>  |               | 30            |
|            | Other receivables  | <b>216</b>  |               | 172           |
|            |  | <b>3 085</b>  |               | 3 396         |
| <b>13.</b> | <b>Financial Assistance Debtors</b>  |   |               |               |
|            | Current  |   | <b>7 407</b>  | 5 905         |
|            | Less: Provision for doubtful debts   |   | <b>2 731</b>  | 2 741         |
|            | <b>Total Current</b>   |   | <b>4 676</b>  | 3 164         |
|            | Non-Current:   |   | <b>82 598</b> | 60 299        |
|            | Less: Provision for bad and doubtful debts   |   | <b>2 557</b>  | 2 556         |
|            | <b>Total Non-Current</b>   |   | <b>80 041</b> | 57 743        |
| <b>14.</b> | <b>Fixed Assets</b>  |   | <b>2001</b>   | <b>2000</b>   |
|            | <b>(a) Carrying values</b>   | <b>\$'000</b>   | <b>\$'000</b> | <b>\$'000</b> |
|            | Land - At cost   |   | <b>5 436</b>  | 1 360         |
|            | Work in progress   |   | <b>10 844</b> | 191           |
|            | Furniture and equipment  | <b>3 861</b>  |               | 4 091         |
|            | Less: Accumulated depreciation   | <b>1 919</b>  |               | 2 559         |
|            |  |   | <b>1 942</b>  | 1 532         |
|            | Computer equipment   | <b>1 675</b>  |               | 2 901         |
|            | Less: Accumulated depreciation   | <b>742</b>  |               | 1 303         |
|            |  |   | <b>933</b>    | 1 598         |
|            | Works of art   |   | <b>21</b>     | 21            |
|            | <b>Total Net Value of Assets</b>   |   | <b>19 176</b> | 4 702         |

| <b>(b) Movements in Fixed Assets</b>    | Land         | Work in Progress | Furniture and Equipment | Computer Equipment | Works of Art | <b>Total</b>   |
|---|--------------|------------------|-------------------------|--------------------|--------------|----------------|
|   | \$'000       | \$'000           | \$'000                  | \$'000             | \$'000       | <b>\$'000</b>  |
| Gross Carrying Amount:                  |              |                  |                         |                    |              |                |
| Balance at 1 July 2000                  | 1 360        | 191              | 4 091                   | 2 901              | 21           | <b>8 564</b>   |
| Additions                               | 4 076        | 10 653           | 142                     | 649                | -            | <b>15 520</b>  |
| Disposals                               | -            | -                | (525)                   | (1 412)            | -            | <b>(1 937)</b> |
| Net revaluation increments (decrements) | -            | -                | 153                     | (463)              | -            | <b>(310)</b>   |
| <b>Balance at 30 June 2001</b>          | <b>5 436</b> | <b>10 844</b>    | <b>3 861</b>            | <b>1 675</b>       | <b>21</b>    | <b>21 837</b>  |
| Accumulated Depreciation:               |              |                  |                         |                    |              |                |
| Balance at 1 July 2000                  | -            | -                | 2 599                   | 1 303              | -            | <b>3 862</b>   |
| Disposals                               | -            | -                | (209)                   | (1 152)            | -            | <b>(1 361)</b> |
| Depreciation expense                    | -            | -                | 329                     | 776                | -            | <b>1 105</b>   |
| Net revaluation (increments) decrements | -            | -                | (760)                   | (185)              | -            | <b>(945)</b>   |
| <b>Balance at 30 June 2001</b>          | <b>-</b>     | <b>-</b>         | <b>1 919</b>            | <b>742</b>         | <b>-</b>     | <b>2 661</b>   |
| Net Book Value:                         |              |                  |                         |                    |              |                |
| As at 30 June 2000                      | 1 360        | 191              | 1 532                   | 1 598              | 21           | 4 702          |
| As at 30 June 2001                      | <b>5 436</b> | <b>10 844</b>    | <b>1 942</b>            | <b>933</b>         | <b>21</b>    | <b>19 176</b>  |

| <b>15. Borrowings</b>                               | <b>2001</b>   | <b>2000</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Repayment details during the reporting period were: |               |               |
| Opening balance                                     | 17 043        | 20 287        |
| Less: Principal repaid to SAFA                      | 4 783         | 2 688         |
| Transfers   | -             | 556           |
| <b>Balance Outstanding at 30 June</b>               | <b>12 260</b> | <b>17 043</b> |
| Represented by:                                     |               |               |
| Current Liability                                   | 1 898         | 2 311         |
| Non-Current Liability                               | 10 362        | 14 732        |
| <b>Balance Outstanding at 30 June</b>               | <b>12 260</b> | <b>17 043</b> |

| <b>16. Payables and Accrued Expenses</b> | <b>2001</b>   | <b>2000</b>   |
|--|---------------|---------------|
|  | <b>\$'000</b> | <b>\$'000</b> |
| Current Liabilities:                     |               |               |
| Trade creditors and accruals             | 585           | 2 355         |
| Accrued interest on borrowings           | -             | 133           |
| GST Payable                              | 57            | -             |
| Employee on-costs                        | 461           | 515           |
|  | <b>1 103</b>  | <b>3 003</b>  |
| Non Current Liabilities:                 |               |               |
| Employee on-costs                        | 299           | 263           |

| <b>17. Employee Entitlements and Related Provisions</b> | <b>2001</b>   | <b>2000</b>   |
|---|---------------|---------------|
|   | <b>\$'000</b> | <b>\$'000</b> |
| Current Liabilities:                                    |               |               |
| Accrued salaries and wages                              | -             | 99            |
| Annual Leave  | 1 324         | 1 101         |
| Long service leave                                      | 306           | 270           |
| Workers Compensation <sup>(1)</sup>                     | 27            | 27            |
| <b>Total Current</b>                                    | <b>1 657</b>  | <b>1 497</b>  |
| Non-Current Liabilities:                                |               |               |
| Long service leave                                      | 2 527         | 2 227         |
| Workers Compensation <sup>(1)</sup>                     | 97            | 83            |
| <b>Total Non-Current</b>                                | <b>2 624</b>  | <b>2 310</b>  |

(1) These amounts are an actuarial assessment of the Department's workers compensation liabilities at 30 June 2001 contained in a report prepared by Taylor Fry Consulting Actuaries and submitted to the Public Sector Occupational Health and Injury Management branch (PSOHIM) of the Department of the Premier and Cabinet. The amounts reflect the Department's experience of claim numbers and payments over the period 1 July 1987 to 30 June 2001. A separate valuation of the liabilities may result in a different assessed liability.

The actuarial report conforms to the WorkCover Guidelines for Actuaries, Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and Professional Standard PS 300 'Actuarial Reports and Advice on Outstanding Claims in General Insurance' of the Institute of Actuaries of Australia.

| <b>18. Accumulated Surplus</b> | <b>2001</b>    | <b>2000</b>   |
|--------------------------------|----------------|---------------|
|                                | <b>\$'000</b>  | <b>\$'000</b> |
| Balance 1 July                 | 97 776         | 127 828       |
| Operating surplus(deficit)     | 7 207          | (30 052)      |
| <b>Balance 30 June</b>         | <b>104 983</b> | <b>97 776</b> |

|       |  |                   |            |
|-------|--|-------------------|------------|
| 19.   | <b>Asset Revaluation Reserve</b>   | <b>2001</b>       | 2000       |
|       |  | <b>\$'000</b>     | \$'000     |
|       | Balance 1 July   | -                 | -          |
|       | Revaluation increment arising from revaluation of Furniture and Equipment  | <b>913</b>        | -          |
|       | <b>Balance 30 June</b>   | <b>913</b>        | -          |
| <hr/> |  |                   |            |
| 20.   | <b>Notes to the Statement of Cash Flows</b>  |                   |            |
|       | <b>20.1 Reconciliation of Cash</b>   |                   |            |
|       | Closing cash balance as shown in the Statement of Cash Flows is represented by the following balances:   |                   |            |
|       | Department of Industry and Trade operating account and other funds   | <b>16 188</b>     | 52 378     |
|       | Cash held in bank accounts   | <b>657</b>        | 466        |
|       | Treasury imprest accounts  | <b>14</b>         | 9          |
|       | Cash on hand   | <b>2</b>          | 15         |
|       |  | <b>16 861</b>     | 52 868     |
| <hr/> |  |                   |            |
|       | <b>20.2 Reconciliation of Net Cash (used in) provided by Operating Activities to Surplus from Ordinary Activities</b>  |                   |            |
|       | Surplus from ordinary activities   | <b>7 207</b>      | 29 693     |
|       | Depreciation   | <b>1 105</b>      | 932        |
|       | Restructuring proceeds and net asset transfers   | -                 | (3 262)    |
|       | Loss on disposal/write-off of fixed assets   | <b>501</b>        | 1 147      |
|       | Decrement on reduction of computer equipment   | <b>278</b>        | -          |
|       | Change in assets and liabilities:  |                   |            |
|       | (Increase) in receivables and financial assistance debtors   | <b>(23 499)</b>   | (4 948)    |
|       | Decrease in inventories  | <b>19</b>         | 176        |
|       | (Decrease) in payables, employee entitlements and related provisions   | <b>(1 390)</b>    | (22)       |
|       | <b>Net Cash (used in) provided by Operating Activities</b>   | <b>(15 779)</b>   | 23 716     |
| <hr/> |  |                   |            |
| 21.   | <b>Financial Assistance Commitments</b>  |                   |            |
|       | In addition to the payments of assistance described in Note 8, the Department has financial commitments under agreements with various bodies. The payment of funds committed is subject to certain performance criteria being met by these bodies.   |                   |            |
|       |  | <b>2001</b>       | 2000       |
|       |  | <b>\$'million</b> | \$'million |
|       | Not later than one year  | <b>71.5</b>       | 24.8       |
|       | Later than one year but not later than three years   | <b>86.1</b>       | 24.2       |
|       | Later than three years but not later than eight years  | <b>20.8</b>       | 15.2       |
|       | <b>Funds Committed at 30 June</b>  | <b>178.4</b>      | 64.2       |
| <hr/> |  |                   |            |
| 22.   | <b>Lease Commitments</b>   |                   |            |
|       | At 30 June, the Department had the following obligations under non-cancellable operating leases. The Department has various operating lease arrangements for the use of property that generally provide for lease payments in advance. Rental provisions provide for rental adjustments by negotiation or in accordance with movements in the CPI. Generally options exist to renew the leases at the expiration of the term of the leases. These obligations have not been recognised as liabilities in the Financial Statements. |                   |            |
|       |  | <b>2001</b>       | 2000       |
|       |  | <b>\$'000</b>     | \$'000     |
|       | Not later than one year  | <b>2 189</b>      | 2 583      |
|       | Later than one year but not later than five years  | <b>4 223</b>      | 5 077      |
|       | Later than five years  | <b>2 181</b>      | 2 804      |
|       |  | <b>8 593</b>      | 10 464     |
| <hr/> |  |                   |            |
| 23.   | <b>Employee Remuneration</b>   | <b>2001</b>       | 2000       |
|       | The following table sets out the number of employees with total remuneration in excess of \$100 000 within the following bands:  | <b>Number of</b>  | Number of  |
|       |  | <b>Employees</b>  | Employees  |
|       | \$100 000 - \$110 000  | <b>2</b>          | 4          |
|       | \$110 001 - \$120 000  | <b>4</b>          | 7          |
|       | \$120 001 - \$130 000  | <b>7</b>          | 2          |
|       | \$130 001 - \$140 000  | <b>3</b>          | 4          |
|       | \$140 001 - \$150 000  | <b>2</b>          | 2          |
|       | \$150 001 - \$160 000  | <b>-</b>          | 2          |
|       | \$160 001 - \$170 000  | <b>1</b>          | -          |
|       | \$170 001 - \$180 000  | <b>2</b>          | -          |
|       | \$180 001 - \$190 000  | <b>1</b>          | -          |
|       | \$190 001 - \$200 000  | <b>1</b>          | 2          |
|       | \$230 001 - \$240 000  | <b>-</b>          | 1          |
|       | \$270 001 - \$280 000  | <b>1</b>          | -          |
|       | Total remuneration received or receivable by these employees was \$3.4 million (\$3.3 million).  |                   |            |
| 24.   | <b>Auditors' Remuneration</b>  |                   |            |
|       | Amounts due and receivable by the Auditor-General's Department for the audit of the Department for the reporting period total \$150 000 (\$150 000).   |                   |            |

**25. Interest and Credit Risk Exposure**

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

The Department recognises Trade Payables as they are incurred and recognises Accrued Expenses for goods and services supplied that have not been paid for. Trade Payables are normally settled on 30 day terms with no exposure to interest rate risk.

Trade Debtors are recognised at the time the debt is incurred with terms set at 30 days. There is no exposure to interest rate risk on Trade Debtors and credit risk is negligible. By definition, prepayments do not represent an exposure to interest rate risk.

In relation to loans provided to external parties, the credit risk is limited to the carrying amount of the assets in the Statement of Financial Position. However, conditions relating to some forms of assistance provide that in certain circumstances, loans can be reduced or forgiven.

The following table provides information relating to Interest Rate Risk for recognised Financial Assets and Financial Liabilities:

| Financial Instrument                 | Weighted<br>Average<br>Effective<br>Interest<br>Rate<br>Percent | 2001<br>Fixed Interest Maturing in |                             |                           |                                   |               | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000 |
|--------------------------------------|---|------------------------------------|-----------------------------|---------------------------|-----------------------------------|---------------|---------------------------------------|-----------------|
|                                      |   | Floating<br>Interest<br>\$'000     | 1 year<br>or less<br>\$'000 | 1 to 5<br>years<br>\$'000 | More<br>than<br>5 years<br>\$'000 |               |                                       |                 |
|                                      |   |                                    |                             |                           |                                   |               |                                       |                 |
| <b>Financial Assets:</b>             |   |                                    |                             |                           |                                   |               |                                       |                 |
| Cash on hand and on deposit          | 5.77  | 16 861                             | -                           | -                         | -                                 | -             | <b>16 861</b>                         |                 |
| Receivables                          | -   | -                                  | -                           | -                         | -                                 | 3 085         | <b>3 085</b>                          |                 |
| <b>Financial assistance debtors:</b> |   |                                    |                             |                           |                                   |               |                                       |                 |
| 99 year loans                        | -   | -                                  | -                           | -                         | -                                 | 44 450        | <b>44 450</b>                         |                 |
| Interest free loans                  | -   | -                                  | -                           | -                         | -                                 | 18 706        | <b>18 706</b>                         |                 |
| Interest bearing loans               | 7.57  | -                                  | 459                         | 745                       | 25 645                            | -             | <b>26 849</b>                         |                 |
|                                      |   | <u>16 861</u>                      | <u>459</u>                  | <u>745</u>                | <u>25 645</u>                     | <u>66 241</u> | <b>109 951</b>                        |                 |
| <b>Financial Liabilities:</b>        |   |                                    |                             |                           |                                   |               |                                       |                 |
| Borrowings                           | 12.47   | -                                  | 1 898                       | 10 362                    | -                                 | -             | <b>12 260</b>                         |                 |
| Payables                             | -   | -                                  | -                           | -                         | -                                 | 1 402         | <b>1 402</b>                          |                 |
|                                      |   | <u>-</u>                           | <u>1 898</u>                | <u>10 362</u>             | <u>-</u>                          | <u>1 402</u>  | <b>13 662</b>                         |                 |

**26. Contingent Liabilities**

Guarantees granted in respect of borrowing arrangements that were effected through the Industry Incentives and Assistance Fund (IIAF) are provided on the approval of the Treasurer pursuant to the terms of the *Industries Development Act 1941*. That approval provides, inter alia, that no such guarantees should be executed except on the recommendation of the Industries Development Committee.

In addition, certain guarantees and indemnities have been provided by the Minister for Industry and Trade as part of various Industry Assistance packages.

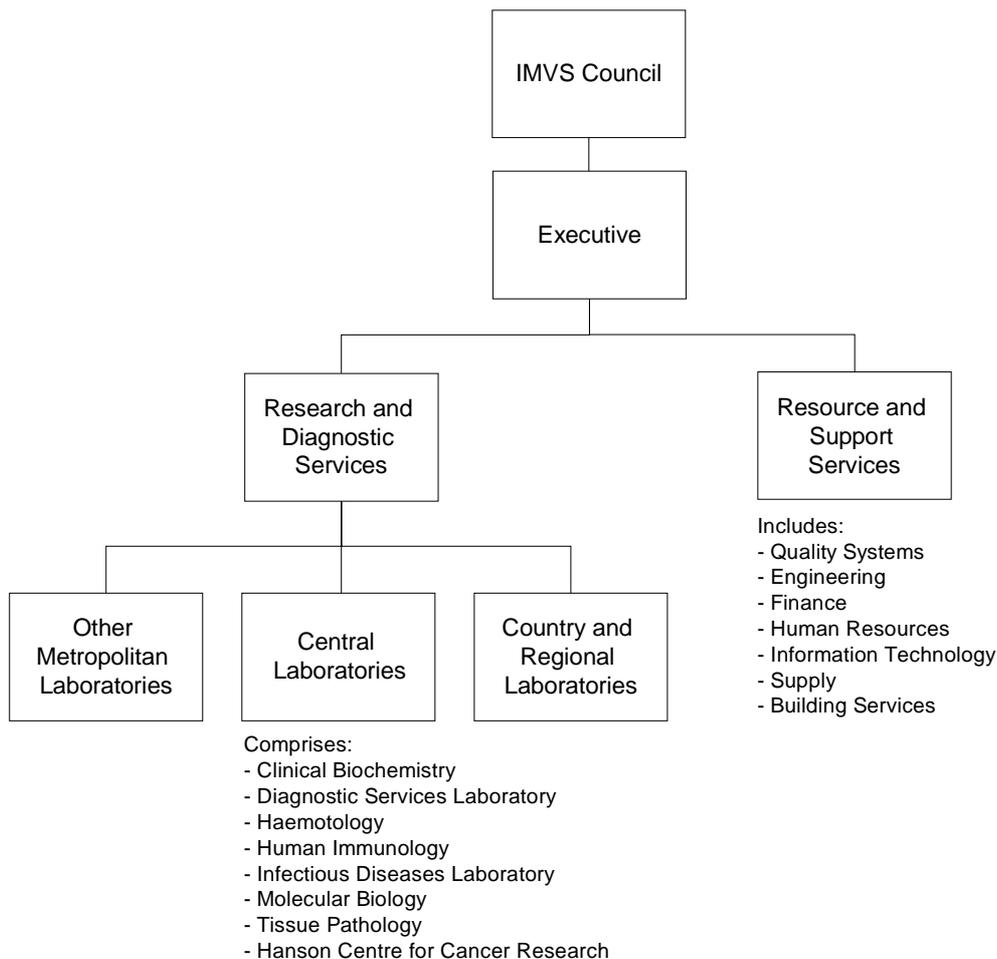
# INSTITUTE OF MEDICAL AND VETERINARY SCIENCE

## FUNCTIONAL RESPONSIBILITY AND STRUCTURE

The Institute, a body corporate, was established under the *Institute of Medical and Veterinary Science Act 1982*. It is administered by a Council and is subject to the control and direction of the Minister for Human Services.

The Institute conducts its operations through 15 metropolitan, country and regional locations, including an animal research centre at Gilles Plains.

As at 30 June 2001 the Institute had one controlled entity being Medvet Science Pty Ltd.



## Medvet Science Pty Ltd

Medvet Science Pty Ltd is a proprietary company incorporated under the provisions of the Corporations Law.

The principal activities of the Company are:

- production and sale of products for use in the provision of medical diagnostic services and scientific research;
- commercial exploitation of knowledge acquired by the IMVS in the course of conducting research;
- provision of consulting and other related services.

## **SIGNIFICANT FEATURE**

In respect to the unconsolidated operations of the Institute total ordinary revenue increased by \$24.9 million and government revenues for the provision of general health services decreased by \$29.2 million. This was due principally to a change in funding arrangements in respect to private pathology tests. From 1 October 2000 the Commonwealth Department of Health and Aged Care restricted the Health Program Grant funding arrangements to private pathology tests originating in rural and remote areas of South Australia with the exception of Mount Gambier and Whyalla. Since that date private pathology tests originating in metropolitan Adelaide and its surrounding suburbs, and in Mount Gambier and Whyalla have been funded through Medicare. The Health Program Grant is included in the operating grant from the Department of Human Services, while Medicare funding is recorded as ordinary revenue.

## **AUDIT MANDATE AND COVERAGE**

### **Audit Authority**

Subsection 21(2) of the *Institute of Medical and Veterinary Science Act 1982* provides for the Auditor-General to audit the accounts of the Institute in respect of each financial year.

### **Scope of Audit**

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

During 2000-01 specific areas of audit attention included:

- salaries and wages
- property, plant and equipment
- accounts payable
- liabilities
- revenue
- general ledger
- inventory.

### **Audit Communications to Management**

The scope of audit review and issues arising were conveyed to the Director of the Institute in an audit management letter. The response from the Institute indicated action taken or proposed to address the issues raised by Audit.

## **AUDIT FINDINGS AND COMMENTS**

### **Commentary on General Financial Controls**

The audit of the Institute indicated that the general control environment was satisfactory.

### **CONTROLS OPINION**

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Institute of Medical and Veterinary Science included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised by the Institute of Medical and Veterinary Science in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

**Statement of Financial Performance for the year ended 30 June 2001**

|  | Note | Consolidated   |                | Health Service |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| <b>ORDINARY EXPENSES:</b>                                    |      |                |                |                |                |
| Salaries, wages and other employee entitlements              | 3(a) | 59 160         | 56 107         | 56 756         | 54 230         |
| Goods and services   | 3(b) | 29 158         | 26 684         | 25 851         | 24 978         |
| Depreciation and amortisation                                | 3(c) | 3 803          | 4 695          | 3 669          | 4 612          |
| Borrowing costs  | 3(d) | 37             | 38             | 123            | 107            |
| Other expenses   | 3(e) | 1 537          | 2 459          | 1 537          | 2 459          |
| <b>Total Expenses</b>  |      | <b>93 695</b>  | <b>89 983</b>  | <b>87 936</b>  | <b>86 386</b>  |
| <b>ORDINARY REVENUES:</b>                                    |      |                |                |                |                |
| User charges and fees  | 4(a) | 56 758         | 28 745         | 49 067         | 23 322         |
| Investment income  | 4(b) | 1 201          | 971            | 904            | 603            |
| Grants and contributions                                     | 4(c) | 8 002          | 8 257          | 8 675          | 9 427          |
| Other revenues   | 4(d) | 925            | 1 419          | 864            | 1 260          |
| <b>Total Revenue</b>   |      | <b>66 886</b>  | <b>39 392</b>  | <b>59 510</b>  | <b>34 612</b>  |
| <b>NET COST OF SERVICES</b>                                  |      | <b>26 809</b>  | <b>50 591</b>  | <b>28 426</b>  | <b>51 774</b>  |
| Government revenues for provision of general health services | 5    | 32 007         | 61 186         | 32 007         | 61 186         |
| Net loss on sale of property, plant and equipment            | 6    | (197)          | (17)           | (168)          | (17)           |
| <b>SURPLUS FOR THE YEAR</b>                                  |      | <b>5 001</b>   | <b>10 578</b>  | <b>3 413</b>   | <b>9 395</b>   |

**Statement of Financial Position as at 30 June 2001**

|  | Note | Consolidated   |                | Health Service |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| <b>CURRENT ASSETS:</b>                       |      |                |                |                |                |
| Cash   | 8    | 21 050         | 20 441         | 17 032         | 14 950         |
| Receivables                                  | 9    | 8 318          | 6 877          | 7 372          | 6 322          |
| Investments                                  | 10   | 281            | 266            | 281            | 266            |
| Inventories                                  | 11   | 954            | 872            | 290            | 319            |
| Other current assets                         | 12   | 667            | 431            | 581            | 409            |
| <b>Total Current Assets</b>                  |      | <b>31 270</b>  | <b>28 887</b>  | <b>25 556</b>  | <b>22 266</b>  |
| <b>NON-CURRENT ASSETS:</b>                   |      |                |                |                |                |
| Receivables                                  | 9    | 280            | 178            | 280            | 178            |
| Investments                                  | 10   | 2 508          | 500            | 1 150          | 1 150          |
| Land and improvements                        | 13   | 45 134         | 41 220         | 41 847         | 39 801         |
| Plant and equipment                          | 14   | 8 617          | 9 145          | 8 058          | 8 902          |
| Other non-current assets                     | 12   | 16             | 14             | 16             | 14             |
| <b>Total Non-Current Assets</b>              |      | <b>56 555</b>  | <b>51 057</b>  | <b>51 351</b>  | <b>50 045</b>  |
| <b>Total Assets</b>                          |      | <b>87 825</b>  | <b>79 944</b>  | <b>76 907</b>  | <b>72 311</b>  |
| <b>CURRENT LIABILITIES:</b>                  |      |                |                |                |                |
| Payables                                     | 15   | 8 834          | 7 183          | 3 909          | 2 831          |
| Borrowings                                   | 16   | -              | -              | -              | 1 400          |
| Employee entitlements and related provisions | 17   | 3 501          | 3 230          | 3 319          | 3 072          |
| Other current liabilities                    | 18   | 3              | 3              | 3              | 3              |
| <b>Total Current Liabilities</b>             |      | <b>12 338</b>  | <b>10 416</b>  | <b>7 231</b>   | <b>7 306</b>   |
| <b>NON-CURRENT LIABILITIES:</b>              |      |                |                |                |                |
| Payables                                     | 15   | 1 081          | 920            | 1 081          | 920            |
| Employee entitlements and related provisions | 17   | 11 074         | 10 052         | 10 980         | 9 995          |
| Other non-current liabilities                | 18   | 72             | 42             | 72             | 42             |
| <b>Total Non-Current Liabilities</b>         |      | <b>12 227</b>  | <b>11 014</b>  | <b>12 133</b>  | <b>10 957</b>  |
| <b>Total Liabilities</b>                     |      | <b>24 565</b>  | <b>21 430</b>  | <b>19 364</b>  | <b>18 263</b>  |
| <b>NET ASSETS</b>                            |      | <b>63 260</b>  | <b>58 514</b>  | <b>57 543</b>  | <b>54 048</b>  |
| <b>EQUITY:</b>                               |      |                |                |                |                |
| Reserves                                     |      | 11 134         | 8 217          | 9 580          | 6 799          |
| Accumulated surplus                          |      | 52 126         | 50 297         | 47 963         | 47 249         |
| <b>TOTAL EQUITY</b>                          | 19   | <b>63 260</b>  | <b>58 514</b>  | <b>57 543</b>  | <b>54 048</b>  |
| Commitments                                  | 20   |                |                |                |                |

**Statement of Cash Flows for the year ended 30 June 2001**

|  | Note  | Consolidated                            |   | Health Service                          |   |
|--|-------|---|---|---|---|
|  |       | 2001<br>Inflows<br>(Outflows)<br>\$'000 | 2000<br>Inflows<br>(Outflows)<br>\$'000 | 2001<br>Inflows<br>(Outflows)<br>\$'000 | 2000<br>Inflows<br>(Outflows)<br>\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |       |   |   |   |   |
| <b>PAYMENTS:</b>   |       |   |   |   |   |
| Salaries, wages and other employee entitlements              |       | (58 044)                                | (57 361)                                | (55 955)                                | (55 752)                                |
| Goods and services   |       | (28 191)                                | (25 952)                                | (24 522)                                | (24 870)                                |
| Borrowing costs  |       | (42)                                    | (38)                                    | (123)                                   | (107)                                   |
| Grants and subsidies paid                                    |       | (146)                                   | (356)                                   | (146)                                   | (356)                                   |
| GST payments on purchases                                    |       | (3 970)                                 | (66)                                    | (3 307)                                 | (66)                                    |
| GST remitted to the ATO                                      |       | (425)                                   | -                                       | (340)                                   | -                                       |
| Other payments   |       | (1 508)                                 | (1 868)                                 | (1 508)                                 | (1 868)                                 |
| <b>RECEIPTS:</b>   |       |   |   |   |   |
| User charges and fees  |       | 54 992                                  | 28 539                                  | 47 091                                  | 23 286                                  |
| Interest received  |       | 1 207                                   | 923                                     | 878                                     | 582                                     |
| Other grants and contributions received                      |       | 8 002                                   | 8 257                                   | 8 675                                   | 9 426                                   |
| GST collected  |       | 4 161                                   | 15                                      | 3 414                                   | 15                                      |
| GST refund from the ATO                                      |       | 190                                     | -                                       | 190                                     | -                                       |
| Other receipts   |       | 636                                     | 1 255                                   | 884                                     | 1 295                                   |
| <b>GOVERNMENT RECEIPTS:</b>                                  |       |   |   |   |   |
| Government revenues for provision of general health services |       | 30 738                                  | 56 058                                  | 30 738                                  | 56 058                                  |
| <b>Net Cash provided by Operating Activities</b>             | 21(a) | <b>7 600</b>                            | <b>9 406</b>                            | <b>5 969</b>                            | <b>7 643</b>                            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 |       |   |   |   |   |
| Receipts from sale of non-current assets                     |       | 1 000                                   | -                                       | -                                       | -                                       |
| Payments for purchase of non-current assets                  | 22    | (4 050)                                 | (5 574)                                 | (1 942)                                 | (4 205)                                 |
| Other net outflows from investing activities                 |       | (2 553)                                 | (77)                                    | (545)                                   | -                                       |
| <b>Net Cash used in Investing Activities</b>                 |       | <b>(5 603)</b>                          | <b>(5 651)</b>                          | <b>(2 487)</b>                          | <b>(4 205)</b>                          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                 |       |   |   |   |   |
| Repayments of borrowings                                     |       | -                                       | -                                       | (1 400)                                 | -                                       |
| Other net outflows from financing activities                 |       | (388)                                   | (581)                                   | -                                       | -                                       |
| <b>Net Cash used in Financing Activities</b>                 |       | <b>(388)</b>                            | <b>(581)</b>                            | <b>(1 400)</b>                          | <b>-</b>                                |
| <b>NET INCREASE IN CASH HELD</b>                             |       | <b>1 609</b>                            | <b>3 174</b>                            | <b>2 082</b>                            | <b>3 438</b>                            |
| <b>CASH AT 1 JULY</b>  |       | <b>19 441</b>                           | <b>16 267</b>                           | <b>14 950</b>                           | <b>11 512</b>                           |
| <b>CASH AT 30 JUNE</b>                                       | 8     | <b>21 050</b>                           | <b>19 441</b>                           | <b>17 032</b>                           | <b>14 950</b>                           |

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

**1. Institute of Medical and Veterinary Science Objectives**

The primary function of the Institute is the provision of a comprehensive diagnostic medical service in Adelaide and Regional and Branch laboratories throughout the State. The Institute is also intrinsically involved in research and teaching and fulfils many public health functions.

Funding is obtained from the Commonwealth Government, the Department of Human Services, public donations, private funds, foundations and other sources.

Users of these financial statements should note that the Commonwealth Government funds the major part but not the entire operations of the Institute. From 1 October 2000 the Commonwealth Department of Health and Aged Care restricted the Health Program Grant funding arrangements to private pathology tests originating in rural and remote areas of South Australia with the exception of Mount Gambier and Whyalla. Since that date private pathology tests originating in metropolitan Adelaide and its surrounding suburbs, and in Mount Gambier and Whyalla have been funded through Medicare. The Health Program Grant is included in the operating grant from the Department of Human Services, while Medicare funding is recorded as ordinary revenue.

**2. Significant Accounting Policies**

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

- Statements of Accounting Concepts;
- applicable Australian Accounting Standards;
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB);
- Urgent Issues Group (UIG) Consensus Views; and
- the requirements of the *South Australian Health Commission Act 1976*, Department of Human Services Financial Management Manual, the *Public Finance and Audit Act 1987*, Treasurer's Instructions and Treasurer's Accounting Policy Statements.

Where there are inconsistencies between the above requirements, the legislative provisions have prevailed. In the absence of a specific Accounting Standard, other authoritative pronouncement of the AASB or UIG Consensus View, the hierarchy of other pronouncements as outlined in AAS 6 'Accounting Policies' is considered.

The financial report has been prepared on the going concern basis. The Institute of Medical and Veterinary Science (the Institute) is dependent on continued funding from both the Commonwealth Government and the Department of Human Services for this basis to be appropriate.

In the unlikely event the Institute was not to be a going concern and ceased operations, assets would revert to a charitable trust to be used for health purposes by the local community.

**2. Significant Accounting Policies (continued)**

The accrual basis of accounting is adopted by the Institute together with the historical cost convention, with the exception of land and buildings which were revalued as at 30 June 2000.

The Institute has applied AASB 1041 'Revaluation of Non-Current Assets' transitional provisions for the public sector and has elected to apply the same revaluation basis (that is deprival value methodology) while the relationship between fair value and the existing valuation basis in the South Australian public sector is examined further.

All amounts are rounded to the nearest thousand dollars and are expressed in Australian currency.

**(a) Principles of Consolidation**

The consolidated accounts of the economic entity include the assets, liabilities, revenues and expenses of the Institute of Medical and Veterinary Science and Medvet Science Pty Ltd (Medvet). The Health Service has effective control over, and 100 percent interest in, the net assets and results of Medvet.

When preparing the consolidated accounts the effects of all transactions between the Institute and Medvet have been eliminated in full.

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

The Statement of Financial Position includes all property, plant and equipment controlled by the Institute. This includes assets owned by the Department of Human Services or the Crown which are controlled by the Institute.

The current Accounting Policies issued by the Department of Treasury and Finance on the valuation of assets of government departments require that assets be reported using the deprival value methodology. In the case of the land and buildings current values at 30 June 2000 were based on valuations by Asset Valuation and Consulting Pty Ltd. Subsequent acquisitions are accounted for at cost.

In the case of property plant and equipment other than land and buildings, current value at 30 June 2001 was calculated on the basis of historic cost, less a deduction to reflect the portion of service potential which has been consumed since the asset was acquired ie depreciated historical cost.

Property, plant and equipment donated, gifted or bequeathed is recorded as an asset at its fair value at the time control passes to the Institute. Any assets received in this way would be disclosed as income in the Statement of Financial Performance and Note 4(c), however no such assets have been received in 2000-01.

Minor items of property, plant and equipment with an individual value of less than \$5 000 are expensed at the time they are acquired.

**(c) Depreciation**

All items of property, plant and equipment, except land are depreciated in accordance with Department of Human Services guidelines on a straight line basis at the following rates:

|                     |                |
|---------------------|----------------|
| Buildings           | Years<br>10-60 |
| Plant and equipment | 3-20           |
| Motor vehicles      | 3              |

Finance leases are amortised over the life of the asset or the lease term.

**(d) Income Recognition**

All revenue, including Department of Human Services capital funding is recorded as income in the Statement of Financial Performance.

Patient fees are based on rates specified by the Commonwealth Department of Health and Aged Care in the Medicare Benefits Schedule.

**(e) Employee Entitlements**

The charge for salaries, wages and other employee entitlements includes amounts expected to be paid to employees for their pro rata entitlements to long service leave and annual leave. The long service leave liability was calculated using the short hand method and the benchmark number of years recommended by the Department of Treasury and Finance at current salary rates and oncosts.

Provision has been made for the unused component of annual leave as at balance date, based on current salary rates and related on-costs.

A superannuation on-cost has been provided for using the weighted average superannuation contribution rate of 10 percent against provisions for annual leave and that portion of the provision for long service leave which is estimated will be taken as leave (55 percent).

Workers' compensation levy on-cost has been calculated by applying the rate for 2000-01 of 0.021 percent.

Liabilities for employment on-costs are not employee entitlements and are classified as payables in the Statement of Financial Position.

**(f) Assets, Goods and Services Provided Free of Charge**

The financial report does not reflect any amount for employee entitlements provided on a voluntary basis. Assets, goods and services provided free of charge or for a nominal value are included as revenue in the financial statements at fair value.

**(g) Leased Assets**

Assets acquired under finance leases are included as property, plant and equipment in the Statement of Financial Position. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property. Where assets are acquired by means of finance leases, the present value of the minimum lease payments is recognised as an asset at the beginning of the lease term and amortised on a straight line basis over the expected useful life of the leased asset. A corresponding liability is also established and each lease payment is allocated between the liability and finance charge.

Lease liabilities are classified into current and non-current categories. The principal component of lease payments due on or before the end of the succeeding year is disclosed as a current liability, and the remainder of the lease liability is disclosed as a non-current liability.

Other leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are charged to expenses over the period of expected benefit.

Refer to Note 2(m) for details of GST recognition with respect to finance leases.

**(h) Inventories**

Items held for use by the Institute are accounted for at weighted average cost unless it becomes apparent they are obsolete or surplus to requirements in which case they are written off.

Items held for sale by the Institute are accounted for at weighted average cost.

Items held for use and sale by Medvet are accounted for at standard cost.

**(i) Special Purpose Funds**

The Institute receives special purpose funds for research purposes. The amounts are controlled by the Institute and used to help achieve the Institute's objectives, notwithstanding that specific uses can be determined by the grantor or donor. Accordingly the amounts are treated as revenue at the time they are earned or at the time control passes to the Institute.

**(j) Trust Funds**

The Institute does not act as a trustee.

**(k) Superannuation**

The Institute and Medvet contributed \$3.1 million (\$2.8 million) towards the accruing employee superannuation retirement benefits under a number of employer sponsored superannuation schemes. These schemes include the State Government Superannuation Schemes and a number of non-government superannuation schemes. The Institute pays the accruing employer component. The funds' trustees are responsible for managing the employee retirement liability.

In addition, the Institute contributed \$2 million (\$1.9 million) in relation to employees that are not active contributors of employer schemes as required under the *Commonwealth Superannuation Guarantee (Administration) Act 1992*.

**(l) Workers Compensation**

The Institute is an exempt employer under the *Workers Rehabilitation and Compensation Act 1986*. Under a scheme arrangement the Institute is responsible for the management of workers rehabilitation and compensation and is directly responsible for meeting the cost of workers compensation claims and the implementation and funding of preventative programs.

Although the Department of Human Services provides funds to the Institute for the settlement of lump sum and redemption payments, the cost of these claims together with other claim costs met directly by the Institute are reflected as an operating expense in the Institute's financial reports.

The workers compensation liability as at 30 June 2001 reflects an apportionment of the whole-of-government estimate of the workers compensation liability as at 30 June 2001. The whole-of-government estimate is based on an independent valuation conducted by Taylor Fry Consulting Actuaries and submitted to the Office of the Commissioner for Public Employment.

The workers compensation liability as at 30 June 2000 reflects an apportionment of the whole-of-health estimate of the workers compensation liability based on an independent valuation conducted by Taylor Fry Consulting Actuaries and submitted to the Department of Human Services.

The valuation method used was the Payment per Claim Incurred (PPCI) method. The assessment has been carried out in accordance with Australian Accounting Standard AAS 26 'Financial Reporting of General Insurance Activities' and the WorkCover Guidelines for Actuarial Assessments. The liability covers claims incurred but not yet paid, incurred but not reported and the anticipated direct and indirect costs of settling those claims. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future.

With respect to workers compensation liability amount, the Institute also includes an account receivable for the lump sum and redemption claims portion of the workers compensation claims which is specifically funded by the Department of Human Services.

The Institute's liability is \$713 000 (\$475 000) of which \$235 000 is current and \$478 000 non-current. Of this amount \$338 000 (\$254 000) is to cover lump sum and redemption claims which are funded by the Department of Human Services. This amount has been taken up as a receivable leaving a net liability of \$375 000 (\$221 000).

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

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

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

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

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

Finance lease liabilities are stated inclusive of the amount of GST on the finance lease liability. The Institute has also recognised receivables which represent the entitlement to recover input tax credits from the Australian Taxation Office for the GST payable on the finance lease liability.

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

**(n) Change in Accounting Policies**

*Workers Compensation Liability Actuarial Assessment*

The workers compensation liability recognised by the Institute is based on an actuarial assessment of the whole-of-government workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 31 May 2001 data. Taylor Fry Consulting Actuaries have extrapolated this data to 30 June 2001.

The workers compensation liability recognised as at 30 June 2000 was based on the apportionment of an actuarial assessment of the whole-of-health workers compensation liability conducted by Taylor Fry Consulting Actuaries based on 30 June 2000 data.

**(o) Reclassification of Financial Information**

As a result of applying Australian Accounting Standards AAS 1 'Statement of Financial Performance' and AAS 36 'Statement of Financial Position', the format of the Statement of Financial Performance (previously referred to as the Operating Statement) and the Statement of Financial Position have been amended. As a result of applying these Accounting Standards, a number of comparative amounts were represented or reclassified to ensure comparability with the current reporting period.

**3. Ordinary Expenses**

**(a) Salaries, Wages and Other Employee Entitlements**

|   | Consolidated   |                | Health Service |                |
|---|----------------|----------------|----------------|----------------|
|   | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Salaries, wages and other employee entitlements recorded in the Statement of Financial Performance comprised: |                |                |                |                |
| Salaries and wages  | 48 378         | 46 164         | 46 288         | 44 556         |
| Annual leave expenses   | 3 645          | 3 508          | 3 503          | 3 406          |
| Long service leave expenses   | 1 677          | 1 181          | 1 677          | 1 181          |
| Targeted separation expenses  | -              | 511            | -              | 511            |
| Superannuation  | 5 102          | 4 540          | 4 930          | 4 373          |
| Other   | 358            | 203            | 358            | 203            |
|   | <b>59 160</b>  | <b>56 107</b>  | <b>56 756</b>  | <b>54 230</b>  |

*Targeted Voluntary Separation Packages (TVSPs).*

During the year no employees (8 in 2000) accepted packages.

**(b) Goods and Services**

|  | Note     | Consolidated   |                | Health Service |                |
|--|----------|----------------|----------------|----------------|----------------|
|  |          | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Goods and services expenditure recorded in the Statement of Financial Performance comprised: |          |                |                |                |                |
| Rental expense on operating lease  |          | 311            | 370            | 278            | 336            |
| Consultancy expenses   | 3(b)(ii) | -              | 4              | -              | 4              |
| Medical and laboratory supplies  |          | 12 666         | 12 647         | 13 657         | 13 352         |
| Electricity, gas and fuel  |          | 687            | 669            | 687            | 669            |
| Housekeeping   |          | 569            | 601            | 569            | 601            |
| Minor equipment  |          | 1 008          | 811            | 1 008          | 811            |
| Repairs and maintenance  |          | 1 607          | 1 761          | 1 607          | 1 761          |
| External auditors remuneration:  |          |                |                |                |                |
| Auditing accounts  |          | 87             | 96             | 63             | 72             |
| Other services   |          | -              | -              | -              | -              |
| Bad and doubtful debts   |          | 380            | 50             | 238            | 10             |
| Staff travel expenses  |          | 358            | 381            | 358            | 381            |
| Staff training and development   |          | 577            | 581            | 577            | 580            |
| Rental of premises   |          | 919            | 968            | 919            | 968            |
| Motor vehicle expenses   |          | 972            | 815            | 972            | 815            |
| Insurance  |          | 352            | 355            | 352            | 355            |
| Contract management  |          | 202            | 213            | 202            | 213            |
| Advertising  |          | 101            | 77             | 101            | 77             |
| Communications   |          | 486            | 553            | 486            | 553            |
| Computing expenses   |          | 1 155          | 1 434          | 1 155          | 1 434          |
| Periodicals, journals and publications   |          | 278            | 161            | 278            | 161            |
| Printing and stationery  |          | 1 643          | 860            | 1 643          | 860            |
| Postage  |          | 74             | 63             | 74             | 63             |
| Grants and subsidies   | 3(b)(i)  | 146            | 356            | 146            | 356            |
| Other goods and services*  |          | 4 580          | 2 858          | 481            | 546            |
|  |          | <b>29 158</b>  | <b>26 684</b>  | <b>25 851</b>  | <b>24 978</b>  |

\* Other (Consolidated) includes the majority of goods and services relating to Medvet

**(i) Grants and Subsidies**

During the period the Health Service paid grants and subsidies for the following purposes:

|                          |            |            |            |            |
|--------------------------|------------|------------|------------|------------|
| Research and development | -          | 20         | -          | 20         |
| Other                    | 146        | 336        | 146        | 336        |
|                          | <b>146</b> | <b>356</b> | <b>146</b> | <b>356</b> |



**4. Ordinary Revenues (continued)**
**(d) Other Revenues**

Other revenue recorded within the Statement of Financial

Performance comprised:

Car parking revenue

Rent revenue

Commission

Other revenue

|  | Consolidated |        | Health Service |        |
|--|--------------|--------|----------------|--------|
|  | 2001         | 2000   | 2001           | 2000   |
|  | \$'000       | \$'000 | \$'000         | \$'000 |
|  | <b>109</b>   | 117    | <b>109</b>     | 117    |
|  | <b>251</b>   | 238    | <b>78</b>      | 70     |
|  | <b>19</b>    | 18     | <b>19</b>      | 18     |
|  | <b>546</b>   | 1 046  | <b>658</b>     | 1 055  |
|  | <b>925</b>   | 1 419  | <b>864</b>     | 1 260  |

**5. Government Revenues for Provision of General Health Services**

Government revenues received for the provision of general health services in the Statement of Financial Performance comprised:

Recurrent appropriations

Capital appropriations

**Total Government Revenues**

|  |               |        |               |        |
|--|---------------|--------|---------------|--------|
|  | <b>29 900</b> | 54 999 | <b>29 900</b> | 54 999 |
|  | <b>2 107</b>  | 6 187  | <b>2 107</b>  | 6 187  |
|  | <b>32 007</b> | 61 186 | <b>32 007</b> | 61 186 |

**Capital Revenue**

Most of the major equipment purchases and building works conducted at the Institute costing greater than \$100 000 are currently funded through the Capital Works Program. The budget and payment of accounts for projects funded from the Capital Works Program are managed by the Department of Human Services.

During the financial year journals were processed to transfer assets purchased under the Capital Works Program on behalf of the Institute. The transfer amounted to \$1.1 million (\$5.1 million) at 30 June 2001. In addition, \$1 million (\$1.1 million) was reimbursed by the Department of Human Services for asset purchases paid for by the Institute.

**6. Gain (Loss) from Sale of Property, Plant and Equipment**

Proceeds from sale

Less: Written down value of assets sold

|  | Consolidated |        | Health Service |        |
|--|--------------|--------|----------------|--------|
|  | 2001         | 2000   | 2001           | 2000   |
|  | \$'000       | \$'000 | \$'000         | \$'000 |
|  | -            | -      | -              | -      |
|  | <b>197</b>   | 17     | <b>168</b>     | 17     |
|  | <b>(197)</b> | (17)   | <b>(168)</b>   | (17)   |

**7. Individually Significant Items**

Due to changes in Commonwealth Government policy announced in the 2000-01 Commonwealth budget, access to the Health Program Grant was curtailed effective from 1 October 2000. Funding for private pathology tests originating in metropolitan Adelaide and its surrounding suburbs, and in Mount Gambier and Whyalla, which was previously received as Recurrent Appropriation has subsequently been sought through Medicare.

Medicare funding is included in the Statement of Financial Performance as Ordinary Revenue, while Recurrent Appropriation is included as Government Revenue for Provision of General Health Services.

**8. Cash**

Cash on hand

At call deposits

Short term deposits with less than two months to maturity

Short term deposits with greater than two months to maturity but less than 12 months

**Total Cash**

Included within the above cash amounts are the following:

Special purpose funds

Employee salary sacrifice monies held in trust by salary sacrifice administrators

|  | Consolidated  |        | Health Service |        |
|--|---------------|--------|----------------|--------|
|  | 2001          | 2000   | 2001           | 2000   |
|  | \$'000        | \$'000 | \$'000         | \$'000 |
|  | <b>7</b>      | 7      | <b>3</b>       | 3      |
|  | <b>17 655</b> | 15 429 | <b>17 029</b>  | 14 947 |
|  | <b>3 388</b>  | 4 005  | -              | -      |
|  | <b>21 050</b> | 19 441 | <b>17 032</b>  | 14 950 |
|  | -             | 1 000  | -              | -      |
|  | <b>21 050</b> | 20 441 | <b>17 032</b>  | 14 950 |
|  | <b>5 212</b>  | 2 702  | <b>5 212</b>   | 2 702  |
|  | <b>222</b>    | -      | <b>222</b>     | -      |
|  | <b>5 434</b>  | 2 702  | <b>5 434</b>   | 2 702  |

Special purpose funds are controlled by the Health Service and used to achieve the Health Service objectives. Specific uses can be determined by the grantor or donor.

**9. Receivables**

Current:

Patient/client fees:

Other

Workers compensation provision recoverable

GST recoverable from the ATO

Sundry receivables

Less: Provision of doubtful debts

Non-Current:

Workers compensation provision recoverable

GST recoverable from the ATO

|  |              |       |              |       |
|--|--------------|-------|--------------|-------|
|  | <b>3 409</b> | 1 699 | <b>3 425</b> | 1 699 |
|  | <b>104</b>   | 76    | <b>104</b>   | 76    |
|  | <b>216</b>   | 51    | <b>216</b>   | 51    |
|  | <b>5 022</b> | 5 146 | <b>3 900</b> | 4 531 |
|  | <b>8 751</b> | 6 972 | <b>7 645</b> | 6 357 |
|  | <b>433</b>   | 95    | <b>273</b>   | 35    |
|  | <b>8 318</b> | 6 877 | <b>7 372</b> | 6 322 |
|  | <b>234</b>   | 178   | <b>234</b>   | 178   |
|  | <b>46</b>    | -     | <b>46</b>    | -     |
|  | <b>280</b>   | 178   | <b>280</b>   | 178   |

| 10. Investments  | Consolidated   |                | Health Service |                |
|--|----------------|----------------|----------------|----------------|
|  | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Current:   |                |                |                |                |
| Other investments  | 281            | 266            | 281            | 266            |
| Non-Current:   |                |                |                |                |
| Other investments  | 2 508          | 500            | 1 150          | 1 150          |
| Included in the above investment balances are the following: |                |                |                |                |
| Special purpose funds  | 281            | 266            | 281            | 266            |
| Investment in subsidiary                                     | -              | -              | 1 150          | 1 150          |
| Other securities (At cost)                                   | 2 508          | 500            | -              | -              |
|  | 2 789          | 766            | 1 431          | 1 416          |

Other securities comprise floating rate notes that are listed on the Stock Exchange. The interest on the notes is renegotiated to prevailing market rates every three months. No revaluation has been undertaken at the end of the financial year as it is the intention to hold this interest bearing investment to maturity.

|                                 |     |     |     |     |
|---------------------------------|-----|-----|-----|-----|
| 11. Inventories                 |     |     |     |     |
| Medical and laboratory supplies | 876 | 826 | 212 | 273 |
| Other supplies                  | 78  | 46  | 78  | 46  |
|                                 | 954 | 872 | 290 | 319 |

The above inventories are held for the following purpose:  
Consumption by Health Service

|  |     |     |     |     |
|--|-----|-----|-----|-----|
|  | 954 | 872 | 290 | 319 |
|--|-----|-----|-----|-----|

|                  |     |     |     |     |
|------------------|-----|-----|-----|-----|
| 12. Other Assets |     |     |     |     |
| Current:         |     |     |     |     |
| Prepayments      | 663 | 430 | 577 | 408 |
| Other            | 4   | 1   | 4   | 1   |
|                  | 667 | 431 | 581 | 409 |
| Non-Current:     |     |     |     |     |
| Prepayments      | 16  | 14  | 16  | 14  |

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| 13. Land and Improvements  |        |        |        |        |
| Site land (At cost)  | 501    | -      | -      | -      |
| Site land (At valuation)   | 3 868  | 3 868  | 3 868  | 3 868  |
| Other land (At valuation)  | 13     | 13     | 13     | 13     |
|  | 4 382  | 3 881  | 3 881  | 3 881  |
| Buildings and improvements (At cost)                             | 4 086  | 107    | 1 259  | 13     |
| Buildings and improvements (At valuation)                        | 30 577 | 30 617 | 30 577 | 30 617 |
| Accumulated depreciation   | (586)  | (86)   | (545)  | (1)    |
|  | 34 077 | 30 638 | 31 291 | 30 629 |
| Buildings and improvements under construction (Work in progress) | 6 675  | 6 701  | 6 675  | 5 291  |
|  | 45 134 | 41 220 | 41 847 | 39 801 |

Valuations undertaken by Asset Valuation and Consulting Pty Ltd as at 30 June 2000.

*Reconciliations*

Reconciliations of the carrying amount of each class of land and building at the beginning and end of the current financial year are set out below:

Consolidated:

|                                   | Site Land<br>\$'000 | Other Land<br>\$'000 | Buildings & Improvements<br>\$'000 | Work in Progress<br>\$'000 | Total<br>\$'000 |
|-----------------------------------|---------------------|----------------------|------------------------------------|----------------------------|-----------------|
| Balance at 1 July                 | 3 868               | 13                   | 30 638                             | 6 701                      | 41 220          |
| Additions                         | 501                 | -                    | 2 623                              | 1 384                      | 4 508           |
| Transfers from work in progress   | -                   | -                    | 1 410                              | (1 410)                    | -               |
| Depreciation expense              | -                   | -                    | (594)                              | -                          | (594)           |
| <b>Carrying Amount at 30 June</b> | <b>4 369</b>        | <b>13</b>            | <b>34 077</b>                      | <b>6 675</b>               | <b>45 134</b>   |

Health Service:

|                                   |              |           |               |              |               |
|-----------------------------------|--------------|-----------|---------------|--------------|---------------|
| Balance at 1 July                 | 3 868        | 13        | 30 629        | 5 291        | 39 801        |
| Additions                         | -            | -         | 1 206         | 1 384        | 2 590         |
| Depreciation expense              | -            | -         | (544)         | -            | (544)         |
| <b>Carrying Amount at 30 June</b> | <b>3 868</b> | <b>13</b> | <b>31 291</b> | <b>6 675</b> | <b>41 847</b> |

| 14. Plant and Equipment                        | Consolidated   |                | Health Service |                |
|--|----------------|----------------|----------------|----------------|
|  | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Medical equipment (At cost)                    | 16 506         | 16 703         | 16 506         | 16 703         |
| Accumulated depreciation - Medical equipment   | (11 427)       | (11 694)       | (11 427)       | (11 694)       |
|  | 5 079          | 5 009          | 5 079          | 5 009          |
| Computing equipment (At cost)                  | 3 742          | 3 681          | 3 501          | 3 426          |
| Accumulated depreciation - Computing equipment | (2 393)        | (1 398)        | (2 286)        | (1 197)        |
|  | 1 349          | 2 283          | 1 215          | 2 229          |

| 14. <b>Plant and Equipment (continued)</b>  | Consolidated                   |                                  | Health Service                            |   |                               |                 |
|---|--------------------------------|----------------------------------|---|---|-------------------------------|-----------------|
|   | 2001<br>\$'000                 | 2000<br>\$'000                   | 2001<br>\$'000                            | 2000<br>\$'000  |                               |                 |
| Other equipment (At cost)   | 2 151                          | 1 993                            | 1 349                                     | 1 331   |                               |                 |
| Accumulated depreciation - other equipment  | (963)                          | (1 012)                          | (586)                                     | (539)   |                               |                 |
|   | <b>1 188</b>                   | <b>981</b>                       | <b>763</b>                                | <b>792</b>  |                               |                 |
| Plant and equipment under finance lease (At cost)   | 2 033                          | 1 824                            | 2 033                                     | 1 824   |                               |                 |
| Accumulated depreciation-other equipment  | (1 089)                        | (952)                            | (1 089)                                   | (952)   |                               |                 |
|   | <b>944</b>                     | <b>872</b>                       | <b>944</b>                                | <b>872</b>  |                               |                 |
| Other equipment under construction (Work in progress)   | 57                             | -                                | 57  | -   |                               |                 |
|   | <b>8 617</b>                   | <b>9 145</b>                     | <b>8 058</b>                              | <b>8 902</b>  |                               |                 |
| <b>Reconciliations</b>  |                                |                                  |   |   |                               |                 |
| Reconciliations of the carrying amount of each class of Plant and Equipment at the beginning and end of the current financial year are set out below: |                                |                                  |   |   |                               |                 |
|   | Medical<br>Equipment<br>\$'000 | Computing<br>Equipment<br>\$'000 | Other Plant<br>and<br>Equipment<br>\$'000 | Plant and<br>Equipment<br>under<br>Finance<br>Lease<br>\$'000 | Work in<br>Progress<br>\$'000 | Total<br>\$'000 |
| Consolidated:   |                                |                                  |   |   |                               |                 |
| Balance at 1 July   | 5 009                          | 2 283                            | 981                                       | 872   | -                             | 9 145           |
| Additions   | 1 455                          | 223                              | 351                                       | 710   | 57                            | 2 796           |
| Disposals   | (97)                           | (2)                              | (98)                                      | -   | -                             | (197)           |
| Depreciation expense  | (1 288)                        | (1 155)                          | (128)                                     | (638)   | -                             | (3 209)         |
| Other movements:  |                                |                                  |   |   |                               |                 |
| Prior period adjustments  | -                              | -                                | 82  | -   | -                             | 82              |
| <b>Carrying Amount at 30 June</b>   | <b>5 079</b>                   | <b>1 349</b>                     | <b>1 188</b>                              | <b>944</b>  | <b>57</b>                     | <b>8 617</b>    |
| Health Service:   |                                |                                  |   |   |                               |                 |
| Balance at 1 July   | 5 009                          | 2 229                            | 793                                       | 871   | -                             | 8 902           |
| Additions   | 1 456                          | 100                              | 44  | 710   | 57                            | 2 367           |
| Disposals   | (97)                           | -                                | (71)                                      | -   | -                             | (168)           |
| Depreciation expense  | (1 289)                        | (1 114)                          | (85)                                      | (637)   | -                             | (3 125)         |
| Other movements:  |                                |                                  |   |   |                               |                 |
| Prior period adjustments  | -                              | -                                | 82  | -   | -                             | 82              |
| <b>Carrying amount at 30 June</b>   | <b>5 079</b>                   | <b>1 215</b>                     | <b>763</b>                                | <b>944</b>  | <b>57</b>                     | <b>8 058</b>    |
| <b>15. Payables</b>   |                                |                                  |   |   |                               |                 |
|   | Consolidated                   |                                  | Health Service                            |   |                               |                 |
|   | 2001<br>\$'000                 | 2000<br>\$'000                   | 2001<br>\$'000                            | 2000<br>\$'000  |                               |                 |
| Current:  |                                |                                  |   |   |                               |                 |
| Trade creditors   | 1 642                          | 595                              | 932                                       | 2   |                               |                 |
| Finance lease liability   | 565                            | 532                              | 565                                       | 532   |                               |                 |
| Accruals  | 5 921                          | 5 788                            | 1 747                                     | 2 029   |                               |                 |
| On-costs on employee entitlement provisions   | 276                            | 268                              | 276                                       | 268   |                               |                 |
| GST payable to the ATO  | 208                            | -                                | 167                                       | -   |                               |                 |
| Other payable   | 222                            | -                                | 222                                       | -   |                               |                 |
|   | <b>8 834</b>                   | <b>7 183</b>                     | <b>3 909</b>                              | <b>2 831</b>  |                               |                 |
| Non-Current:  |                                |                                  |   |   |                               |                 |
| Finance lease liability   | 502                            | 371                              | 502                                       | 371   |                               |                 |
| On-costs on employee entitlement provisions   | 579                            | 549                              | 579                                       | 549   |                               |                 |
|   | <b>1 081</b>                   | <b>920</b>                       | <b>1 081</b>                              | <b>920</b>  |                               |                 |
| <b>16. Borrowings</b>   |                                |                                  |   |   |                               |                 |
| Current:  |                                |                                  |   |   |                               |                 |
| Medvet funds  | -                              | -                                | -   | 1 400   |                               |                 |
| <b>17. Employee Entitlements</b>  |                                |                                  |   |   |                               |                 |
| Current:  |                                |                                  |   |   |                               |                 |
| Long service leave  | 571                            | 518                              | 553                                       | 510   |                               |                 |
| Annual leave  | 2 624                          | 2 546                            | 2 460                                     | 2 396   |                               |                 |
| Accrued salaries and wages  | 71                             | 6                                | 71  | 6   |                               |                 |
| Workers compensation  | 235                            | 160                              | 235                                       | 160   |                               |                 |
|   | <b>3 501</b>                   | <b>3 230</b>                     | <b>3 319</b>                              | <b>3 072</b>  |                               |                 |
| Non-Current:  |                                |                                  |   |   |                               |                 |
| Long service leave  | 10 596                         | 9 737                            | 10 502                                    | 9 680   |                               |                 |
| Workers compensation  | 478                            | 315                              | 478                                       | 315   |                               |                 |
|   | <b>11 074</b>                  | <b>10 052</b>                    | <b>10 980</b>                             | <b>9 995</b>  |                               |                 |

| 18. Other Liabilities | Consolidated   |                | Health Service |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Current:              |                |                |                |                |
| Other                 | 3              | 3              | 3              | 3              |
| Non-Current:          |                |                |                |                |
| Other                 | 72             | 42             | 72             | 42             |

| 19. Equity   | Consolidated   |                | Health Service |                |
|--|----------------|----------------|----------------|----------------|
|  | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| The purpose of this Note is firstly to explain the nature of individual reserves and secondly to explain movements in these amounts during the period. |                |                |                |                |
| Consolidated:  |                |                |                |                |
| Balance at 1 July  | 50 297         | 58 514         | 8 217          | 58 514         |
| Surplus of the reporting period  | 5 001          | 5 001          | -              | 5 001          |
| Appropriations made  | (337)          | (337)          | -              | (337)          |
| Transfer to reserves   | (12 037)       | 82             | 12 119         | 82             |
| Transfer from reserves   | 9 202          | -              | (9 202)        | -              |
| <b>Balance at 30 June</b>  | <b>52 126</b>  | <b>63 260</b>  | <b>11 134</b>  | <b>63 260</b>  |

| Health Service:                 |                |                |                |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Balance at 1 July               | 47 249         | 54 048         | 6 799          | 54 048         |
| Surplus of the reporting period | 3 413          | 3 413          | -              | 3 413          |
| Transfers to reserves           | (11 264)       | 82             | 11 346         | 82             |
| Transfer from reserves          | 8 565          | -              | (8 565)        | -              |
| <b>Balance at 30 June</b>       | <b>47 963</b>  | <b>57 543</b>  | <b>9 580</b>   | <b>57 543</b>  |

| Consolidated:                   | 2000                             |                             | Total<br>\$'000 |
|---------------------------------|----------------------------------|-----------------------------|-----------------|
|                                 | Accumulated<br>Surplus<br>\$'000 | Other<br>Reserves<br>\$'000 |                 |
| Balance at 1 July               | 42 044                           | 6 396                       | 48 440          |
| Surplus of the reporting period | 10 578                           | -                           | 10 578          |
| Appropriations made             | (513)                            | -                           | (513)           |
| Transfer to reserves            | (10 422)                         | 10 431                      | 9               |
| Transfer from reserves          | 8 610                            | (8 610)                     | -               |
| <b>Balance at 30 June</b>       | <b>50 297</b>                    | <b>8 217</b>                | <b>58 514</b>   |

| Health Service:                 |                |                |                |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| Balance at 1 July               | 39 180         | 44 645         | 5 465          | 44 645         |
| Surplus of the reporting period | 9 394          | 9 394          | -              | 9 394          |
| Transfers to reserves           | (9 422)        | 9              | 9 431          | 9              |
| Transfer from reserves          | 8 097          | -              | (8 097)        | -              |
| <b>Balance at 30 June</b>       | <b>47 249</b>  | <b>54 048</b>  | <b>6 799</b>   | <b>54 048</b>  |

| 20. Commitments for Expenditure   | Consolidated   |                | Health Service |                |
|---|----------------|----------------|----------------|----------------|
|   | 2001<br>\$'000 | 2000<br>\$'000 | 2001<br>\$'000 | 2000<br>\$'000 |
| <b>(a) Finance Lease Commitments:</b>   |                |                |                |                |
| At the reporting date, the Institute had the following commitments under finance lease (the total commitment net of future leases finance charges has been recognised as a liability in the Statement of Financial Position). |                |                |                |                |
| Not later than one year   | 590            | 558            | 590            | 558            |
| Later than one year and not later than five years   | 515            | 380            | 515            | 380            |
| Later than five years   | -              | -              | -              | -              |
|   | <b>1 105</b>   | <b>938</b>     | <b>1 105</b>   | <b>938</b>     |
| Less: Future finance charges on finance leases  | <b>38</b>      | <b>35</b>      | <b>38</b>      | <b>35</b>      |
| <b>Lease Liability</b>  | <b>1 067</b>   | <b>903</b>     | <b>1 067</b>   | <b>903</b>     |
| Classified as:  |                |                |                |                |
| Current   | 565            | 532            | 565            | 532            |
| Non-current   | 502            | 371            | 502            | 371            |
|   | <b>1 067</b>   | <b>903</b>     | <b>1 067</b>   | <b>903</b>     |

GST included in finance lease above 97                      -                      97                      -

The amount for finance leases does not include payments for one piece of leased equipment due to the nature of its lease payments. The payments are a surcharge on consumables used by the machine and therefore are not able to be separately identified.

One item of laboratory equipment has been leased over a five year period and becomes the property of the Institute upon termination of the agreement in February 2002. A penalty of six months lease payments would apply should the Institute wish to terminate the lease agreement early.

All other finance leases relate to computing equipment leased over a three year term, with an option to extend the lease term or purchase the equipment.

|     |   |               |                |
|-----|---|---------------|----------------|
| 20. | <b>Commitments for Expenditure (continued)</b>  | Consolidated  | Health Service |
| (b) | <b>Operating Lease Commitments</b>  | <b>2001</b>   | <b>2000</b>    |
|     | At the reporting date, the Health Service had the following commitments under operating leases:   | <b>\$'000</b> | <b>\$'000</b>  |
|     | Not later than one year   | 267           | 306            |
|     | Later than one year and not later than five years   | 219           | 220            |
|     | Later than five years   | -             | -              |
|     | <b>Total Operating Lease Commitments (including GST)</b>  | <b>486</b>    | <b>526</b>     |
|     | GST included in operating lease commitments above.  | 40            | -              |
|     | Operating lease commitments are not recorded as a liability in the financial statements.  |               |                |
|     | Operating leases within the Institute comprise rental payments for the lease of fourteen collection centres, all with renewal options of up to five years, and payments for the lease of photocopiers and laboratory equipment. Operating leases within Medvet relate to the provision of motor vehicles. |               |                |

|     |   |               |                |
|-----|---|---------------|----------------|
| 21. | <b>Notes to the Statement of Cash Flows</b>   | Consolidated  | Health Service |
| (a) | <b>Reconciliation of Net Cash from Operating Activities to Net Cost of Services</b>               | <b>2001</b>   | <b>2000</b>    |
|     | For the purposes of the statement of cash flows, cash includes cash on hand and deposit accounts: | <b>\$'000</b> | <b>\$'000</b>  |
|     | Net cost of services  | (26 809)      | (50 591)       |
|     | Increase (Decrease) in employee entitlements  | 1 293         | (1 192)        |
|     | Depreciation and amortisation   | 3 803         | 4 695          |
|     | (Increase) Decrease in other current assets   | (254)         | 26             |
|     | (Increase) Decrease in inventories  | (82)          | 13             |
|     | (Increase) Decrease in receivables  | (1 971)       | (255)          |
|     | Bad and doubtful debts  | 380           | 50             |
|     | Deduct capital revenues from government   | (2 304)       | (5 128)        |
|     | Increase (Decrease) in payables   | 1 507         | (706)          |
|     | Increase (Decrease) in other liabilities  | 30            | 53             |
|     | Loss on valuation of land and buildings   | -             | 1 255          |
|     | Cash flows from government  | 32 007        | 61 186         |
|     | <b>Net Cash from Operating Activities</b>   | <b>7 600</b>  | <b>9 406</b>   |
|     | (b) <b>Non-Cash Financing and Investing Activities</b>  |               |                |
|     | Plant and equipment acquired by finance lease   | 710           | 373            |

|     |   |              |              |
|-----|---|--------------|--------------|
| 22. | <b>Purchase of Non-Current Assets</b>           |              |              |
|     | Payments for shares                             | -            | -            |
|     | Payments for building improvements              | 2 573        | 3 000        |
|     | Payments for acquisition of plant and equipment | 1 477        | 2 574        |
|     |   | <b>4 050</b> | <b>5 574</b> |

|     |  |               |               |
|-----|--|---------------|---------------|
| 23. | <b>Administered Funds</b>  |               |               |
|     | During the course of the year the Institute administered funds on behalf of Forensic Science in the capacity of agent, passing the amounts to the Medical Specialist Staff Fund (MSSF) in their entirety. The administered funds are not controlled and therefore in accordance with AAS 29 'Financial Reporting by Government Departments' these items have been classified as 'Administered' and have not been included in the Financial Statements. |               |               |
|     | <b>Schedule of Administered Revenue and Expenses</b>   | <b>2001</b>   | <b>2000</b>   |
|     | Administered Expenses:   | <b>\$'000</b> | <b>\$'000</b> |
|     | Goods and services   | 17            | 12            |
|     | Administered Revenues:   |               |               |
|     | Other revenues   | 24            | 22            |
|     | <b>Administered Revenues Less Expenses</b>   | <b>7</b>      | <b>10</b>     |
|     | <b>Schedule of Administered Assets and Liabilities</b>   |               |               |
|     | Administered Current Assets:   |               |               |
|     | Cash   | 153           | 146           |
|     | Administered Current Liabilities:  |               |               |
|     | Other current liabilities  | 153           | 146           |
|     | <b>Net Administered Assets</b>   | <b>-</b>      | <b>-</b>      |

|     |  |
|-----|--|
| 24. | <b>Related Party Information</b>   |
|     | The following are members of the Board of Directors who have served during the course of the reporting period. |
|     | <b>IMVS Council</b>  |
|     | Mr Kevin Kelly (Chairman)  |
|     | Ms Karen Thomas (Deputy Chair)   |
|     | Professor Barrie Vernon-Roberts (Director, Ex Officio Member)  |
|     | Dr Ian Carmichael  |
|     | Mr Geoffrey Coles AM   |
|     | Professor Philip Barter  |
|     | Dr Leslye Long   |
|     | Professor John Gollan  |
|     | Associate Professor Mary Barton  |
|     | Ms Virginia Deegan   |
|     | All members served for the full year.  |

**24. Related Party Information (continued)**

**Medvet Board of Directors**

Mr Kevin Kelly (Chairman)

Ms Karen Thomas

Professor Barrie Vernon-Roberts

Professor Brendon Kearney

Mr Geoffrey Coles AM

Associate Professor Kaye Challinger

Mr John Flavel

All members served for the full year, Mr Graham Spurling appointed 14 August 2001.

|  | Consolidated |        | Health Service |        |
|--|--------------|--------|----------------|--------|
|  | 2001         | 2000   | 2001           | 2000   |
|  | \$'000       | \$'000 | \$'000         | \$'000 |
| Aggregate board fees received or receivable by members of Board of Directors (as members of the Board only) amounted to: | <b>152</b>   | 219    | <b>61</b>      | 94     |

The number of Board of members included in the above figures are shown in their relevant Board fee bands:

\$0 - \$9 999

\$10 000 - \$19 999

\$20 000 - \$29 999

| Number of Directors | Number of Directors | Number of Directors | Number of Directors |
|---------------------|---------------------|---------------------|---------------------|
| <b>5</b>            | 2                   | <b>5</b>            | 2                   |
| <b>7</b>            | 9                   | <b>1</b>            | 4                   |
| <b>1</b>            | 3                   | -                   | 1                   |
| <b>13</b>           | 14                  | <b>6</b>            | 7                   |

Members of the Board of Directors use the services of the Health Service under terms and conditions no more favourable than members of the public.

(a) *Related Party Transactions*

The only transactions entered into between some Council members and the Institute during 2000-01 were either:

- (i) under normal salary paid conditions; or
- (ii) Private Practice Payments for Services.

(b) *Disclosure of Director' Interests*

- (i) Mr Geoffrey Coles is the Chairman of the RAH, an organisation with whom the Institute and Medvet have had dealings under normal terms and conditions.
- (ii) Associate Professor Mary Barton, Senior Lecturer, School of Pharmacy and Medical Sciences, University of South Australia, is involved in an Intellectual Property arrangement in conjunction with other Institute and University of South Australia staff.
- (iii) Ms Karen Thomas is a Partner of the law firm Fisher Jeffries, an organisation with whom the Institute and Medvet have had dealings under normal terms and conditions.
- (iv) Associate Professor Kaye Challinger is Chief Executive Officer of the Royal Adelaide Hospital, an organisation with whom the Institute and Medvet have had dealings under normal terms and conditions.

**25. Employees whose Remuneration is Greater than \$100 000**

For the purposes of this note remuneration means any money, consideration or benefit but does not include amounts in payment or reimbursement of out of pocket expenses incurred for the benefit of the entity or a controlled entity. Remuneration includes all salaries, wages, employee entitlements, termination payments (excluding TVSPs) and other benefits that form the total remuneration package. Fee-for-service arrangements are excluded as they do not form part of employee remuneration. There are two employees included in 1999-2000 whose remuneration was greater than \$100 000, due to resignations where there was a significant employee entitlement due.

|  | Consolidated        |                     | Health Service      |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Number of Employees | Number of Employees | Number of Employees | Number of Employees |
|  | 2001                | 2000                | 2001                | 2000                |
| The number of employees whose remuneration was over \$100,000 was: |                     |                     |                     |                     |
| Income bands:  |                     |                     |                     |                     |
| \$100 000 - \$109 999  | <b>3</b>            | 1                   | <b>3</b>            | 1                   |
| \$110 000 - \$119 999  | <b>1</b>            | 2                   | <b>1</b>            | 2                   |
| \$120 000 - \$129 999  | -                   | 1                   | -                   | 1                   |
| \$130 000 - \$139 999  | -                   | 1                   | -                   | 1                   |
| \$140 000 - \$149 999  | <b>2</b>            | 2                   | <b>2</b>            | 1                   |
| \$150 000 - \$159 999  | <b>3</b>            | 2                   | <b>3</b>            | 2                   |
| \$160 000 - \$169 999  | <b>2</b>            | 1                   | <b>1</b>            | 1                   |
| \$170 000 - \$179 999  | <b>1</b>            | 3                   | <b>1</b>            | 3                   |
| \$180 000 - \$189 999  | <b>4</b>            | 6                   | <b>4</b>            | 6                   |
| \$190 000 - \$199 999  | <b>12</b>           | 8                   | <b>12</b>           | 8                   |
| \$200 000 - \$209 999  | <b>11</b>           | 12                  | <b>11</b>           | 12                  |
| \$210 000 - \$219 999  | <b>1</b>            | 5                   | <b>1</b>            | 5                   |
| \$220 000 - \$229 999  | <b>2</b>            | 4                   | <b>2</b>            | 4                   |
| \$230 000 - \$239 999  | <b>1</b>            | -                   | <b>1</b>            | -                   |
|  | <b>43</b>           | 48                  | <b>42</b>           | 47                  |

|   | Consolidated |        | Health Service |        |
|---|--------------|--------|----------------|--------|
|   | 2001         | 2000   | 2001           | 2000   |
|   | \$'000       | \$'000 | \$'000         | \$'000 |
| Total remuneration received or due and receivable by employees whose remuneration exceeds \$100 000 | <b>7 907</b> | 8 988  | <b>7 747</b>   | 8 848  |

26. **Additional Financial Instruments Disclosure**

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

*Financial Assets*

Cash deposits are available at call and recognised at their nominal amounts. Interest is credited to revenue as it accrues. Interest is earned on the Institute daily balance at rates based upon the average overnight cash deposit rate and is paid quarterly.

Trade accounts receivables are carried at amounts due. A provision is raised for any doubtful debts based on a review of all outstanding amounts at balance date. Bad debts are written off in the period in which they are identified.

Investments include funds deposited with the Commissioner for Charitable Funds and listed investments held by Medvet. The funds deposited with the Commissioner for Charitable Funds are valued at cost and interest revenues are recognised as they accrue. The listed investments are valued at quoted market bid price at balance date.

*Financial Liabilities*

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

Finance lease liabilities are capitalised by bringing to account the minimum lease payments discounted at the interest rate implicit in the lease.

All Assets and Liabilities are unsecured.

(b) **Interest Rate Risk Exposure**

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

|                       |                        | 2001                                       |  |                                       |                 |
|-----------------------|------------------------|--|--|---------------------------------------|-----------------|
|                       |                        | Weighted<br>Average<br>Interest<br>Percent | Floating<br>Interest<br>Rate<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000 |
| <i>Consolidated</i>   |                        |  |  |                                       |                 |
| (i)                   | Financial Assets:      |  |  |                                       |                 |
|                       | Cash and deposits      | 4.58                                       | 17 662                                 | -                                     | 17 662          |
|                       | Receivables            | -  | -                                      | 8 598                                 | 8 598           |
|                       | Short term deposits    | 6.09                                       | 3 388                                  | -                                     | 3 388           |
|                       | Other securities       | 6.65                                       | 2 508                                  | -                                     | 2 508           |
|                       | Investments            | 5.87                                       | 281                                    | -                                     | 281             |
|                       |                        |  | <b>23 839</b>                          | <b>8 598</b>                          | <b>32 437</b>   |
| (ii)                  | Financial Liabilities: |  |  |                                       |                 |
|                       | Creditors and accruals | -  | -                                      | 8 848                                 | 8 848           |
|                       | Lease liability        | -  | -                                      | 1 067                                 | 1 067           |
|                       |                        |  |  | <b>9 915</b>                          | <b>9 915</b>    |
|                       |                        |  |  |                                       |                 |
|                       |                        |  |  |                                       |                 |
|                       |                        | 2000                                       |  |                                       |                 |
|                       |                        | Weighted<br>Average<br>Interest<br>Percent | Floating<br>Interest<br>Rate<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000 |
| <i>Consolidated</i>   |                        |  |  |                                       |                 |
| (i)                   | Financial Assets:      |  |  |                                       |                 |
|                       | Cash and deposits      | 4.63                                       | 20 441                                 | -                                     | 20 441          |
|                       | Receivables            | -  | -                                      | 7 055                                 | 7 055           |
|                       | Other securities       | -  | -                                      | 500                                   | 500             |
|                       | Investments            | 5.26                                       | 266                                    | -                                     | 266             |
|                       |                        |  | <b>20 707</b>                          | <b>7 555</b>                          | <b>28 262</b>   |
| (ii)                  | Financial Liabilities: |  |  |                                       |                 |
|                       | Creditors and accruals | -  | -                                      | 7 200                                 | 7 200           |
|                       | Lease liability        | -  | -                                      | 903                                   | 903             |
|                       |                        |  |  | <b>8 103</b>                          | <b>8 103</b>    |
|                       |                        |  |  |                                       |                 |
|                       |                        |  |  |                                       |                 |
|                       |                        | 2001                                       |  |                                       |                 |
|                       |                        | Weighted<br>Average<br>Interest<br>Percent | Floating<br>Interest<br>Rate<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000 |
| <i>Health Service</i> |                        |  |  |                                       |                 |
| (i)                   | Financial Assets:      |  |  |                                       |                 |
|                       | Cash and deposits      | 4.58                                       | 17 032                                 | -                                     | 17 032          |
|                       | Receivables            | -  | -                                      | 7 652                                 | 7 652           |
|                       | Investments            | 5.87                                       | 281                                    | -                                     | 281             |
|                       |                        |  | <b>17 313</b>                          | <b>7 652</b>                          | <b>24 965</b>   |
| (ii)                  | Financial Liabilities: |  |  |                                       |                 |
|                       | Creditors and accruals | -  | -                                      | 3 923                                 | 3 923           |
|                       | Lease liability        | -  | -                                      | 1 067                                 | 1 067           |
|                       |                        |  |  | <b>4 990</b>                          | <b>4 990</b>    |

(b) **Interest Rate Risk Exposure (continued)**

|                             |  | 2000                                   |                                       |                 |
|-----------------------------|--|--|---------------------------------------|-----------------|
|                             | Weighted<br>Average<br>Interest<br>Percent | Floating<br>Interest<br>Rate<br>\$'000 | Non-<br>Interest<br>Bearing<br>\$'000 | Total<br>\$'000 |
| <i>Health Service</i>       |  |  |                                       |                 |
| (i) Financial Assets:       |  |  |                                       |                 |
| Cash and deposits           | 4.63                                       | 14 950                                 | -                                     | 14 950          |
| Receivables                 | -  | -                                      | 6 500                                 | 6 500           |
| Investments                 | 5.26                                       | 266                                    | -                                     | 266             |
|                             |  | <u>15 216</u>                          | <u>6 500</u>                          | <u>21 716</u>   |
| (ii) Financial Liabilities: |  |  |                                       |                 |
| Creditors and accruals      | -  | -                                      | 2 848                                 | 2 848           |
| Lease liability             | -  | -                                      | 903                                   | 903             |
|                             |  | <u>-</u>                               | <u>3 751</u>                          | <u>3 751</u>    |

(c) **Foreign Exchange Risk**

The Institute does not enter any forward foreign exchange contracts.

(d) **Commodity Price Risk**

The Institute does not enter any contracts to hedge commodity purchase prices.

(e) **Net Fair Values**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value. Listed investments have been valued at the quoted market bid price at balance date.

Carrying amount and net fair value of financial assets and financial liabilities are as follows:

|                             | 2001<br>Carrying<br>Amount<br>\$'000 | 2001<br>Net Fair<br>Value<br>\$'000 | 2000<br>Carrying<br>Amount<br>\$'000 | 2000<br>Net Fair<br>Value<br>\$'000 |
|-----------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <i>Consolidated</i>         |                                      |                                     |                                      |                                     |
| (i) Financial Assets:       |                                      |                                     |                                      |                                     |
| Cash and deposits           | 21 050                               | 21 050                              | 20 441                               | 20 441                              |
| Investments                 | 2 789                                | 2 789                               | 766                                  | 766                                 |
| Receivables                 | 8 598                                | 8 598                               | 7 055                                | 7 055                               |
|                             | <u>32 437</u>                        | <u>32 437</u>                       | <u>28 262</u>                        | <u>28 262</u>                       |
| (ii) Financial Liabilities: |                                      |                                     |                                      |                                     |
| Creditors and accruals      | 8 848                                | 8 848                               | 7 200                                | 7 200                               |
| Lease liability             | 1 067                                | 1 067                               | 903                                  | 903                                 |
|                             | <u>9 915</u>                         | <u>9 915</u>                        | <u>8 103</u>                         | <u>8 103</u>                        |
| <i>Health Service</i>       |                                      |                                     |                                      |                                     |
| (i) Financial Assets:       |                                      |                                     |                                      |                                     |
| Cash and deposits           | 17 032                               | 17 032                              | 14 950                               | 14 950                              |
| Investments                 | 1 431                                | 1 431                               | 1 416                                | 1 416                               |
| Receivables                 | 7 652                                | 7 652                               | 6 500                                | 6 500                               |
|                             | <u>26 115</u>                        | <u>26 115</u>                       | <u>22 866</u>                        | <u>22 866</u>                       |
| (ii) Financial Liabilities: |                                      |                                     |                                      |                                     |
| Creditors and accruals      | 3 923                                | 3 923                               | 2 848                                | 2 848                               |
| Lease liability             | 1 067                                | 1 067                               | 903                                  | 903                                 |
|                             | <u>4 990</u>                         | <u>4 990</u>                        | <u>3 751</u>                         | <u>3 751</u>                        |

# JUDGES' PENSIONS SCHEME

## FUNCTIONAL RESPONSIBILITY

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme established pursuant to the *Judges' Pensions Act 1971* (the Act). The Treasurer is responsible for the payment of contributions from the Government for Scheme members and for the payment of superannuation benefits to members and members' families. The Scheme is non-contributory for members.

The main financial administration arrangements that apply in relation to the Scheme involve a Special Deposit Account (the Account). The Account records as income, contributions and revenue derived from the investment of those monies, and also records as payments from the Account, benefit payments and administration costs.

The investment management responsibility for the Account is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA).

The Act provides for pension based benefits.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

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

### Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- contributions from employers
- pension payments.

## AUDIT FINDINGS AND COMMENTS

### Commentary on General Financial Controls

The general financial control structure was found to be satisfactory.

## CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Judges' Pensions Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised over the Judges' Pensions Scheme in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the Scheme were conducted properly and in accordance with the law.

## COMMENTARY ON OPERATIONS

### Members and Pensioners

As at 30 June 2001 there were 46 (45) members of the Scheme and 38 (38) pensioners.

## Operating Statement for the year ended 30 June 2001

|  | Note | 2001<br>\$'000 | 2000<br>\$'000 |
|--|------|----------------|----------------|
| <b>INVESTMENT REVENUE:</b>                                   |      |                |                |
| Net investment revenue                                       |      | 2 712          | 13 120         |
| <b>INTEREST INCOME</b>                                       |      | 14             | 6              |
| <b>EMPLOYER CONTRIBUTIONS</b>                                | 1(c) | 2 696          | 2 374          |
| <b>ADMINISTRATION EXPENSE</b>                                | 3    | (60)           | (61)           |
| <b>ACTUARIAL EXPENSE</b>                                     | 11   | (8)            | -              |
| <b>AUDIT EXPENSE</b>   | 12   | (8)            | -              |
| <b>GST EXPENSE</b>   | 13   | (2)            | -              |
| <b>BENEFITS EXPENSE</b>                                      | 5    | (11 654)       | (2 963)        |
| <b>OPERATING RESULT FOR THE PERIOD BEFORE ABNORMAL ITEMS</b> |      | <u>(6 310)</u> | <u>12 476</u>  |
| <b>ABNORMAL ITEMS</b>  |      |                |                |
| Transfer to other schemes                                    |      | -              | (82)           |
| Transfer to other schemes for past service liability funding | 1(c) | -              | (6 000)        |
| <b>OPERATING RESULT FOR THE PERIOD AFTER ABNORMAL ITEMS</b>  |      | <u>(6 310)</u> | <u>6 394</u>   |

## Statement of Financial Position as at 30 June 2001

|  | Note | 2001<br>\$'000 | 2000<br>\$'000 |
|--|------|----------------|----------------|
| <b>INVESTMENTS:</b>  |      |                |                |
| Inflation linked securities  |      | 11 656         | 10 551         |
| Property   |      | 8 232          | 7 239          |
| Australian equities  |      | 32 207         | 29 600         |
| International equities   |      | 30 867         | 32 261         |
| Fixed interest   |      | 4 435          | 4 573          |
| Cash   |      | 476            | 1 390          |
|  |      | <u>87 873</u>  | <u>85 614</u>  |
| <b>FIXED ASSETS</b>  |      |                |                |
| <b>OTHER ASSETS:</b>   |      |                |                |
| Cash and deposits at treasury  |      | 34             | 205            |
| Cash and deposits at treasury - Funds SA                                   |      | 3              | 1              |
| Interest, dividends and rent due - Funds SA                                |      | 9              | 28             |
| Prepaid expenses - Funds SA  |      | 1              | 2              |
| Sundry debtors   | 9(a) | 7              | 228            |
| Contributions receivable   | 9(b) | 110            | -              |
|  |      | <u>164</u>     | <u>464</u>     |
| <b>Total Assets</b>  |      | <u>88 039</u>  | <u>86 079</u>  |
| <b>CURRENT LIABILITIES:</b>  |      |                |                |
| Rent paid in advance - Funds SA  |      | 26             | 25             |
| Pensions payable   |      | -              | 115            |
| Sundry creditors and provisions  | 10   | 90             | 134            |
|  |      | <u>116</u>     | <u>274</u>     |
| <b>NON-CURRENT LIABILITIES:</b>  |      |                |                |
| Loan and finance facilities - Funds SA                                     |      | 608            | 680            |
| <b>Total Liabilities</b>   |      | <u>724</u>     | <u>954</u>     |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>                                | 4    | <u>87 315</u>  | <u>85 125</u>  |
| Less: <b>LIABILITY FOR ACCRUED BENEFITS</b>                                | 5    | <u>87 500</u>  | <u>79 000</u>  |
| <b>EXCESS OF (LIABILITIES OVER NET ASSETS) NET ASSETS OVER LIABILITIES</b> |      | <u>(185)</u>   | <u>6 125</u>   |

## Statement of Cash Flows for the year ended 30 June 2001

|  | Note | 2001<br>Inflows<br>(Outflows)<br>\$'000 | 2000<br>Inflows<br>(Outflows)<br>\$'000 |
|--|------|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |      |   |   |
| Contributions by employers                                   |      | 2 585                                   | 2 384                                   |
| Interest received  |      | 14                                      | 6                                       |
| Pensions paid  |      | (3 041)                                 | (3 076)                                 |
| Administration expense                                       |      | (121)                                   | -                                       |
| Actuarial expense  |      | (8)                                     | -                                       |
| Audit expense  |      | (8)                                     | -                                       |
| GST expense  |      | (2)                                     | -                                       |
| Transfer to other schemes                                    |      | -                                       | (132)                                   |
| Transfer to other schemes for past service liability funding |      | -                                       | (6 000)                                 |
| <b>Net Cash used in Operating Activities</b>                 | 8    | <u>(581)</u>                            | <u>(6 818)</u>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 | 2(a) |   |   |
| Receipts from Superannuation Funds Management Corporation    |      | 1 160                                   | 6 980                                   |
| Payments to Superannuation Funds Management Corporation      |      | (750)                                   | (26)                                    |
| <b>Net Cash provided by Investing Activities</b>             |      | <u>410</u>                              | <u>6 954</u>                            |
| <b>NET (DECREASE) INCREASE IN CASH HELD</b>                  |      | <u>(171)</u>                            | <u>136</u>                              |
| <b>CASH AT 1 JULY</b>  |      | <u>205</u>                              | <u>69</u>                               |
| <b>CASH AT 30 JUNE</b>                                       |      | <u>34</u>                               | <u>205</u>                              |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. Objectives of the Financial Statements

(a) **Judges' Pensions Scheme**

The Judges' Pensions Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Judges' Pensions Act 1971* (the Act). The Act provides for the payment of pension benefits to former South Australian Judges and their families.

The Act provides for a pension to be paid to a Judge who retires or who is over the age of 60 years and has had not less than ten years judicial service. A pension will also be paid to a Judge who resigns due to permanent disability or infirmity.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary immediately prior to retirement or resignation. The Scheme is non-contributory.

(b) **Superannuation Funds Management Corporation of South Australia**

Superannuation Funds Management Corporation of South Australia (Funds SA) is established under the *Superannuation Funds Management Corporation of South Australia Act 1995* (the Act). Funds SA is responsible for the investment and management of the public sector superannuation funds pursuant to strategies formulated by Funds SA.

For further information on the investment of the Judges' Pension Scheme Account, reference should be made to the financial statements of Funds SA.

(c) **Funding Arrangements**

Under Section 14(1)(b) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriated to the necessary extent) or from a Special Deposit Account established for that purpose. During the year ended 30 June 2001 payments were made from a Special Deposit Account.

The Treasurer requires employers to pay a contribution to fund their emerging superannuation liability and commencing 1 July 1994 the Treasurer has deposited these contributions into the Special Deposit Account. During the year ended 30 June 2001 the Treasurer paid \$2.7 million to the Special Deposit Account. (\$2.4 million in 2000).

During the 2000 year, an amount of \$6 million, being the estimated amount in excess of the Scheme liabilities, was transferred to a Treasury working account in order to meet the Government's cost of funding other superannuation liabilities. No amount was transferred for the year ended 30 June 2001.

## 2. Summary of Significant Accounting Policies

(a) **Basis of Accounting**

The Financial Statements have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

Funds SA operates a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional 'units', as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme's cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme's income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. For information regarding the manner in which Funds SA operates its investment portfolio, and the contributions that realised and unrealised gains make to Funds SA's total investment returns, reference should be made to the financial statements of Funds SA.

(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 2001 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 four 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 of the financial statements of Funds SA.

• **Directly Held Listed Property Trusts**

Investments in directly held listed property trusts have been valued using market prices applicable at the balance date.

- (ii) **Property (continued)**
- **Externally Managed Listed Property Trusts**  
The externally managed listed property trust portfolio is invested and managed by two managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
  - **Externally Managed Unlisted Property Vehicles**  
Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.
- (iii) **Australian Equities**  
The Australian Equities portfolio comprises two sub-sectors:
- **Listed Australian Equities**  
The listed Australian equities 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.
  - **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) guidelines. Internally managed assets have been valued by the Directors of Funds SA, 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 sub-sectors:
- **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 the 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. Bank bills have been valued using market rates applicable at the balance date.
- (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 of Funds SA are of the opinion that this provides a reasonable estimate of market value.
- (ix) **Other Assets and Liabilities**  
These items have been assessed and the Directors of Funds SA 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 on balance date.
- (c) **Taxation**  
All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.
- (d) **Accounting for Leases**  
Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability on a straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

**3. Administration**

Costs of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities (deducted from investment revenue that is investment revenue is reported net of direct investment expenses) and those costs incurred by the Department of Treasury and Finance in administering the Scheme.

Costs incurred by the Department of Treasury and Finance in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Judges' Pension Scheme Account.

**4. Net Assets Available to Pay Benefits**

|  | 2001<br>\$'000 | 2000<br>\$'000 |
|--|----------------|----------------|
| Funds held at 1 July   | 85 125         | 78 731         |
| Add: Contributions by employers                              | 2 696          | 2 374          |
| Investment earnings <sup>(i)</sup>                           | 2 712          | 13 120         |
| Interest income  | 14             | 6              |
|  | <b>5 422</b>   | <b>15 500</b>  |
| Less: Net benefits paid                                      | 3 154          | 2 963          |
| Transfer to other schemes for past service liability funding | -              | 6 000          |
| Transfers to other schemes                                   | -              | 82             |
| Administration expense                                       | 60             | 61             |
| Actuarial expense  | 8              | -              |
| Audit expense  | 8              | -              |
| GST expense  | 2              | -              |
|  | <b>3 232</b>   | <b>9 106</b>   |
| <b>Funds Held at 30 June</b>                                 | <b>87 315</b>  | <b>85 125</b>  |

(i) Shown net of direct investment expenses.

**5. Liability for Accrued Benefits**

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 1998 triennial review of the South Australian Superannuation Scheme. Salary increases of one percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. In accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' the expected future benefit payments have then been discounted to present values by a market-based, risk-adjusted discount rate of four percent per annum above the CPI. The corresponding assumptions used last year were the same.

The accrued superannuation liability as determined by the State Superannuation Office of the Department of Treasury and Finance is estimated at \$87.5 million (\$79 million) as at 30 June 2001.

|  | 2001<br>\$'000 | 2000<br>\$'000 |
|--|----------------|----------------|
| Liability for accrued benefits at 1 July         | 79 000         | 79 000         |
| Add: Benefits expense <sup>(i)</sup>             | 11 654         | 2 963          |
| Less: Benefits paid                              | 3 154          | 2 963          |
| <b>Liability for Accrued Benefits at 30 June</b> | <b>87 500</b>  | <b>79 000</b>  |

(i) This figure represents the change in Liability for Accrued Benefits plus Benefits Paid for the year.

**6. Vested Benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Scheme, or any factor other than resignation from the Scheme. Vested Benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date.

|                 | 2001<br>\$'000 | 2000<br>\$'000 |
|-----------------|----------------|----------------|
| Vested benefits | 54 700         | 51 000         |

**7. Guaranteed Benefits**

The entitlements of members are specified by the *Judges' Pensions Act 1971*.

**8. Reconciliation of Net Cash used in Operating Activities to Operating Result**

|  |              |                |
|--|--------------|----------------|
| Operating result                                   | (6 310)      | 6 394          |
| Benefits expense                                   | 11 654       | 2 963          |
| Benefits paid                                      | (3 154)      | (2 963)        |
| (Decrease) Increase in benefits payable            | (115)        | 115            |
| Decrease (Increase) in sundry debtors              | 221          | (228)          |
| (Decrease) Increase in administration fees payable | (61)         | 61             |
| (Increase) Decrease in contributions receivable    | (110)        | 10             |
| Increase (Decrease) in sundry creditors            | 6            | (50)           |
| Investment earnings                                | (2 712)      | (13 120)       |
| <b>Net Cash used in Operating Activities</b>       | <b>(581)</b> | <b>(6 818)</b> |

*Judges' Pensions Scheme*

|   |                      |                 |
|---|----------------------|-----------------|
| <b>9. Sundry Debtors and Contributions Receivable</b> | <b>2001</b>          | 2000            |
|   | <b>\$'000</b>        | \$'000          |
| <b>(a) Sundry Debtors</b>                             |                      |                 |
| Overpaid fortnightly pension                          | -                    | 228             |
| GST refundable  | <b>6</b>             | -               |
| Sundry debtors - Funds SA                             | <b>1</b>             | -               |
|   | <hr/> <b>7</b> <hr/> | <hr/> 228 <hr/> |

For the 1999-2000 financial year, pension payments for fortnights ending 31 December 1999 and 10 March 2000 were paid twice. The funds were subsequently refunded in the 2000-01 financial year. The refund of GST relates to the reduced input tax credit, which offsets the GST paid.

|                                     |             |             |
|-------------------------------------|-------------|-------------|
| <b>(b) Contributions Receivable</b> | <b>110</b>  | -           |
|                                     | <hr/> <hr/> | <hr/> <hr/> |

Contributions receivable represent contributions relating to June 2001 which were received in July 2001.

|  |                       |                 |
|--|-----------------------|-----------------|
| <b>10. Sundry Creditors and Provisions</b> |                       |                 |
| Funds SA accruals                          | <b>84</b>             | 73              |
| GST payable                                | <b>6</b>              | -               |
| Administration fees                        | -                     | 61              |
|  | <hr/> <b>90</b> <hr/> | <hr/> 134 <hr/> |

**11. Actuarial Fees**  
Actuarial fees for the 2000-01 financial year have been deducted from the Scheme. These fees relate to Superannuation Policy and Actuarial advice received.

**12. Audit Fees**  
Audit fees charged by the Auditor General for the 1999-2000 financial year have been deducted from the Scheme.

**13. GST Expense**  
The GST expense represents the GST paid by the Scheme on administration fees, actuarial fees, and audit fees, less reduced input tax credits.

**14. Additional Financial Instrument Disclosures**  
The specific disclosure requirements of Australian Accounting Standard 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.

# PARLIAMENTARY SUPERANNUATION SCHEME

## FUNCTIONAL RESPONSIBILITY

The South Australian Parliamentary Superannuation Board (the Board) established under the *Parliamentary Superannuation Act 1974* (the Act), is responsible for the collection of contributions from members of the Parliamentary 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 Parliamentary Superannuation Fund (the Fund). The Fund, established under the Act, records as income to the Fund, members' and the Government's contributions and revenue derived from the investment of those monies, and also records as payments from the Fund, benefit payments and administration costs.

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

The Act provides for pension based benefits.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

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

### Scope of Audit

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

During 2000-01 specific areas of audit attention included:

- contributions from members and employers
- pension payments.

## AUDIT FINDINGS AND COMMENTS

### Commentary on General Financial Controls

The general financial control structure was found to be satisfactory.

## CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Parliamentary Superannuation Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities. The assessment also considered whether those controls were consistent with the prescribed elements of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'.

Audit formed the opinion that the controls exercised over the Parliamentary Superannuation Scheme in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the Scheme were conducted properly and in accordance with the law.

## COMMENTARY ON OPERATIONS

### Contributors and Pensioners

As at 30 June 2001 there were 69 (69) contributors to the Scheme and 96 (100) pensioners.

**Operating Statement for the year ended 30 June 2001**

|  | Note | 2001<br>\$'000 | 2000<br>\$'000 |
|--|------|----------------|----------------|
| <b>INVESTMENT REVENUE:</b>                                   |      |                |                |
| Net investment revenue                                       |      | 3 299          | 15 686         |
| <b>INTEREST INCOME</b>                                       |      | 10             | 16             |
| <b>CONTRIBUTIONS:</b>  |      |                |                |
| Contributions by Members                                     | 1(d) | 865            | 790            |
| Contributions by Employers                                   | 1(d) | 2 573          | 2 123          |
|  |      | 3 438          | 2 913          |
| <b>ADMINISTRATION EXPENSE</b>                                | 4    | (144)          | (143)          |
| <b>ACTUARIAL EXPENSE</b>                                     | 12   | (14)           | -              |
| <b>AUDIT EXPENSE</b>   | 13   | (12)           | -              |
| <b>GST EXPENSE</b>   | 14   | (4)            | -              |
| <b>BENEFITS EXPENSE</b>                                      | 6    | (8 484)        | (12 145)       |
| <b>OPERATING RESULT FOR THE PERIOD BEFORE ABNORMAL ITEMS</b> |      | (1 911)        | 6 327          |
| <b>ABNORMAL ITEMS:</b>                                       |      |                |                |
| Transfer to other schemes for past service liability funding | 1(d) | -              | (5 000)        |
| <b>OPERATING RESULT FOR THE PERIOD AFTER ABNORMAL ITEMS</b>  |      | (1 911)        | 1 327          |

**Statement of Financial Position as at 30 June 2001**

|  | Note | 2001<br>\$'000 | 2000<br>\$'000 |
|--|------|----------------|----------------|
| <b>INVESTMENTS:</b>                          |      |                |                |
| Inflation linked securities                  | 2(b) | 14 093         | 12 839         |
| Property                                     |      | 9 954          | 8 809          |
| Australian equities                          |      | 38 943         | 36 019         |
| International equities                       |      | 37 323         | 39 258         |
| Fixed interest                               |      | 5 362          | 5 565          |
| Cash   |      | 576            | 1 691          |
|  |      | 106 251        | 104 181        |
| <b>FIXED ASSETS</b>                          |      | 2              | 2              |
| <b>OTHER ASSETS:</b>                         |      |                |                |
| Cash and deposits at Treasury                |      | 133            | 8              |
| Cash and deposits at Treasury – Funds SA     |      | 3              | 1              |
| Interest, dividends and rent due – Funds SA  |      | 11             | 33             |
| Prepaid expenses – Funds SA                  |      | 1              | 2              |
| Sundry debtors                               | 10   | 14             | 314            |
| Contributions receivable                     | 3    | 375            | 274            |
|  |      | 537            | 632            |
| <b>Total Assets</b>                          |      | 106 790        | 104 815        |
| <b>CURRENT LIABILITIES:</b>                  |      |                |                |
| Rend paid in advance – Funds SA              |      | 32             | 30             |
| Benefits payable                             |      | 156            | 156            |
| Sundry creditors and provisions              | 11   | 116            | 140            |
|  |      | 304            | 326            |
| <b>NON-CURRENT LIABILITIES:</b>              |      |                |                |
| Loan and finance facilities – Funds SA       |      | 736            | 828            |
| <b>Total Liabilities</b>                     |      | 1 040          | 1 154          |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b>  | 5    | 105 750        | 103 661        |
| <b>LESS: LIABILITY FOR ACCRUED BENEFITS</b>  | 6    | 103 000        | 99 000         |
| <b>EXCESS OF NET ASSETS OVER LIABILITIES</b> |      | 2 750          | 4 661          |

## Statement of Cash Flows for the year ended 30 June 2001

|  | Note | 2001<br>Inflows<br>(Outflows)<br>\$'000 | 2000<br>Inflows<br>(Outflows)<br>\$'000 |
|--|------|---|---|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                 |      |   |   |
| CONTRIBUTIONS RECEIVED:                                      |      |   |   |
| Contributions by members                                     |      | 867                                     | 786                                     |
| Contributions by employers                                   |      | 2 470                                   | 2 149                                   |
| Transfers from other schemes                                 |      | -                                       | 50                                      |
|  |      | <u>3 337</u>                            | <u>2 985</u>                            |
| INTEREST RECEIVED  |      | 10                                      | 15                                      |
| BENEFITS PAID:   |      |   |   |
| Pensions   |      | (3 840)                                 | (4 243)                                 |
| Commutation of pension benefits                              |      | (330)                                   | (9)                                     |
| Lump sum:  |      |   |   |
| Refunds of member contributions and interest                 |      | -                                       | (51)                                    |
|  |      | <u>(4 170)</u>                          | <u>(4 303)</u>                          |
| Administration expense                                       |      | (195)                                   | (92)                                    |
| Actuarial expense  |      | (14)                                    | -                                       |
| Audit expense  |      | (12)                                    | -                                       |
| GST expense  |      | (1)                                     | -                                       |
| Transfer to other schemes for past service liability funding |      | -                                       | (5 000)                                 |
| <b>Net Cash used in Operating Activities</b>                 | 9    | <u>(1 045)</u>                          | <u>(6 395)</u>                          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                 |      |   |   |
| Receipts from Superannuation Funds Management Corporation    | 2(a) | 2 610                                   | 7 020                                   |
| Payments to Superannuation Funds Management Corporation      |      | (1 440)                                 | (692)                                   |
| <b>Net Cash provided by Investing Activities</b>             |      | <u>1 170</u>                            | <u>6 328</u>                            |
| <b>NET INCREASE (DECREASE) IN CASH HELD</b>                  |      | <b>125</b>                              | <b>(67)</b>                             |
| <b>CASH AT 1 JULY</b>  |      | <b>8</b>                                | <b>75</b>                               |
| <b>CASH AT 30 JUNE</b>                                       |      | <b>133</b>                              | <b>8</b>                                |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## 1. Objectives of the Financial Statements

(a) *Parliamentary Superannuation Scheme*

The Parliamentary Superannuation Scheme (the Scheme) is a compulsory superannuation scheme which exists pursuant to the *Parliamentary Superannuation Act 1974* (the Act). The Act provides for the payment of superannuation benefits to persons who have service as members of Parliament and makes provisions for the families of such persons.

Section 14(2) of the Act requires every member of Parliament with less than 20 years and one month's service, to make contributions of 11.5 percent of their salary (including any additional salary) to the Treasurer. Section 14(3) requires members of Parliament with 20 years and one month's service or over, to make contributions of 5.75 percent of their basic salary and 11.5 percent of any additional salary.

Member contributions are deposited by the Treasurer into the Parliamentary Superannuation Fund, established under section 13 of the Act. The Fund is managed and invested by Funds SA.

A member is entitled to a pension based benefit determined in accordance with the Act to be a percentage of the members' salary. A member may elect to commute to a lump sum or percentage of their pension entitlement.

(b) *The South Australian Parliamentary Superannuation Board*

The South Australian Parliamentary Superannuation Board (the Board) a body corporate, is established under section 8(1) of the Act.

(c) *Superannuation Funds Management Corporation of South Australia*

The Superannuation Funds Management Corporation of South Australia (Funds SA), a body corporate, was established for the purpose of managing and investing the accounts of various public sector superannuation schemes. Funds SA is responsible for the management and investment of the Parliamentary Superannuation Fund.

For further information on the investment of the Parliamentary Superannuation Fund, reference should be made to the financial statements of Funds SA.

(d) *Funding Arrangements*

Under section 39(1) of the Act, any payment to a member must be made out of the Consolidated Account (which is appropriate to the necessary extent) or from a Special Deposit Account established for that purpose. During the year ended 30 June 2001 payments were made from a Special Deposit Account.

Member contributions are paid to the Treasurer, who deposits these contributions into the Parliamentary Superannuation Fund, with \$865 000 (\$790 000) being credited during the year ended 30 June 2001.

The Government as the employer paid \$2.6 million into the Parliamentary Superannuation Fund during the year ended 30 June 2001, to fund future superannuation benefits.

(d) **Funding Arrangements (continued)**

Since 30 June 1994 the Government has undertaken a process of funding its accrued past service superannuation liabilities. During the year ended 30 June 2000, an amount of \$5 million, was transferred out of the Parliamentary Superannuation Fund in order to meet the Government's cost of funding other superannuation liabilities. No amount was transferred for the year ended 30 June 2001.

2. **Summary of Significant Accounting Policies**

(a) **Basis of Accounting**

The financial statements have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to *Public Finance and Audit Act 1987*.

Funds SA operated a unitised investment portfolio utilising a number of asset class funds, each of which holds assets of a different category. The Scheme holds an interest in the asset class funds by way of notional 'units', as determined by Funds SA, rather than holding assets directly. As funds of the Scheme are regularly subscribed to and redeemed from the asset class funds, in line with the Scheme's cash flow requirements, it is not possible to accurately determine the separate contribution by realised and unrealised gains to the Scheme's income. For this reason, unrealised gains are not separately identified as required by AAS 25 and the Statement of Cash Flows only reflects a net result for cash flows from investing activities. For information regarding the manner in which Funds SA operates its investment portfolio, and the contributions that realised and unrealised gains make to Funds SA's total investment returns, reference should be made to the financial statements of Funds SA.

(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 2001 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 four 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 of the financial statements of Funds SA.
- **Directly Held Listed Property Trusts**  
Investments in directly held listed property trusts have been valued using market prices applicable at the balance date.
- **Externally Managed Listed Property Trusts**  
The externally managed listed property trust portfolio is invested and managed by two managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
- **Externally Managed Unlisted Property Trusts**  
Investments in externally managed unlisted property vehicles have been valued in accordance with the exit valuations supplied by the managers.

(iii) **Australian Equities**

The Australian equities portfolio comprises two sub-sectors:

- **Listed Australian Equities**  
The listed Australian equities 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.
- **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) guidelines. Internally managed assets have been valued by the Directors of Funds SA, 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.

**(b) Basis of Valuations of Assets and Liabilities (continued)****(iv) International Equities**

The international equities portfolio comprises two sub-sectors:

- **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 the 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. Bank bills have been valued using market rates applicable at the balance date.

**(viii) Fixed Assets**

Fixed assets are shown as cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the assets, using straight line or diminishing value methods. The Directors of Funds SA are of the opinion that this provides a reasonable estimate of market value.

**(ix) Other Assets and Liabilities**

These items have been assessed and the Directors of Funds SA 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 on balance date.

**(c) Taxation**

All of the public sector superannuation funds under the management of Funds SA are exempt from federal income tax by virtue that they are declared as 'constitutionally protected funds' under the Regulations to the *Income Tax Assessment Act 1936*. Consequently, no income tax expense has been brought to account in these financial statements.

**(d) Accounting for Leases**

Incentives received on entering into operating leases are recognised as liabilities. Lease payments are allocated between rental expense and reduction of the liability of straight-line basis. The allocation of lease rental payments in this manner ensures that the rental expense is recognised on a basis which is representative of the pattern of benefits derived from the leased asset.

|                                    |               |        |
|------------------------------------|---------------|--------|
| <b>3. Contributions Receivable</b> | <b>2001</b>   | 2000   |
| Contributions receivable from:     | <b>\$'000</b> | \$'000 |
| Members                            | <b>61</b>     | 63     |
| Employers                          | <b>314</b>    | 211    |
|                                    | <b>375</b>    | 274    |

|  |
|--|
| <b>4. Administration</b>   |
| Cost of administering the Scheme comprise those costs incurred by Funds SA in administering the investment activities (deducted from investment revenue, that is investment revenue is reported net of direct investment expenses) and those costs incurred by the Department of Treasury and Finance in administering the Scheme. |

Costs incurred by the Department of Treasury and Finance in administering the Scheme are met in the first instance from the Department of Treasury and Finance Operating Account. The Department of Treasury and Finance seeks reimbursement from the Parliamentary Superannuation Fund.

|  |                |        |
|--|----------------|--------|
| <b>5. Net Assets Available to Pay Benefits</b> | <b>2001</b>    | 2000   |
| Funds held at 1 July                           | <b>\$'000</b>  | \$'000 |
|  | <b>103 661</b> | 94 334 |
| <i>Add:</i>                                    |                |        |
| Contributions by members                       | <b>865</b>     | 790    |
| Contributions by employers                     | <b>2 573</b>   | 2 123  |
| Investment earnings <sup>(i)</sup>             | <b>3 299</b>   | 15 686 |
| Other income                                   | <b>10</b>      | 16     |
|  | <b>6 747</b>   | 18 615 |

Parliamentary Superannuation Scheme

|  |                |               |
|--|----------------|---------------|
| <b>5. Net Assets Available to Pay Benefits (continued)</b>   | <b>2001</b>    | <b>2000</b>   |
| Less:  | <b>\$'000</b>  | <b>\$'000</b> |
| Net benefits paid  | <b>4 484</b>   | 4 145         |
| Transfer to other schemes for past service liability funding | -              | 5 000         |
| Administration expense                                       | <b>144</b>     | 143           |
| Actuarial expense  | <b>14</b>      | -             |
| Audit expense  | <b>12</b>      | -             |
| GST expense  | <b>4</b>       | -             |
|  | <b>4 658</b>   | 9 288         |
| <b>Funds held at 30 June</b>                                 | <b>105 750</b> | 103 661       |

(i) Shown net of direct investment expenses.

**6. Liability for Accrued Benefits**

The expected future benefit payments have been determined using the same pensioner mortality assumptions as the 1998 triennial review of the South Australia Superannuation Scheme. Salary increases of one percent per annum above the Adelaide Consumer Price Index (CPI) have been assumed. In accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' the expected future benefit payments have been discounted to present values by a market based, risk adjusted discount rate of four percent per annum above the CPI. The corresponding assumptions used last year were the same.

The accrued superannuation liability as determined by the State Superannuation Office of the Department of Treasury and Finance is estimated at \$103 million (\$99 million) as at 30 June 2001.

|  |                |               |
|--|----------------|---------------|
|  | <b>2001</b>    | <b>2000</b>   |
|  | <b>\$'000</b>  | <b>\$'000</b> |
| Liability for accrued benefits at 1 July         | <b>99 000</b>  | 91 000        |
| Add: Benefits expense <sup>(i)</sup>             | <b>8 484</b>   | 12 145        |
| Less: Benefits paid                              | <b>4 484</b>   | 4 145         |
| <b>Liability for Accrued Benefits at 30 June</b> | <b>103 000</b> | 99 000        |

(i) This figure represents the change in liability for accrued benefits plus benefits paid for the year.

**7. Vested Benefits**

Vested benefits are benefits which are not conditional upon continued membership in the Scheme, or any factor other than resignation from the Scheme. Vested benefits include benefits which members are entitled to receive had they terminated their membership as at the reporting date. The value of vested benefits is greater than the liability for accrued benefits, as vested benefits are based on the involuntary expiration of service, and this would result in an entitlement to benefits occurring immediately.

|                 |                |               |
|-----------------|----------------|---------------|
|                 | <b>2001</b>    | <b>2000</b>   |
|                 | <b>\$'000</b>  | <b>\$'000</b> |
| Vested benefits | <b>120 000</b> | 116 000       |

**8. Guaranteed Benefits**

The entitlements of members are specified by the *Parliamentary Superannuation Act 1974*.

**9. Reconciliation of Net Cash used in Operating Activities to Operating Result**

|   |                |          |
|---|----------------|----------|
| Operating result                                | <b>(1 911)</b> | 1 327    |
| Benefits expense                                | <b>8 484</b>   | 12 145   |
| Benefits paid                                   | <b>(4 484)</b> | (4 145)  |
| Increase in benefits payable                    | -              | 156      |
| Decrease (Increase) in sundry debtors           | <b>302</b>     | (264)    |
| (Increase) Decrease in contributions receivable | <b>(101)</b>   | 20       |
| (Decrease) Increase in sundry creditors         | <b>(36)</b>    | 52       |
| Investment earnings                             | <b>(3 299)</b> | (15 686) |
| <b>Net Cash used in Operating Activities</b>    | <b>(1 045)</b> | (6 395)  |

**10. Sundry Debtors**

|                              |           |     |
|------------------------------|-----------|-----|
| Overpaid fortnightly pension | -         | 314 |
| Funds SA accruals            | <b>2</b>  | -   |
| GST refundable               | <b>12</b> | -   |
|                              | <b>14</b> | 314 |

For the 1999-2000 financial year, pension payments for fortnights ending 31 December 1999 and 10 March 2000 were paid twice. The funds were subsequently refunded in the 2000-01 financial year. The refund of GST relates to the reduced input tax credit, which offsets the GST paid.

**11. Sundry Creditors and Provisions**

|  |            |     |
|--|------------|-----|
| Funds SA accrual                                 | <b>101</b> | 89  |
| Administration fees                              | -          | 51  |
| GST payable                                      | <b>14</b>  | -   |
| Transfer to Southern State Superannuation Scheme | <b>1</b>   | -   |
|  | <b>116</b> | 140 |

**12. Actuarial Fees**

Actuarial fees for the 2000-01 financial year have been deducted from the Scheme. These fees relate to Superannuation Policy and Actuarial advice received.

**13. Audit Fees**

Audit fees charged by the Auditor-General for the 1999-2000 financial year have been deducted from the Scheme.

**14. GST Expense**

The GST expense represents the GST paid by the Scheme on administration fees, actuarial fees, and audit fees, less reduced input tax credits.

**15. Additional Financial Instrument Disclosures**

The specific disclosures of Australian Accounting Standard 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.

# POLICE SUPERANNUATION SCHEME

## FUNCTIONAL RESPONSIBILITY

The Police Superannuation Board (the Board), established under the *Police Superannuation Act 1990*, 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) — The Fund, established under the *Police Superannuation Act 1990*, 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, namely, an Old Scheme Division which provides pension benefits with a lump sum option and a New (Lump Sum) Scheme Division which provides lump sum benefits.

The investment management responsibility for the Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA) under the *Police Superannuation Act 1990*.

- The Police Superannuation Scheme Contribution Account (Police 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.
- The Police Occupational Superannuation Scheme (POSS), which was established under a Deed of Arrangement between the Treasurer and the Police Association of South Australia. The Board is responsible for all aspects of the administration of the Deed of Arrangement except management and investment activities. On 29 May 2000 (with effect from 1 July 1999) the Treasurer determined that POSS is a public sector superannuation scheme and the assets of the Scheme are to be invested and managed by Funds SA.

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.

## SIGNIFICANT FEATURES

- Net assets available to pay benefits increased by \$3.6 million to \$446.1 million.
- Investment revenue totalled \$14.4 million compared to \$74.6 million in the previous year.
- Benefits paid totalled \$41.8 million compared to \$39.2 million in the previous year.

## AUDIT MANDATE AND COVERAGE

### Audit Authority

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

## Scope of Audit

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

During 2000-01, the aspects of financial operations that were the subject of audit attention included:

- contributions from members and employers
- pension and lump sum payments
- administrative expenses
- disbursement account reconciliation.

## Audit Communications to Management

Issues arising from the audit of the scheme will be the subject of a letter to be forwarded to the Presiding Member, Police Superannuation Board in November 2001. Further comments relating to these issues are contained in 'Audit Findings and Comments' hereunder.

## AUDIT FINDINGS AND COMMENTS

### Commentary on General Financial Controls

While the general financial control structure was found to be satisfactory, there were areas where it was considered there was scope for improvement.

## CONTROLS OPINION

As required by subsection 36(1)(a)(iii) of the *Public Finance and Audit Act 1987*, the audit of the Police Superannuation Scheme included an assessment of the controls exercised in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities and also, whether the controls in operation were consistent with the prescribed principles of the Financial Management Framework as required by Treasurer's Instruction 2 'Financial Management Policies'. The overall aim of that assessment was to establish whether those controls were sufficient to provide reasonable assurance that the financial transactions have been conducted properly and in accordance with the law.

Audit formed the opinion that the controls exercised over the Police Superannuation Scheme in relation to the receipt, expenditure and investment of money; the acquisition and disposal of property; and the incurring of liabilities, were sufficient to provide reasonable assurance that the financial transactions of the organisation were conducted properly and in accordance with the law.

## INTERPRETATION AND ANALYSIS OF FINANCIAL STATEMENTS

### Statement of Changes in Net Assets

The net assets available to pay benefits (net assets) increased by \$3.6 million to \$446.1 million. Reflected in this result was:

- net investment revenue of \$14.4 million (\$74.6 million) derived by Funds SA from the Scheme's financial assets;
- benefits paid by the Scheme in the form of pension and lump sum payments of \$41.8 million, an increase of \$2.6 million from the previous year.

### Funding of Liabilities

The net assets of the Scheme comprise Fund net assets of \$249.6 million, Police Employer Contribution Account of \$161.3 million and the POSS Employer Contribution Account of \$35.2 million.

The actuarial assessments of the Scheme's accrued and vested liabilities are detailed at Notes 3 and 4 of the Financial Statements. The Fund's net assets are currently sufficient to cover the Fund's proportion of its liabilities. In relation to the South Australian Government, there is a significant shortfall between net assets and liabilities. Contributions to the Police Employer Contribution Account commenced only during the 1994-95 year.

## **FURTHER COMMENTARY ON OPERATIONS**

### **Contributors and Pensioners**

As at 30 June 2001, 2897 (3035) police officers were contributing to the Fund. The number of ex-police officers, spouses and children in receipt of pensions at 30 June 2001 was 1076 (1069).

### **Financial Statements for the year ended 30 June 2001**

The Police Superannuation Board, established under the *Police Superannuation Act 1990*, is responsible for all aspects of the administration of the Act except the management and investment of the Police Superannuation Fund. The investment management responsibility for the Police Superannuation Fund is vested with the Superannuation Funds Management Corporation of South Australia (Funds SA) under the *Police Superannuation Act 1990*. The Police Occupational Superannuation Scheme was established under a Deed of Arrangement between the Treasurer and the Police Association of South Australia. The Board is responsible for all aspects of the administration of the Deed of Arrangement except the management and investment of the Police Occupational Superannuation Scheme. The assets of the POSS Scheme are invested and managed by the Superannuation Funds Management Corporation of South Australia.

The following consolidated financial statements present the operations of the Board and Funds SA and have been prepared from the accounts of both bodies.

## Statement of Net Assets as at 30 June 2001

|   | Note    | \$'000  | 2001<br>\$'000 | 2000<br>\$'000 |
|---|---------|---------|----------------|----------------|
| <b>INVESTMENTS:</b>                         | 14<br>2 |         |                |                |
| Inflation linked securities                 |         | 58 906  |                | 53 148         |
| Property                                    |         | 41 605  |                | 36 467         |
| Australian equities                         |         | 162 770 |                | 149 102        |
| International equities                      |         | 155 999 |                | 162 509        |
| Australian fixed interest                   |         | 11 248  |                | 23 038         |
| International fixed interest                |         | 11 163  |                | -              |
| Cash  |         | 2 405   |                | 6 999          |
| Adelaide Plaza                              |         | 4 891   |                | 14 117         |
| <b>Total Investments</b>                    |         |         | <b>448 987</b> | <b>445 380</b> |
| <b>OTHER ASSETS:</b>                        | 2       |         |                |                |
| Fixed assets                                |         | 8       |                | 9              |
| Cash and deposits at Treasury               |         | 2 107   |                | 2 400          |
| GST receivable - Funds SA                   |         | 19      |                | -              |
| Income due and accrued                      |         | 45      |                | 137            |
| Prepaid expenses                            |         | 6       |                | 9              |
| Sundry debtors                              |         | 254     |                | 158            |
| <b>Total Other Assets</b>                   |         |         | <b>2 439</b>   | <b>2 713</b>   |
| <b>Total Assets</b>                         |         |         |                | <b>451 426</b> |
| <b>CURRENT LIABILITIES:</b>                 | 2       |         |                |                |
| Rent paid in advance                        |         | 130     |                | 124            |
| Provisions                                  |         | 8       |                | 122            |
| Sundry creditors                            |         | 2 098   |                | 1 927          |
|   |         |         | <b>2 236</b>   | <b>2 173</b>   |
| <b>NON-CURRENT LIABILITIES</b>              | 2       |         | <b>3 076</b>   | <b>3 427</b>   |
| <b>Total Liabilities</b>                    |         |         |                | <b>5 312</b>   |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b> |         |         |                | <b>446 114</b> |
|   |         |         |                | <b>442 493</b> |

## Statement of Changes in Net Assets for the year ended 30 June 2001

|  | Note | \$'000   | 2001<br>\$'000  | 2000<br>\$'000  |
|--|------|----------|-----------------|-----------------|
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY</b>  | 15   |          |                 | <b>442 493</b>  |
| <b>INVESTMENT REVENUE</b>                              | 2    |          | <b>14 447</b>   | <b>74 643</b>   |
| <b>OTHER INCOME</b>                                    |      |          | <b>145</b>      | <b>107</b>      |
| <b>ADMINISTRATION EXPENSE</b>                          | 9    |          | <b>(365)</b>    | <b>(354)</b>    |
| <b>GST EXPENSE</b>                                     | 10   |          | <b>(9)</b>      | <b>-</b>        |
| <b>CONTRIBUTIONS:</b>                                  |      |          |                 |                 |
| Contributions by employer                              |      | 25 760   |                 | 26 141          |
| Contributions by members                               |      | 7 161    |                 | 7 172           |
|  |      |          | <b>32 921</b>   | <b>33 313</b>   |
| <b>BENEFITS PAID:</b>                                  |      |          |                 |                 |
| Pensions   | 16   | (21 187) |                 | (21 116)        |
| Lump sums  | 16   | (20 579) |                 | (18 085)        |
|  |      |          | <b>(41 766)</b> | <b>(39 201)</b> |
| <b>REFUNDS TO MEMBERS:</b>                             |      |          |                 |                 |
| Contributions  | 16   | (921)    |                 | (976)           |
| Interest   | 16   | (831)    |                 | (703)           |
|  |      |          | <b>(1 752)</b>  | <b>(1 679)</b>  |
| <b>NET INCREASE IN FUNDS</b>                           |      |          |                 | <b>3 621</b>    |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE</b> |      |          |                 | <b>446 114</b>  |
|  |      |          |                 | <b>442 493</b>  |

## 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 Fund belong (both at law and in equity) to the Crown. The Fund 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 to six percent. Contributions are adjusted in July each year based on salary payable to contributors at the previous 31 March.

**1. Format of Accounts (continued)**

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 set out in Regulations to the *Police Superannuation Act 1990*.

The Police Occupational Superannuation Scheme (POSS) was created under a Deed of Arrangement (the Deed) between the Treasurer and the Police Association of South Australia. All Police Officers who are members of the Scheme are also members of POSS. The Deed provides for superannuation benefits for Police Officers who are members of POSS. The POSS scheme provides defined lump sum benefits for members. All benefit payments were met from the Consolidated Account which is then reimbursed. Members do not pay contributions to the POSS scheme.

Employer Contributions on behalf of members of the Scheme and POSS are deposited into the 'Police Superannuation Scheme Employer Contribution Account' (Police Employer Contribution Account) and the 'Police Occupational Superannuation Scheme Contribution Account' (POSS Employer Contribution Account) respectively. The employer share of benefits paid from the Scheme and POSS is met from the respective Employer Contribution Account. The employee share of benefits of the Scheme is met from the Fund. The employer pays the total benefit paid from the POSS scheme.

For the year ended 30 June 2001 \$22.5 million (\$22.9 million in 1999-2000) was deposited into the Police Employer Contribution Account and \$3.2 million (\$3.3 million in 1999-2000) was deposited into the POSS Employer Contribution 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 Contribution Account and the POSS Employer Contribution Account are invested and managed by Funds SA but do not form part of the Fund.

Since 30 June 1994 the Government has commenced a process of funding its accrued past service superannuation liabilities. For the year ended 30 June 2001 the Government did not transfer any additional funding (Nil in 1999-2000) to the Employer Contribution Accounts to meet liabilities in respect of the Scheme. The Government will continue to pay contributions to the Employer Contribution Accounts to meet the accrued past service liability so that liability will be fully funded by 30 June 2034.

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 have been drawn up, to the extent practicable, in accordance with Australian Accounting Standard AAS 25 'Financial Reporting by Superannuation Plans' and with Treasurer's Instructions issued pursuant to the *Public Finance and Audit Act 1987*.

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**

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 subsectors:

- **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 2001 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 four subsectors:

- **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.
- **Directly Held Listed Property Trusts**  
Investments in directly held listed property trusts have been valued using market prices applicable at the balance date.

- (ii) *Property (continued)*
- *Externally Managed Listed Property Trusts*  
The externally managed listed property trust portfolio is invested and managed by two managers. The custodian appointed to hold the assets has valued the portfolios using market prices applicable at the balance date.
  - *Externally Managed Unlisted Property Vehicles*  
Investments in externally managed unlisted property vehicles 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. The custodian appointed to hold the assets has valued the portfolio using market prices applicable at the balance date.
  - *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) guidelines. Internally managed assets have been valued by the Directors of Funds SA, 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) *Adelaide Plaza*  
The Adelaide Plaza Fund comprises Funds SA's investment in the Funds SA Subsidiary Holding Corporation, a wholly owned subsidiary of Funds SA (refer Note 11 to the financial statements of Funds SA). The Funds SA Subsidiary Holding Corporation's remaining investments at 30 June comprise the units in the Riverside Office Trust, the shares in Riverside Office Pty Ltd (the trustee company for the Riverside Office Trust) and cash. Funds SA's investment in the Adelaide Plaza Fund has been valued by the Directors of Funds SA having regard to 30 June 2001 consolidated management accounts of the Funds SA Subsidiary Holding Corporation.
- (vi) *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.
- (vii) *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.
- (viii) *Cash*  
Deposits at call and other deposits of very short term duration have been valued on the basis of principal plus accrued interest. Bank bills have been valued using market rates applicable at balance date.
- (ix) *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 of Funds SA are of the opinion that this provides a reasonable estimate of market value.
- (x) *Other Assets and Liabilities*  
These items have been assessed and the Directors of Funds SA 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 on balance date.

### 3. **Liability for Accrued Benefits**

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

For both the Old (Pension) and New (Lump Sum) Scheme Divisions the accrued liabilities are the present values of expected future benefit payments arising from membership of the Schemes up to 30 June 2000.

**3. Liability for Accrued Benefits (continued)**

The expected future benefit payments have been determined using the 30 June 1999 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 AAS 25 '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. The corresponding assumptions used last year were general salary increases of 1 percent per annum above CPI and a discount rate of 4 percent per annum above CPI.

**Accrued Liabilities 30 June 2000**

|                            | Pension<br>Scheme<br>Division<br>\$'million | Lump Sum<br>Scheme<br>Division<br>\$'million | POSS<br>Employer<br>Account<br>\$'million | Total<br>\$'million |
|----------------------------|---|--|---|---------------------|
| Police Superannuation Fund | 171.7                                       | 5.4  | -   | 177.1               |
| Police Employer Account    | 579.2                                       | 10.5   | -   | 589.7               |
| POSS Employer Account      | -   | -  | 26.9                                      | 26.9                |
| <b>Total</b>               | <b>750.9</b>                                | <b>15.9</b>                                  | <b>26.9</b>                               | <b>793.7</b>        |

The Scheme's accrued liabilities as at 30 June 2001 have been calculated using the data as at 30 June 2000 and the same assumptions as above.

**Accrued Liabilities 30 June 2001**

|                            | Pension<br>Scheme<br>Division<br>\$'million | Lump Sum<br>Scheme<br>Division<br>\$'million | POSS<br>Employer<br>Account<br>\$'million | Total<br>\$'million |
|----------------------------|---|--|---|---------------------|
| Police Superannuation Fund | 179.7                                       | 6.5  | -   | 186.2               |
| Police Employer Account    | 608.0                                       | 13.0   | -   | 621.0               |
| POSS Employer Account      | -   | -  | 29.6                                      | 29.6                |
| <b>Total</b>               | <b>787.7</b>                                | <b>19.5</b>                                  | <b>29.6</b>                               | <b>836.8</b>        |

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 1999 was carried out by Mr P Crump, FIAA of Buck Consultants. His report, dated 14 June 2000, to the Minister was tabled in Parliament on 4 July 2000. These 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. There is no direct relationship between the liability figures determined by those two assessments.

**4. Vested Benefits**

Vested benefits are benefits which are not conditional upon continued membership of the Police Superannuation Scheme and the Police Occupational Superannuation Scheme (or any factor other than resignation from the Schemes) 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.

When members resign from the Police Occupational Superannuation Scheme, they are entitled to a preserved lump sum benefit.

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.

As for accrued benefits, vested benefits have been calculated as at 30 June 2000 and as at 30 June 2001.

**Vested Benefits 30 June 2000**

|                            | Pension<br>Scheme<br>Division<br>\$'million | Lump Sum<br>Scheme<br>Division<br>\$'million | POSS<br>Employer<br>Account<br>\$'million | Total<br>\$'million |
|----------------------------|---|--|---|---------------------|
| Police Superannuation Fund | 150.0                                       | 3.4  | -   | 153.4               |
| Police Employer Account    | 515.4                                       | 8.1  | -   | 523.5               |
| POSS Employer Account      | -   | -  | 23.8                                      | 23.8                |
| <b>Total</b>               | <b>665.4</b>                                | <b>11.5</b>                                  | <b>23.8</b>                               | <b>700.7</b>        |

**Vested Benefits 30 June 2001**

|                            | Pension<br>Scheme<br>Division<br>\$'million | Lump Sum<br>Scheme<br>Division<br>\$'million | POSS<br>Employer<br>Account<br>\$'million | Total<br>\$'million |
|----------------------------|---|--|---|---------------------|
| Police Superannuation Fund | 157.0                                       | 4.1  | -   | 161.1               |
| Police Employer Account    | 541.0                                       | 10.0   | -   | 551.0               |
| POSS Employer Account      | -   | -  | 26.2                                      | 26.2                |
| <b>Total</b>               | <b>698.0</b>                                | <b>14.1</b>                                  | <b>26.2</b>                               | <b>738.3</b>        |

**5. Benefits which Accrued Between 30 June 1999 and 30 June 2000**

Benefits accrued during the financial year 1999-2000 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 1999-2000**

|                            | Pension Scheme Division<br>\$'million | Lump Sum Scheme Division<br>\$'million | POSS Employer Account<br>\$'million | Total<br>\$'million |
|----------------------------|---------------------------------------|--|-------------------------------------|---------------------|
| Police Superannuation Fund | (2.0)                                 | 0.5                                    | -                                   | (1.5)               |
| Police Employer Account    | (10.3)                                | 0.5                                    | -                                   | (9.8)               |
| POSS Employer Account      | -                                     | -                                      | 2.6                                 | 2.6                 |
| <b>Total</b>               | <b>(12.3)</b>                         | <b>1.0</b>                             | <b>2.6</b>                          | <b>(8.7)</b>        |

**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 the Police Occupational Superannuation Scheme Account (POSS Employer Contribution Account);
- 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 Accounts.

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 2000-01 amounted to \$365 000 (\$354 000) of which the Fund is required to reimburse \$109 000 (\$106 000) to the Scheme through the 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**

As a result of the introduction of the GST on 1 July 2000, an additional line has been inserted into the Statement of Changes in Net Assets. This figure 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 2001 quarter. The credit of \$7 000 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 2000-01 was \$8 000 (\$8 000).

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

|                | <b>2001<br/>Number of<br/>Members</b> | 2000<br>Number of<br>Members |
|----------------|---------------------------------------|------------------------------|
| \$Nil          | <b>3</b>                              | 3                            |
| \$1 - \$10 000 | <b>2</b>                              | 2                            |

**12. Remuneration of Auditors**

Amounts received or due and receivable by the Auditors for auditing the Accounts of the Board in 2000-01 total \$18 000 (\$17 000).

**13. Additional Financial Instrument Disclosures**

The specific disclosure requirements of Australian Accounting Standard 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.

Police Superannuation Scheme

14. **Assets**

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

|   | 2001                                |                                     |  |  | 2000                                |                                     |  |  |
|---|-------------------------------------|-------------------------------------|--|--|-------------------------------------|-------------------------------------|--|--|
|   | Old<br>Scheme<br>Division<br>\$'000 | New<br>Scheme<br>Division<br>\$'000 | Police <sup>(1)</sup><br>Employer<br>Account<br>\$'000 | POSS <sup>(1)</sup><br>Employer<br>Account<br>\$'000 | Old<br>Scheme<br>Division<br>\$'000 | New<br>Scheme<br>Division<br>\$'000 | Police <sup>(1)</sup><br>Employer<br>Account<br>\$'000 | POSS <sup>(1)</sup><br>Employer<br>Account<br>\$'000 |
| <b>INVESTMENTS:</b>                         |                                     |                                     |  |  |                                     |                                     |  |  |
| Inflation linked securities                 | 31 961                              | 1 326                               | 21 065   | 4 554  | 29 315                              | 1 099                               | 18 993   | 3 741  |
| Property                                    | 22 573                              | 937                                 | 14 878   | 3 217  | 20 114                              | 754                                 | 13 032   | 2 567  |
| Australian equities                         | 88 315                              | 3 663                               | 58 206   | 12 586   | 82 241                              | 3 082                               | 53 284   | 10 495   |
| International equities                      | 84 641                              | 3 511                               | 55 785   | 12 062   | 89 636                              | 3 359                               | 58 075   | 11 439   |
| Australian fixed interest                   | 6 103                               | 253                                 | 4 022  | 870  | 12 707                              | 476                                 | 8 233  | 1 622  |
| International fixed interest                | 6 057                               | 251                                 | 3 992  | 863  | -                                   | -                                   | -  | -  |
| Cash  | 1 305                               | 54                                  | 860  | 186  | 3 860                               | 145                                 | 2 501  | 493  |
| Adelaide Plaza                              | -                                   | -                                   | 4 021  | 870  | -                                   | -                                   | 11 794   | 2 323  |
| <b>Total Investments</b>                    | <b>240 955</b>                      | <b>9 995</b>                        | <b>162 829</b>   | <b>35 208</b>  | <b>237 873</b>                      | <b>8 915</b>                        | <b>165 912</b>   | <b>32 680</b>  |
| <b>OTHER ASSETS:</b>                        |                                     |                                     |  |  |                                     |                                     |  |  |
| Fixed assets                                | 4                                   | -                                   | 3  | 1  | 5                                   | -                                   | 3  | 1  |
| Cash and deposits at Treasury               | 801                                 | 105                                 | 986  | 215  | 907                                 | 83                                  | 1 410  | -  |
| GST receivable                              | (2)                                 | -                                   | 18   | 3  | -                                   | -                                   | -  | -  |
| Income due and accrued                      | 25                                  | 1                                   | 16   | 3  | 76                                  | 3                                   | 49   | 9  |
| Prepaid expenses                            | 3                                   | -                                   | 2  | 1  | 5                                   | -                                   | 3  | 1  |
| Sundry debtors                              | 13                                  | 1                                   | 239  | 1  | 1                                   | -                                   | 157  | -  |
| <b>Total Other Assets</b>                   | <b>844</b>                          | <b>107</b>                          | <b>1 264</b>   | <b>224</b>   | <b>994</b>                          | <b>86</b>                           | <b>1 622</b>   | <b>11</b>  |
| <b>Total Assets</b>                         | <b>241 799</b>                      | <b>10 102</b>                       | <b>164 093</b>   | <b>35 432</b>  | <b>238 867</b>                      | <b>9 001</b>                        | <b>167 534</b>   | <b>32 691</b>  |
| <b>Less: CURRENT LIABILITIES:</b>           |                                     |                                     |  |  |                                     |                                     |  |  |
| Rent paid in advance                        | 71                                  | 3                                   | 46   | 10   | 68                                  | 3                                   | 44   | 9  |
| Provisions                                  | 4                                   | -                                   | 3  | 1  | 17                                  | 1                                   | 87   | 17   |
| Sundry creditors                            | 430                                 | 35                                  | 1 601  | 32   | 310                                 | 44                                  | 1 549  | 24   |
| <b>NON-CURRENT LIABILITIES: (2)</b>         | <b>1 669</b>                        | <b>69</b>                           | <b>1 100</b>   | <b>238</b>   | <b>1 890</b>                        | <b>71</b>                           | <b>1 225</b>   | <b>241</b>   |
| <b>Total Liabilities</b>                    | <b>2 174</b>                        | <b>107</b>                          | <b>2 750</b>   | <b>281</b>   | <b>2 285</b>                        | <b>119</b>                          | <b>2 905</b>   | <b>291</b>   |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS</b> | <b>239 625</b>                      | <b>9 995</b>                        | <b>161 343</b>   | <b>35 151</b>  | <b>236 582</b>                      | <b>8 882</b>                        | <b>164 629</b>   | <b>32 400</b>  |

(1) Police Employer Account and POSS Employer Account

*Change in Legislation for the 2001-02 Financial Year*

The *Police Superannuation (Miscellaneous) Amendment Act 2001* was passed by Parliament during 2000-01. Under this Act the benefits of the Police Occupational Scheme were merged into the Police Superannuation Scheme. The legislative changes came into operation on 1 July 2001 and for the 2001-02 financial year the net assets of the Police Employer Account and POSS Employer Account will be combined.

(2) 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.

15. **Changes in Net Assets**

Transactions within each Scheme are summarised below:

|  | 2001                                |                                     |   |                                       | 2000                                |                                     |   |                                       |
|--|-------------------------------------|-------------------------------------|---|---------------------------------------|-------------------------------------|-------------------------------------|---|---------------------------------------|
|  | Old<br>Scheme<br>Division<br>\$'000 | New<br>Scheme<br>Division<br>\$'000 | Police<br>Employer<br>Account<br>\$'000 | POSS<br>Employer<br>Account<br>\$'000 | Old<br>Scheme<br>Division<br>\$'000 | New<br>Scheme<br>Division<br>\$'000 | Police<br>Employer<br>Account<br>\$'000 | POSS<br>Employer<br>Account<br>\$'000 |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS AT 1 JULY</b>  | <b>236 582</b>                      | <b>8 882</b>                        | <b>164 629</b>                          | <b>32 400</b>                         | <b>205 890</b>                      | <b>7 063</b>                        | <b>136 684</b>                          | <b>26 027</b>                         |
| <b>INVESTMENT REVENUE</b>                              | <b>7 479</b>                        | <b>304</b>                          | <b>5 487</b>                            | <b>1 177</b>                          | <b>34 348</b>                       | <b>1 243</b>                        | <b>34 517</b>                           | <b>4 535</b>                          |
| <b>OTHER INCOME</b>                                    | <b>43</b>                           | <b>7</b>                            | <b>95</b>                               | <b>-</b>                              | <b>36</b>                           | <b>6</b>                            | <b>65</b>                               | <b>-</b>                              |
| <b>ADMINISTRATION EXPENSE</b>                          | <b>(97)</b>                         | <b>(12)</b>                         | <b>(256)</b>                            | <b>-</b>                              | <b>(94)</b>                         | <b>(12)</b>                         | <b>(248)</b>                            | <b>-</b>                              |
| <b>GST EXPENSE</b>                                     | <b>(2)</b>                          | <b>(1)</b>                          | <b>(6)</b>                              | <b>-</b>                              | <b>-</b>                            | <b>-</b>                            | <b>-</b>                                | <b>-</b>                              |
| <b>CONTRIBUTIONS:</b>                                  |                                     |                                     |   |                                       |                                     |                                     |   |                                       |
| Contributions by employer                              | -                                   | -                                   | 22 539                                  | 3 221                                 | -                                   | -                                   | 22 885                                  | 3 256                                 |
| Contributions by members                               | 6 193                               | 968                                 | -                                       | -                                     | 6 213                               | 959                                 | -                                       | -                                     |
|  | <b>6 193</b>                        | <b>968</b>                          | <b>22 539</b>                           | <b>3 221</b>                          | <b>6 213</b>                        | <b>959</b>                          | <b>22 885</b>                           | <b>3 256</b>                          |
| <b>BENEFITS PAID:</b>                                  |                                     |                                     |   |                                       |                                     |                                     |   |                                       |
| Pensions   | (4 785)                             | (4)                                 | (16 398)                                | -                                     | (4 768)                             | (6)                                 | (16 342)                                | -                                     |
| Lump sums  | (4 185)                             | (-)                                 | (14 747)                                | (1 647)                               | (3 655)                             | (80)                                | (12 932)                                | (1 418)                               |
|  | <b>(8 970)</b>                      | <b>(4)</b>                          | <b>(31 145)</b>                         | <b>(1 647)</b>                        | <b>(8 423)</b>                      | <b>(86)</b>                         | <b>(29 274)</b>                         | <b>(1 418)</b>                        |
| <b>REFUNDS TO MEMBERS:</b>                             |                                     |                                     |   |                                       |                                     |                                     |   |                                       |
| Contributions  | (824)                               | (97)                                | -                                       | -                                     | (773)                               | (203)                               | -                                       | -                                     |
| Interest   | (779)                               | (52)                                | -                                       | -                                     | (615)                               | (88)                                | -                                       | -                                     |
|  | <b>(1 603)</b>                      | <b>(149)</b>                        | <b>-</b>                                | <b>-</b>                              | <b>(1 388)</b>                      | <b>(291)</b>                        | <b>-</b>                                | <b>-</b>                              |
| <b>NET INCREASE IN FUNDS</b>                           | <b>3 043</b>                        | <b>1 113</b>                        | <b>(3 286)</b>                          | <b>2 751</b>                          | <b>30 692</b>                       | <b>1 819</b>                        | <b>27 945</b>                           | <b>6 373</b>                          |
| <b>NET ASSETS AVAILABLE TO PAY BENEFITS AT 30 JUNE</b> | <b>239 625</b>                      | <b>9 995</b>                        | <b>161 343</b>                          | <b>35 151</b>                         | <b>236 582</b>                      | <b>8 882</b>                        | <b>164 629</b>                          | <b>32 400</b>                         |

16. **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.

|  | 2001                                |                                     |                          |                 | 2000                                |                                     |                          |                 |
|--|-------------------------------------|-------------------------------------|--------------------------|-----------------|-------------------------------------|-------------------------------------|--------------------------|-----------------|
|  | Old<br>Scheme<br>Division<br>\$'000 | New<br>Scheme<br>Division<br>\$'000 | POSS<br>Scheme<br>\$'000 | Total<br>\$'000 | Old<br>Scheme<br>Division<br>\$'000 | New<br>Scheme<br>Division<br>\$'000 | POSS<br>Scheme<br>\$'000 | Total<br>\$'000 |
| <b>PENSIONS:</b>                                     |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Gross scheme costs                                   | 21 173                              | 14                                  | -                        | 21 187          | 21 096                              | 20                                  | -                        | 21 116          |
| Funded from:   |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Police Superannuation Fund                           | 4 785                               | 4                                   | -                        | 4 789           | 4 768                               | 6                                   | -                        | 4 774           |
| Police Superannuation Scheme<br>Contribution Account | 16 388                              | 10                                  | -                        | 16 398          | 16 328                              | 14                                  | -                        | 16 342          |
|  | 21 173                              | 14                                  | -                        | 21 187          | 21 096                              | 20                                  | -                        | 21 116          |
| <b>LUMP SUMS:</b>                                    |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Gross scheme costs                                   | 18 871                              | 61                                  | 1 647                    | 20 579          | 16 336                              | 331                                 | 1 418                    | 18 085          |
| Funded from:   |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Police Superannuation Fund                           | 4 185                               | -                                   | -                        | 4 185           | 3 655                               | 80                                  | -                        | 3 735           |
| Police Superannuation Scheme<br>Contribution Account | 14 686                              | 61                                  | -                        | 14 747          | 12 681                              | 251                                 | -                        | 12 932          |
| POSS Scheme Contribution<br>Account                  | -                                   | -                                   | 1 647                    | 1 647           | -                                   | -                                   | 1 418                    | 1 418           |
|  | 18 871                              | 61                                  | 1 647                    | 20 579          | 16 336                              | 331                                 | 1 418                    | 18 085          |
| <b>RESIGNATION BENEFITS:</b>                         |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Gross scheme costs:                                  |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Contributions  | 824                                 | 97                                  | -                        | 921             | 773                                 | 203                                 | -                        | 976             |
| Interest   | 779                                 | 52                                  | -                        | 831             | 615                                 | 88                                  | -                        | 703             |
|  | 1 603                               | 149                                 | -                        | 1 752           | 1 388                               | 291                                 | -                        | 1 679           |
| Funded from:   |                                     |                                     |                          |                 |                                     |                                     |                          |                 |
| Police Superannuation Fund                           | 1 603                               | 149                                 | -                        | 1 752           | 1 388                               | 291                                 | -                        | 1 679           |